

The background of the entire page is a long-exposure photograph of a city street at night. The street is filled with light trails from cars, creating a sense of motion. On the left side, there are trees and some construction cones. On the right side, there are modern buildings with lit-up windows and a pedestrian bridge. The LeasePlan logo is overlaid on the top left of the image.

LeasePlan

2019

Annual Report 2019

"Our 2019 results are a proofpoint of the strength and resilience of our business, as well as LeasePlan's strategy to capitalise on the megatrend from car ownership to subscription services."

Tex Gunning, CEO, LeasePlan

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03

At a glance



1.9m
total serviced
fleet

06

Performance highlights

LeasePlan delivered a solid underlying net result of €557 million, while making significant strategic investments in our operations

557m
Underlying net result

+€45m
Additional strategic
investments in
CarNext.com in 2019

07

CEO statement

"Our 2019 results are a proofpoint of the strength and resilience of our business, as well as LeasePlan's strategy to capitalise on the megatrend from car ownership to subscription services"



Tex Gunning,
CEO, LeasePlan
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Our businesses

We operate two businesses:
Car-as-a-Service and CarNext.com



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Leadership team



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Managing Board
MORE PAGE 93 >



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Supervisory Board
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Financial statements

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Other information and Glossary



View 2019 Report at
www.leaseplan.com/corporate

At a glance

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At a glance¹

LeasePlan is a leader in two large and growing markets: Car-as-a-Service for new cars, through its LeasePlan business, and the high-quality three-to-four year old used car market, through its CarNext.com business.

Car-as-a-Service

LeasePlan purchases, funds and manages new vehicles for its customers, providing a complete end-to-end service for a typical contract duration of three to four years.

[MORE PAGE 13 >](#)

1963

founded

32

countries served worldwide

8,000²

employees

1.9m

total serviced fleet

1.4m

total funded fleet

**Corporate
SME
Private
Mobility provider**
Market segments

CarNext.com

CarNext.com is a pan-European digital marketplace for high-quality used cars, seamlessly delivering any car, anytime, anywhere. CarNext.com is supplied with vehicles from LeasePlan's own fleet as well as third-party suppliers.

[MORE PAGE 26 >](#)

23

countries served worldwide

45

delivery stores and pick-up points

73

Net promoter score

39,600

vehicles B2C retail sales

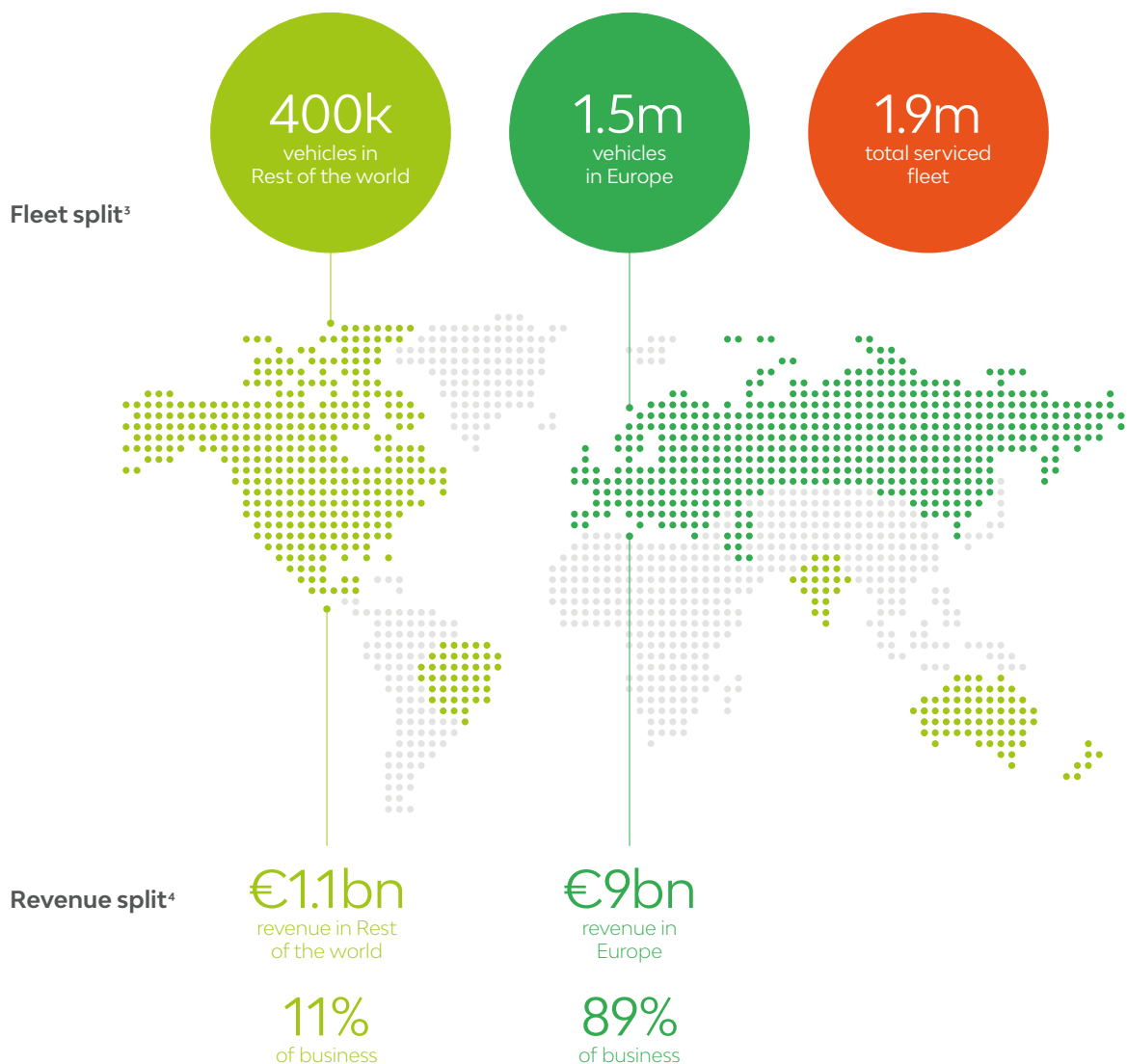
**Pan-European
B2B trader app &
auction platform**

**Growing network
of trusted third-
party suppliers**

1. As of 31 December 2019

2. Includes CarNext.com employees

Global reach



Our strategy

LeasePlan will take advantage of the significant growth opportunities we see ahead by becoming the world's first fully digital Car-as-a-Service business.

MORE PAGE 38 >

- 1 Implement NextGen Digital LeasePlan strategy to accelerate growth
- 2 Grow Car-as-a-Service
- 3 Grow CarNext.com
- 4 Achieve net zero emissions
- 5 Drive operational excellence

Sustainable mobility

We aim to achieve net zero tailpipe emissions from our funded fleet by 2030.

MORE PAGE 57 >

- 1 Shaping the future of low-emission mobility
- 2 Strengthening our contribution to societal wellbeing
- 3 Reducing our own environmental impact

3. Based on total serviced fleet

4. Includes CarNext.com

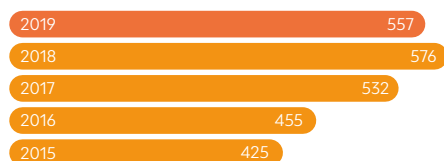
Performance highlights 2019⁵

Our 2019 results are a proofpoint of the strength and resilience of our business, as well as LeasePlan's strategy to capitalise on the megatrend from car ownership to subscription services.

Financial

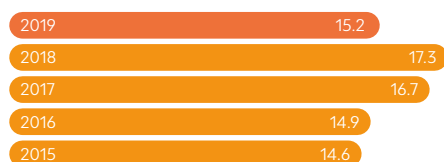
€557m

Underlying net result
(EUR)



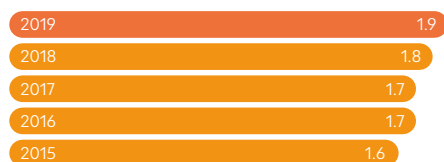
15.2%

Underlying return on equity⁶
(%)



1.9m

Number of vehicles⁷
(millions)



39,600

B2C retail sales CarNext.com
number of vehicles



+45m

Additional strategic
investments in
CarNext.com

Credit
ratings

Fitch: BBB+ (Stable)
Moody's: Baa1 (Stable)
S&P: BBB- (Stable)

Sustainability⁸

7.4%

New EV orders⁹



133 g/km

Average CO₂ g/km per vehicle¹⁰
(Funded fleet)



79.5%

Employee engagement plus score



30%

Diversity
(percentage of females at top three layers)



5. As at 31 December 2019

6. 2019 RoE is based on equity excluding the Additional Tier 1 instrument. Including the AT1, RoE is 14.6%

7. Total serviced fleet

8. The four non-financial indicators below were given limited assurance by our external auditors

9. New orders of Battery Electric Vehicles and Plug-in Hybrid Electric Vehicles in 2019, excluding USA

10. The figures reported are on the basis of vehicle test (either WLTP or NEDC, dependent on the moment of matriculation).



CEO statement

Tex Gunning CEO, LeasePlan Corporation

CEO statement

Throughout its 55-year history, LeasePlan has delivered a consistent track record of sustainable growth and profitability.

2019 was no exception: we delivered a solid underlying net result of EUR 557 million, while making significant strategic investments of approximately EUR 100 million in our operations, particularly in our fast growing CarNext.com platform. We also have more cars on the road than ever before and delivered a return on equity of over 15%. Overall, the results are proof points of the strength and resilience of our business, as well as our strategy to position our business for the shift from car ownership to car subscription services. As the leader of LeasePlan, I am very proud to be part of such a strong, resilient and innovative company, and deeply recognise that our performance could not have been achieved without the continued support of our customers, employees and investors.

Today, we find ourselves in unprecedented times, with the Covid-19 health crisis causing significant disruption in the global economy. While the coming months will pose challenges for all of us, I am confident that the fundamental strength and resilience of our business – including our high-quality customer base, our highly capable workforce, the long-term nature of our contracts, strong balance sheet and diverse funding platform – will ensure that LeasePlan weathers this storm.

We have already taken swift action to protect the safety of our employees, minimise the impact on our business and our customers, and adjust to the new economic reality. We have implemented a full business continuity plan, and the vast majority of employees are now working safely from home across all our markets, supported by our global digital infrastructure. We have worked hard both internally and with our network of trusted suppliers to ensure that we can continue to provide the best service possible to our customers and drivers in the weeks ahead. Given the unprecedented global supply chain issues that we are now seeing with many car manufacturers and dealerships, we have naturally shifted our focus from taking new vehicle orders to supporting our customers with their mobility needs by either extending contracts for current vehicles, providing vehicles from CarNext.com or making a temporary vehicle available to them from our rental fleet.

In addition, while we are in a strong position as a result of the contractually recurring nature of our business and income streams, our solid balance sheet, and our ability to use a variety of funding levers through our diversified funding platform, we have taken the prudent decision to defer non-urgent investments and not to pay out further 2019 dividends. In short, we have taken decisive steps, and will continue doing so as and when needed, to ensure that LeasePlan has maximum room for manoeuvre in the coming months and will emerge strongly from the crisis when it passes.

Despite recent developments, our long-term strategy remains to capitalise on the significant growth opportunities we see in the Car-as-a-Service market, which is being driven by the ownership to usership megatrend and enabled by digital platforms. To benefit from these long-term structural trends, LeasePlan is building a fully digital business model (NextGen LeasePlan), which will enable us to deliver digital services, at digital cost levels, using the latest technology. Our objective is to become the world's first fully digital Car-as-a-Service company, digitally integrating our services with an exciting range of new and highly specialised services, some of which will be developed and offered jointly with third parties. We are already making good progress. For example, last year we continued to rollout our online customer onboarding tool, which offers fully digital car selection, to five countries. We also launched the MyFleet solution (which gives corporate fleet managers real-time overviews of their vehicles' on-road status) in eight countries, and introduced the MyLeasePlan driver self-service app in three markets. Going forward, we know our digital strategy will require an architecture that is more flexible, scalable and adaptable than traditional process-orientated IT systems allow. Last year we therefore took the strategic decision to stop the development of our Core Leasing System in favour of a more dynamic and modular Next Generation Digital Architecture. This will enable us to offer a new range of smart fleet products and services to millions of customers with significant expected efficiency benefits.

CEO statement

Nowhere is our digital approach more important than in our Car-as-a-Service business. Last year, LeasePlan delivered solid growth across all customer segments, with particularly strong performances in SME and our Insurance business, where we saw sales penetration increase to nearly half our serviced fleet. We also took action to further grow our mature and highly profitable Corporate segment via actions including: the further rollout of our popular 'full package' EV solution, which includes home and office charging; the introduction of new products and services in our Repairs, Maintenance & Tyres (RMT) and Insurance & Damage Handling businesses; the launch of a group-wide LCV approach to capitalise on the growth in last-mile delivery; and the digitisation of our core customer journeys to enable us to further improve service levels while driving down costs. Looking ahead, we will leverage our growing digital capabilities to develop new growth strategies for the fast-growing and under-served SME, Private and Mobility provider segments. These strategies will leverage a direct digital sales and service approach via online platforms such as our SME Showroom, as well as strategic partnerships with OEMs, financial institutions, and leading mobility providers.

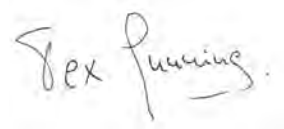
CarNext.com – our disruptive digital platform for high-quality used cars – is itself a significant proofpoint of our digital approach. With CarNext.com, we have built a platform business that enables both B2C and B2B customers to buy or subscribe to a wide range of high-quality used cars both from LeasePlan's European Car-as-a-Service fleet and the fleet of trusted third-party suppliers. In doing so, we have disintermediated the traditional market dynamics and are providing our customers with well-priced, high-quality cars in a market characterised by mistrust and a lack of transparency. In 2019, CarNext.com went from strength to strength, achieving impressive growth in the B2C segment, supported by 45 delivery stores and pick-up points across 23 countries, a fully online purchasing solution, and a brand new marketing partnership with Formula 1 driver Max Verstappen. In the B2B segment, CarNext.com also continued to build on its leading position through its refreshed B2B trader app and improved satisfaction levels among its trader community. Volumes on the platform were also up, as its trusted network of third-party suppliers grew substantially over the year.

This would not be LeasePlan without talking about how proud we are of our efforts to help tackle the climate change. We have set ourselves the goal of achieving net zero emissions from our funded fleet by 2030, supporting the effective implementation of the Paris Agreement. Our efforts are producing results. Take up of our innovative EV solution, which includes charging infrastructure, was up sharply, especially in the Corporate segment, while the share of new orders for diesel powertrains declined sharply. The transition of our fleet to electric vehicles was supported by the launch of our inaugural Green Bond in March 2019, a EUR 500 million 5-year fixed rate note. The bond attracted EUR 3.5 billion in demand and was a clear indication of the support from Europe's institutional investor base for LeasePlan's sustainability ambitions.

While we looked to growth opportunities in 2019, we also took care to continue to achieve operational excellence across our existing activities. Indeed, although the 'Power of One LeasePlan' programme – which enables us to leverage our scale and best practices across our country operations – has now been largely embedded in the organisation, our commitment to operational excellence and effective cost control remains at the forefront of our strategy via our cross-company 'Performance Excellence' programme. Through this program, our overall company targets are translated into specific KPIs for individual employees, creating a culture of ownership, accountability and performance. In addition, in 2019, LeasePlan introduced the zero-based budgeting methodology to further embed a culture of cost discipline across the company.

All our employees around the world deserve tremendous credit for the energy, commitment and dedication they have shown to LeasePlan, especially in recent weeks. I would also like to thank our customers, suppliers and investors for their ongoing trust and cooperation. For my own part, I am proud to be leading such a strong and resilient company and look forward to working with all our stakeholders in the year ahead.

Sincerely,



Tex Gunning

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

Strategy & business

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LeasePlan

What's next?

Our businesses

LeasePlan is a leader in two large and growing markets: Car-as-a-Service for new cars, through its LeasePlan business, and the high-quality used car market, through its CarNext.com business.

Our businesses

LeasePlan is a leader in two large and growing markets: Car-as-a-Service for new cars, through its LeasePlan business, and the high-quality used car market, through its CarNext.com business. LeasePlan also has an online retail bank operating in the Netherlands and Germany, which is an important source of funding for our fleet.

Our Car-as-a-Service business offers fleet management services to our Corporate, SME, Private, and Mobility provider customers and offers a complete end-to-end service for typical contract durations of three to four years. Services offered include purchasing, financing, fleet management, repair, maintenance and tyre management (RMT), insurance and damage handling, and fuel, accident and rental management. We own 1.4 million vehicles and manage a total of 1.9 million vehicles across more than 30 countries. We are the global market leader and largest player in the growing Car-as-a-Service market based on fleet size.

CarNext.com is a pan-European digital platform for high-quality used cars. Through CarNext.com, customers can buy or subscribe to a wide range of high-quality used cars from LeasePlan's European Car-as-a-Service fleet, as well as the fleets of trusted third-party suppliers. B2C customers can order their cars online through the CarNext.com website (which offers 360 degree photography and video content), with delivery available either to the customer's home or to one of CarNext.com's 45 delivery stores and pick-up points across Europe. It also operates a B2B channel, consisting of an online auction platform and app for professional buyers.

LeasePlan Bank offers retail savings banking in the Netherlands and Germany, with over 170,000 retail accounts and EUR 7.7 billion in deposits as of 31 December 2019. LeasePlan Bank offers online accounts to consumers at competitive interest rates and is an important source of funding within our diversified funding platform.



Our businesses

Car-as-a-Service

Our resilient and cash-generative Car-as-a-Service business provides subscription-based mobility solutions with integrated services

In our core Car-as-a-Service business for new cars, we literally turn cars into a service for customers who just want the use of cars (or Light Commercial Vehicles) without the hassle of owning them.

Business model

Owning the vehicle is inherent to our business model and allows us to capture the associated full value chain of services along its lifecycle. These services include vehicle procurement; vehicle financing; vehicle maintenance and repair; damage handling and insurance services; fleet management and consulting services; telematics; and fuel, accident and rental management services.

Purchasing

Vehicle purchasing

Financing

Financing solutions with or without services attached

Fleet management

Best-in-class fleet management software, consultancy services

Maintenance management (RMT)

Access to large network of third-party service providers for repair maintenance and tyres

Insurance and damage handling

Third-party motor insurance coverage and own damage insurance. Accident management and claim handling services

Fuel, accident and rental management

Fuel management, roadside assistance, replacement of vehicle, access to large network of third-party providers

Purchasing services

Financing services

Fleet management services

Maintenance management services (RMT)

Insurance and damage handling services

Fuel, accident and rental management services

High-quality used cars through CarNext.com

We manage mainly passenger vehicles (PVs: 76%¹¹) and light commercial vehicles (LCVs: 22%¹²), and our fleet is well diversified in terms of type of vehicle, countries of registration, as well as vehicle brands and models. After leasing our vehicles to our customers we sell or lease the majority of our vehicles via CarNext.com. As a result of the short duration of the lease contract, our fleet turns over quickly and, in principle, contains only the latest and cleanest models.

11. / 12. Funded book value



Our businesses > Car-as-a-Service

Competitive advantages

i. Global scale and local leadership

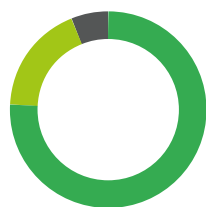
We manage approximately 1.9 million vehicles (serviced fleet) across more than 30 countries. We believe we are a global market leader by fleet size, being among the top three companies by fleet size in 22 of the 24 European markets where we operate¹³. Our scale and broad geographic presence also enables us to service smaller, regional clients, while also offering a global, coordinated and harmonised Car-as-a-Service product across multiple geographic regions to our international customer base.

ii. Diversified customer base

We have a diversified customer base. This customer base comprises Corporates with a fleet of more than 25 vehicles (76%); SMEs with a fleet of 25 or fewer vehicles (18%); and Private individuals (6%). Mobility providers (i.e. ride hailing companies) are currently reported within the SME and Private segments. Our customer base is diversified across industries and regions with no industry representing more than 21% of our corporate customers. Our customers are also high-quality (i.e. have low default rates). By year-end 2019, 53 of our top 100 Corporate customers were investment grade rated by Standard & Poor's. LeasePlan also benefits from a loyal customer base, a track record of more than 55 years and the fact that corporate fleet management is a relatively 'low ticket, high cost of failure' service.

Customer base by segment

Total funded book value



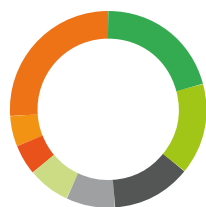
76%
Corporates

18%
SMEs

6%
Private
individuals

Corporate customers spread across sectors of the economy

Total funded book value



21%
Services

15%
Consumer
durables

13%
Capital goods

8%
Construction &
infrastructure

7%
Chemicals

5%
Technology

5%
Transport
& logistics

26%
Other

¹³. As of 31 December 2018

Our businesses > Car-as-a-Service

Corporates

The majority of our customers are international and domestic corporations leasing more than 25 vehicles. At year-end 2019, they represented approximately 76% of our total funded fleet book value. These customers are mostly large and sophisticated organisations with extensive fleet management needs. They benefit from our range of standardised products and services, our 'one contract, one contact' approach, state-of-the-art fleet reporting and driver support. Key trends in this segment include a growing interest in transitioning fleets to EVs and on reducing the overall CO₂ footprint, reducing total cost of ownership and improving driver satisfaction and safety.

SMEs

Our SME customers (25 or fewer vehicles) require simple products that are easy to access and delivered quickly. At year-end 2019, SMEs represented approximately 18% of our total funded fleet book value. We service SMEs with a range of standardised products and services that meet local standards and industry-specific needs. To reach these customers, we have both direct sales (through digital platforms or dedicated sales force) and indirect sales through dealers, banks, brokers and affiliates. These partners either generate referrals to LeasePlan or 'white label' our products and services. The SME segment is growing fast and has low penetration rates.



WATCH OUR VIDEO ON
SME LEASING HERE

Private individuals

This segment consists of customers who lease one vehicle. At year-end 2019, Private individual customers accounted for approximately 6% of our total funded fleet book value. LeasePlan offers standardised products and services to private customers, as well as to individual employees via their employer. We reach these customers through our omnichannel distribution strategy. Private individuals generally require transparent products, quick access to a vehicle, reliable service offerings and competitive pricing. The private leasing market is relatively new but has become increasingly popular in some countries such as France, Italy, the Netherlands, Spain and the UK, representing a significant growth opportunity for LeasePlan.



WATCH OUR VIDEO ON
PRIVATE LEASING HERE

Mobility providers

We provide services through strategic partnerships to Mobility providers in several European countries. For example, we have a pan-European partnership with Uber to offer a full-service operational lease solution to their partner-drivers via a referral model. Contracts with mobility providers are typically executed directly between LeasePlan and individual drivers.



Our businesses > Car-as-a-Service

iii. Diversified fleet across geographies and brands, with a growing low-emission vehicle base

Our fleet is well-diversified in terms of types of vehicle, countries of registration, brands and models, with no country representing more than 14% of the total funded fleet¹⁴. The geographic diversity of our fleets allows us to focus our investments and limit exposure to region-specific risks. It also enables us to benefit from cross-border arbitrage opportunities on the sale of used vehicles.

Zero emission mobility

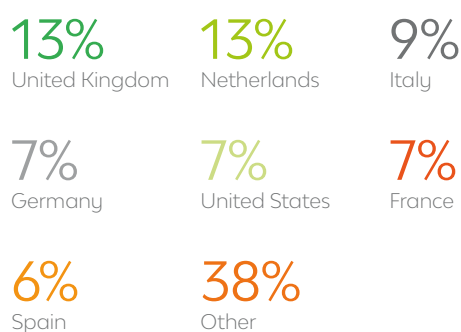
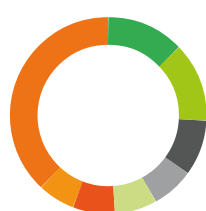
LeasePlan is taking an industry leadership role in the transition from internal combustion engines to electric and other alternative powertrains. We have set ourselves the goal of achieving net zero tailpipe emissions from our funded fleet by 2030. To this end, we have begun targeting customers in 12 EV-ready European countries with low-emission value propositions based on high-quality services and 'full package solutions'. This offering is underpinned by our partnership with Allego, through which we provide LeasePlan EV customers with access to personal charge points at home and at work. In addition, we are partnering with automakers to make sure we can offer low-emission vehicles at a competitive price. In line with our sustainability strategy, our fleet is transitioning to low-emission vehicles, with EVs accounting for 10% of new orders in Q4 2019 and 7.4% for the full year 2019. To read more about our transition to zero emissions mobility, please refer to the 'Shaping the future of low-emission mobility' chapter on [page 59](#) of this Report.

Diesel

We are actively stimulating our customers to transition to zero tailpipe emission vehicles, with diesels representing less than 50% of new registrations in Q4 2019, compared to 59% in Q4 2018¹⁵. The total share of all types of diesels in our funded fleet fell from 73% in 2018 to 67% in 2019¹⁶. In addition, due to the relatively fast turnover of our fleet, exposure continues to be limited to the latest and cleanest diesel Euro VI models. Euro VI diesels are not currently subject to any legislative restrictions and offer customers cost of ownership benefits relative to other powertrains. By year end 2019, the book value of Euro V diesels in our total funded fleet had declined to approximately 1% compared to approximately 3% in 2018¹⁷.

Funded fleet spread across geographies

Total funded book value

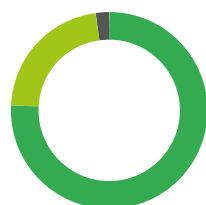


14. Total Funded Fleet Book Value as of December 31, 2019

15. Based on the book value of LeasePlan's funded fleet

16. / 17. Funded book value as of 31 December 2019

Our businesses > Car-as-a-Service

Fleet by split*Total funded book value*

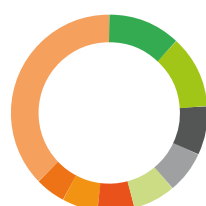
76%
Passenger
vehicles

22%
Light
commercial
vehicles

2%
Others

iv. Independence

LeasePlan is entirely independent from any automotive or financial institution and is therefore able to offer a wide variety of makes and models to its customers at attractive price points. In addition, this approach limits our exposure to any OEM-specific risks which may occur. As of year-end 2019, no single vehicle brand accounted for more than 12% of our total funded fleet book value.

Fleet diversified across a variety of brands*Total funded book value*

12%
Volkswagen

12%
Ford

8%
Mercedes

7%
BMW

7%
Audi

6%
Renault

6%
Peugeot

5%
Skoda

37%
Other

v. Unique funding structure

LeasePlan has established a uniquely diversified funding model with funding streams across various investment grade bond programmes, securitisation programmes, bank lines and retail deposits, providing us with access to a diverse and flexible range of funding sources. We have a bank licence and adhere to capital requirements set by the Dutch Central Bank. Being a supervised entity further supports our credit rating.

Our businesses > Car-as-a-Service

Market trends¹⁸

Below we describe the major market trends present in the Car-as-a-Service industry.

Market growth is being driven by the following trends:

Ownership to subscription

As vehicles become increasingly complex to own and maintain (e.g. insurance, tax, servicing, changing regulation, software upgrades), Corporates, SMEs, private individuals and mobility providers are increasingly moving away from outright vehicle ownership towards hassle-free subscription models – or Car-as-a-Service. This secular shift from ‘ownership to usership to subscription’ is being witnessed across many other sectors – from entertainment and software to office space. In Car-as-a-Service, this shift began in the Corporate segment and underpinned more than 50 years of continued growth, but is now also being seen in the SME, Private and Mobility provider segments.

In addition, urbanisation, digitalisation and new consumer demands are driving the rapid growth of Mobility provider services such as ride-hailing and ride-sharing via companies including Uber, Zip Car, Car2Go and DriveNow. Within this context, there is a growing trend for Mobility providers (many of which have an asset-light business model) to direct their drivers to large, international Car-as-a-Service providers.

While the shift towards subscription-based mobility services offers opportunities, it also challenges them to provide greater flexibility, including the ability for drivers to access multiple vehicle categories over shorter periods – for example, subscriptions that allow customers to swap their ‘city car’ for SUVs or other more specialised vehicles during weekends or vacations. In response, LeasePlan is adapting its product offerings, pricing and contract conditions in order to benefit from these trends, while mitigating the risks posed.

18. The current disruption in the markets related to the Covid-19 outbreak could impact trends in our market

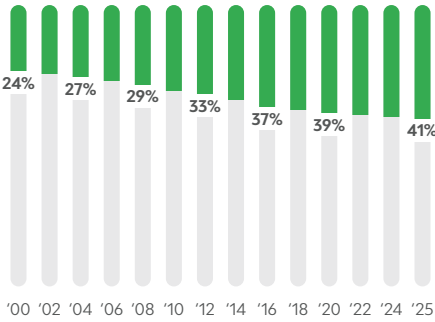


Our businesses > Car-as-a-Service

Car-as-a-Service penetration in overall car parc (EU-18), by customer segment, 2000-25

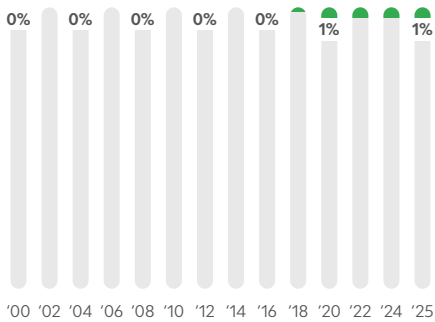
Corporates

CAGR '00-'16 **3.8%** CAGR '16-'25 **1.8%**



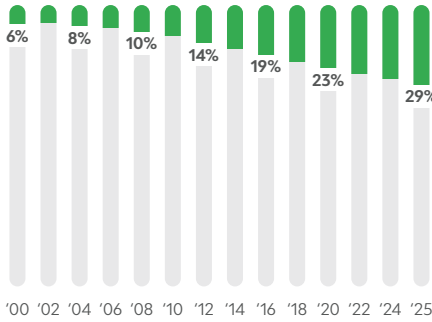
Private customers

CAGR '00-'16 **8.4%** CAGR '16-'25 **8.5%**



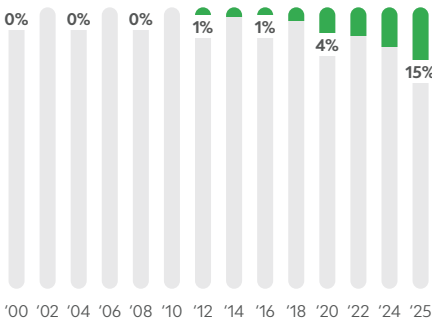
SMEs

CAGR '00-'16 **10.4%** CAGR '16-'25 **6.5%**



Mobility providers*

CAGR '00-'16 **21.0%** CAGR '16-'25 **45.1%**



*Depending on extent of growth of new mobility concepts
Source: IHS; Frost & Sullivan; Profit pool analysis (RB Study 2016); Interview with market participants; Roland Berger

CASE STUDY #1

Driving sustainability through our business

SME digital showroom

LeasePlan is digitising its core customer journeys to further improve its service levels while driving down costs.

As part of this focus, in 2019 LeasePlan launched a digital showroom that enables SMEs to order their vehicles completely online. This high-end, user-friendly digital showroom gives SME customers a simple, appealing and easy-to-navigate way to choose and order their cars, and was one of four new initiatives launched by LeasePlan to help further improve the customer experience.

"We knew 97% of our SME customers use the internet to research their next car, and more than 40% could imagine buying their next car online – yet only 1% consider the current process involved in buying a car an ideal customer experience," says Reinier Hendriks, LeasePlan's Global Director SME. "So our aim was to bridge this gap by giving our customers the most convenient way possible to lease their next car."

Using the digital showroom, SMEs can search for the ideal car to suit their needs, find out about options and benefits, understand the costs involved, and request a quote or place an order. It is an end-to-end digital process that enables customers to upload documents, gain credit approval, verify their ID and sign a contract – all within minutes, and with online advisers on hand to offer support.

The SME digital showroom is already live in nine countries. As a global ecommerce platform it can be tailored to a new country in just four weeks, allowing LeasePlan country teams to run it locally to meet their customers' specific needs.

"By offering this level of flexibility and convenience, the SME digital showroom has already led to a significant number of new customer orders," says Hendriks. "Going forward, it will underpin our new 'carefree mobility' SME value proposition, which we intend to pilot in Portugal, the UK and elsewhere."



WATCH OUR VIDEO ON OUR
SME PROPOSITION HERE

"We knew 97% of our SME customers use the internet to research their next car."

Reinier Hendriks, LeasePlan's Global Director SME

Our businesses > Car-as-a-Service

Digitisation

Digital technologies (including artificial intelligence, 5G and autonomous vehicles) are facilitating the transformation of the Car-as-a-Service industry, enabling incumbents to improve service levels while lowering costs, as well as encouraging the development of new platform businesses based on existing Car-as-a-Service competencies (e.g. CarNext.com). Through its NextGen Digital strategy, LeasePlan is transforming from an analogue business into a fully digitally-enabled business, delivering digital services at digital cost levels. This approach will enable us to capture the growth opportunities we see ahead of us in the SME, Private and Mobility provider markets. Although digitisation offers significant opportunities to Car-as-a-Service companies, it also presents challenges.

Autonomous vehicles

The arrival of autonomous vehicles (AVs) could lead to Mobility providers potentially opting to contract out AV fleet management to a specialist fleet management provider, thus maintaining their asset-light status. Given LeasePlan's core capabilities in Car-as-a-Service, we believe we are well positioned to fund and manage the growth of AV fleets. To benefit from this trend, Car-as-a-Service providers must also ensure they develop the digital capabilities to manage these new fleets of AVs.

Sustainability

Sustainability is of growing importance in the Car-as-a-Service industry as customers look to access cleaner, low-emission vehicles in response to climate change and air quality concerns and related regulation. The powertrain shift has been further stimulated by the 'Dieselgate' scandal in particular, where a number of car manufacturers falsified NOx emission data, unleashing a global backlash towards car manufacturers and diesel as a powertrain. LeasePlan aims to be a responsible company, and is therefore committed to responding to our customers' desire for low-emission Car-as-a-Service products, including electric vehicles, and aims to achieve net zero emissions from its funded fleet by 2030. Whilst the newest diesel VI vehicles have lower CO₂ and NOx emissions than most petrol vehicles, we do notice a shift in preferences, with our new car orders for diesel powertrains steadily decreasing, and orders for Electric Vehicles (EVs) rising throughout our markets, especially in Europe. Overall, we believe the shift towards EVs presents a significant opportunity for Car-as-a-Service companies as customers look to a specialist service provider to manage the residual values of these new technologies. With the rise of EVs, we have to ensure all materials in EV batteries (especially cobalt) have been ethically mined and that batteries are designed on circular economy principles, enabling upcycling at the end of their lifecycle. The automotive industry has begun to tackle these issues, particularly regarding the traceability of battery materials, through organisations such as the World Economic Forum's Global Battery Alliance (of which LeasePlan is a member).

i. EV adoption

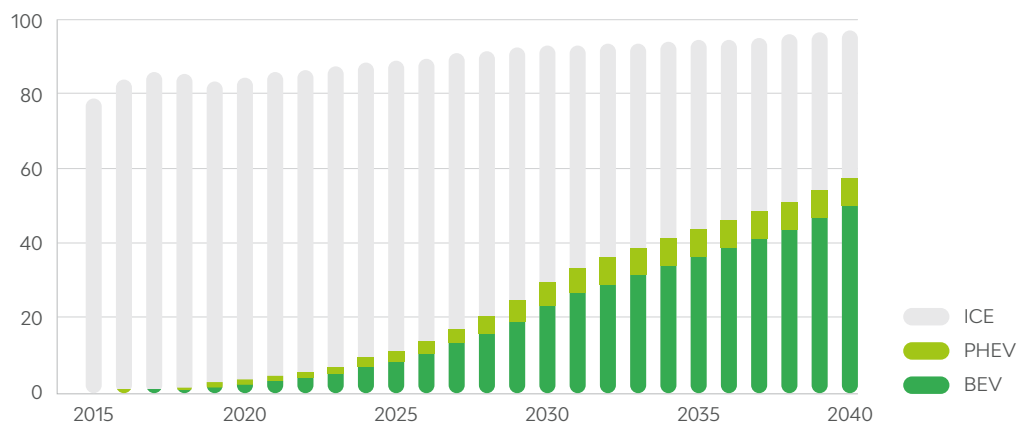
EVs represent a small part of the market, but adoption is rising rapidly, and in the case of Battery Electric Vehicles (BEVs), the market is believed to be fast approaching a tipping point. Annual passenger EV sales, which reached an estimated 2 million in 2018, are forecast to reach some 10 million in 2025, 28 million in 2030 and 56 million by 2040¹⁹, and some of the fastest growth is likely to take place in the European markets in which LeasePlan is active, and where we expect to move ahead of the overall market trend to meet our 2030 ambitions. In addition to growing engagement with the climate change agenda, EV uptake is being stimulated by falls in total cost of ownership, which is already lower than diesel and petrol equivalents in some European markets. EVs are generally forecast to reach price parity with internal combustion engine (ICE) vehicles across most segments by the mid-2020s²⁰, albeit with some geographic variations. Although the European playing field for tax benefits and other incentives remains uneven, costs will likely decline largely thanks to continued growth of global battery manufacturing capacity and falling prices of lithium-ion battery packs.

19. / 20. *Electric Vehicle Outlook 2019 BloombergNEF*

Our businesses > Car-as-a-Service

Global EV sales are expected to significantly increase

Million vehicles



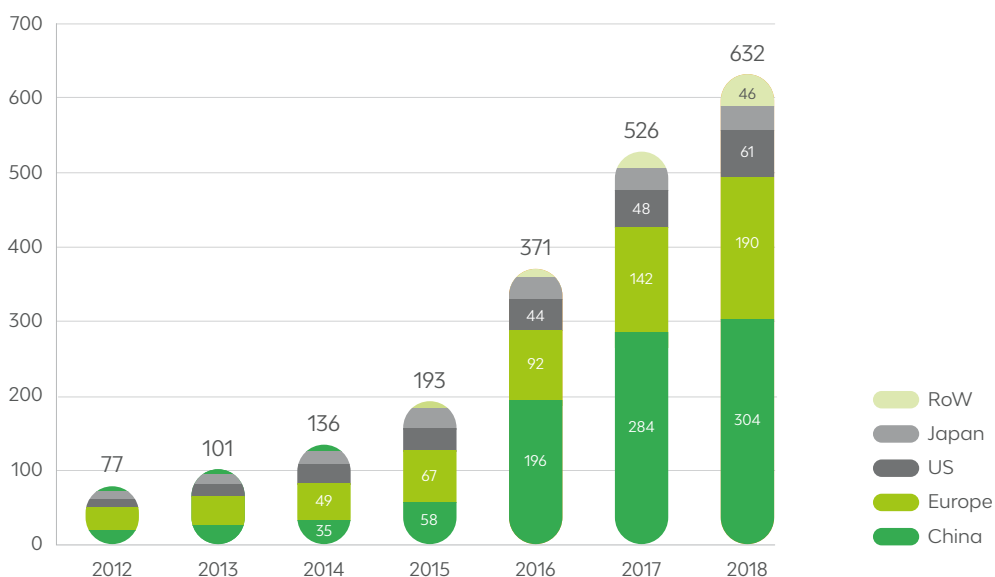
Source: BloombergNEF. Data current as of January 1, 2019

ii. Charging infrastructure

Public charging infrastructure is expanding rapidly, although its widespread availability remains an important barrier to widespread EV adoption, particularly among drivers without access to home or workplace charging. A combination of potential solutions is beginning to emerge, including ultra-fast chargers, wireless charging and battery swapping, with the challenge being to make these feasible and accessible to all drivers. In addition, renewable energy grid capacity will need to increase to ensure EVs deliver the fullest possible emissions reductions. Cooperation between municipalities, electricity producers, power grid operators and EV drivers and owners will be key to managing the transition successfully.

Public charging infrastructure has grown significantly

Thousand units



Source: BloombergNEF. Data current as of January 1, 2019

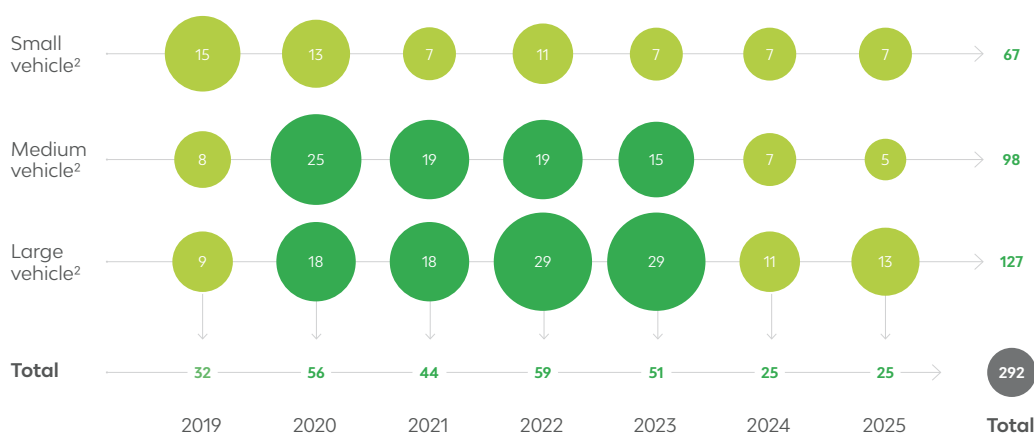
Our businesses > Car-as-a-Service

iii. Model availability

Most major automakers already offer a range of EV models. However, the current EV range will increase significantly in the coming years as Paris Agreement emissions objectives and related EU legislation will require OEMs to achieve fleet-wide average emission targets of 95g CO₂/km for passenger vehicles and 147g CO₂/km for light commercial vehicles by 2021. OEMs will launch around 300 new Battery-Electric Vehicles by 2025, with a strong focus on medium and large vehicles.

OEMs to launch 100s of new EV models in the coming years

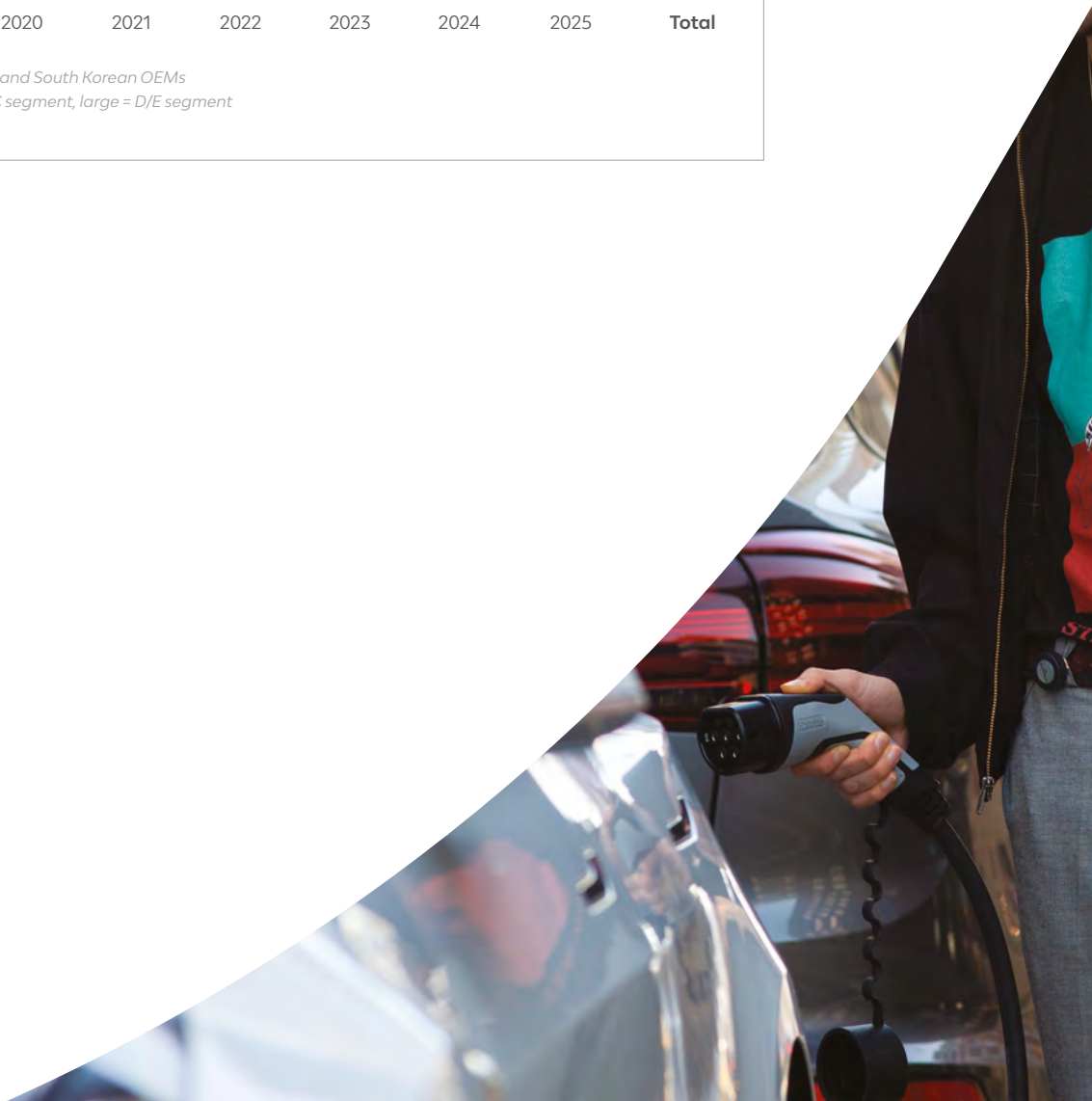
BEV¹ includes¹ by production start date, and vehicle size



1. Includes US, European, Japanese and South Korean OEMs

2. Small = A/B segment, medium = C segment, large = D/E segment

Source: IHS Automotive (July 2019)



CASE STUDY #2

Driving sustainability through our business

Growing our private leasing business

As countries move towards subscription models and away from ownership, LeasePlan's Car-as-a-Service proposition for private lease drivers has been evolving quickly to provide an increasingly popular solution.

Private lease customers in the Netherlands are among those to benefit from paying a single monthly subscription for an all-inclusive service. This covers the use of a high-quality car, insurance, roadside assistance and regular maintenance – everything but fuel.

"More and more people will move to not owning a car, but simply using one," says Robert Zitter, Manager Corporate Sales Nissan, a LeasePlan private lease partner. "We'll also see a shift in the type of cars in this model, from smaller A and B segment cars to larger C segment cars."

For private lease customers, one of the big advantages of LeasePlan's Car-as-a-Service solution is the convenience of access to a 24/7 service (including in the evenings and at weekends) through an easy-to-use digital app. LeasePlan Netherlands has revamped the app recently, and this will extend the 24/7 service offering, enabling customers to schedule maintenance, make bookings and update their mileage.

Paying a monthly fee also gives private lease customers a simple way to spread the costs of vehicle usage, and avoid the worry of expensive, unexpected repairs. Further benefits of the service include the opportunity to drive a brand new car.

Moving forward, LeasePlan will build on the success of its private lease solution and extend the offering to new markets, tapping into an additional profitable growth opportunity.



WATCH OUR VIDEO ON OUR
PRIVATE LEASING BUSINESS HERE

"More and more people will move to not owning a car, but simply using one."

Robert Zitter, Manager Corporate Sales Nissan

Our businesses

CarNext.com

Our mission is to be the most trusted pan-European digital platform for high-quality used cars, seamlessly delivering any car, anytime, anywhere.

CarNext.com is our pan-European digital platform for high-quality used cars. Through CarNext.com, customers can buy or subscribe to a wide range of one-five year-old used cars. It also operates a B2B channel, consisting of an online auction platform and app for professional buyers. In addition, CarNext.com offers a range of services for its growing network of trusted third parties.

Business model

CarNext.com generates revenues through commissions on cars sold or used Car-as-a-Service (UCaaS), own-car sales, and ancillary services, such as de-fleeting and retail preparation. Within this framework, CarNext.com sells and provides services for a large portion of the LeasePlan Car-as-a-Service vehicles that come off-contract in the countries in which CarNext.com operates, as well as a smaller but growing number of vehicles owned by its trusted network of third-party suppliers. CarNext.com sales are realised B2C through CarNext.com's online digital platform or one of its 45 Delivery Stores and pick-up points, or B2B through CarNext.com's platform. For B2C, CarNext.com commissions are dependent upon the additional value realised versus the B2B trader price. CarNext.com acts as a sales agent for LeasePlan's Car-as-a-Service business and commission rates are set at market rates on an arms-length basis.

In order to optimise value-creation in both businesses, we intend to set up CarNext.com within its own business unit structure within LeasePlan. We are also reporting CarNext.com's financial results separately, commencing with this Annual Report 2019. In addition, we continue to review various strategic alternatives for CarNext.com, including a potential full or partial separation of CarNext.com from the Group whereby LeasePlan would continue to sell its used cars through the CarNext.com B2B and B2C platforms.



CarNext

by LeasePlan



Our businesses > CarNext.com

Competitive advantages

Traditionally, the used car market has been fragmented, localised and inefficient. It consists mainly of intermediaries, traders and dealerships, and is characterised by high levels of inefficiency and low levels of transparency and customer trust. The CarNext.com proposition focuses on building trust through transparency, an online end-to-end service, and a wide availability of makes and models, enabling customers to find the right car for them. We apply expertise, data science capabilities and leverage our pan-European network to establish the best channel, geography and pricing for each vehicle. CarNext.com's competitive advantages include:

Guaranteed supply

CarNext.com has access to a guaranteed supply of approximately 250,000 high-quality used cars coming out of LeasePlan's Car-as-a-Service business each year, as well as vehicles from our growing network of trusted third-party suppliers

Superior online service

CarNext.com offers a seamless online experience, with 360 degree photography and video of the vehicles on the platform. The entire buying experience, including financing and home delivery scheduling, can be completed online

Flexible model

Customers can buy or subscribe to a high-quality used car, younger than five years, online through an interactive marketplace or at one of our Delivery Stores and pick-up points

Data-driven asset steering

CarNext.com's unique 'Asset Control Tower' is used to analyse external and proprietary data in order to match demand sources with supply, facilitating the development of targeted strategic partnerships with third-party suppliers. This enables customers to rapidly access the model of their choice, further supporting CarNext.com's growth

Pan-European network

CarNext.com is supported by a pan-European network of 45 Delivery Stores and pick-up points across 23 countries

Trusted Seller

Vehicles on CarNext.com come with a full ownership, fixed all-in prices and a 14-day no-questions-asked return policy

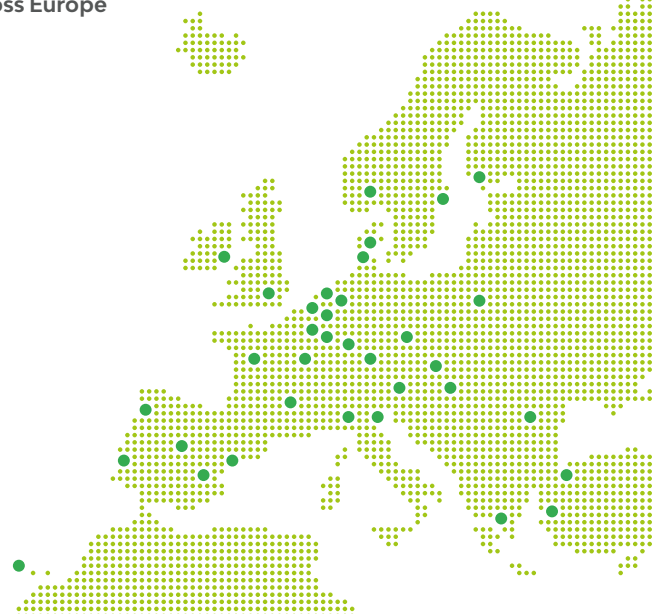
CarNext.com stores across Europe

23

countries

45

Delivery Stores
& pick-up points



Our businesses > CarNext.com

Our customers

CarNext.com provides services for three key customer groups: B2C customers, B2B traders and Partner services.

B2C customers

CarNext.com enables customers to buy or subscribe to a wide range of high-quality used cars online, and through its network of 45 Delivery Stores and pick-up points across 23 countries. CarNext.com provides an experience customers can trust by offering a fixed all-in pricing, detailed specifications, 360-degree photography, home delivery and a 14-day no-questions-asked return guarantee. Every vehicle on the CarNext.com platform is fully reconditioned and must pass our rigorous quality check before sale. This fully online buying proposition can process a sale in less than two minutes, and is a first-of-its-kind innovation in the used car market. In 2019, we welcomed almost 10 million unique visitors to our website and our net promoter score (NPS) was 73²¹.

CarNext.com also offers customers a flexible, reliable and quick way to lease or subscribe to a high-quality used car with an all-inclusive fixed monthly fee. Cars are delivered to customers' doorstep within 14 days, and the subscription includes everything except fuel. The end-to-end digital service starts with five simple steps that can be completed either online or via the app.

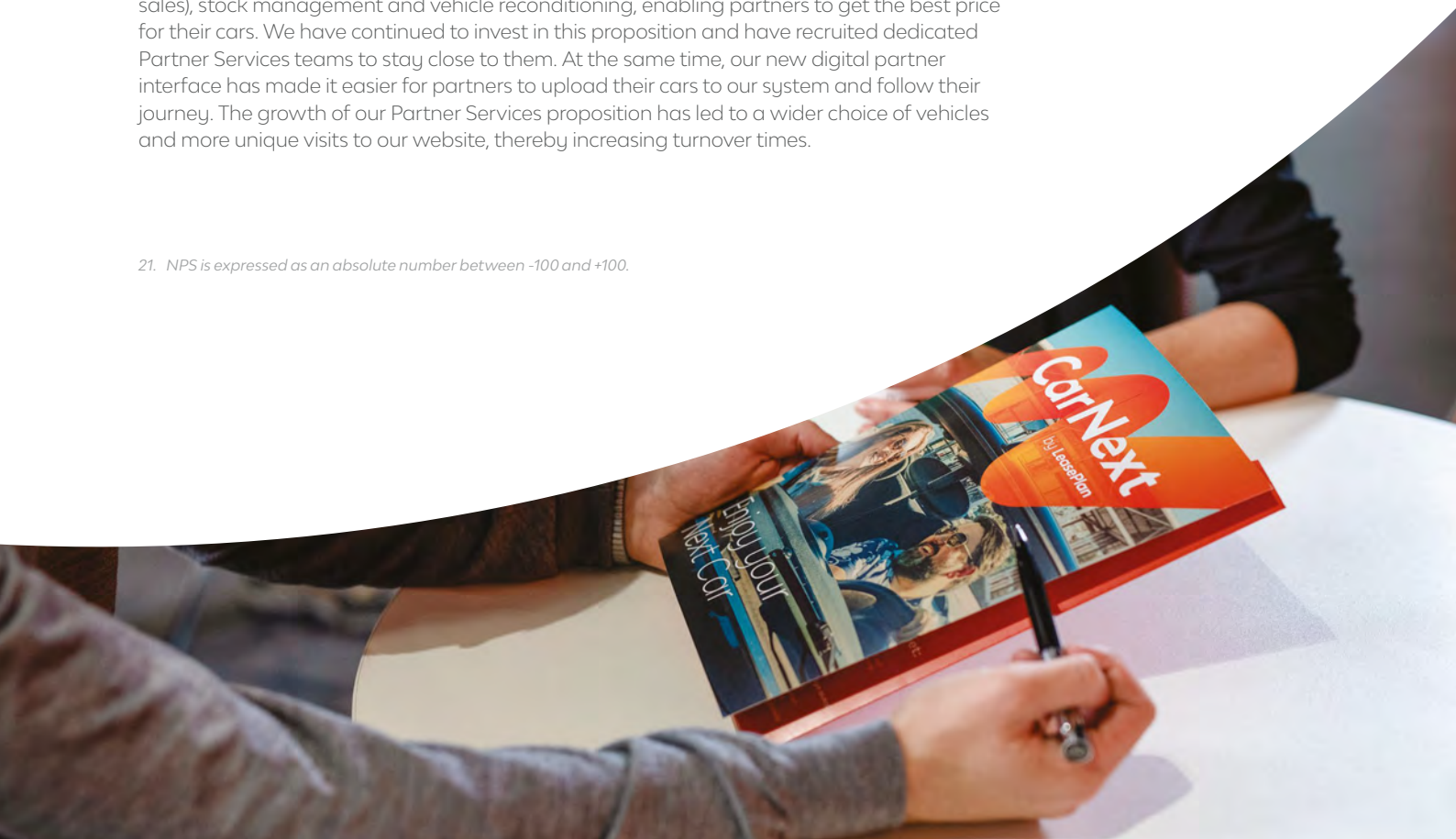
B2B traders

CarNext.com operates a B2B auction platform and trader app (available in 36 countries), offering over 125,000 traders access to daily auctions across Europe. Accessible online and through a mobile app, the auction platform enables traders to easily browse thousands of possible vehicles. Each car shown comes with a full vehicle assessment report and a comprehensive set of high-quality images, which can be downloaded and used for remarketing. In 2019, more than six million bids were made on the B2B platform.

Partner services

CarNext.com offers a full range of services for our growing network of trusted third-party supplier-partners, called Partner Services. Once a partner decides to sell a vehicle, CarNext.com does the rest – from picking up the vehicle, to channel selection (including cross-border sales), stock management and vehicle reconditioning, enabling partners to get the best price for their cars. We have continued to invest in this proposition and have recruited dedicated Partner Services teams to stay close to them. At the same time, our new digital partner interface has made it easier for partners to upload their cars to our system and follow their journey. The growth of our Partner Services proposition has led to a wider choice of vehicles and more unique visits to our website, thereby increasing turnover times.

21. NPS is expressed as an absolute number between -100 and +100.



CASE STUDY #3

Driving sustainability through our business

CarNext.com

Our online pan-European marketplace CarNext.com has continued to disrupt the traditional market for used cars, with new service developments and an exciting partnership with Formula 1 driver Max Verstappen.

"In 2019, we launched our online car-buying proposition across 21 countries in Europe, enabling our retail customers to source and order cars online in just a few moments, and then arrange for their swift delivery," says Ewout van Jarwaarde, CEO of CarNext.com. "Then at the end of the year, we partnered with Max to help us raise awareness of the CarNext.com brand as we continue to grow the business."

With 10 million unique visitors to its online marketplace last year, CarNext.com is seeing this growth continue apace. As a next step, CarNext.com will further support its proposition by developing and scaling the data and technology capabilities of the marketplace, thereby further enhancing the customer experience, and offering new products and services, such as online financing and payment solutions.

"The CarNext.com ecosystem is underpinned by technology, data and self-learning algorithms," says van Jarwaarde. "These provide us with insights into customer demand so we can actively find the right supply to

match their needs. Our focus throughout is on the customer experience. Ultimately, we want to make sure everyone – customers, partners and traders – can have access to CarNext.com's unique offering."

CarNext.com also operates a leading B2B platform on which more than 125,000 professional buyers can bid in daily auctions online, or via a dedicated app. In 2019, the B2B platform continued to grow, with more than six million bids placed in auctions. CarNext.com also introduced ancillary services and a programme to improve the trader journey and experiences.

At the same time, the development of CarNext.com's dedicated Partner Services proposition has met with a strong market response, and is already securing a pipeline of new supply. CarNext.com offers end-to-end remarketing services to a growing network of trusted third-party suppliers who want to sell their cars via its marketplace. This year, it launched a digital interface that makes it easier for partners to upload cars onto the system and follow their journeys.



WATCH OUR VIDEO ON
CARNEXT.COM HERE

"The CarNext.com ecosystem is underpinned by technology, data and self-learning algorithms."

Ewout van Jarwaarde, CEO of CarNext.com

Our businesses

LeasePlan Bank

Our internet savings bank offers flexible deposit savings products that help our customers achieve their goals.

As part of its unique independent funding platform, LeasePlan Corporation N.V. operates LeasePlan Bank. LeasePlan has a banking licence and is regulated as a financial institution by the DNB and the AFM.

LeasePlan Bank is an online-only savings bank that offers flexible saving accounts and term deposits to retail customers. It is an integral part of our diverse funding strategy and has operated in the Netherlands since 2010 and in Germany since 2015. In July 2019, LeasePlan Bank successfully transitioned its core banking platform to a purely cloud-based Software-as-a-Service solution. This has enabled us to reduce our IT complexity, while improving the flexibility, reliability and efficiency of LeasePlan Bank's services.

As of 31 December 2019, LeasePlan Bank had approximately 132,000 retail accounts in the Netherlands (2018: 124,000) and 41,000 in Germany (2018: 30,000), with total savings deposits of EUR 5.78 billion (2018: EUR 5.29 billion) and EUR 1.88 billion (2018: EUR 1.11 billion) respectively.



CASE STUDY # 4

Driving sustainability through our business

LeasePlan Bank

Last year, LeasePlan Bank migrated to a new core banking and CRM system.

The 18-month project, which was designed to address issues with legacy systems and a fragmented IT landscape, involved 120 trial migrations that led up to a 'Big Bang Go-Live' in July 2019. The 'Go-Live' event saw it successfully migrate 210,000 customers and more than 980,000 accounts to the new system, moving 18 million historical transactions and close to EUR 7.6bn in savings deposits.

"The project's success had several factors," explains Sander Frons, Director of LeasePlan Bank. "One was our choice of fit-for-purpose suppliers, enabling us to benefit fully from propositions without paying for excess features. They were also based in the Netherlands, which was a key factor given the importance of close collaboration between us and the daily contact required between our project managers."

LeasePlan Bank's main aim was to avoid a negative impact on its customers, and so it took a proactive approach, making changes to products and data months before the migration date, and notifying customers about the rationale behind the changes.

"This meant we weren't overwhelmed with queries, and received very limited complaints during the migration process" says Frons. "All clients reset their passwords on the Monday following the migration weekend, and by Thursday, we were back to business as usual."

To future-proof the system, LeasePlan Bank chose Software-as-a-Service (SaaS) and Platform-as-a-Service (PaaS) solutions that can be easily upscaled. With the new banking engine in place, LeasePlan Bank can better support compliance requirements, develop new products, and bring new features to market rapidly. It will help LeasePlan Bank operate more cost-efficiently, accelerate its cycle of new releases, and optimise its customers' experience.

"The go-live involved moving 18 million accounts and close to EUR 7.6bn in savings deposits"

Sander Frons, Director of LeasePlan Bank

Our businesses

Our organisation

LeasePlan is a multi-local business, operating across more than 30 countries.

LeasePlan is committed to achieving operational excellence through the implementation of an integrated pan-European operating model and by leveraging scale and best practices, which allow us to achieve optimal service delivery at the lowest possible cost. To this end, LeasePlan is managed as a multi-local business with our country teams supported by a number of corporate functions.

As of January 2019, our country managing directors are supported by five regional cluster leads, who act as a first point of contact and provide advice and guidance on the implementation of our strategy and related initiatives. The management teams at country level supervise all aspects of local operations and implement our strategy locally. This cluster structure does not alter our business segments. LeasePlan identifies Europe and Rest of the World as reportable segments. In addition, we report on Car-as-a-Service and CarNext.com.





Our businesses > Our organisation

Commerce

Commerce focuses on attracting new customers, retaining existing customers, optimising our range of services and increasing the number of products purchased. It is responsible for delivering customised fleet management advice on topics such as sustainable fleet management (CO₂ emissions reduction), enhancing driver safety and satisfaction, reducing total cost of ownership.

Procurement

Procurement acquires and distributes products and services across LeasePlan's operating countries. This centralised approach delivers a competitive advantage through leveraged buying and preferential access to the latest vehicles and related goods and services. LeasePlan's Procurement activities are supported by policies and compliance controls that help us ensure sustainable value creation.

Insurance

Insurance offers insurance coverage and damage services to our customers in 30 countries. In most cases, insurance cover is an integral part of our fleet management proposition. Drivers are supported with accident management services such as roadside assistance, replacement vehicles, and repairs through our preferential network of independent service providers, as well as claims handling services. As of year-end 2019, LeasePlan insured approximately 889,000 vehicles worldwide, which corresponded to a Serviced Fleet insurance penetration rate of 47.5%.

Repairs, Maintenance & Tyres (RMT)

During the life cycle of the vehicle, RMT supports our customers with a full range of services, including repair and maintenance of the vehicle and the replacement of tyres. We offer customers access to a large network of more than 70,000 independent service providers at competitive rates. RMT is organised both globally and in regional clusters. Globally, the function is also responsible for monitoring market-specific needs, data analytics and telematics

CarNext.com

CarNext.com is our pan-European digital platform for high-quality used cars. Through CarNext.com, customers can buy or subscribe to a wide range of one-five year-old used cars. It also operates a B2B channel, consisting of an online auction platform and app for professional buyers. In addition, CarNext.com offers a range of services for its growing network of trusted third parties.

Corporate functions**Audit**

Audit provides audit assurance and consulting activity that aims to add value to our operations. It helps us accomplish our objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of our risk management, control and governance processes. Audit is recognised as the third line of defence in LeasePlan's risk management.

Company Secretariat & Regulatory Affairs

Company Secretariat & Regulatory Affairs advises, guides and steers the Managing and Supervisory Boards on corporate law, (financial) regulatory law and corporate governance-related matters. In addition, the function addresses banking supervision and related regulation.

Corporate Affairs

Corporate Affairs aims to enhance LeasePlan's brand and reputation among all key stakeholder groups via a consistent company positioning. Corporate Affairs is also responsible for media relations, internal communications, social media and our international public affairs partnerships, including with the World Economic Forum (WEF), World Business Council for Sustainable Development and the United Nations.

Corporate Social Responsibility (CSR)

CSR coordinates the roll-out of LeasePlan's sustainability strategy and supports various business areas in defining action plans, monitoring progress and reporting on agreed KPIs. A CSR governance structure and dedicated work streams are in place to drive and manage our overall sustainability strategy.

Our businesses > Our organisation > Corporate functions

Digital

LeasePlan is on a journey to become the world's first fully digital Car-as-a-Service company. LeasePlan Digital supports this objective by helping to transform our company into a NextGen digitally-enabled business, delivering digital services through digital platforms and leveraging the latest digital intelligence technologies, including the development of our Next Generation Digital Architecture. Ensuring cyber security is also a key element of LeasePlan Digital's remit.

Finance

Finance oversees LeasePlan's financial budgeting and planning, reporting, consolidation and administration. It is responsible for consolidating and reviewing financial results for management information and external reporting, including to the Dutch Central Bank (DNB) and other regulators. This function also includes tax management, financial reporting and financial shared services.

HR

HR supports the execution of our strategy by supporting the growth and development of our people, increasing digital competence across the organisation, and promoting diversity and inclusion. We believe an effective, diverse workforce contributes to well-balanced decision-making and the proper functioning of the organisation.

International Asset Management

International Asset Management determines, monitors and steers the future value of our fleet. Its aim is to provide the most accurate residual value predictions based on data and state-of-the-art analytics. By establishing the real-time monitoring of the fleet's market value, LeasePlan can develop and apply effective strategies and interventions to steer fleet value and have a consistent baseline for finance, controlling and risk assessment purposes.

Legal

Legal provides in-house legal advice. It aims to avoid and mitigate legal risks by promoting compliance with applicable laws and regulations, and is in close contact with our country teams and corporate functions.

LeasePlan's legal charter provides a clear allocation of roles and responsibilities and reporting lines by the local legal counsels to local management and the General Counsel.

Marketing

Marketing develops, governs and strengthens the global LeasePlan brand. It aims to optimise value by providing the strategic framework for our brand identity and positioning, products and services, and our commercial approach to customers and drivers. Marketing also supervises local marketing activities and identifies best practices for adoption elsewhere. In addition, it supports our commercial activities and develops new value propositions.

Privacy & Compliance

Privacy & Compliance safeguards LeasePlan's integrity and reputation and helps protect against financial loss and reputational damage. This is achieved by integrating privacy and compliance in daily business activities and strategic planning processes, as well as challenging and assisting the business and promoting awareness at all levels.

Risk

Risk is responsible for effective risk management, which is vital to our functioning as a business. Controlled and balanced risk taking – accommodated by a strong, independent risk organisation at corporate and country level, and risk governance, supported by clear direction from our senior management – are key elements in driving our strategy. LeasePlan's Risk Function also supports the creation of a culture in which every member of staff understands their individual responsibilities and takes accountability for their actions.

Strategic Finance

Strategic Finance oversees our funding and treasury operations, and houses our investor relations and corporate development functions. Through this function, we operate a highly diversified funding base, which includes unsecured debt capital markets funding, securitisations, bank funding and a non-market dependent deposit platform for retail customers through LeasePlan Bank.

CASE STUDY #5

Driving sustainability through our business

Keeping our clients' businesses moving

One of LeasePlan's major clients is ISS, one of the world's largest facility management companies. Founded a century ago, it has been a LeasePlan customer for more than 20 years.

Today LeasePlan and ISS are working together ever more closely. We now manage 70% of ISS's 20,000-strong fleet, mostly commercial vehicles, across the world. The fleet is crucial to ISS's ability to provide its huge range of services which include cleaning, catering, maintenance, support staff and security, and integrated facilities management.

"Partnership with LeasePlan is very important for us because a lot of our own services are delivered via our fleet," explains ISS Chief Operating Officer Troels Bjerg. "LeasePlan has proved it can support us with the right vehicles when we need to reach our customers."

Commenting on the partnership, Gine Nauta, who manages the partnership for LeasePlan, said: "We support ISS fleet management activities on a day-to-day operational basis, but we're also moving to manage its local fleets more proactively. Many ISS vehicles are used 24/7, so they require a highly strategic partner – not just in terms of cost, but also in terms of the continuity of the services they offer. In addition, we're helping them to significantly decrease the environmental impact of their fleet."



WATCH OUR VIDEO ON OUR
PARTNERSHIP WITH ISS HERE

"Partnership with LeasePlan is very important for us because a lot of our own services are delivered via our fleet."

Troels Bjerg, ISS Chief Operating Officer



Our strategy

Based on the strong and resilient nature of our business and the long-term structural opportunities we see in our market, LeasePlan's strategy is to become the world's first fully digital Car-as-a-Servive business.

Our businesses

Our strategy

What's next?

LeasePlan operates in an extraordinary market that has been strong and resilient for over 50 years. Looking ahead, we can achieve so much more. There is a megatrend from car ownership to car subscription services that is driving structural growth in our markets. To capitalise on this opportunity, LeasePlan's strategy is to become the world's first fully digital Car-as-a-Service business. Our digital approach will enable us to enter new market segments, delivering digital services at digital cost levels, and ensure we fully capitalise on our global scale and market leading positions. Ultimately, our aim is to create the conditions for further profitable growth in the years ahead.

Strategic priorities

To capture the growth opportunities we see ahead of us, we have developed five strategic priorities, each of which is supported by a detailed implementation roadmap.

01. Continue implementation of Digital LeasePlan programme to enable accelerated profitable growth

To capture the growth opportunities we see ahead, LeasePlan is building a digital business model, which will enable us to deliver digital services, at digital cost levels, using the latest technology. Our objective is become the world's first fully digital Car-as-a-Service company, digitally integrating our services with an exciting range of new and highly specialised services, skills and competencies, through alliances with third parties. Within this context, LeasePlan's initial focus is to make a step change in service and cost by digitising core processes and customer journeys. This will not only help us to provide our customers with the best possible service experience, but also lead to digital cost levels. We will also use our growing digital capabilities, services and pricing power to accelerate our expansion into the fast-growing SME and Private segments. In addition to enabling growth in all Car-as-a-Service market segments, our Digital LeasePlan programme will support the development of new digital platform businesses that leverage existing core LeasePlan competencies towards new markets and customer segments – an approach which has already delivered significant results in the form of CarNext.com.





Our businesses > Our strategy

Customer journeys

A key element of our digital strategy is to completely digitise our customer journeys. This will not only help us to provide our customers with the best possible service experience, but also lead to digital cost levels. Our initial focus is on implementing the following customer journeys:

- Help me choose my car online – providing corporate drivers with an effortless online experience, enabling them to choose and customise their lease vehicle
- Digital SME onboarding – offering SME prospects the possibility to select and order their car online through an interactive showroom
- Following my fleet – enabling fleet managers to easily manage their fleets via a new Fleet Manager Platform
- Keeping me safely on the road – creating a seamless, integrated RMT offering for our drivers



WATCH THE VIDEO ON OUR
DIGITAL STRATEGY HERE

Next Generation Digital Architecture

Our digital infrastructure is based on a Next Generation Digital Architecture (NGDA), a versatile, dynamic and modular system, that will enable us to:

- Realise an entirely new generation of smart fleet products and services by leveraging data from our 1.9 million vehicles
- Create and scale new internet-based businesses and marketplaces that leverage our existing core competencies, and integrate third-party platforms into our digital Car-as-a-Service ecosystem
- Digitise every aspect of our customers' journeys in a frictionless way and at digital cost levels



WATCH THE VIDEO ON OUR
NEXT GENERATION DIGITAL
ARCHITECTURE HERE

02. Accelerate growth in Car-as-a-Service via digitally enabled growth in new market segments

Today, LeasePlan is the global leader in the large and growing Corporate segment of the Car-as-a-Service market. However, the ownership to subscription megatrend is also driving growth in the SME, Private and Mobility provider segments of the market, where penetration rates are extremely low. Going forward, LeasePlan's Car-as-a-Service business will develop digital growth strategies for the SME, Private and Mobility provider segments. These strategies will leverage a direct digital sales and service approach via online platforms such as our SME Showroom, as well as strategic partnerships with OEMs, financial institutions, and leading mobility providers. In addition to expanding into new market segments, we will further focus on our mature and highly profitable Corporate segment business via actions including: the further roll-out of our popular 'full package' EV solution, which includes home and office charging; the introduction of new products and services in our Insurance & Damage Handling and Repairs, Maintenance & Tyres (RMT) businesses; the launch of a Group-wide LCV approach to capitalise on the growth in last-mile delivery; and the digitisation of our core customer journeys to further improve service levels while driving down costs.

Our businesses > Our strategy

03. Grow CarNext.com

CarNext.com is a pan-European digital platform for high-quality used cars and a significant proofpoint of how we use digital technology to develop new platform businesses based on existing LeasePlan core competencies. Through CarNext.com, customers can now buy or subscribe to a wide range of high-quality used cars both from LeasePlan's European Car-as-a-Service fleet and, increasingly, from the fleet of trusted third-party suppliers. In doing so, we are disintermediating the wholesale and local dealer market and building a pan-European digital marketplace. In addition, CarNext.com operates a B2B online auction platform for professional buyers, and provides third-party suppliers with an end-to-end solution to resell their cars in an efficient and financially attractive way. Going forward, CarNext.com will continue to enhance the service it offers its customers by investing in its digital platform and data analytics capabilities, exploring financing solutions for B2C customers, and growing its network of trusted third-party suppliers and partner services. A key focus will continue to be the further development of the 'Asset Control Tower', via which CarNext.com maximises the value of the cars on its platform (including those of trusted third-party suppliers) by determining the best geography and channel in which the cars should be marketed (B2B, B2C, Used-Car-as-a-Service).

CarNext.com is managed by its own dedicated management team. We continue to review various strategic alternatives for CarNext.com, including a potential full or partial separation of CarNext.com from the Group, whereby LeasePlan would continue to sell its used cars through the CarNext.com B2B and B2C platforms.

04. Aim to achieve net zero tailpipe emissions from our funded fleet by 2030

Climate change is the biggest challenge we face as a society, and as road transport accounts for around 20% of global CO₂ emissions, we are determined to play our part. LeasePlan has therefore set the ambitious goal of achieving net zero tailpipe emissions from its funded fleet by 2030, taking a leadership role in the transition from internal combustion engines to electric and other alternative powertrains. Our sustainability strategy has three key focus areas: shaping the future of low-emission mobility; strengthening our contribution to societal wellbeing; and reducing our own environmental impact.

For further information on our sustainability strategy, please refer to [page 54](#).

05. Drive operational excellence

LeasePlan is achieving operational excellence through the implementation of an integrated pan-European operating model that leverages our scale and best practices across European countries. In this context, in 2016 LeasePlan launched its 'Power of One LeasePlan' operational excellence programme in Europe. This has enabled us to implement proven best practices across European countries (e.g. steering to independent service providers in RMT and rolling out a standardised insurance proposition to our Corporate customers) and capture efficiency gains at a headquarter and country level. While the 'Power of One LeasePlan' has now been largely embedded in the organisation, our commitment to operational excellence and effective cost control remains at the forefront of our strategy, supported by our Digital LeasePlan initiative and our cross-company 'Performance Excellence' programme. Through this programme, our overall company targets are translated into specific KPIs for individual employees, creating a culture of ownership, accountability and performance across the company. In addition, in 2019, LeasePlan introduced a zero-based budgeting methodology to further embed a culture of cost discipline across the company.

CASE STUDY #6

Driving sustainability through our business

Global LCV Strategy

The LCV market is growing strongly as a result of its importance to last-mile delivery services and the desire to reduce the number of heavy goods vehicles (HGVs) in urban areas. To support the specific needs of businesses that operate LCV fleets, LeasePlan has developed a new LCV proposition.

"These vehicles are fundamental to our customers' business, and they are revenue generating, so the most important thing about LCV leasing and fleet management is to understand the importance of keeping vehicles mobile and on the road," says Mark Lovett, Head of Commercial Vehicles.

How does the LCV solution work?

LeasePlan provides its LCV customers with a reliable end-to-end service through the entire process. Our teams advise customers on which vehicle to choose, and on the specifications that will make a vehicle fit for purpose. We also understand the importance of matching vehicles with the right products and services to maximise their 'uptime'.

As we continue to roll out our LCV offer, we'll be looking to expand our electric LCV (ELCV) offer. For LeasePlan, this will be an exciting market opportunity and a new focus area.



WATCH OUR VIDEO ON
LCV STRATEGY HERE

*"LCVs are fundamental
to our customers' business."*

Mark Lovett, Head of Commercial Vehicles

Financial and business review

LeasePlan delivered a solid underlying net result of EUR 557 million, while making significant strategic investments in our operations, particularly in our fast growing CarNext.com platform and digital transformation.

Financial and business review

Our 2019 results are a proofpoint of the strength and resilience of our business, as well as LeasePlan's strategy to capitalise on the megatrend from car ownership to subscription services.

Financial highlights 2019²²

- Net result down 4.9% to EUR 403 million
- Underlying net result down 3.4% to EUR 557 million characterised by solid CaaS performance and cost discipline and continued opex increases related to strategic investment in CarNext.com
- New segment reporting implemented:
 - Car-as-a-Service: serviced fleet up 2.4% and underlying net result up 1.8% to EUR 605 million
 - CarNext.com: B2C retail sales²³ up 50% to 39,600 vehicles, underlying net result full year EUR -49 million due to increased investments to accelerate future growth

	2019	2018	% YoY Growth
Volume			
Serviced fleet (thousands), as at 31 December	1,865.2	1,822.2	2.4%
Number of vehicles sold (thousands)	283.8	260.2	9.1%
Profitability			
Underlying net result (EUR million)	556.5	576.2	-3.4%
– Car-as-a-Service	605.2	594.7	1.8%
– CarNext.com	-48.7	-18.5	-162.8%
Net result (EUR million)	403.0	423.6	-4.9%
Underlying return on equity	15.2%	17.3%	

22. In addition to IFRS financial measures, LeasePlan uses certain Alternative Performance Measures to present and discuss our underlying performance and value creation. To arrive at Underlying net result, Net result is adjusted for impacts related to unrealised results on financial instruments, asset impairments, results related to the acquisition or sale of subsidiaries, restructuring expenses and other special items (like consultancy costs) which arise from events or transactions that management considers distinct from regular operating activities. See Note 2, Alternative Performance measures.

23. CarNext.com B2C retail sales volumes include retail sales only. Previous B2C numbers also included Driver sales, but these will not be included in CarNext.com B2C volumes going forward, see [page 49](#).

Financial and business review

LeasePlan Corporation Financial performance 2019

In millions of euros, unless otherwise stated	2019	2018	% YoY Growth
Lease and Additional Services income	6,815.1	6,528.1	4.4%
Vehicle Sales and End of contract fees	3,303.2	2,990.3	10.5%
Revenues	10,118.3	9,518.4	6.3%
Underlying cost of revenues	8,509.7	7,920.8	7.4%
Lease Services	622.5	617.0	0.9%
Fleet Management and other Services	288.6	280.2	3.0%
Repair and Maintenance Services	329.7	322.4	2.2%
Damage Services and Insurance	297.4	269.4	10.4%
Underlying lease and additional Services gross profit	1,538.2	1,489.0	3.3%
End of contract fees	143.6	123.5	16.3%
Profit/Loss on disposal of vehicles	-73.1	-14.9	390.6%
Profit/Loss on disposal of vehicles and End of contract fees gross profit	70.5	108.6	-35.1%
Underlying gross profit	1,608.7	1,597.6	0.7%
Underlying operating expenses	944.3	887.5	6.4%
Share of profit of investments accounted for using the equity method	4.5	3.3	
Underlying profit before tax	668.8	713.5	-6.3%
Underlying tax	112.3	137.3	-18.2%
Underlying net result	556.5	576.2	-3.4%
Underlying adjustments	-153.5	-152.6	
Reported net result	403.0	423.6	-4.9%
Staff (FTE's at period end)	7,956	7,508	6.0%

Revenues increased by 6.3% to EUR 10,118 million. **Lease & Additional Services income** was up 4.4% to EUR 6,815 million, driven by solid fleet growth. **Vehicle Sales & End-of contract fees** were up 10.5% to EUR 3,303 million, driven by higher volumes and increased B2C retail sales penetration.

Underlying gross profit rose 0.7% to EUR 1,609 million. **Underlying Lease and Additional Services gross profit** was up 3.3% to EUR 1,538 million, mainly driven by fleet growth and strong growth in **Damages Services and Insurance**. **PLDV and EOCF gross profit** was down 35.1% to EUR 71 million due in part to predictable normalisation of net sales results.

Underlying operating expenses were up 6.4% to EUR 944 million, due primarily to strategic investment in CarNext.com. In scaling-up CarNext.com, we increased our operating expenses over the year by EUR 45 million, mainly driven by marketing, our data-driven platform and our leading technology, for a total of EUR 103.4 million in CarNext.com-related operating expenses in 2019.

The **underlying tax** rate was down 2.4 percentage points to 16.8% driven by lower headline tax rates in various countries and the continued favourable impact of the Italian super-depreciation facility.

Underlying net result was down 3.4% to EUR 557 million and reported **Net result** was down 4.9% due to strategic investment in CarNext.com and lower PLDV.

Year-on-year **Staff** increases reflect hiring to support our long-term strategic initiatives CarNext.com and Digital LeasePlan.

Financial and business review

Segment reporting Car-as-a-Service and CarNext.com

In order to better reflect how LeasePlan manages these two businesses, we are reporting CaaS and CarNext.com separately commencing with this 2019 annual report.

The segment reporting is based on a commission model, whereby CarNext.com acts as a sales agent for LeasePlan CaaS in 23 countries for the sales of used cars that are coming off lease contracts. CarNext.com generates revenues through commissions on cars-sold, used-car leasing (UCaaS), and ancillary services. For B2C, commissions are dependent upon the additional value realised versus B2B trader pricing. Commission rates are set at market rates on an arms-length basis. The vehicles CarNext.com sells on behalf of LeasePlan's CaaS business remain the property of LeasePlan CaaS until sold by CarNext.com.

Identified assets and directly attributable costs in cost of sales (e.g. defleeting cost and car preparation cost) and operating expenses (e.g. cost related to staff, facilities, digital/IT and marketing) are allocated to CarNext.com. Income tax is allocated based on a blend of statutory rates from the 23 countries in which CarNext.com has operations.

LeasePlan CaaS continues to report the full revenue of the used cars sold by CarNext.com. The commission paid to CarNext.com is reported in cost of sales.

All intercompany transactions between LeasePlan CaaS and CarNext.com are eliminated for consolidated LeasePlan reporting.

Car-as-a-Service financial performance

In thousands	2019	2018	% YoY Growth
Serviced fleet, as at 31 December	1,865.2	1,822.2	2.4%
Funded fleet, as at 31 December	1,367.4	1,317.6	3.8%
Number of vehicles sold	283.8	260.2	9.1%
of which through CarNext.com	254.2	232.5	9.3%

In millions of euros, unless otherwise stated	2019	2018 ²⁴	% YoY Growth
Lease and Additional Services income	6,815.2	6,528.1	4.4%
Vehicle Sales and End of contract fees	3,296.1	2,985.9	10.4%
Revenues	10,111.2	9,514.1	6.3%
Underlying cost of revenues	8,540.5	7,949.7	7.4%
Underlying lease and additional Services gross profit	1,534.3	1,486.0	3.2%
Profit/Loss on disposal of vehicles and End of contract fees gross profit	36.5	78.4	-53.5%
Underlying gross profit	1,570.7	1,564.4	0.4%
Underlying operating expenses	840.9	829.3	1.4%
Share of profit of investments accounted for using the equity method	4.5	3.3	36.0%
Underlying profit before tax	734.3	738.5	-0.6%
Underlying tax	129.2	143.8	-10.2%
Underlying net result	605.2	594.7	1.8%

24. Proforma unaudited

Financial and business review

Serviced fleet grew 2.4% to 1.9 million vehicles with continued growth in European core markets offset by RoW as result of service-only contract losses. Funded fleet grew 3.8% to 1.4 million vehicles, driven by growth in core European markets.

Revenues increased by 6.3% to EUR 10,111 million driven by higher volumes and increased B2C retail sales penetration in Vehicle Sales and End of contract fees as well as solid growth in Lease and additional Services income.

Underlying gross profit was up 0.4% to EUR 1,571 million. Underlying Lease and Additional Services Gross Profit was up 3.2% to EUR 1,534 million driven by strong Damage Services and Insurance results where penetration as of percentage of serviced fleet increased by 1.3 percentage points to 47.5% by year-end 2019. A decline in PLDV and EOCF gross profit of 53.5% to EUR 37 million was driven by the predictable normalisation in PLDV results, partially offset by a higher uplift from CarNext.com.

Underlying operating expenses were tightly controlled and increased by only 1.4% to EUR 841 million, below fleet growth.

The **underlying tax rate** was down 2 percentage points to 17.5% driven by lower headline tax rates in various countries and the continued favourable impact of the Italian super depreciation facility.

Underlying net result was up 1.8% to EUR 605 million driven by solid performance in the core business partially offset by lower PLDV.

Operational Highlights Car-as-a-Service

In our Car-as-a-Service business, LeasePlan again delivered a solid performance across all customer segments as we focused on disciplined profitable growth. The SME segment performed particularly well, supported by the rollout of our fully online SME showroom in 8 countries. Damage and Insurance Services showed especially strong performance. As of year-end 2019, LeasePlan insured approximately 889,000 vehicles worldwide. This result has been achieved through the continued roll-out of LeasePlan's insurance strategy, which focuses on providing a comprehensive and integrated insurance solution as part of our fleet management proposition, harmonising value propositions across countries (especially attractive to our international corporate customers), and increasing the proportion of risk and claims managed inhouse. In Repair & Maintenance Services (RMT), we continued to strengthen our partnerships with our network of official and independent service providers, and automate our processes and customer journeys through digital technology. For example, we were able to significantly lower costs on damage repair cases by using digitally enabled reverse auction, and began using smart data to enable predictive maintenance for drivers and fleet managers.

LeasePlan also continued working towards its ambition to achieve net zero tailpipe emission from its funded fleet by 2030, with 10% of new orders being for EV powertrains²⁵ in Q4 of 2019. Within the corporate segment, take up of our full package EV solution, which is now available in 12 countries, increased as we continued to encourage our customers to make the switch to electric vehicles. The transition of our fleet in 2019 was also supported by the launch of our inaugural Green Bond, which is being used to help finance and refinance our growing portfolio of Battery Electric Vehicles (BEV). New orders for diesel passenger vehicles continued a sharp decline, representing less than 50% of new registrations for the fourth quarter, down from 59% in Q4 of 2018 (and 70% in Q4 of 2017). All new diesel passenger cars ordered are the latest and cleanest Euro 6 models. LeasePlan published its first Sustainability Report in 2019, providing detailed disclosure around our sustainability strategy and plans to support the transition to a low carbon economy.

25. New orders of Battery Electric Vehicles and Plug-in Hybrid Electric Vehicles, excluding USA

Financial and business review

Looking ahead, LeasePlan's ambition is to deliver best-in-class services to our customers through digital platforms at digital cost levels. In 2019, we continued to make progress in digitizing our daily fleet operations and customer journeys, with the rollout of our online customer onboarding tool, which offers fully digital car selection, to five countries; the launch of the MyFleet solution (which provides corporate fleet managers with real-time overviews of vehicles' on-road status and predictive maintenance alerts) in a total of eight countries; and the introduction of the MyLeasePlan driver self-service app in three markets. Our digital priorities for the next 12 to 24 months will be our global infrastructure, the development of a governance and control framework, as well as on designing the future global processes to be supported by and implemented through our Next Generation Digital Architecture (NGDA).

Financial Performance CarNext.com

Sales volume

In thousands	2019	2018	% YoY Growth
B2B sales	214.6	206.0	4.2%
B2C*	39.6	26.5	50.0%
Total	254.2	232.5	9.3%

*excluding leads generated for UCaaS

In millions of euros, unless otherwise stated	2019	2018 ²⁶	% YoY Growth
Revenues	119.5	97.6	22.5%
Underlying cost of revenues	81.6	64.4	26.8%
Underlying gross profit	37.9	33.2	14.1%
Underlying operating expenses	103.4	58.2	77.6%
Underlying profit before tax	-65.5	-25.0	-161.9%
Underlying tax	-16.9	-6.5	159.4%
Underlying net result	-48.7	-18.5	-162.8%
Allocated assets ²⁶	156.9	43.5	260.8%
Allocated liabilities ²⁶	116.6	14.8	687.1%

B2C retail volumes were up 50% to approximately 39,600 vehicles. B2B volumes in 2019 were up 4.2% to 214,600 vehicles.

Revenue was up 22.5% to EUR 120 million driven by higher B2C retail volumes and higher 3rd party revenues. Gross profit was up 14.1% to EUR 38 million due to higher B2C retail volumes.

Underlying operating expenses in 2019 were EUR 103 million, up by EUR 45 million or 77.6% as CarNext.com continued to invest in opening new stores, marketing as well as strengthening the CarNext.com digital capabilities and tools. LeasePlan intends to continue investing in the growth of CarNext.com.

Tax is allocated based on a blend of statutory rates from the 23 countries in which CarNext.com operates. The CarNext.com and CaaS segment are integral parts of the group's legal entities and fiscal entities and as such the losses in CarNext.com segment can be compensated by the profits in the CaaS segment.

Underlying net result in 2019 was down to EUR -49 million, driven by increased strategic investments. Please see **Note 2**, Segments in the Financial Statement for Reported net result and Underlying net result comparison.

Allocated assets and liabilities of CarNext.com includes directly attributable 3rd party assets and liabilities of CarNext.com B.V, IFRS 16 leases (buildings, compounds and equipment), IT equipment, intercompany tax receivable on operating loss, other fixed assets and allocated working capital items.

26. Proforma unaudited

Financial and business review

Operational highlights CarNext.com

CarNext.com continued to deliver on its mission to become the most trusted pan-European platform for high-quality used cars, showing strong customer satisfaction ending 2019 with an average NPS of 73. B2C retail volumes were up 50% to 39,600 vehicles driven by new store openings as well as the increased supply of vehicles from trusted third parties on the CarNext.com platform. This was supported by CarNext.com's fully online car purchasing solution, which is now available in 21 countries, as well as its growing network of Delivery Stores and pick-up points (2019: 45 locations throughout Europe versus 32 locations at year-end 2018), with recent store openings in major cities including Stockholm, Verona, Bucharest and Valencia. CarNext.com also took action to increase its brand awareness by signing a partnership with Formula 1 driver Max Verstappen in November 2019. In B2B, CarNext.com continued to build on its leading position thanks to its pan-European B2B trader app and increased satisfaction across its international trader base. In 2019, CarNext.com saw a steep increase in trusted third-party suppliers, another step closer to delivering any car, anytime, anywhere. Both CarNext.com sales channels are supported by data driven pricing capabilities and algorithms to seamlessly connect demand and supply.

Funding & Capital

Funding

LeasePlan had a successful year across its funding and capital activities, demonstrating its ability to access funding through a diverse range of programmes and raising a total of EUR 5.1 billion in retail deposits, secured and unsecured debt.

LeasePlan concluded 4 public senior unsecured transactions totalling EUR 2.7 billion with a further EUR 174 million placed in private placement format across 5 separate currencies. LeasePlan also achieved further diversification of its investor base in 2019 through the issuance of an inaugural Green Bond and a successful return to the USD 144A market. LeasePlan's Green Bond, which supports the group's ambition to achieve net zero tailpipe emissions from the funded fleet by 2030, attracted an orderbook in excess of EUR 3.5 billion from over 250 investors. 64% of the Green Bond was allocated to Responsible Investment orientated investors²⁷.

LeasePlan's retail bank increased its deposits in the Netherlands and Germany by EUR 1.3 billion to EUR 7.7 billion (2018: EUR 6.4 billion) while the company successfully raised EUR 1.0 billion from its Asset Backed Securities (Bumper) programme, including Bumper UK-19 in the United Kingdom for a total of GBP 400 million and Bumper DE-19 in Germany for a total of EUR 544 million.

LeasePlan's liquidity position remains strong with a liquidity buffer of EUR 6.7 billion as at 31 December 2019, consisting of cash balances as well as access to its EUR 1.5 billion committed revolving credit facility.

LeasePlan expects to continue to utilise its unique diversified funding platform to meet its future funding requirements.

In July 2019, Fitch upgraded LeasePlan's Short-Term Issuer Default Rating (IDR) and its short-term rating to 'F1' from 'F2'²⁸ while affirming the long term rating at BBB+, all Stable. The ratings and outlook from S&P and Moody's have remained unchanged (BBB-/A-3/Stable and Baa1/P-2/ Stable, respectively).

27. Based on the Principles for Responsible Investment (PRI) signatory status.

28. These ratings have been removed from Under Criteria Observation, where they were placed following the publication of Fitch's updated Short Term Ratings Criteria on 2 May 2019, all other ratings of LeasePlan are unaffected by this criteria change.

Financial and business review

Capital

In 2019, LeasePlan issued an inaugural AT1 transaction²⁹, raising EUR 500 million in regulatory capital for the group. This further strengthened LeasePlan's capital position and aids the transition towards an optimal CRR compliant capital structure.

LeasePlan's capital position remains strong, the CET1 capital ratio as of 31 December 2019 is 17.7%. This CET1 ratio is calculated at the regulatory sub-consolidated level (LeasePlan Corporation N.V. consolidated). At this sub-consolidated level, the Total Capital ratio is 20.4% which is equal to the Tier 1 capital ratio.

Following the Supervisory Review and Evaluation Process (SREP) by the Dutch Central Bank (DNB), LeasePlan's minimum capital requirements as of 24 February 2020 were set at 9.5% for the Common Equity Tier 1 (CET1) capital ratio (excluding any shortfalls in the AT1 and Tier 2 buckets under Pillar 1) and 13.0% for the total SREP Capital Requirement ratio.

The total SREP Capital Requirements excludes the combined buffer requirement (i.e., capital conservation buffer of 2.5% and counter-cyclical buffer of 0.3% as at 31 December 2019). These minimum capital requirements apply to both the regulatory Sub-Consolidated (LeasePlan Corporation N.V. consolidated) and Consolidated (LP Group B.V. consolidated) levels.

Furthermore and also in light of the upcoming Basel III Reforms (commonly referred to as 'Basel IV'), the DNB has given LeasePlan permission to discontinue the application of the Advanced Measurement Approach (AMA) and use The Standardized Approach (TSA) for calculating its minimum capital requirements for Operational Risk. Due to the change to TSA from AMA, the Risk Weighted Assets (RWA) for Operational Risk will increase. The TSA, including the increase in RWAs, was taken into account by the DNB when setting the new minimum capital requirements as of 24 February 2020.

During the year, LeasePlan paid interim dividends totalling EUR 165.2 million or 60% of net results³⁰ for the first three quarters. As a result of the recent Covid-19 developments and related market uncertainties, the Board of Management has proposed to declare no final dividend on 2019 net results. This was approved by the general meeting of shareholders on 20 March 2020. The remainder of the 2019 net results, amounting to EUR 237.8 million, has been added to the general reserves (retained earnings).

€23bn

Unique independent funding platform

Funding mix by December 2019



40%

Unsecured
DCM

33%

Retail
deposits

11%

Secured
funding

16%

Bank lines /
Other

29. Undated Deeply Subordinated Additional Tier 1 Fixed Rate Resettable Callable Capital Securities.

30. 60% of reported result after taking into account the accrued interest expenses related to the AT1 instrument.

Financial and business review

Recent developments – Covid-19

Today, the Covid-19 health crisis is causing significant disruption in the global economy. Our high-quality customer base, the long-term nature of our contracts, recurring income, strong balance sheet and diversified funding platform will help us during this period of uncertainty. We have implemented our business continuity plan, and the vast majority of employees are working safely from home across all our markets, supported by our global digital infrastructure. Our customers and drivers are receiving the best service possible during this period.

In response to the economic uncertainty and global supply chain disruption among car manufacturers, we have shifted our focus away from new vehicle purchases towards contract extensions or other mobility solutions which use our existing fleet. We are minimising our working capital, deferring non-urgent investments and have elected to add to our general reserves rather than pay out additional 2019 dividends. Given the evolving uncertainty, it is too early at this stage to assess the financial effect of the Covid-19 crisis on LeasePlan.



CASE STUDY #7

Driving sustainability through our business

LeasePlan's Green Bond

Launched in 2019, LeasePlan's first-ever Green Bond has opened a new front in the company's strategy to speed up the transition to electric driving and help tackle climate change.

The Green Bond is a EUR 500 million five-year fixed rate note, attracted EUR 3.5 billion of demand, with over 250 investors participating, including a significant number of responsible, investment-orientated investors.¹ The proceeds will be used solely to finance or refinance the purchase of Battery Electric Vehicles (BEVs) – a first in our industry.

"Green bonds are growing in popularity, and enable investors to tap the market for sustainable investment opportunities," explains LeasePlan Chief Financial Officer Jochen Sutor.

"The response by investors to our Green Bond shows the support of Europe's institutional investor base for our sustainability strategy, and for our commitment to tackle climate change."

By helping us grow our BEV fleet, the Green Bond enables us to contribute to several United Nations' Sustainable Development Goals, including Good Health and Wellbeing; Industry, Innovation and Infrastructure; Sustainable Cities and Communities; and Climate Action. LeasePlan's Green Bond framework aligns with the ICMA Green Bond Principles² (under the Clean Transportation category).



WATCH OUR VIDEO ON
OUR GREEN BOND HERE

1. Based on the Principles for Responsible Investment (PRI) signatory status

2. The Green Bond Principles are administered by the International Capital Market Association and are available at www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp

"The response by investors to our Green Bond shows the support of Europe's institutional investor base for our sustainability strategy, and for our commitment to tackle climate change."

Jochen Sutor, LeasePlan Chief Financial Officer

An aerial photograph of a yellow car driving on a two-lane asphalt road that curves through a winter landscape. The road is flanked by snow-covered ground and evergreen trees. The scene is captured from a high angle, looking down at the car as it moves along the road.

Sustainability

We aim to achieve net zero emissions from our total fleet by 2030.

Value creation at LeasePlan

As the world's leading Car-as-a-Service company, we create value for each of our key stakeholders. We provide integrated mobility solutions for our diverse customer base, enabling them to fulfil their goals and ambitions. Our employees benefit from the growth and development they experience in their work for LeasePlan. We create value for society with the introduction of newer, cleaner vehicles in our fleet and by helping companies and consumers decrease their CO₂ footprint. Our business also has unintended negative effects on society, as many of the vehicles in our fleet produce CO₂ emissions and contribute to air pollution. We are working to minimise these environmental costs by transforming our business into a net zero tailpipe-emission company by 2030. Finally, investors and lenders receive financial benefits through their investments in us.

Input per capital

Human capital

Our 8,000 employees bring deeply rooted Car-as-a-Service experience and digital knowledge that differentiates us in our markets. They drive our success and maintain our culture of service.

Social and relationship capital

We have a loyal customer base of Corporates, SMEs, Private individuals and Mobility providers who look to us to provide solutions that meet their needs. We also work closely with OEMs and suppliers to deliver better mobility propositions, and with policymakers and NGOs to promote sustainability.

Financial capital

Global bond investors and banks provide us with funding and capital in the form of secured and unsecured bonds and bank facilities. Retail depositors entrust LeasePlan Bank with their savings in the form of online savings accounts in the Netherlands and Germany. A consortium of responsible, long-term investors holds our equity.

Manufactured capital

Our most important manufactured asset is our serviced fleet of 1.9 million vehicles. These comprise a diverse mix of models, brands and drivetrains in more than 30 countries worldwide. In order to fuel this fleet, we purchase substantial amounts of fossil fuels and electricity.

Intellectual capital

We have 55 years of experience in the Car-as-a-Service market. We apply our institutional memory, leading fleet management capabilities, scale and international presence, and investments in digital and customer journeys to be a leading player in each of our markets.

Value creation process

Our mission is to provide *What's next* in sustainable mobility – so our customers can focus on *What's next* for them.



Output per capital

Human capital

- Empowered employees who take responsibility for their careers and their own development
- Re-skilled workforce capable of meeting the challenges of changing markets
- Highly effective leadership culture

Social and relationship capital

- Sustainable and safe mobility for our customers
- Strong partnerships with our network of 70,000 independent service providers
- Impact on the transition to zero-emission mobility through partnerships with global NGOs

Financial capital

- Gross profit of EUR 1.6 billion
- Retail deposits of EUR 7.7bn at year-end 2019
- Securitised notes (incl warehouse) of 2.5 billion at year-end 2019
- Bank lines (excl. warehouse) c.EUR 3.4bn
- Strong liquidity position and capital ratios
- Investment grade ratings (S&P: BBB-, Fitch: BBB+, Moody's: Baa1)

Manufactured capital

- Highly diversified modern funded fleet
- Growing EV fleet 7.4% of new orders
- Sharply declining orders for diesel passenger vehicles

Intellectual capital

- Continued digital transformation with improved services and lower costs
- Enhanced development of EV expertise to support customers in their transitions to sustainable mobility
- Smart data enabling an array of extra services for customers and improved pricing capabilities

Outcomes by stakeholder

Customers

- Full package EV solutions in 12 countries
- Digital Car-a-as-Service tools for fleet managers and drivers (customer onboarding tool, MyFleet solution, MyLeasePlan driver self-service app)
- Active Prevention programme for improved safety
- CarNext.com B2B and B2C online solutions

Employees

- Competitive remuneration and benefits for our 8,000 employees
- Enhanced skills and capabilities (LinkedIn Learning training 3,000 hours in six months)
- Safe and healthy work environment
- Job satisfaction (employee engagement score of 79.5%)
- Diverse and non-discriminatory workplace (27% of females in top three layers)

Society

- Tax revenues of EUR 112 million
- 90% of suppliers covered by Supplier Code of Conduct
- Joined WEF's Global Battery Alliance to contribute to production of sustainable batteries
- Helping to build EV infrastructure
- First Sustainability Report published in 2019
- EcoVadis score is 56 pts in 2019 compared to 50 pts in 2018

Environment

- Lower air pollution, with growing EV fleet
- Lower CO₂ emissions through growing EV fleet
- Lower CO₂ emissions through increased use of renewable energy in LP buildings

Investors

- Net result of EUR 403 million
- Underlying net result of EUR 557 million
- Serviced fleet growth of 2.4%
- EUR 57 million in additional strategic investments in CarNext.com operations
- CarNext.com B2C retail sales up 50% to 39,600
- Return on equity of 15.2%*

* RoE is based on equity excluding the Additional Tier 1 instrument. Including the AT1, RoE is 14.6%.

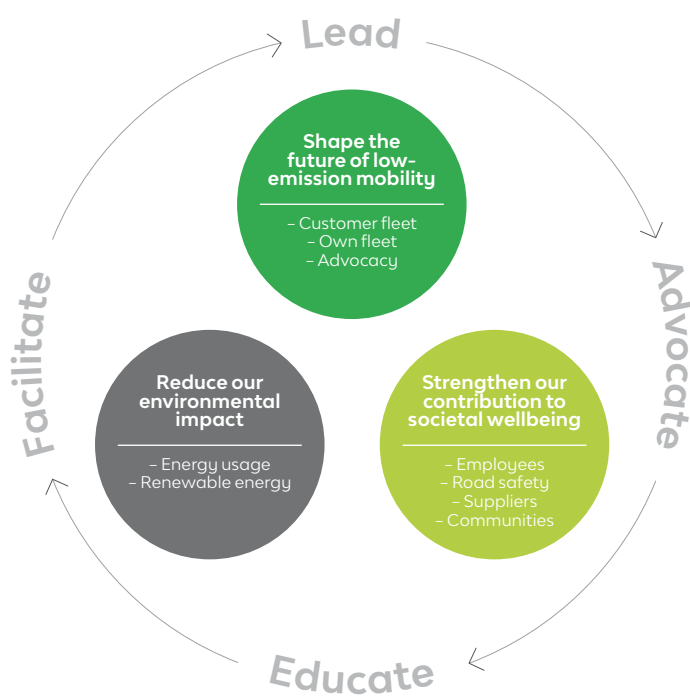
Sustainability strategy

We want to build a future-proof company that balances the needs of people, planet and profit. Within this context, our sustainability strategy is based on three priority areas:

1. **Shaping the future of low-emission mobility**
2. **Strengthening our contribution to societal wellbeing**
3. **Reducing our own environmental impact**

Each pillar of our strategy is supported by a dedicated workstream, which develops action plans, defines KPIs and monitors progress based on LeasePlan's internal criteria. This process is underpinned by a clear governance structure, consistent reporting and an open dialogue with stakeholders to determine the topics that are most material to our business.

To read our full Sustainability Report, please visit www.leaseplan.com/corporate





Our business > Sustainability

1. Shaping the future of low-emission mobility

We are committed to taking a leadership role in the transition from internal combustion engines to alternative powertrains in support of the Paris Agreement and climate-related Sustainable Development Goals. This means promoting cleaner, low-emission vehicles and the infrastructure required to make them a viable option for our customers and employees.

Net zero tailpipe emissions from funded fleet by 2030

LeasePlan has set itself the ambitious goal of achieving net zero tailpipe emissions from its funded fleet by 2030.

5.5m

Tonnes of CO₂ tailpipe emissions from funded fleet (Scope 3) in 2019³¹



7.4%

New EV orders in 2019³³



133 g/km

Average CO₂ g/km per vehicle funded fleet in 2019³²



4%

Percentage of EVs in our fleet in 2019³⁴



Progress 2019

To drive the transition to zero emissions, we are targeting customers in 'EV-ready' countries with EV value propositions, including 'full package' solutions with charging options. Today, LeasePlan provides our 'full package' EV solution to customers in 12 countries, and has established the processes and IT platforms necessary to facilitate EV fleet management. Key features of our EV proposition include:

- Partnerships with automakers to offer EVs at attractive rates
- Products and services for workplace charging, home charging, charging in public areas and destination charging
- Consultancy services for business case impact, vehicle selection and transition planning
- A 24/7 helpdesk and answers to driver FAQs on EVs and charging
- Tutorials about all aspects of EV driving
- New digital products and services to support EV driving

LeasePlan has also launched a series of educational initiatives, including client events, visits and pilot programmes, and a wide range of published information about EVs through online and offline channels.

31. Carbon Disclosure Project submission 2018

32. Carbon Disclosure Project submission 2018 based on overall fleet. The total for passenger vehicles was 122 g/km. The figures reported are on the basis of vehicle test (either WLTP or NEDC, dependent on the moment of matriculation)

33. New orders of Battery Electric Vehicles and Plug-in Hybrid Electric Vehicles, excluding USA

34. Electric Vehicles in fleet are defined as Battery Electric Vehicles and Plug-in Hybrid Electric Vehicles

Our business > Sustainability > 1. Shaping the future of low-emission mobility

Transitioning employee fleet to Battery Electric Vehicles by 2021

We are committed to fully transitioning our own employee fleet to Battery Electric Vehicles (BEVs).

However, given the unprecedented global supply chain issues that we are now seeing with many car manufacturers and dealerships, we may be unable to purchase new EVs in sufficient numbers. In addition, our latest assessments of EV readiness in Europe show that, while the growth in public charging points continues apace, a significant number of countries are unlikely to have the infrastructure, fiscal incentives or model availability in place to support us reaching this goal by 2021.

Based on our current estimates, we believe that between 50% and 60% of our total employee fleet will be BEVs by our original target date of 2021. Current industry forecasts suggest that by 2025 the availability of charging infrastructure and models in all price categories will be far more widespread.

Since 2017, LeasePlan has offset all emissions from its own employee fleet to net zero via the Land Life Company's reforestation programme. This enables us to combat climate change as we make progress on our longer term transition goals.

17%

Share of BEVs in employee fleet across all markets)

in 2019



6.98 kt

Thousands of tonnes of CO₂ tailpipe emissions offset to zero in employee fleet (Scope 1)

tonnes offset to zero (100%)



108 g/km

Average CO₂ g/km per vehicle employee fleet

in 2019



9

Average number of employee BEVs per charger at LP offices

as of Sept 2019



Advocating change in our industry

Tackling climate- and air-quality related automotive emissions requires a cross-sector effort from government, NGOs and the private sector, acting together to address challenges in several areas. LeasePlan is therefore committed to using its scale, expertise and broad geographic presence to be at the heart of the discussion on the transition to zero emission mobility and to work with key stakeholder groups — automakers, policymakers, consumers and mobility companies — to advocate the implementation of long-term policies and incentives that support the adoption of low-emission vehicles.

Our global advocacy partnerships and initiatives include:

- EV100
- World Economic Forum (WEF)
- World Business Council for Sustainable Development

CASE STUDY # 8

Driving sustainability through our business

Netherlands walks the talk in EV transition

LeasePlan Netherlands has made rapid progress in transitioning its entire employee fleet to electric vehicles.

As the country's largest Car-as-a-Service company, LeasePlan Netherlands recognises that to help lead the transition to electric driving, it must first 'walk the talk' by transitioning its own employee fleet. By year end 2019, LeasePlan Netherlands had already switched more than 95% of its employee fleet of 205 vehicles to BEVs, which is well ahead of LeasePlan's 2021 target.

Along the way, the team has overcome a number of challenges. The task involved rapidly phasing out orders for non-electric vehicles, making changes to its mobility policy, and ensuring that employees had access to green electricity to charge their EVs. The team also needed to take decisive action to extend the number of charging stations at offices, and install home chargers wherever possible.



WATCH OUR VIDEO ON
OUR EV TRANSITION HERE

Employee reaction

LeasePlan Netherlands went to great lengths to make sure employees would be happy with their new vehicles, which meant adjusting categories and terms to offer the widest selection of EV models. Initially, not all employees were eager to make the transition, because of range anxiety and attachment to their older models. To overcome this, each person was consulted on a case-by-case basis so that the right EVs could be matched to their individual circumstances and needs.

"Now, without exception, if you talk to our employees, they are proud to drive an EV," says Erik Henstra, Managing Director of LeasePlan Netherlands. "EVs are easy to get used to and it's a pleasant driving experience. By overcoming hurdles to make this transition, we've ended up with satisfied employees who are pleased to be part of a company that's working effectively to tackle climate change."

LeasePlan Netherlands is now advising customers about making their own transition to EVs, and also plans to bring leased e-bikes to the Dutch market in 2020.

"Without exception, if you talk to our employees, they are proud to drive an EV."

Erik Henstra, Managing Director of LeasePlan Netherlands

Our business > Sustainability

2. Strengthening our contribution to societal wellbeing

We are committed to strengthening our contribution to societal wellbeing. Within this context, we focus on the following objectives:

1. Making sure we offer our employees a safe, healthy and non-discriminatory environment where they can develop their talents
2. Helping improve driver safety in customer and employee fleets
3. Ensuring our suppliers and customers act in accordance with our high ethical standards and all applicable laws
4. Engaging with the communities in which we operate and having a positive impact

Employee engagement

79.5%

Employee engagement plus score in 2019



Driver safety³⁵

1%

Bodily injury rate in 2019



Suppliers

90%

Percentage of spend covered by Supplier Code of Conduct in 2019



Diversity

30%

Diversity

(Female employees at top three layers)



Values and ethics

As one of the world's largest Car-as-a-Service companies and an employer of around 8,000 people, we have a responsibility to apply high standards in our personal conduct and day-to-day business decisions. We therefore work to ensure our values and ethics are embedded in our behaviour, processes and actions. Our values and ethics are defined in the LeasePlan Code of Conduct (www.leaseplan.com/corporate/site-services/code-of-conduct), which also explains the way we deal with each other, customers, suppliers, society at large, government authorities, regulators, investors and business partners. The core values we uphold are Commitment, Expertise, Passion and Respect, which we apply to everything we do.

35. Percentage of vehicle accidents that result in bodily injuries based on data from 10 European countries. In 2020 LeasePlan will capture this data from at least 20 countries

36. KPI for layers A, B and C of the organisation, as defined by the Talent to the Top Charter, to which we are a signatory

Our business > Sustainability > 2. Strengthening our contribution to societal wellbeing

Human rights

We recognise that human rights are fundamental and universal. We aim to respect human rights, in the workplace and in our supply chain, as described in the United Nations' Universal Declaration of Human Rights and the principles of the International Labour Organisation. We therefore avoid being complicit in human rights abuses of any kind, and condemn the use of forced labour, compulsory labour and child labour. Respect for human rights is also a key feature of both the LeasePlan and Supplier Code of Conduct (www.leaseplan.com/corporate/news-and-media/download-centre). Respect for human rights is also embedded in our Code of Conduct which all employees are required to review and confirm annually. Furthermore, a whistleblower mechanism is in place for all employees.

Employees

At LeasePlan, we believe 'you cannot grow a business; you can only grow people who can grow the business'. We drive success by giving our people opportunities to develop their potential and creating a tolerant and inclusive environment in which they can thrive.

The LeasePlan People Strategy helps us achieve this by focusing on the following four pillars:

- 1. Strengthen our leadership:** developing a highly effective leadership culture, with a pipeline of great people to meet our future needs.
- 2. Personal growth:** building the digital skills and competencies we will need across the organisation in the years ahead.
- 3. Effective compensation and benefits:** creating a high degree of ownership and responsibility by recognising and rewarding excellent performance.
- 4. Talent management:** helping our people reach their full potential by offering them the opportunities and support to reach the next level in their careers.
- 5. Diversity and engagement:** building a diverse, highly engaged workforce that supports the delivery of LeasePlan's strategy.

Employee base

Our global employee base totalled 8,051 at 31 December 2019. Of this number, approximately 52% were male and 48% were female. For the top three layers the gender distribution is approximately 70% and 30% for men and women respectively. While LeasePlan has a relatively strong balance of gender diversity, we recognise there is still considerable room for us to improve. We are determined to take strong steps to improve our diversity and inclusion in the years ahead and have developed a comprehensive strategy that will help us achieve this (see Diversity & inclusion section on [page 64](#)).

Engagement

LeasePlan has a culture of service and care towards our customers and each other, which has endured for over 55 years. These same values help us tackle the challenges and opportunities of the digital age. Employee engagement has therefore been a constant and important focus throughout our transformation process.

In June 2019, we commissioned a third party to conduct our annual Global Engagement and Integrity Survey. Our overall global 'engagement plus' score, which is determined through a weighted average of 50 questions, was up to 79.5%, compared to 66% in 2018. We believe this increase is the result of a profound and clear action plan and follow-up by all local coordinators and the joint effort HR and leadership teams. More LeasePlan employees also took the time to share their views in the year, with the response rate increasing by seven percentage points to 87% in the year.

Our business > Sustainability > 2. Strengthening our contribution to societal wellbeing

Beyond the overall 'engagement plus' figure, other areas showed improvement:

- Leadership performance (77%)
- Support our organisational goals (86.9%)
- Feel their opinions matter (71.7%)
- Feel goals are clear (78.4%)
- Feel they are a good fit for the organisation (83.1%)
- Feel positive about direct managers (82.3%)

In addition, we identified areas that require more attention:

- Opportunities to grow and develop professionally (57.1%)
- Actions taken quickly after decisions have been made (47.4%)
- Cooperation between different teams/departments (45.3%)

Following the survey's publication, managers across LeasePlan have arranged meetings with their teams to discuss the results, identify opportunities for improving engagement and developing an action plan.

Diversity & inclusion

We aim to build a non-discriminatory culture in which everyone can be themselves and where everyone has an equal chance to make their journey count, regardless of race, nationality, gender, age or sexual orientation. We also believe that a diverse workforce, including one that is gender diverse, contributes to a well-balanced decision-making process and the proper functioning of our organisation. Fresh ideas, different perspectives and valuable experiences help us make better decisions and meet our customers' demand for innovative services.

Our new strategy for Diversity & Inclusion (D&I) aims to facilitate the recruitment of employees from diverse backgrounds, encourage feedback training for non-biased behaviour, and promote communication. The strategy is based on three pillars, with defined actions and targets:

Diversity & inclusion strategic pillars

Pillar	Priorities	Targets
1. Enforce a diverse global talent	• Gender balance at all levels, including senior leadership • More diverse talent in recruitment • Regular talent reviews to boost under-represented groups • Globally structured approach to talent development • More mentors with regular career discussions for diverse talent • More opportunities for international mobility • More opportunities and experiences for diverse talent through assignments, trainings and presentations • Competency scorecards to detect biased decisions • Internal job vacancies open and advertised to all LP employees	30% women in top management 50% women in all roles +2% improvement in gender diversity hiring
2. Use skills and flexibility to inspire	• Increase flexible working arrangements, such as working from home, part-time working and flexible hours • Improve mobility through relocations and international assignments, virtual teams and locations, and 'location-free' positions	Flexible working in all sites Enhance employer branding
3. Create an inclusive culture	• Improve focus through Engagement Survey feedback • Create activity calendar to increase awareness and sensibility • Ensure all policies are non-discriminatory and support equal opportunities • Celebrate diversity (i.e. affinity groups, speakers, festival celebrations, English language teaching etc.) • Provide diversity and inclusion e-learning to all employees	Training programme for LP Leaders Cascade culture to all staff Follow up on all feedback given

Our business > Sustainability > 2. Strengthening our contribution to societal wellbeing

In March 2019, we joined the Talent to the Top ('Talent naar de Top') initiative, a non-profit foundation that provides advice and training on gender and cultural diversity, including cross-company mentoring. By signing their Charter, we have joined a network of companies and committed to actively working to reach D&I targets. These targets were set in collaboration with Talent to the Top. Furthermore, our progress will be monitored and reported on an annual basis by the Talent to the Top organisation.

Performance management and ongoing learning and development

We have established a new global performance management process based on clear ownership and transparency. This process, which is entirely cloud-based, enables us to have ongoing and meaningful discussions with our employees, and to better align their goals with those of our overall business.

Using our performance management system as a foundation, we are also helping our people develop the skills and competencies they need to thrive in today's highly competitive and disruptive digital environment. This includes decisive steps to accelerate re-skilling and upskilling across our organisation globally – for example, through LinkedIn Learning, which we introduced in 2019 and offers access to 13,000 online courses. In its first six months, over 1,000 employees spent over 3,000 hours using this tool. At the same time, we continue to expand our 'Leadership Journeys' programme, which has now reached around 2,000 employees worldwide. Leadership Journeys help our people gain a thorough understanding of strengths and priorities and support their alignment with LeasePlan's priorities.

Highlights 2019

In the year, we continued to implement our People Strategy and achieved the following highlights:

Talent management

LeasePlan's Talent Management programme enables us to have the right people in place in the right positions at the right time. We use the Korn Ferry methodology to identify our talent and develop them for future opportunities. In 2019 we have completed our first Talent Management Cycle in Workday. This enables us to build Talent Management data dashboards, including collective capability on strengths and risks, talent pipeline requirements, etc.

Global people platform including Learning

In 2019, LeasePlan made investments in its Workday-based Global People Platform, adding modules such as Recruitment, Absence, Compensation and Learning. In addition, we also offer LinkedIn Learning, which provides employees with access to more than 13,000 high-quality online courses, including certified courses taught by industry experts in a wide variety of relevant areas.

Leadership journeys

LeasePlan's 'Leadership journeys' offers participants an environment where they can reflect on who they are and what events have shaped them, enabling them to grow as people and leaders. All LeasePlan countries have now organised their own leadership journeys. In 2019, we piloted a new element of the Leadership journey programme that focuses on the capabilities required for successful leadership in the digital era.

Our business > Sustainability > 2. Strengthening our contribution to societal wellbeing

Driver safety

The United Nation's 2030 Agenda for Sustainable Development has set a target (goal 3.6) to halve the global number of deaths and injuries from road traffic accidents. A further target (goal 11.2) includes a focus on safe, sustainable transport systems to improve road safety, with special attention on children and vulnerable groups.

Our aim is to contribute to these goals by helping to make our customer and employee fleets among the safest in the industry. To achieve this, we are monitoring the portion of vehicle accidents that result in bodily injuries to our drivers or to third parties. In 2019, the Bodily Injury Rate (BIR) was 1% based on data from 17 European countries. In 2020, we intend to capture this data from at least 20 countries.

All vehicle accidents, from minor scratches all the way to severe damage, are reported as 'damage events' to LeasePlan from its insured fleet. Of the global serviced fleet, 47.5% is insured via LeasePlan. The portion of insured vehicles that report a 'damage event' is expressed as the Accident Frequency Rate (AFR). In 2019, the AFR averaged 69% for the customer fleet.

One of the most effective ways in which LeasePlan helps to improve safety among its customer and employee fleets is by implementing a dedicated programme called 'Active Prevention' that helps improve driver behaviour and reduce AFR. This programme is part of our 3D Coverage insurance proposition, which is available across all countries, and is based on a five-step approach that is tailored to the circumstances of each customer.

'Active Prevention' approach

1. Ensuring management buy-in	2. Collect relevant data	3. Perform root cause analysis	4. Propose preventative actions	5. Annual renewal / Bonus-Malus
Set up governance	Claims statistics	Benchmarking	Driver awareness	Fewer accidents
Agree safety KPIs		Potential risk factors	Driver feedback	Lower premium at renewal & prevention of indirect cost
Reporting structure			Incentives & penalties	
			Technologies	
			Training	

A LeasePlan customer pilot study demonstrated that accident frequency rates fell on average by 42% between 2015-2017 following the implementation of the Active Prevention programme. Active Prevention is currently being promoted among large international customers.

Distracted driving

A significant portion of car accidents are linked to phone use behind the wheel. A number of LeasePlan countries are therefore launching driver safety awareness campaigns among customers and employees to discourage drivers from using their mobile phones while driving.

Telematics

In-vehicle telematics enables the analysis of certain data relating to mileage, fuel use and maintenance. This can help reduce fuel use and manage maintenance costs in our fleet more efficiently. In 2019, LeasePlan had over 204,600 vehicles equipped with telematic devices.

Our business > Sustainability > 2. Strengthening our contribution to societal wellbeing**Suppliers and customers**

Conducting our business according to high ethical standards is vital to retaining the trust placed in us by our stakeholders. We expect our suppliers to reflect the values and behaviours that apply within our organisation by conducting their own business activities in an ethical manner. Within this context, the LeasePlan Supplier Code of Conduct (SCoC) establishes the minimum standards we expect our suppliers to adhere to when working with, for, or on behalf of LeasePlan. Our Supplier Code of Conduct is focused on the following specific areas:

- Honesty and trust
- Respect for the law
- Human rights
- Responsibility to employees
- Environmental sustainability
- Confidentiality and intellectual property
- Privacy of individuals and data protection
- Fair competition
- Conflicts of interest
- Bribery prevention

The Supplier Code of Conduct is embedded in our contractual agreements, covering currently 90% of our spend. We are targeting a 100% implementation over time.

Supplier screening and monitoring

In addition to the Supplier Code of Conduct, we aim to establish ongoing dialogues with our key suppliers in order to help drive our sustainability agenda and identify areas of collaboration. In late 2019, we began screening the top 20 suppliers on Environmental, Social Governance (ESG) performance to gain deeper insights into their activities, assess their level of ESG maturity and shape our next steps accordingly. Furthermore, we asked suppliers to share their sustainability scorecard and provide information on their environmental, labour, ethics and sustainable procurement activities. This will allow for an ongoing dialogue on topics relevant to the industry. The process and results of this initial screening will be reviewed in Q1 2020.

Customer satisfaction

Customer and driver satisfaction is one of our key objectives and as such is a main focus for all LeasePlan employees. Satisfaction is measured through a variety of tools, including the Net Promoter Score. For drivers, we have also have regular surveys in place that allow us to understand how service is delivered on an individual basis. We also analyse satisfaction trends to get a more in-depth view of company performance and areas of improvement. In addition, we recently invested in our ability to monitor and respond to feedback on social media. To further support our customer satisfaction levels, in 2019 we established a new Voice of the Customer programme with the target of increasing response levels from customers and drivers. All customer feedback is aggregated at a global level, enabling us to establish annual improvement plans across the company.

Communities

Every year, LeasePlan and its employees across 32 countries actively support a wide range of local social and community initiatives, including volunteering, staff donations and fundraisings in support of multiple social causes. These range from teaching children how to manage money, to supporting cancer research and children in need. These activities are normally carried out in partnership with established charities.

Our business > Sustainability

3. Reducing our own environmental impact

We understand that the resources we use across our operations have an impact on the environment. We are therefore developing policies, plans and targets to reduce our environmental impact.

26 kg/m²

Total CO₂ emissions kg/m² from LP buildings in 2018³⁷

2018 26 kg/m²

19%

Renewable energy share of total from LP buildings in 2018³⁷

2018 19%

Target by 2022 (baseline 2018) +10%

46 kWh

Reduce energy use (kWh) per m² from LP buildings in 2018³⁷

2018 46 kWh

Target by 2022 (baseline 2018) -10%

56 pts

EcoVadis scores in 2019

2019 56pts (silver)

2018 50pts (silver)

2017 49pts (bronze)

Target Gold

We have developed clear guidelines to help us standardise our sustainability activities across the company.

- New buildings & office refurbishment: Make sustainability part of the decision-making criteria.
- Energy supply: Record usage and select renewable alternatives.
- Appliances: Choose more energy-efficient options, and ensure their proper use and disposal.
- Lighting: Replace with LED or T5 tubes and ensure lights are only used when needed.
- Heating & air conditioning: Select more energy efficient options and take greater care in their use.
- Waste: Reduce the use of disposable products and recycle and reuse waste where possible.
- Procuring products & services: Make sustainability part of the decision-making process.

We have also begun to globally assess our energy consumption with a view to establishing accurate baseline metrics and transitioning to suppliers of renewable energy wherever possible.

We have also established the following Group-wide targets:

- Reduce average energy usage in LP buildings by 10% between 2019 and 2022 compared to 2018 levels
- Increase the share of renewable energy used by 10% between 2019 and 2022 compared to 2018 levels

To achieve these targets, we have begun monitoring and assessing our electricity use in kwh per annum relative to our building space in square metres, and the overall share of energy consumption that comes from renewable sources. We are still in the process of completing this picture and aim to have full insight for our next CDP submission in 2020.

³⁷. Based on data from 22 entities. LeasePlan aims to eventually capture this data from all its entities. The Scope 2 CO₂ emissions of these 22 countries was 11,294 tonnes. To be updated as per CDP submission in July 2020.

Our business > Sustainability

Sustainability reporting

We have expanded our non-financial disclosure and reporting to provide our stakeholders with greater transparency around non-financial risks and opportunities impacting our business. Further information around how we determine materiality, govern our sustainability activities and report on non-financial risks and opportunities is contained in the following pages and in the risk management section of this report (including our Task Force on Climate-related Financial Disclosures statement).

Charting our journey

In 2019, we published our first ever Sustainability Report in which we outline our EV progress and other sustainability goals. Content from that report has been partly added to this Annual Report to provide a more holistic view of our business. It has also helped us prepare the groundwork for further non-financial disclosures, including an overview of non-financial risks and mitigation efforts, including those associated with climate change, based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which can be found on [page 84](#) of this Annual Report.

We will continue this process in 2020, and work towards fully integrating our financial and non-financial reporting based on the guidelines of the International Integrated Reporting Framework. We will also start applying Global Reporting Initiative standards. To this end we have begun setting up central reporting on topics such as carbon footprint, fleet electrification, diversity and talent development, and to create baseline inventories, define ambition levels and develop action plans on both a central and local level. Our evolving reporting activities are also improving the level and depth of our contributions to the Carbon Disclosure Project (CDP), in which we have participated since 2010. These have, in turn, enhanced our disclosures to EcoVadis, the sustainability ratings and scorecard company that helps procurement teams monitor CSR and ESG practices in the supply chain.

It is important to note that in addition to the expectations of our stakeholders, as a licensed bank and Public Interest Entity (PIE), LeasePlan is subject to various regulatory requirements relating to sustainability, such as the EU Banking Reform Package. In addition, the Dutch Central Bank (DNB) and Financial Services Authority (AFM) have included sustainability in their supervisory priorities for disclosure.

Limited assurance on non-financial indicators

As part of the Annual Report 2019, our external auditors have provided, for the first time, limited assurance on four of our non-financial KPIs ([see page 6](#)). These indicators are defined below:

New EV orders: The number represents the percentage of new orders from a client for an Electric Vehicle (EV). An EV is defined as an full-electric vehicle (BEV), a Plugin-Hybrid Vehicle (PHEV) or an Fuel Cell Electric Vehicle (FCEV). No (mild) hybrids are included. A vehicle is defined as a car or a light commercial van.

Average CO₂ g/km per vehicle: This number represents the carbon density of our overall fleet. This number represents the carbon density of our overall funded fleet across all our countries. It shows the CO₂ tailpipe emissions as communicated by the car manufacturers and as measured during the vehicle testing protocol executed by the vehicle manufacturer. New vehicles registered after September 2018 will have the CO₂ value from the Worldwide Harmonised Light Vehicle Test Procedure (WLTP) laboratory test, whereas older vehicles will have values from the previous testing protocol (NEDC).

Employee engagement plus score: The employee engagement plus score is determined through a weighted average of global employee responses to a 50-question survey about the following topics; joy and pride in work; energy from work and feeling fit in; focus on customer expectations; support for company objectives; and intention to stay and likelihood to recommend LeasePlan as a place to work.

Female employees at top three layers: This is the percentage of females in the top three management layers at LeasePlan. These are the Managing Board, the layer that reports directly to the Managing Board (Senior Vice Presidents, Managing Directors and Directors, and their direct reports. The 30% target was set in collaboration with the Talent to the Top initiative, a non-profit foundation that provides advice and training on gender and cultural diversity.

Our business > Sustainability

Sustainable Development Goals (SDGs)

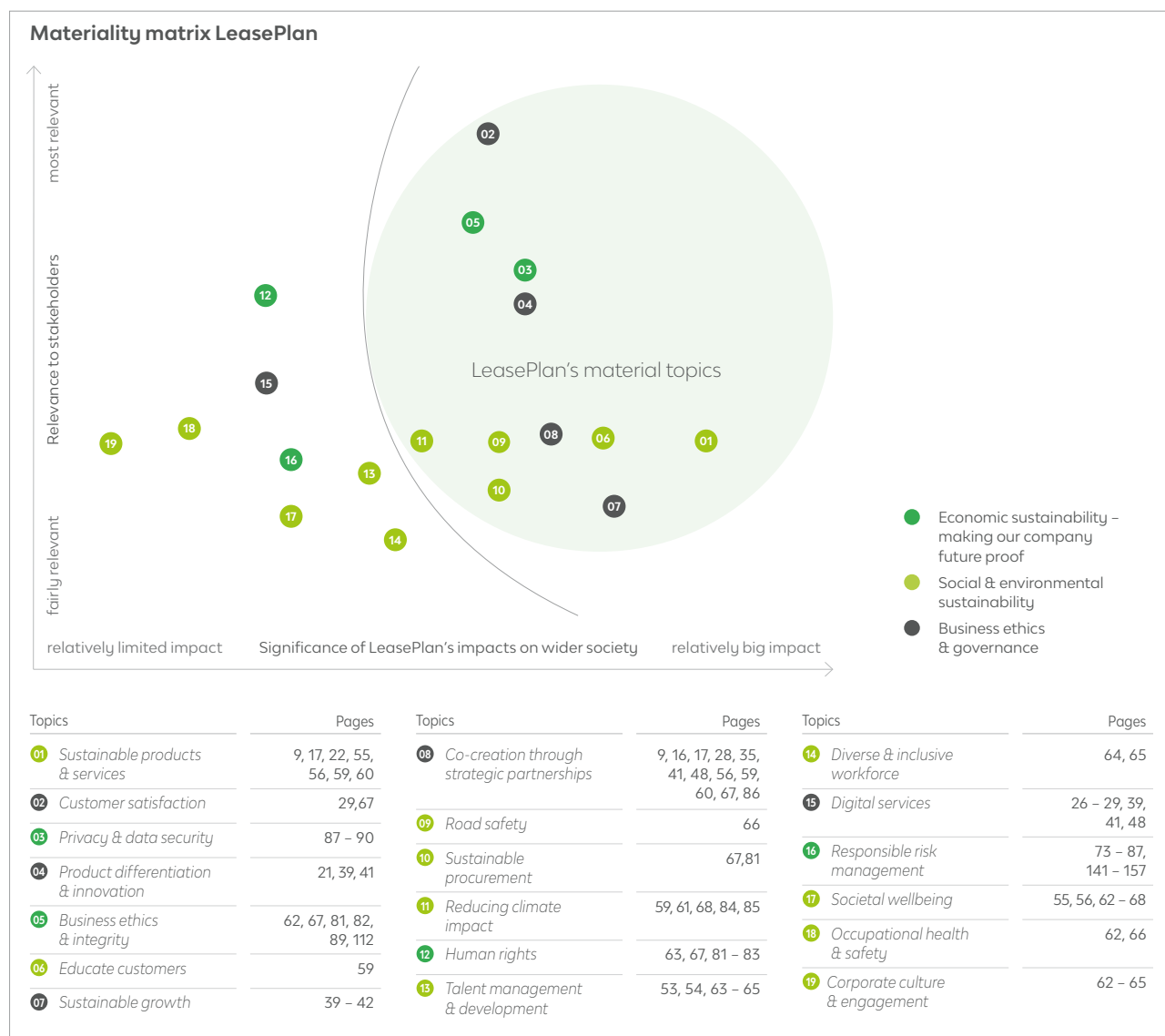
The UN Sustainable Development Goals address the most important economic, social, environmental and governance challenges of our time. The most significant and relevant SDGs that we can address are shown below. We will chart our journey to implementing these goals in the relevant non-financial disclosures.



Our business > Sustainability

Determining materiality

We assess materiality to better understand the topics our stakeholders deem relevant, where we can have the most impact and how we can enhance our existing efforts. In 2018, we conducted a formal materiality exercise with all LeasePlan employees, 70 suppliers and 100 customers to validate our sustainability agenda and ensure we appropriately address the topics our stakeholders deem most relevant.



The shaded materiality circle within the matrix above shows the 11 highest scoring topics that are being addressed in our reporting going forward. It should be noted that, as topics are positioned relative to one another, all 19 topics are considered to be highly relevant to LeasePlan and are addressed as such.

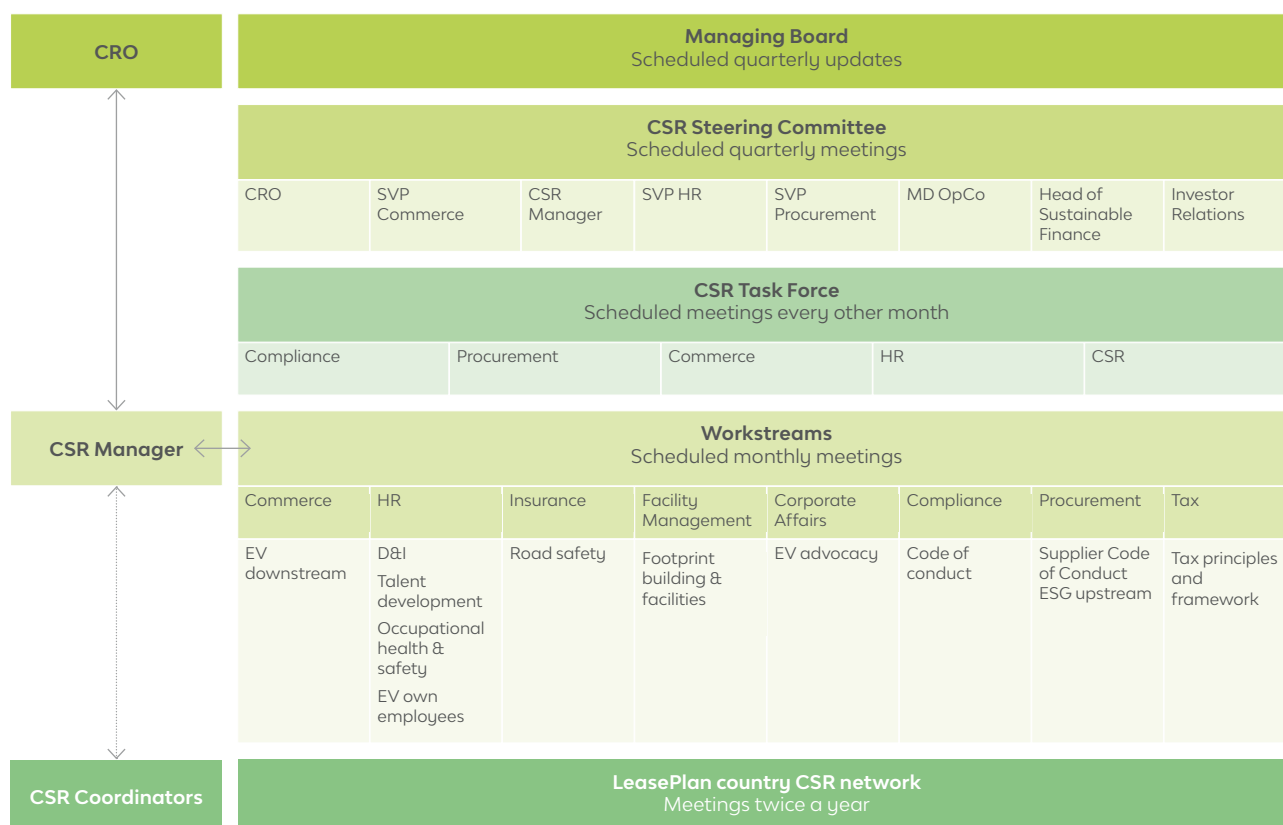
The results of LeasePlan's materiality exercise are being used as part of our adoption of the Global Reporting Initiative (GRI) framework. To that end we are currently assessing the availability and quality of data we are able to source in each area. In 2020, we intend to update our materiality process and broaden our stakeholder groups to include investors.

Our business > Sustainability

Governance and management

We have a dedicated Corporate Social Responsibility (CSR) governance structure, which reports to the Managing Board. It is responsible for coordinating the roll-out of our sustainability strategy and for making sure that material topics are adequately addressed. It also supports various business areas in defining action plans, monitors progress and reports on agreed reporting indicators. In addition, the CSR Manager interacts with key stakeholder groups to remain informed about their expectations.

CSR governance structure





Risk management

We are committed to ensuring all our activities are executed within a defined risk management framework that has been approved by the Managing and Supervisory Boards.

Risk management

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LeasePlan is a Car-as-a-Service company that also operates a retail deposit bank in the Netherlands and Germany, regulated by the Dutch National Bank (DNB). Our risk profile therefore differs from most other financial institutions due to the nature of our business. The largest part of our portfolio consists of operationally leased vehicles, in which we bear the market price risk of used vehicles. This risk constitutes the main difference between our risk profile and most other financial institutions' risk profiles.

Our risk management framework aims to reduce the frequency and consequences of risk, while helping management to evaluate and balance risks and returns relating to our business operations. It doing so, it supports our entities in the realisation of their targets and our overall approach to managing risk in an evolving business environment. We continuously look for ways to enhance its effectiveness.

As its reference model, the LeasePlan framework leverages the principles of the ERM Enterprise Risk Management (ERM) framework and the Committee of Sponsoring Organisations of the Treadway Commission (COSO). The COSO definition of 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'.

Risk management and control are closely linked to our strategic aims. We consider controlled and balanced risk taking – accommodated by a strong risk organisation and risk governance, and supported by a clear direction from our senior management – to be key elements in driving our strategy. Using COSO ERM as a reference model, we have also introduced a Risk Management Cycle that links the various building blocks of the risk process and risk governance.

Risk management cycle



Our business > Risk management

Lines of defence

Our risk governance is based on the three lines of defence model supported by investments in information technology and people.

This model distinguishes among functions that own and manage risks (first line), functions that oversee and advise on risk management practices (second line) and functions that provide internal assurance (third line). The following overview outlines the composition and responsibilities of the key parties involved in executing the three lines of defence within the Group:

First line

Local and corporate management are considered the first line of defence. They have full ownership of all risks at entity level and are responsible for complying with Group policies and standards and for the management of risks encountered while performing the business. Risk management activities include identifying and assessing potential risks, taking steps to mitigate negative influences in order to adhere to the applicable risk limits and tolerance levels. Furthermore, local and corporate management is responsible for completing and accurately registering all risks, potential incidents and threats in a timely fashion. It also includes maintaining a comprehensive risk management system that covers all risks inherent to the business.

Our Strategic Finance department is responsible for the overall liquidity management and funding strategy. Strategic Finance is considered a first line of defence and as such is responsible for risk management as described above.

Second line

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

Local management, in close consultation with our Group Risk department and our Group Privacy and Compliance department, ensures the set-up of an independent risk function and an independent privacy compliance function at entity level. These functions are considered as part of the second line of defence, that coordinate, oversee and challenge the execution, management, control and reporting of risks. The Risk Function, which cooperates with all relevant disciplines within the Group, is independent from the business functions, and headed by SVP Risk and currently represented by the CFO at the Managing Board level.

Third line

Our Group Audit Department (GAD) provides internal audit services and is the third line of defence. It conducts audits of LeasePlan's activities and provides independent assurance by assessing the effectiveness of governance, risk management and internal control processes. It also reports its findings to the Managing Board and provides quarterly updates to the Supervisory Board Audit Committee. In addition to the internal lines of defence, LeasePlan also considers the external auditor and regulatory supervisors as components of the overall defence framework.

The three lines of defence

1st line of defence	2nd line of defence	3rd line of defence
Local & Corporate Management	Risk Management	Group Audit
Strategic Finance	Privacy & Compliance	

Our business > Risk management

Risk appetite

LeasePlan is committed to ensuring regulatory compliance and maintaining a risk profile within the set risk appetite, performed by challenging and assisting the business and promoting risk awareness at all levels within the Group. The Risk Appetite Statement (RAS) represents the overall risk LeasePlan is willing to assume in order to achieve our strategic objectives, defined by quantitative and/or qualitative metrics. Secondly, risk appetite is set for the defined risk types as determined in the risk strategy, by using specific risk tolerance metrics across the risk universe. Subsequently, local entities are assigned local limits that are in line with the Group's overall risk appetite and commensurate with the local entity's annual plan.

We manage our risk appetite based on the following pillars:

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

An institution's target credit rating is an indication of the overall risk appetite a company may have and the level of capital it will need to hold. In addition, a specific risk appetite has been set for each underlying risk category. The Supervisory Board approves LeasePlan's risk appetite annually based on the recommendation of the Risk Committee, and approves any changes required throughout the year.

Depending on the risk metric, compliance with the risk appetite statement is monitored on a daily, monthly or quarterly basis and non-compliance is reported to the risk committees, the Managing Board and the Risk Committee of the Supervisory Board. The principal financial risks inherent to our business activities are discussed further in the Financial Risk Management section of the Financial Statements on [page 141](#).

Principal risks and uncertainties

We recognise ten main risk management areas, which are broadly categorised as strategic risk, operational risk, financial risk and other risk. Financial risk includes credit risk, asset risk, treasury risk and insurance risk. Treasury risk is further broken down into risks related to liquidity, interest and currency. Some of our other notable risks include information risk, reputational risk, legal risk and compliance risk. Based on our ten main risk management areas, we consider asset risk, operational risk and liquidity risk (which is part of treasury risk) to be our primary risks. LeasePlan believes these are the risk categories which could hinder the company in achieving its strategic and financial business objectives. This may, however, not include all the risks that may ultimately affect LeasePlan. For further analysis regarding asset risk, treasury risk, credit risk, operational risk and motor insurance risk, please refer to the Financial Risk Management section of the financial statements.

We have various projects which are focused on managing or mitigating each of these categories of risk and certain subcategories. For asset risk, mitigants include interim adjustments and end-of contract fees, as well as multi-channel and cross-border sales. For operational risk, focus is on data management, information security and internal and external fraud are examples of mitigants. For liquidity risk, we have matched funding, our diversified funding platform and healthy liquidity buffers as mitigants. For credit risk, mitigants include risk modelling, debtor management and default monitoring.

In addition to the above risks, we have begun assessing the risks to LeasePlan and its stakeholders that are associated with the transition to zero emissions mobility. To this end, we are putting together a cross-functional team that will look at these risks and at following the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) set up by the Financial Stability Board (FSB).

Our business > Risk management

Strategic risk

Strategic risk definition

Strategic risk is defined as the current or prospective risk to earnings and capital arising from changes in the business environment, lack of responsiveness to changes in the business environment, from adverse business decisions or improper implementation of decisions.

The Group recognises three types of strategic risk:

- Macro environment risks – the current or prospective risk to earnings and capital arising from uncontrollable external forces affecting the Group;
- Micro environment risks – the current or prospective risk to earnings and capital arising from factors or elements directly in the Group's immediate area of operations affecting its performance and decision-making processes;
- Corporate governance risk – the current or prospective risk to earnings and capital arising from the manner in which the Group's governance structure is set, communicated, implemented and reviewed.

Strategic risk management structure and organisation

As part of the risk strategy process, the Group identifies and assesses the risks it is exposed to on an annual basis. This strategic risk assessment considers the current business, external trends and emerging developments. Furthermore, the risk is assessed considering the possible impact for the upcoming 12 months.

Senior leadership is aware of the effects that potential changes in the economy, consumer behaviour and technology can have on the future of the Group's business. Although the future impact and development of many of these forces cannot as yet be quantified, senior leadership is taking focused actions as articulated in 'The Power of One LeasePlan' and 'Digital LeasePlan' to prepare the company for the future.

Information risk

Information risk definition

The Group defines information risk as 'the risk of breaching confidentiality, integrity or availability of information, due to human error or misbehaviour, inadequate processes or failing technology, leading to losses, financial misstatements, reputational damage or regulatory sanctions'. Information risk is to support the overall vision and strategy of the Risk Function by continuing to support risk taking in a consistent and transparent manner, so that the business remains in control over the exposure that fits their (information) risk appetite.

Information risk management structure and organisation

Our security function is divided into two separate departments. The Chief Information Security Officer (CISO) and team are positioned in the first line of defence, being responsible for implementing (generic) security solutions and Information Risk Management (IRM) department responsible in defining the framework, policies and standards for the Group, and monitors the adherence to it by both second line and most importantly, first line of defence (business and IT). Information risk is included in the generic governance, as described in the Risk Charter.

IRM monitors that local Information Security Officers can operate independently from their own first line of defence and supports them with the communication and roll-out of our policies and control test framework. In general, and similar to other risk functions, IRM aims to ensure that business opportunities are carefully balanced against the associated risks and supports the first line of defence in taking well-informed decisions.

Our business > Risk management**Information risk management policy**

The Group has a policy house, a virtual cabinet with all Managing Board endorsed policies, standards and guidelines that applies to all Group entities. This includes a policy and standards for Information Risk, which have to be read and understood by all Group employees and contingent workers. Where Information Risk Management is responsible for establishing the policies, standards and guidance, local management in the first line of defence is responsible for complying with these policies. Their local Information Security Officer is there to not only guide them, but also challenge them.

Our Information Risk Management Standard is based on ISO 27002 and COBIT framework.

Information risk measurement

All information risk or security incidents need to be registered in our Governance, Risk and Compliance (GRC) tool.

Any financial impact of security incidents is considered in the overall operational risk results.

Furthermore, there is a regular control test cycle where the key controls for information risks are tested on design and operating effectiveness, as well as on COBIT maturity level. Any deviations are addressed in Security Action Plans, which describe if, how and by when the deviation will be remediated. A choice to not remediate has to be accepted by the appropriate risk owner.

Other risks

For Reputation risk, legal risk and compliance risk reference is made to the Group's Pillar 3 report. A general reference is made to the LeasePlan Group's Pillar 3 report for additional risk related disclosures in accordance with the disclosure requirements of Regulation (EU) 575/2013 part eight.

Covid -19

The global economy and our business will most likely adversely affected by the recent outbreak of Covid-19. In response to this outbreak, numerous governments have imposed various levels of restrictions on personal movement and closed large sections of the economy. This crisis could impact LeasePlan through the disruption of the global vehicle and parts supply chain, financial strain on our customers and suppliers, decreased demand for new vehicles, decreasing asset values, increasing credit losses, potential impact on our employees' health and productivity, and disruption of capital markets. The implementation of 100% work-from-home policy creates increased concurrent usage on the IT infrastructure and introduces additional cyber-security complexity.

To mitigate these risks, LeasePlan is minimising cash expenditures and maximizing use of existing assets through vehicle extensions, delaying certain non-critical investment and expenditure, minimising working capital and foregoing a portion of 2019 dividend payout. We are carefully monitoring the capital markets, and will leverage the strength and resilience of our business, including our diversified funding platform, to adapt to further developments. We are also carefully monitoring customer payment behaviour. We have extended licenses, IT infrastructure capacity and are proactively scanning the IT landscape for cyber-attacks. Given the evolving uncertainty, it is too early at this stage to assess the financial effect of the Covid-19 crisis on LeasePlan.

Our business > Risk management

Total risk exposure amount (TREA)

To determine risk-weighting, the Group applies the Advanced Internal Ratings Based (AIRB) approach for the corporate portfolio and for the trade receivables and for the retail portfolios in the United Kingdom and the Netherlands. For the exposures related to governments, banks and other retail clients, the Group applies the Standardised Approach of the CRR/CRD IV framework which prescribes fixed percentages for risk weighting depending on characteristics and conditions of the exposure. For the calculation of risk-weighting of other balance sheet and off-balance sheet exposures, the standardised approaches as described in the CRR/CRD IV framework are used.

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

Highlights 2019

- We continued to update our monitoring systems, sharing of best practices, staff training and the development of our statistical techniques. We put local technical pricing committees in place for matrix pricing. The residual value risk balance (net of the average level of effective residual value pricing and the average level of effective residual value risk mitigation) is used as a monitoring and measurement system for pricing and risk mitigation, while the LeasePlan Group Risk Committee defines the limits (RAS) at the beginning of the year.
- In 2019, we surpassed a balance sheet total of EUR 30 billion at the regulatory consolidated level. By exceeding this threshold, we will most likely qualify as a 'significant institution' in the foreseeable future and our supervision may consequently be transferred from DNB to the ECB. At this point in time, the exact timing of such transfer is unknown and subject to the relevant assessments and decisions to be made by the ECB and DNB
- LeasePlan met the liquidity survival horizon at a minimum of nine months at all times. Prudent liquidity management and controls are in place to ensure compliance with regulatory requirements. Based on the 2019 Internal Liquidity Adequacy Assessment Process (ILAAP), we concluded that we are adequately funded and that our liquidity buffer is more than sufficient to meet internal and prudential requirements.
- We are currently aligning the definition of the term 'default' applied by us with the CRR and the EBA guidelines and RTS. As a result of this, we are currently updating related policies, including the processes and procedures in place for all our local entities, our AIRB models, the relevant IT systems, and our IFRS 9 'expected credit loss' models. We are not expecting any impact on capital as reported on 31 December 2019
- In May 2019, we issued EUR 500 million of AT1 capital securities which further strengthened our regulatory Tier 1 and total capital position. We are continuously monitoring and reviewing our regulatory capital position under the applicable regulatory framework in light of our strategic objectives.

Our business > Risk management > Highlights 2019

- Prudent capital management and controls are in place to ensure compliance with regulatory requirements. Based on the 2019 Internal Capital Adequacy Assessment Process (ICAAP), we concluded that we are adequately capitalised. In 2019 the Total Risk Exposure amount showed a stable development and increased by EUR 1,816 million to EUR 18,389 million. The Common Equity Tier 1 capital increased in 2019 by EUR 230 million to EUR 3.3 billion resulting in a Common Equity Tier 1 ratio at year-end of 17.7%.
- We have maintained a solid platform of diversified funding sources that include financing through debt capital markets, securitisation, bank credit lines and an internet savings bank in the Netherlands and Germany. With this as an underlying strategy, we ensured the availability of funding to meet our ongoing liquidity needs and match our asset profile. Our liquidity position complied with CRR/CRD IV requirements. The changing requirements arising from CRR/CRD IV related to the reform thereof will be taken into account in a timely way, and developments and changes will be monitored to ensure that we are well prepared for future regulatory changes. With changes to reporting requirements arising from CRR/CRD IV, we have also continued to focus on improving data quality.
- The DNB has given LeasePlan permission to discontinue the application of the Advanced Measurement Approach (AMA) and use The Standardised Approach (TSA) for calculating its minimum capital requirements for operational risk.
- The UK's exit from the EU inevitably creates uncertainties and we continue to monitor the associated risks. The fact that the UK will now leave the EU under an orderly Brexit means that there will be fewer issues from LeasePlan's perspective and the transition period will give us sufficient time to prepare for any future trade deal, between the UK and EU. Our Brexit working group has developed plans for a range of scenarios to ensure LeasePlan as a whole is well placed to navigate any effects of Brexit. We are working with our supply chain to ensure that we understand the different scenarios for importing and exporting vehicles and components from and to the UK.
- Our infrastructure relates to public networks, which introduces a constant threat of cybercrime. Examples of such threats are virus infection, computer hacking, denial of service attacks, fake emails (phishing) and malicious software (malware, ransomware), the frequency and intensity of which are increasing on a global scale. We continue to enhance our cybersecurity framework to protect, detect and respond to potential cybercrime threats. In relation to our Digital strategy, we are performing an in-depth analysis of our complete IT landscape and will make any adjustments to assure we are future proof.

LeasePlan will continue to allocate the necessary time, resources and investment to maintain and further strengthen its risk management framework, and support its business ambitions and regulatory compliance. To see a comprehensive overview of our risk management framework, including details on key risks inherent to our business activities, please refer to the Financial Risk Management section of the Financial Statements and the Pillar III Disclosures, which are available at www.leaseplan.com/corporate

Our business > Risk management

Key non-financial risks

Within our overall risk management categories, we recognise a number of key non-financial risks pertaining to our supply chain, environmental impact, employees, and social issues such as labour rights, human rights and corruption. These risks, as well as others that could emerge in the future, could hinder the company in achieving its strategic and financial objectives. Below we outline some of the most material non-financial risks to our business and performance, along with the main steps we have taken to manage them, while on [page 84](#), we further consider our main climate-related risks and opportunities.

Supply chain

Risks	Response
We rely on third-party suppliers to provide, acquire and service our fleet. As a result, we may suffer from adverse developments resulting from the quality of their products and services of our suppliers, and be impacted by environmental and social risks in the supply chain. These risks could have a material adverse effect on our reputation, business, financial condition and results of operations.	We expect our suppliers to abide by the standards of corporate responsibility that are outline in our Supplier Code of Conduct (SCoC) when working with, for, or on behalf of LeasePlan. Although the SCoC cannot address every conceivable situation, it does contain the main principles of ethical business conduct with regards to environmental and social practices. The SCoC is embedded in our contractual agreements with our suppliers, and currently covers 90% of our spend. In 2019, LeasePlan began screening the top 20 suppliers on ESG performance. Through the EcoVadis assessment tool, suppliers were asked to share their scorecard and be transparent on their performance with respect to environment, labour, ethics and sustainable procurement. This would allow for an ongoing dialogue on topics relevant to the industry and to work on corrective action plans. The process and results of this initial screening will be reviewed in Q1 2020. In addition, we aim to establish ongoing dialogues with our key suppliers, so as to gain a better understanding of their sustainability targets and ambition, and to identify areas of potential collaboration.
Vehicle emissions, while heavily regulated, pose environmental risks. The Volkswagen emissions scandal of 2015, in which so-called 'defeat devices' were used to fraudulently pass US emissions tests, raised awareness levels about higher levels of pollution emitted in real-world driving conditions by diesel-powered vehicles from a wide range of car makers. This resulted in lower demand for new and used diesel vehicles, as well as regulatory efforts at a local level to curtail the use of older diesel models within urban areas.	Due to the relatively fast turnover of our fleet, we ensure that we have the latest and cleanest technology in our fleet. In 2019, we saw the proportion of new diesel orders declining significantly, while orders for electric vehicles steadily increased. In addition, the diesels in our fleet continue to be limited to the latest and cleanest diesel Euro VI models, which are not currently subject to any legislative restrictions and still offer customers cost of ownership benefits relative to other powertrains.
Electric vehicle batteries require certain materials, especially cobalt and lithium, that have been associated with poor mining practices and human rights abuses. A failure to ensure satisfactory labour conditions and protect human rights in this supply chain could materially affect our own demand and our customers' demand for electric vehicles and therefore inhibit our ability to offer sustainable electric solutions.	Through our participation in the Global Battery Alliance, convened by the World Economic Forum (we are a founding member of its Battery Passport Initiative), and in cooperation with key supply chain participants, we are in discussion on how best to ensure human rights abuses do not occur going forward, and that sustainable mining practices and traceability are embedded in battery manufacture.

Our business > Risk management

Environmental

Risks	Response
Our customers are looking to operate more responsibly and sustainably across their entire value chains, which is why we have committed to helping them transition to low and zero emission vehicles. The success of our business therefore increasingly depends on our ability to provide environmentally sustainable solutions to our customers. Failure to improve the environmental sustainability of our products and services to our customers, and to reduce the environmental impact of our overall business, could have a materially adverse effect on our reputation, business, financial condition and results. The main risks and opportunities we see associated with climate change and the long-term transition of our fleet to electric vehicles are outlined in our Task Force on Climate-related Financial Disclosures (TCFD) statement on page 84.	We actively promote cleaner, low-emission vehicles and the infrastructure required to make them a viable option for our customers and employees. In this context, we have set ourselves the goal of achieving net zero tailpipe CO₂ emissions from our funded fleet by 2030.
There is a potential reputational risk of failing to reduce the environmental impact of our office buildings globally.	We acknowledge the need to reduce the environmental footprint of LeasePlan buildings. We are in the process of developing global policies, plans and targets that will help us reduce our environmental impact, and have already established clear guidelines to help us standardise our sustainability activities across the company. To measure our progress in this area, we have begun reporting our CO₂ emissions, energy usage and share of renewable energy from LeasePlan buildings on an annual basis.

Social

Risks	Response
Due to the nature of LeasePlan's business, LeasePlan faces relatively low social risks within its core operations (outside the supply chain). Even so, potential risk areas such as community relations, human rights, bribery and corruption could have an impact on our reputation, business, financial condition and results.	We recognise our responsibility to apply high standards in our personal conduct and day-to-day business decisions. We therefore work to ensure our values and ethics are embedded in our behaviour, processes and actions. Our values and ethics are defined by the LeasePlan Code of Conduct, which also explains the way we deal with each other, customers, suppliers, society at large, government authorities, regulators, investors and business partners. All LeasePlan employees agree to comply with the Code of Conduct through an annual declaration process. We have also implemented our Supplier Code of Conduct to help ensure that high ethical standards are maintained across our supply chain. Furthermore, we recognise that human rights are fundamental and universal and aim to respect human rights, as described in the United Nations' Universal Declaration of Human Rights and the principles of the International Labour Organisation. We therefore avoid being complicit in human rights abuses of any kind, and condemn the use of forced labour, compulsory labour and child labour. Respect for human rights is also a key feature of our Supplier Code of Conduct.

Our business > Risk management > Key non-financial risks

Social continued

Risks	Response
Bribery is considered a compliance risk and is determined by different risk factors. The first factor is geography or country risk, which we determine through Transparency International's Corruption Perception Index (CPI), which measures perceptions of bribery and corruption in each country, and the World Bank Governance Indicators. The second risk factor is sector risk, whereby certain business sectors are associated with higher levels of bribery risk than others. Bribery risks also increase where payments (not only financial) are required. For example, charitable donations or sponsorships, sign-on bonuses, discounts, rebates, and kickback payments, hiring, gifts and entertainment. In addition, activities with high value or critical significance and complexity can create an incentive for bribery.	Bribery is considered one of our top compliance risks, and we perform an bi-annual compliance risk assessment globally in which inherent and residual risks are taken into account. To mitigate bribery risks, we have a standard set of measures (e.g. anti-bribery clauses in our contracts) and an ongoing Anti Bribery programme. Where the bribery risk is deemed higher, we take additional measures. All employees sign our Code of Conduct, which features anti-bribery clauses, and each year they are asked to declare that they have acted in line with the Code of Conduct. Next to that, all new joiners have to follow and successfully pass an anti-bribery e-learning. In 2019, we reviewed our Anti-Bribery & Anti-Corruption Policy. The new policy introduced the obligation to have all charitable donations and sponsorships approved by the Chief Corporate Affairs Officer and Group Compliance Officer. Charitable donations and sponsorships are all incorporated in the LeasePlan Charitable Donations & Sponsorship Register. We also have a gifts & entertainment process in place, which is monitored on a periodic basis. In 2020, LeasePlan will conduct an in-depth global bribery risk assessment. The outcomes of the assessment will determine whether further mitigating measures are necessary within the entities. Corruption and Bribery prevention also features within our Supplier Code of Conduct.

Employees

Risks	Response
Our operations are to a significant extent dependent on our ability to attract and retain key management personnel and high-quality staff, including highly skilled and qualified personnel with specialised know-how relevant for our business such as IT. Should we encounter any difficulty in attracting and retaining senior management and other key personnel with the appropriate level of experience, knowledge and relationships, this may have a material adverse effect on our business, financial condition and results of operations.	We recognise that the sustainability of our business comes directly from the talents and efforts of our people. As a result, in addition to recognising their fundamental human rights, we place emphasis on attracting and retaining talented personnel and invest in extensive training and development across our operations for our employees. The LeasePlan People Strategy aims to achieve this by giving our people opportunities to develop their potential and creating a tolerant and inclusive environment in which they can thrive.

Our business > Risk management > Key non-financial risks

Statement: Task Force on Climate-related Financial Disclosures (TCFD)

In 2017, LeasePlan signed an international business declaration in support of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The Task Force was set up in 2015 by the G20's Financial Stability Board and has outlined a set of recommendations for companies to disclose information on how they oversee and manage the main risks and opportunities associated with climate change.

The Task Force divides climate-related risks into two major categories: i) risks related to the transition to a lower-carbon economy and; ii) risks related to the physical impacts of climate change. Given the nature of our business, the risks we face in our transition to a low carbon economy are the main focus of this statement. These risks, which fall within our main Financial, Operational, Strategic and Other risk categories, are linked to our shift away from internal combustion engine (ICE) vehicles in our fleet, in favour of low and zero emission alternatives. By contrast, potential physical risks resulting from changing weather patterns and severe weather events are deemed to be relatively limited.

LeasePlan has summarised the main climate-related risks and opportunities we see below. We also provide an overview of the governance structures that identify, assess and manage these risks, as well as relevant metrics and targets. For more information on our Sustainability Strategy, please see [page 54](#) of this report.

Governance

Group Risk is responsible for the oversight and management of all risks, including climate-related risks as they relate to LeasePlan. This ensures the Managing Board has an integral view of the risks that are inherent to the execution of our strategy to transition to a low carbon economy by helping to shape the future of low emission mobility.

LeasePlan also operates a dedicated Corporate Social Responsibility (CSR) governance structure that reports to the Managing Board. CSR is responsible for coordinating the roll-out of our sustainability strategy, and for making sure our material topics are adequately addressed.

In addition, the risks and opportunities arising from our transition to EVs, such as new products and services, are assessed by a cross-functional Product Approval and Review Committee (PARC). The PARC oversees the development of new offerings and reviews our existing ones in accordance with our commercial strategy, the interest of our customers, our risk appetite, policies and applicable laws and regulations. The Committee comprises members from Commerce, CSR, Finance, Legal and Risk.

Strategy, risks and opportunities

We are taking a leading role in our industry's transition to electric driving. We actively support the effective implementation of the Paris Agreement of 2016 and climate-related Sustainable Development Goals, and as a founding member of the EV100 initiative, are committed to achieving net zero tailpipe emissions from our funded fleet by 2030 (Scopes 1 and 3 emissions). Consequently, our assessments do not, at present, link to specific climate-related scenarios. Instead, they consider the overall resilience of our strategy in this transition, and our ability to deliver on our goals by providing cleaner, low-emission vehicles and the infrastructure required to make them an attractive option for our customers and employees. Furthermore, they consider the potential physical risks that changing weather patterns and severe weather events could have on our business, customers and drivers.

We identify the following three main areas of risks and opportunities in this transition: business model, market dynamics and technology, which are outlined in more detail below.

Our business > Risk management**Business model**

The transition of our fleet to electric vehicles could impact aspects of our business model, which is predominantly based on the procurement, management and disposal of ICE vehicles. In some cases, the profitability of parts of our value chain could be affected, both adversely and to our benefit. We are currently working on quantifying the impact of this risk on our business model.

For example, revenues from our Repair, Maintenance and Tyres (RMT) business may be impacted by a higher portion of electric and hybrid vehicles – which generally have lower RMT services costs compared to ICE vehicles – and the extent to which we qualify for supplier rebates and bonuses. Similarly, depreciation of the average EV is greater than that of other types of vehicles, which may lead us to reconfigure our business model. The provision of EVs also entails new customer requirements for home and office charging, for which we will need to develop additional services.

We are continually assessing the impact of EVs on our business model to determine how to develop our service offering, protect our profitability and create new revenue streams. Where necessary, we redesign our propositions based on our experiences in leading EV countries. In those markets, we are advancing our understanding of how certain risks may materialise or change over time, what best practices we can adopt to manage them, and the implications they may have on our pricing, propositions and positioning.

Our business model may also be adversely affected by risks related to the physical impacts of climate change and extreme weather conditions. As the risk of flooding, wildfires, storms or hail increases it could become more difficult for LeasePlan to offer affordable insurance protection and may impact our pricing of these products. These could also impact our RMT services if more vehicles in our fleet are damaged or require more frequent servicing as a result of changing weather patterns. Finally, there is the possibility that extreme weather events will impact our business continuity at certain locations, if our employees are unable to reach their places of work or if office locations and delivery stores are physically damaged.

Beyond these risks, we view the global shift to low and zero emission drivetrains as a strong opportunity to grow our market presence and strengthen our position. We are a first mover in our industry, offering end-to-end solutions that include the vehicle, implementation advice, services and charging. Our approach is supported by the fact that we are the only agile and independent Car-as-a-Service company of scale, enabling us to invest in and develop innovative service offerings without conflicting priorities. Demand for electric vehicles is rising rapidly, and EVs now account for 10% of new orders in Q4 2019.

Rising demand for EVs is also creating the need for new services, such as electric charging cards, while in the longer term, we believe there will be other opportunities for LeasePlan. These may include, for example, the potential for separation of financing of the battery from the car (facilitating technology upgrades) and energy management. The transition to EVs has also enabled us to further diversify our funding strategy and tap new investments pools. In March we launched our first-ever Green Bond (EUR 500 million) to help fund our EV ambitions. The bond attracted EUR 3.5 billion of demand through the participation of over 250 investors.

Furthermore, we believe our efforts to reduce energy consumption at LeasePlan locations worldwide (Scope 2 emissions), while increasing our use of clean energy sources, can lead to significant cost and operational efficiencies over time.

Our business > Risk management > Strategy, risks and opportunities**Market dynamics**

Unforeseen fluctuations in demand for EV solutions, or in our ability to supply them, could have a material adverse effect on our operations and results.

Compared to the relatively mature fleet market for ICE vehicles, demand levels for EVs are more difficult to forecast, and depend on a wide range of factors we cannot influence. These include, but are not limited to, oil and renewable energy prices, the expansion of public transport infrastructure, availability of popular EV models, local urban policies affecting personal car use, changes in government policies and the imposition of carbon taxes, and other regulatory measures to address climate change, pollution or other negative impacts.

Developments in these and other external factors may affect customers' use of EVs and, therefore, our EV transition goals. These may have a material adverse effect on the market prices of certain vehicle types in certain jurisdictions, which in turn could have a material adverse effect on our business, financial condition and results of operations. Sudden changes in the market can also make it harder for LeasePlan to have the right resources, people and stock in place to meet demand.

To help anticipate developments in the EV market, we closely follow trends among OEMs, suppliers and customers, which generally offer a good indication of short to medium-term changes. Additionally, each year we publish the LeasePlan EV Readiness Index to assess the EV preparedness of 22 European countries. We base this analysis on the maturity of each local market, the availability of charging infrastructure, government incentives that are in place, and the ability of our local organisation to deliver comprehensive end-to-end EV solutions to more customers.

While still a relatively small part of global vehicle sales, the adoption of BEVs and plug-in hybrids is rising rapidly. An estimated two million EVs were sold worldwide in 2018, which is a major increase on the few thousand sold in 2010. This growth trend is expected to continue as costs of ownership fall, with annual passenger EV sales forecast to reach some 10 million in 2025, 28 million in 2030 and 56 million by 2040. Some of the fastest growth is likely to take place in markets in which LeasePlan is active³⁸.

To meet this demand, we are partnering with OEMs to help ensure we can offer EVs at competitive prices, and target our customers with full package end-to-end solutions. These include configuration and customisation, finance, insurance, fleet management, RMT, remarketing services, home and office charging, and access to a network of more than 129,000 public charging points through our partnership with Allego.

Technology

While EVs have emerged as an increasingly popular vehicle type, the sales proceeds of currently sold used EVs could be challenged by uncertainties in battery life and future developments in battery technology that offer higher range and lower costs. We believe rapid advancements of this type have the potential to increase residual market value risks around certain EV models, particularly if customer preferences shift quickly towards models offering an improved battery performance and a higher range. We mitigate this risk by closely monitoring developments in new battery technology. Given the relatively long lead times that would be required to scale up and bring innovations to market, we believe LeasePlan would have sufficient time to adjust the configuration of its funded fleet within its three-four year turnaround cycle.

38. *Electric Vehicle Outlook 2019 BloombergNEF*

Our business > Risk management > Strategy, risks and opportunities

Main targets and metrics

We use various metrics to monitor and manage our transition to a lower-carbon economy, and to measure our progress against the targets we have set. Of these, the most important metric we monitor is our Scope 3 emissions (1.9 million serviced fleet). Within this context, we disclose the portion of new EV orders. This is the clearest indication we have of how customer demand is trending and how our funded fleet will change in the near future (Scope 3 emissions). New EV orders³⁹ in 2019 were 7.4%. In addition, we monitor and disclose the average CO₂ g/km per vehicle in our funded fleet, as well as the percentage of EVs in our overall fleet. We also disclose the average CO₂ g/km per vehicle in our fleet. Since 2017, LeasePlan has offset all remaining CO₂ tailpipe emissions from its employee fleet to zero (2019: 6.98 tonnes offset) with the support of the Land Life Company.

Although only a small element of our footprint, we have begun to track our total CO₂ emissions per kg/m² and the portion of renewable energy share at LeasePlan buildings (Scope 2 emissions). Furthermore, we continue to enhance the level and depth of our contributions to the Carbon Disclosure Project (CDP), in which we have participated since 2010.

Privacy and compliance

LeasePlan operates in a complex regulatory environment in which trust and confidence are crucial.

Only by conducting our business based on high ethical standards and in compliance with applicable laws, directives and regulations will we win and retain trust, and succeed in our mission. By setting high standards, LeasePlan gives its clients, suppliers and business partners the confidence to work with LeasePlan. It is therefore essential to ensure the effective management of privacy and compliance risks.

Management and mitigation

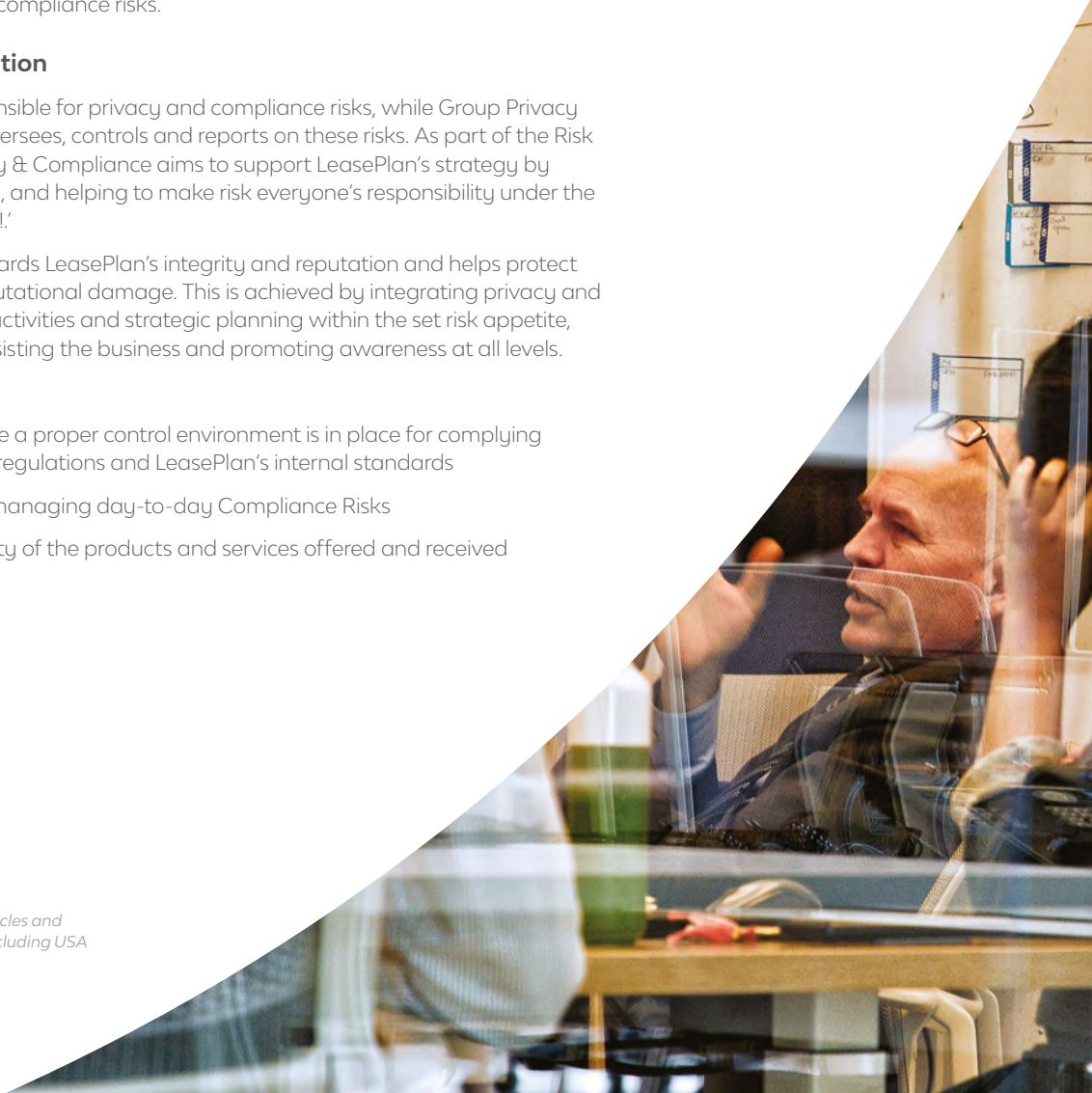
The Managing Board is responsible for privacy and compliance risks, while Group Privacy & Compliance coordinates, oversees, controls and reports on these risks. As part of the Risk Management domain, Privacy & Compliance aims to support LeasePlan's strategy by enabling controlled risk taking, and helping to make risk everyone's responsibility under the banner 'Just do the right thing!'

Privacy & Compliance safeguards LeasePlan's integrity and reputation and helps protect against financial loss and reputational damage. This is achieved by integrating privacy and compliance in daily business activities and strategic planning within the set risk appetite, as well as challenging and assisting the business and promoting awareness at all levels.

This requires us to:

- Support LeasePlan to ensure a proper control environment is in place for complying with applicable laws, rules, regulations and LeasePlan's internal standards
- Support the business with managing day-to-day Compliance Risks
- Help to maintain the integrity of the products and services offered and received

39. New orders of Battery Electric Vehicles and Plug-in Hybrid Electric Vehicles, excluding USA



Our business > Risk management

The basis for mitigating compliance and privacy risks is the Privacy & Compliance Charter and Framework.

The Privacy & Compliance Function – with a central team and privacy and compliance officers in all entities – operates within the context of LeasePlan's broader risk management framework. It is responsible for (parts of) the effective management of four related areas:

- Counterparty and external conduct, for risks of money laundering, terrorist financing and sanctions
- Employee conduct and internal culture, for risks of internal fraud and bribery
- Products and services, for risks of insufficient duty of care
- Organisation, for risks of breach of privacy or personal data protection

Our compliance risk appetite is set on a yearly basis (low in 2019) and an overall compliance risk assessment is executed twice a year. On that basis, we formulate further mitigating actions and key risk and key performance indicators for each area.

Integrated reports on the main risks, incidents and other important developments within Privacy & Compliance are provided to the Managing Board, the Supervisory Board and our external auditor on a quarterly basis.

Focus areas in 2019

Privacy

Main target for this year was to increase the quality of the important privacy processes for which the foundation was laid in 2018, to increase the awareness of employees, and to make sure that employees are able to identify and assess privacy risks in business as usual. To achieve this key focus areas of Group Privacy Office (GPO) and results consisted of:

- Enhancement of privacy governance framework, strengthening relationship with the local privacy officers community in the entities, filing updated binding corporate rules with the Dutch regulator for GDPR purposes
- Enhancement of GDPR key requirements determined in 2018, including a global training and awareness campaign this in addition to the regular e-learning. And further utilisation of privacy management tooling to automate privacy assessments and data processing register;
- Active involvement in privacy compliance workstreams to further embed privacy by design; with an integrated approach steered out of Digital;
- Providing guidance and advice in several projects and product development in relation to privacy requirements.

We monitor and handle requests submitted by data subjects in relation to personal data handled by LeasePlan in our privacy management tooling. We have seen a slight increase on the number of request submitted, which was also to be expected given the attention this right was given by regulators and media. We have also seen an increase in internal reported incidents involving personal data. None of the personal data breaches that we had to report to, the relevant data protection authorities resulted in further investigations, penalties or formal warnings.

Integrity program

The main objective of LeasePlan's integrity program is to embed integrity in such a way that it forms an integral part of LeasePlan's conduct and business so that the organisation and its employees are able to 'Just do the right thing!'.

Although there have been multiple initiatives to measure the employee perception of the culture for integrity, to create awareness and to steer the culture for integrity, none of these initiatives have been part of a structured program. A structured approach of integrity management will increase its effectiveness and will allow for 'doing the right thing' to get into LP's DNA.

Our business > Risk management

The integrity programme has:

- Improved the quality of the input used for assessing the level of integrity in LP
- Directed our future actions for improving LP's culture for integrity more effectively and efficiently

To better understand the employees' perception of the culture for integrity and to help management to more effectively manage the culture for integrity the following has been done:

- Implemented new tooling for the Global Integrity Survey and new survey questions that provide a better understanding of the employee perception of LP's culture for integrity
- Analysed the results and shared and discussed the results with all LP entities and in Corp
- Given guidance to the LP entities; helping them to interpret and use the results
- Set up and roll out of new root cause analyses template for all entities as an integrated part of compliance incident handling

Anti-money laundering and counter terrorism

In order to ensure compliance with the Dutch law on the Prevention of Money Laundering and Terrorist Financing Wwft across all LP entities LeasePlan set up an AML, CTF & Sanctions programme.

The programme resulted in amongst others:

- A new AML, CTF and Sanctions policy and standard
- A specific AML risk analysis
- Several AML learning and awareness sessions
- Improvements in CDD tools
- Additional guidance for alert handling

The new AML, CTF and Sanctions Policy and standard replace the Counterparty Due Diligence Policy and standard and provide what the entire Group is required to do to comply with and to mitigate the money laundering, terrorist financing and sanctions risks.

Main changes in both documents include: a risk-based approach to counterparties based on the total sum of the risk categories (LeasePlan product risk, counterparty risk and country risk); three different CDD processes based on the risk-based approach (e.g. simplified, normal and enhanced due diligence); identification and verification of the (Pseudo) Ultimate Beneficial Owners(s) (UBOs) and a stringent approach to Politically Exposed Persons (PEPs).

Throughout 2019 LeasePlan has made several improvements in tooling to streamline the CDD process and align the process with the new policy requirements.

Anti-bribery and corruption

LeasePlan is committed to carrying out business in a responsible manner, based on sound business ethics and with respect for our stakeholders and society. We act in accordance with applicable laws and regulations, our Code of Conduct and all related internal policies and standards.

As such LeasePlan relaunched its Anti-Bribery programme, and reviewed its Anti-Bribery and Anti-Corruption Policy, among other measures. Following that review a number of changes have been made to how LeasePlan approaches charitable donations and sponsorships across the company. The new Policy has been implemented and raised awareness on bribery and corruption in general and the new policy more specific. In 2019, zero cases of bribery were detected.

Our business > Risk management**Insurance Distribution Directive**

The Insurance Distribution Directive (IDD) 2016/97/EU took effect in most of LeasePlan's European markets in late 2018. The Directive introduces new rules in relation to the distribution of insurance, particularly in the areas of training, transparency and business conduct. The Directive primarily aims to increase levels of consumer protection. LeasePlan's insurance intermediaries implemented these changes, including increased transparency to their clients and new national training requirements.

Legal

The Legal Function, reporting directly to the CEO, has continued to evolve rapidly to keep pace with the changing needs of the business by becoming a strategic partner and business enabler. Legal is working to ensure its team members have the necessary tools and skills to manage the transition from being the sole source of legal services to one in which they are managing an ecosystem of legal service providers. These services will be underpinned by innovative technology processes and solutions.

Recent developments in the global Legal Function include:

- The launch and ongoing development of several legal tech solutions, such as a global Litigation Tracking tool, a global One Contract SharePoint site, a new global Corporate Housekeeping tool, e-signing capabilities, smart contracting and One On One legal SharePoint site.
- New IP/IT team dedicated to digital, technology and intellectual property providing focused support on all technology and intellectual property initiatives and supporting digital with the implementation of the Customer Journeys across the LeasePlan Group and the Next Generation Digital Architecture.
- Cross jurisdictional (EU) harmonisation of contract terms such as NDAs and general terms and conditions for operational leasing.
- Updating various policies and charters, including Outsourcing Policy & Standard to new EBA Guidelines, Competition Compliance Policy and Regulations Signing Authorities.
- Strengthening of the legal finance team providing dedicated support to the strategic finance and treasury teams with the 144A Programme, the EMTN Programme (including Green Bonds), the Bumper Securitisation transactions, the AT1 transaction, bank lines and other products.
- Dedicated in-house labour law specialist supporting Group HR with legal support on topics such as dismissals, employment conditions, remuneration and employee co-determination.



Governance & leadership

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Leadership team



Managing Board

Tex Gunning

CEO and Chairman of the Managing Board

Tex Gunning (1950) was appointed as Chief Executive Officer and Chairman of the Managing Board of LeasePlan in September 2016. Previously, he served as CEO of TNT Express between 2013 and 2016, guiding its merger with FedEx to create a global network for express parcel deliveries. Mr Gunning served on the supervisory board of TNT Express from 2011 to 2013, prior to his appointment as CEO. In his role as managing director of the Decorative Paints Division of AkzoNobel between 2008 and 2013, he integrated ICI in AkzoNobel's decorative paints business with ICI. Between 2007 and 2008, he was CEO of Vedior, overseeing its acquisition by Randstad in 2008, which saw Randstad become the second largest recruitment company in the world. He also has 25 years of experience with Unilever, where his last role was business group president in Asia. In addition, Mr Gunning was supervisory board member of Stichting Nederlandse Vrienden der SOS Kinderdorpen from 2012 to 2013 and of Stichting dance4life from 2013 to 2017. Currently, he is still supervisory board member of Vereniging Erasmus Trustfonds (from 2014), Stichting Nexus Instituut (from 2015) and Stichting Het Wereld Natuur Fonds-Nederland (from 2016). He is also chairman of the Board of Stichting Grachtenfestival (from 2017) and World Economic Forum Climate Sector Leader Automotive (from 2018). Mr Gunning is an Economics graduate of Erasmus University.



Jochen Sutor

Chief Financial Officer as of 1 October 2019

Mr. Sutor (1973) was appointed as Chief Financial Officer and member of the managing board of LeasePlan on 1 October 2019. From 1 January to 30 September, Toine van Doremalen, SVP & Corporate Controller, fulfilled the role of Chief Financial Officer on an ad interim basis. Mr. Sutor joined LeasePlan following a long career in banking and automotive finance. Before becoming Global Head of Finance at Commerzbank in 2012, he spent more than ten years working for Mercedes-Benz Bank, a subsidiary of the Daimler Financial Services division, fulfilling various senior positions in finance and risk management. He brings a wealth of experience in corporate restructuring exercises and credit workouts and has managed accounts in complex global organisations, harmonising systems, increasing efficiencies and introducing single finance architectures across jurisdictions. Mr Sutor also serves as Chairman of the Supervisory Board at Comdirect Bank AG. He holds an MSc. Degree in Finance from Texas A&M University and a doctorate in Mathematics from Ulm University.

Currently, the CFO is entrusted with the responsibilities of the CRO.



Supervisory Board

Jos Streppel

Chairman of the Supervisory Board

Jos Streppel has been a member of the Supervisory Board since March 2016 and was reappointed in March 2019. His previous positions include CFO of FGH Bank N.V. from 1986 to 1987 and CFO of AEGON N.V. from 1998 to 2009. He has also previously served as member of the management board of FGH Bank N.V. from 1987 to 1991, as chairman of the management board of Bank Labouchere N.V. from 1991 to 1997 and as CEO of FGH Bank from 1995 – 1998. From 2003 to 2015, Mr Streppel was a member and chairman (from 2010) of the supervisory board of Koninklijke KPN N.V. From 2003 to 2017, he was vice-chairman of the supervisory board of Van Lanschot N.V. In addition, Mr Streppel has previously served as a member of the working committee of the International Accounting Standards Board from 2005 to 2009, member and chairman (from 2009) of the Monitoring Committee Corporate Governance Code from 2005 to 2013, chairman of the Economics and Finance Committee (Econfin Insurance Europe) from 2005 to 2009, chairman of the board of Duisenberg School of Finance from 2007 to 2018 and as a member of the state commission on insurance from 2014 to 2015. He also served as chairman of the advisory board of Koninklijk Actuarieel Genootschap (from 2013 to 2017), member of the advisory board of the supervisory board program by Erasmus University Rotterdam (from 2010 to 2019), non-executive director of RSA Insurance Group plc (from 2011 to 2019), member of the supervisory board of Stichting Arq, a mental hospital (from 2011 to 2019) and deputy councillor of the Enterprise Chamber of the Court of Amsterdam (from 2014 to 2019).

Mr Streppel became member of the board of the Amsterdam Center for Corporate Finance in 2007, member of the board of the Gieskes-Strijbis foundation in 2013, chairman of Stichting Continuïteit Signify in 2017 and member of the advisory board of Van Lanschot Kempen N.V. in 2018, and currently still holds these positions. Mr Streppel holds a Master's degree in Economics from Tilburg University.

Leadership team > Supervisory Board



Steven van Schilfgaarde

Mr van Schilfgaarde has been a member of the Supervisory Board since March 2016 and was reappointed in December 2018. He began his career in 1990 within the finance function at KPN N.V. and held various roles at KPN affiliates until 2014. He served as senior executive vice president of KPN Corporate Market B.V. from 2011 to 2013 and as senior executive vice president IT Solutions of KPN in 2013. In 2012 and from 2013 to 2014, Mr van Schilfgaarde was CFO and member of the board of management ad interim of Koninklijke KPN N.V. He also previously served as member of the board and member of the Investment Committee of KPN Company Pension Fund from 2007 to 2015. He was CFO (2007 to 2011) and CEO (2011-2013) of Getronics N.V. From 2016 to 2017, Mr van Schilfgaarde was CFO of Cooperatie Royal FloraHolland U.A., of which he has been CEO as of 2018. He has also been treasurer/secretary of the Van Schilfgaarde Stichting (a family foundation) since 2004 and director of two private companies, Rietland Investments B.V. since 2013 and Rietland Advisory B.V. since 2015. Previously, Mr van Schilfgaarde was a member of the supervisory board at Digitenne Holding B.V. from 2005 to 2008, at SNT Deutschland AG from 2006 to 2015, at Eplus Mobilfunk GmbH & Co. KG from 2013 to 2014, and at KPMG N.V. from 2015 to 2016. Mr Van Schilfgaarde holds a Master's degree in Economics from Erasmus University Rotterdam. He has also completed the Postgraduate degree of Controller at the Vrije Universiteit Amsterdam and the New Board Program at Nyenrode Business University.



Manjit Dale

Manjit Dale has been a member of the Supervisory Board since March 2016 and was reappointed in June 2019. In 2019, he was also appointed as a managing director A of LP Group. Mr Dale co-founded TDR Capital LLP in 2002 alongside Stephen Robertson. Prior to that, Mr Dale was managing director and head of DB Capital Partners Europe and predecessor firm BT Capital Partners from 1995 to 2002. Mr. Dale holds an honours degree in Economics from Cambridge University.

Leadership team > Supervisory Board



Allegra Cristina Carla van Hövell-Patrizi

Allegra van Hövell-Patrizi has been a member of the Supervisory Board since March 2018. She has been chief risk officer and member of the management board of Aegon N.V. since 2016. She has been a member of the supervisory board of Aegon Ireland from 2017 to 2018. Previously, she was business analyst corporate finance at JP Morgan (1995), up to partner level at McKinsey (1996 to 2007), head of product management and head of client solutions and chief administrative officer at F&C Investment (2007 to 2009), member of the CEO office and business representative U.S. and risk (2009 to 2013) and group risk director at Prudential Plc (2013 to 2015). Ms van Hövell-Patrizi was also a member of the founding board of the Women's Forum for Economy and Society. She holds a Masters degree and DEA in Engineering/Applied Physics from Ecole Normale Supérieure in Paris, as well as an MBA from INSEAD.



Herta von Stiegel

Herta von Stiegel has been a member of the Supervisory Board since March 2015 and was reappointed in March 2018. She currently serves on the board of the London Metal Exchange, where she chairs the Technology & Operational Resilience Committee and serves on the Audit and Risk Committee, and on the board of Britam Asset Managers (K) Limited, where she chairs the Remuneration Committee and serves on the Investment & Strategy Committee. During her 17 years in the banking sector before 2000, she held senior positions at Citibank, Rabobank and JP Morgan. From 2000 to 2005, she was a director and then managing director at AIG Financial Products Corporation. From 2013 to 2017, Ms von Stiegel served as chairperson of CHAPS Clearing Company Ltd. and led the sale of the company to the Bank of England. In addition, she was a non-executive director of Camco Clean Energy plc (renamed RedT Energy plc) from 2006 to 2012. In 2006, Ms von Stiegel founded the Prince's Trust Women's Leadership Group, where she served as chairperson from 2006 to 2010. Since 2015, she has been serving as chairperson of the Women Corporate Directors Kenya. In 2008, she founded Ariya Capital Group Ltd., and became executive chairperson. Since 2016, she has been an adjunct professor and academic director at Strathmore Business School. Ms von Stiegel holds a J.D. degree from Western Michigan University Thomas M Cooley Law School and an LL.M. degree in Taxation from New York University School of Law. She also completed the Executive Program in Corporate Finance at the London Business School. She is a member of the state bar associations of Michigan and New York.

Leadership team > Supervisory Board

**Eric-Jan Boudewijn Vink**

Eric-Jan Boudewijn Vink has been a member of the Supervisory Board since March 2016 and was reappointed in June 2019. In 2019, he was also appointed as a managing director B of LP Group. He has further been head of private equity at PGGM N.V. since 2012, and member of the private equity board of Stichting Pensioenfonds TNO since 2016. His previous positions include investment director and partner at Gilde Buy Out Partners B.V. (where he worked from 1997 until 2011), senior investment manager of private equity at PGGM N.V. from 2011 to 2012 and director of LP Group from 2016 to 2018. Mr Vink holds a Master's degree in Business Administration from Erasmus University Rotterdam.

**Paul Johannes Scholten**

Paul Scholten has been a member of the Supervisory Board since June 2019. Mr Scholten has been Chief Executive Officer of Buckaroo B.V. since 2018. He began his career at ABN AMRO in 1984, working in the Netherlands, France, Bahrain, Japan and Taiwan in various managing board roles, before joining KBL Bank in the Netherlands and Luxembourg in 2014 as Chief Operational Officer and member of the executive committee. From 2001 to 2009, Mr Scholten was a member of the supervisory board of IFN B.V. In addition, Mr Scholten previously served as a member of the supervisory board of MoneYou (from 2009 to 2013), Stater B.V. (from 2009 to 2013), Bethmann Bank (from 2005 to 2013) and Insinger Gilissen (from 2016 to 2018). He also served as chairman of the supervisory board of Buckaroo B.V. from 2015 to 2018. He holds a LL.M degree from the University of Utrecht and a MBA degree from Erasmus University Rotterdam.



Chairman of the Supervisory Board statement

Jos Streppel Chairman of the Supervisory Board

Chairman of the Supervisory Board statement

LeasePlan has continued to grow its core businesses and made good progress in its digital transformation and transition to zero emission mobility.

2019 was a solid year for LeasePlan.

Our Car-as-a-Service business grew across all customer segments, especially in SMEs, and in our insurance business, thanks to the continued implementation of our strategy. We are particularly pleased with the uptake of EVs among our customers thanks to the 'full package' solutions we now offer in several markets. EVs have become a significant portion of the new vehicles we order – a strong indication of how our fleet is changing.

CarNext.com, our digital platform for high-quality used cars, also performed well, with strong growth in the B2C segment, significantly higher volumes and high levels of customer satisfaction. The platform now offers fully online car purchasing solutions in 21 countries alongside its growing network of Delivery Stores and pick-up points. At the same time, CarNext.com is sharply increasing its supply of vehicles from trusted third parties, driving further growth and traffic on the platform.

But the year was not without its challenges. The Car-as-a-Service market is expected to grow substantially over the next 5-10 years and, in order to be able to deliver mobility services to a much enlarged customer base, LeasePlan needs a digital business model that is flexible, scalable and adaptable to new opportunities and technologies. In August, we therefore took the strategic decision to stop the development of our Core Leasing System in favour of a more dynamic and modular Next Generation Digital Architecture. While this led to an impairment charge, the new architecture will enable us to offer a range of smart fleet products and services to millions of customers and generate significant efficiency savings.

Tangible benefits of our digital approach are already being seen for our customers. For example, we have begun to digitise our customer journeys, helping to improve service levels and lower costs. New digital products and services were also introduced. These include an online customer onboarding tool in several countries; the introduction of the MyFleet solution to give fleet managers real-time overviews of their vehicles' status; and the launch of the MyLeasePlan self-service app for drivers.

Going digital also means redoubling our efforts around data privacy and cyber security, which are areas of concern for many of our customers. As such, we continue to explore how we can embed privacy governance into our products, services and business processes, as well as raising awareness around this important matter among our employees.

Another positive feature of the year was the surge in interest from our investors and other stakeholders in our sustainability strategy – a development further stimulated by the successful launch of our inaugural Green Bond to finance or refinance the purchase of Battery Electric Vehicles (BEVs). We welcome the engagement from our investor community, which is why LeasePlan has also strengthened its Environment, Societal and Governance or 'ESG' reporting over the year, publishing its first ever Sustainability Report, and disclosing even more non-financial information in this annual report.

While we are committed to playing our part in the transition to the low-carbon economy by achieving zero emissions from our funded fleet by 2030, it is important that we also recognise that we are part of a wider ecosystem, and that we cannot bring about wholesale system change by ourselves. We rely on governments and other stakeholders to continue addressing key issues, such as making charging stations more widely available, greening the electricity grid and implementing long-term government incentives. We are committed to playing our part and we encourage others to do the same.

I would like to conclude by thanking LeasePlan's dedicated people for once again demonstrating the resilience, flexibility and customer focus that are the hallmarks of our unique culture, especially in recent weeks with the onset of the Covid-19 crisis. In particular, I would like to thank our former Managing Board members, Franca Vossen and Yolanda Paulissen, for their significant contributions to LeasePlan, while welcoming our new CFO Jochen Sutor to the LeasePlan Managing Board. Jochen brings with him a unique combination of experience in banking and automotive financing, and strong track record in risk management and leadership. I would also like to thank our customers and shareholders for continuing to place their trust in us. Going forward, LeasePlan has every reason to be optimistic, with a strategy that has positioned it well to reap the benefits of the major trends in our industry and deliver further sustainable growth in the years ahead.

Jos Streppel

Chairman of the Supervisory Board



Report from the Supervisory Board

Report from the Supervisory Board

This report contains an overview of the activities of the Supervisory Board and its committees in 2019. A description of the composition and operation of the Supervisory Board is set out in this report and in the chapter on Governance.

Profile and composition of the Supervisory Board

The Supervisory Board of LeasePlan has been composed to warrant proper execution of the function of the Board and its committees. Its size and composition are attuned to the nature and characteristics of the business as well as the required expertise and background of each member. In 2019, the Supervisory Board consisted of Mr J.B.M. Streppel (Chairman), Mr S. van Schilfgaarde, Mr M. Dale, Mr P.J. Scholten (from 13 June), Ms H. von Stiegel, Ms A. van Hövell-Patrizi, and Mr E.J.B. Vink.

Independence

All members of the Supervisory Board perform their duties independently and critically. In the event of a conflict of interest with regard to a particular topic, the Supervisory Board member in question may not participate in discussions or decision-making on that topic. Five members are independent (two were appointed following the specific right of recommendation by the Works Councils) and two are associated with the consortium of shareholders.

Diversity

The members of the Supervisory Board have a diverse and balanced mix of knowledge, skills, and expertise, in line with the required profiles.

The Supervisory Board aims to ensure that its members represent a good balance in terms of diversity (including nationality, gender, and area of expertise) to warrant proper supervision of the overall management of the Group by the Managing Board.

Responsibilities of the Supervisory Board

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

The Chairman of the Supervisory Board is in close contact with the Chairman of the Managing Board. There are close relations with the Works Councils, not only safeguarded by the two Supervisory Board members who were appointed following the specific right of recommendation of the Works Councils, but also through direct and regular contacts from the Chairman of the Supervisory Board with the Works Councils. The Chairman of the Managing Board and the Company Secretary ensure that the members of the Supervisory Board receive timely and clear information on all relevant matters. LeasePlan's internal control functions have direct access to the Chairmen of the relevant committee or Supervisory Board, as applicable. Certain resolutions of the Managing Board, specified in the Articles of Association of LeasePlan and in the Managing Board regulations, are subject to approval by the Supervisory Board. The Supervisory Board may discuss and, where necessary, approve certain decisions by way of written resolutions outside of the scheduled meetings.

Terms of appointment of members of the Supervisory Board

Members of the Supervisory Board are appointed for a maximum term of four years and may be reappointed following the expiry of the first term.

Report from the Supervisory Board

Assuring supervision quality

The members of the Supervisory Board took part in the Lifelong Learning (LLL) programme during the year. The Chairman of the Supervisory Board decides on the contents of the Supervisory Board's LLL, with the aim of maintaining and, where necessary, improving the expertise of the Supervisory Board members at the standards that are generally imposed. The learning programme covers relevant developments in the company and its corporate governance, as well as specific topics relating to the financial sector, integrity, risk management, financial reporting and audits.

Assessment of the Supervisory Board

The Supervisory Board carries out an annual assessment of its own performance, its composition and effectiveness, as well as the effectiveness of the LLL programme. Every three years, the self-assessment is performed with the assistance of independent supervision by a professional party selected by the Supervisory Board. In this triennial assessment, focus lies on the evaluation of the performance of individual Supervisory Board members, the culture within the Supervisory Board and the relationship between the Supervisory Board and the Managing Board. The Supervisory Board also performs an assessment of the Managing Board and its individual members, and its LLL programme. In September 2019, Strategic Management Centre (external party) carried out the Supervisory Board self-assessment and presented the report during the Supervisory Board meeting on 8 November 2019.

The Supervisory Board is of the opinion that it meets the required profile in terms of suitability, expertise and diversity, and also complies with the Dutch Corporate Governance Code in this respect, although the code is not applicable to LeasePlan as a non-listed entity. The Supervisory Board Chairman prioritised bilateral contacts with the other Supervisory Board members to make sure everybody had the required information and knowledge, and there have been regular discussions with the Managing Board, the consortium of (indirect) shareholders and the Works Councils.

Meetings of the Supervisory Board and attendance

In 2019, the Supervisory Board held eight meetings.

Date	
6 FEBRUARY 2019	23 AUGUST 2019
8 MARCH 2019	18 SEPTEMBER 2019
9 MAY 2019	8 NOVEMBER 2019
9 AUGUST 2019	14 NOVEMBER 2019

Attendance of SB members

Name	Attendance %
JOS STREPPPEL	83.3%
STEVEN VAN SCHILFGAARDE	100%
MANJIT DALE	77.7%
ALLEGRA CRISTINA CARLA VAN HÖVELL-PATRIZI	92.3%
PAUL JOHANNES SCHOLTEN	100% (since appointment 13 June 2019)
HERTA VON STIEGEL	100%
ERIC-JAN BOUDEWIJN VINK	85.7%

Committee meetings

Committee	Number of meetings
AUDIT COMMITTEE	6
RISK COMMITTEE	5
REMUNERATION COMMITTEE	2
SELECTION AND APPOINTMENT COMMITTEE	3
SUPERVISORY BOARD	8

Committee membership

Name	Committee membership
JOS STREPPPEL	Selection and Appointment Committee (chair), Remuneration Committee and Risk Committee
STEVEN VAN SCHILFGAARDE	Audit Committee (chair), Selection and Appointment Committee and Risk Committee
MANJIT DALE	Selection and Appointment Committee, Remuneration Committee and Risk Committee
ALLEGRA CRISTINA CARLA VAN HÖVELL-PATRIZI	Risk Committee (chair)
PAUL JOHANNES SCHOLTEN	Risk Committee (from 13 June 2019) and Remuneration Committee (from 1 December 2019)
HERTA VON STIEGEL	Remuneration Committee (chair), Selection and Appointment Committee and Audit Committee
ERIC-JAN BOUDEWIJN VINK	Audit Committee

Report from the Supervisory Board

Senior management was frequently invited to make presentations on a range of topics to the Supervisory Board and its committees. Members of the Supervisory Board, the Managing Board and senior management also held relevant discussions throughout the year that were not part of the formally scheduled meetings and calls. The combination of regular meetings / conference calls and the various informal consultations ensured that the Supervisory Board was well informed about the running of the business. The Supervisory Board additionally held several discussions among its members without members of the Managing Board being present.

Supervision: topics discussed

The recurring items on the quarterly agenda include the financial and commercial results, market developments, developments related to funding and liquidity (including quarterly approval of the funding framework), performance of the Group companies, and risk management with a specific focus on the performance against the approved risk appetite, asset risk management, and credit risk management including approval of credit exposures above EUR 150 million.

Management of the company

The Supervisory Board is satisfied by the company's overall results, which support its strategy to strongly position the business in the shift from ownership to subscription services, and ensure it can reap the benefits of market growth in the years ahead. It is also satisfied with the investments made in its operations, most notably, in the CarNext.com platform and its digital transformation. In addition, it supports the active role LeasePlan is playing in helping to bring down harmful emissions by leading the transition to electric vehicles.

Financial reporting

Financial reporting is discussed regularly at meetings and calls of the Supervisory Board. All interim financial statement and related review reports of the external auditor were discussed in the presence of the external auditor. The Supervisory Board approved the financial statements for 2019 on 20 March 2020. KPMG acted as external auditor for the 2019 financial year. For each reappointment of the external auditor the Audit Committee will make a recommendation for the year under review in its March meeting, which will then be decided upon during the General Meeting of Shareholders.

Composition and reporting by committees

Composition

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

Audit Committee

The Audit Committee (AC) met six times during the year. Recurring items were reviewing the quarterly financial performance press releases, and interim financial statements, the yearly assessment and planning of the internal audit function, the quarterly reports of the external auditor, IFRS reporting updates and the internal control measures. The external auditor attended all meetings of the AC.

Report from the Supervisory Board

Risk Committee

There were five Risk Committee meetings in 2019. A cycle of risk-related matters is addressed with a frequency of four times during the year (and more often if so desired), with specific items to be tabled upon request, such as IT security, resourcing and Pillar III.

Remuneration Committee

The Remuneration Committee met two times in 2019. It discussed the Remuneration Framework, Identified Staff Selection and Remuneration, Target setting and the Variable Pay Plan. For more information on remuneration matters please refer to the Remuneration Report on [page 106](#).

Selection and Appointment Committee

The Selection and Appointment Committee met three times in 2019. It discussed MB and SB related (re-) appointments and vacancies.

Annual report and financial statements for 2019

In accordance with the relevant provisions of the Articles of Association of LeasePlan, the Supervisory Board has reviewed the annual report and the financial statements for 2019. The Supervisory Board discussed these documents with the Managing Board and KPMG, the external auditor, and took note of the external auditor's report that it issued on the financial statements of 2019, as included from [page 116](#) of this report. The Supervisory Board proposes that the shareholders adopt the financial statements and the proposed profit appropriation contained therein, and recommends the endorsement of the Managing Board's conduct and the supervision thereof as provided by the members of the Supervisory Board.

**Amsterdam,
the Netherlands,
20 March 2020**

The Supervisory Board

Jos Streppel (Chairman)

Steven van Schilfgaarde
(Vice-Chairman)

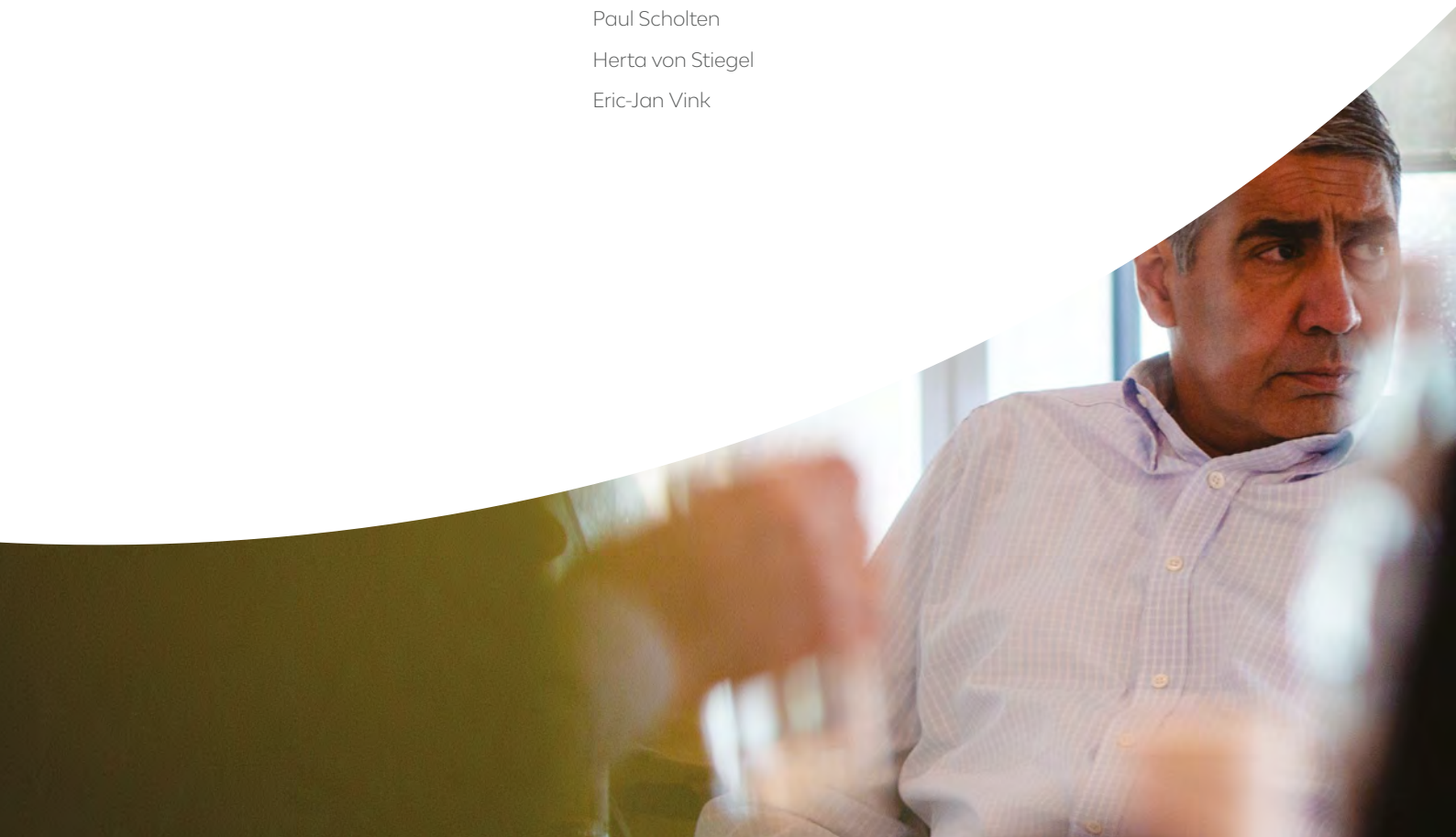
Manjit Dale

Allegra van Hövell-Patrizi

Paul Scholten

Herta von Stiegel

Eric-Jan Vink





Remuneration report

Remuneration report

LeasePlan's Group Remuneration Framework

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

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

General remuneration principles

The following general remuneration principles apply to all staff:

- The remuneration policy and structure are aligned with LeasePlan's business strategy, long-term interests, objectives, and risk appetite and support robust and effective risk management;
- Fixed and variable remuneration will be used to align individual performance with aforementioned strategy and objectives.
- The remuneration positioning will, in general, be set at the median of the relevant market, assuming a comparable split between fixed and variable remuneration;
- Variable remuneration is performance-related, consists of a well-thought-out mix of financial (at maximum 50%) and non-financial elements and reflects both short- and long-term strategic goals;
- Variable remuneration performance indicators are specific, measurable, attainable, relevant and time-bound;
- Variable remuneration cannot exceed 100% of fixed remuneration. For staff who are employed by one of the Dutch operating companies this maximum is further capped at 20% on average;
- Pension schemes are recognised in accordance with the applicable accounting standards. LeasePlan does not award discretionary pension benefits as part of the variable remuneration;

- Other benefits for staff are provided in line with market practice;
- Severance payments do not reward for failure or misconduct. For LeasePlan's daily policymakers severance payments are capped at 100% of fixed remuneration;
- Claw back and malus provisions are applicable to all variable remuneration awarded;

Remuneration of Identified Staff

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

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

Remuneration report

Remuneration of the Managing Board

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

- Managing Board members are appointed for the duration of four years;
- A notice period of three months in case of voluntary resignation by a Managing Board member and six months in case of termination by the Employer applies;
- In line with the Dutch Banking Code the remuneration positioning of the Managing Board will, in general, be set just below the median of the relevant market;
- Managing Board members are entitled to a variable remuneration of 50% at target and 100% at maximum;
- Each Managing Board member has agreed to voluntarily cap their variable remuneration at 20% of base salary until a change of control, asset sale, winding-up or IPO ('Settlement') and to fully waive any possible rights under the relevant remuneration policies of the company to a variable remuneration that would exceed such 20% cap for the period until Settlement, which waiver has been accepted by the Supervisory Board;
- For the Managing Board in principle 60% of variable remuneration will be paid in the form of PSUs;
- Managing Board members in principle fully participate in LeasePlan's pension scheme. Where the applicable retirement age ('pensioengerechtigde leeftijd') is however reached during the appointment period, a fixed gross allowance of 18.7% over the gross annual salary is paid;
- Managing Board members are entitled to a net expense allowance of EUR 550 on a monthly basis;
- Managing Board members are entitled to a company car as per the applicable car policy of LeasePlan Global b.v. Managing Board members who are expatriated to Netherlands are entitled to compensation of costs related to housing and other expatriate related expense reimbursement as per the applicable policy.

Remuneration governance

The remuneration governance within LeasePlan is as follows:

Corporate governance

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

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

The Supervisory Board advised by the Remuneration Committee

The main responsibilities of the Supervisory Board advised by the Remuneration Committee as stated in the Remuneration Framework are the following:

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

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

Remuneration report

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

- Regulatory updates;
- Selected Identified Staff positions;
- Variable remuneration performance indicators and targets;
- Remuneration of the Managing Board;
- Ex-ante risk assessment and Ex-post risk assessment.

The Managing Board

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

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

Control Functions

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

Performance indicators and targets

Global performance indicators are set by the (Remuneration Committee of the) Supervisory Board for the Identified Staff on an annual basis. The indicators need to comply with relevant remuneration regulations, are set to support the achievement of the long-term strategy of LeasePlan and consider the interests of all relevant stakeholders.

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

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

Performance indicators

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

LeasePlan Strategy	Financial growth		Growth in volume	Efficiency and customer satisfaction
Category	Financial		Non-Financial	
Performance indicator	Net Result	Return on Equity (Managing Board only)	Weighted Fleet Growth	One LeasePlan + Trim
At target % of variable remuneration for Managing Board	11%	11%	11%	17%

Remuneration report

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

The performance indicators for Control Functions may not create a conflict of interest and the function holders are remunerated on the basis of the achievement of non-financial Group objectives and non-financial performance indicators relevant to their position.

Share-based payments

Selected managers of the LeasePlan management, including the Managing Board members, participate in the share capital of an indirect parent company of the Group. The company or another Group entity will under no circumstances be required to settle the shares in cash with the participating managers. Accordingly, this arrangement is classified as an equity-settled share-based payment arrangement.

Execution in 2019

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

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

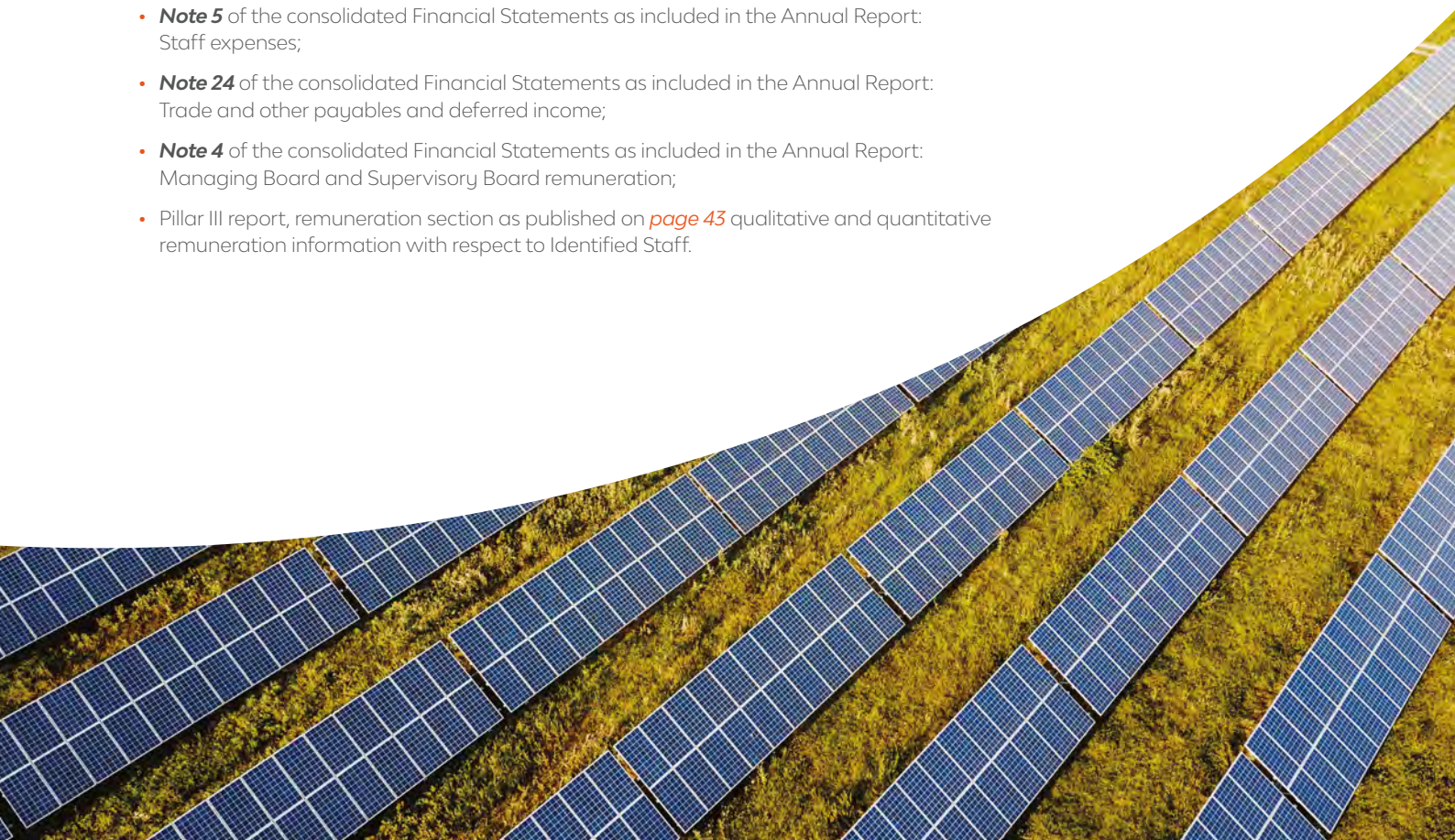
Remuneration disclosures

In line with the Dutch Remuneration Policy for Financial Enterprises Act (Wbfo), the following summarises (i) the total amount of aggregated variable remuneration expenses for the year 2019 and (ii) the number of individuals employed by LeasePlan who received a total remuneration of more than EUR 1 million.

- Total aggregated variable remuneration expenses for all staff within LeasePlan globally: EUR 60.2 million
- Number of individuals that received (i.e. were awarded) more than EUR 1 million of total remuneration: 1 Head office.

More remuneration information can be found in:

- **Note 5** of the consolidated Financial Statements as included in the Annual Report: Staff expenses;
- **Note 24** of the consolidated Financial Statements as included in the Annual Report: Trade and other payables and deferred income;
- **Note 4** of the consolidated Financial Statements as included in the Annual Report: Managing Board and Supervisory Board remuneration;
- Pillar III report, remuneration section as published on [page 43](#) qualitative and quantitative remuneration information with respect to Identified Staff.





Governance

Governance

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

LeasePlan is incorporated under the laws of the Netherlands. Its head office is in Amsterdam, the Netherlands as well as its statutory seat. LeasePlan operates in over 30 countries across the globe. These operations are conducted through various local LeasePlan companies.

Supervision

In addition to an effective global corporate governance infrastructure, LeasePlan is subject to supervision by competent supervisory authorities worldwide with whom we are constantly engaged in discussions and assessments. In the Netherlands, we are supervised by, among others, the Dutch Authority for the Financial Markets (AFM) and the Dutch Central Bank (DNB). LeasePlan has recently surpassed a balance sheet total of EUR 30 billion at the regulatory consolidated level. By exceeding this threshold, LeasePlan will most likely qualify as a "significant institution" in the foreseeable future and our supervision may consequently be transferred from the DNB to the ECB. As of the date of this Annual Report, the exact timing of such transfer is unknown and subject to the relevant assessments and decisions to be made by the ECB and the DNB. In Ireland, where LeasePlan Insurance is located, the Central Bank of Ireland (CBI) supervises the insurance activities of the company. Several other LeasePlan companies are supervised by relevant local supervisory authorities.

Applicable laws and codes

As of 21 March 2016, LeasePlan applies the provisions of the full large company regime (volledig structuurregime). Additionally, we are subject to certain EU legislation (including, amongst others, CRR/ CRD IV), which has an impact on the regulation of our businesses in the European Union, and the regulations and supervision by local supervisory authorities of the various countries in which we do business.

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

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

More information about our corporate governance, e.g. on our Code of Conduct, Supplier Code of Conduct, compliance with the Banking Code and our Articles of Association, can be found on our website: www.leaseplan.com/corporate

Shareholders

LP Group B.V. is the sole shareholder of LeasePlan Corporation N.V., with TDR Capital, sovereign wealth funds ADIA and GIC and pension funds PGGM and ATP amongst the indirect shareholders of LeasePlan Corporation N.V. None of these investors alone has a direct or indirect controlling interest in LeasePlan. There are no shares without voting rights or shares that give no or limited entitlement to profits or reserves of the company.

Governance structure

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

Supervisory Board

The Supervisory Board is responsible for supervising the Managing Board and the general course of affairs of LeasePlan and its Group companies. In addition, the

Governance

Supervisory Board advises the Managing Board in determining the strategic direction. It also is responsible for the appointment, and the yearly assessments of the remuneration and other conditions of employment, of the Managing Board members. As of 31 December 2019, the Supervisory Board consisted of seven members. More detailed information with respect to the members of the Supervisory Board can be found in the Supervisory Board report and on [page 101](#). LeasePlan believes that the Supervisory Board has sufficient diversity in the background, knowledge and expertise of the individual members to warrant proper supervision of the overall management of the Group by the Managing Board.

Managing Board

The Managing Board's responsibility is, inter alia, setting the overall strategy, the resulting business approach and policies for LeasePlan and its Group companies. It is well aware of the importance of the right tone at the top and the positive effects thereof for the rest of the organisation. Moreover, the Managing Board is responsible for maintaining proper accounting records, for safeguarding assets and for taking reasonable steps to prevent and detect fraud and other irregularities.

It is responsible for selecting suitable accounting policies and applying them on a consistent basis and making judgements and estimates that are prudent and responsible. It is also responsible for establishing and maintaining internal procedures to ensure it is informed of all major information, to ensure the timeliness, completeness and accuracy of external financial reporting. This means the Managing Board is responsible for the system of internal control that is designed to safeguard controlled and sound business operations and ensure the quality of internal and external reporting and compliance with applicable laws, regulations and codes of conduct.

In devising internal controls, LeasePlan has taken into account the nature and extent of the risks that may affect the soundness of the entire enterprise, the likelihood of risks occurring and the cost of control.

In 2019, the Managing Board consisted of Mr L.W. (Tex) Gunning as Chief Executive Officer, Ms Y.J.M.A. (Yolanda) Paulissen as Chief Strategic Finance and Investor Relations Officer (until 6 December), Mr J (Jochen) Sutor Chief Financial Officer (appointed 31 July)

and Ms F.P.C.G. (Franca) Vossen as Chief Risk Officer (until 6 December).

More detailed information about the current members of the Managing Board can be found on [page 92](#).

The division of tasks within the Managing Board is determined by the Board itself and has been approved by the Supervisory Board. The members of the Managing Board are fully supported in performing their duties by the advice and services provided by a mixed and diverse management team.

LeasePlan operates a lifelong learning programme for the members of the Managing Board and the Supervisory Board. The various training sessions are conducted by internal and external experts.

Diversity

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

During 2019, 29% of LeasePlan's Supervisory Board was female. Going forward, LeasePlan will continue to strive for an equal division of gender, among others by considering and taking into account this aim when appointing persons or nominating persons for appointment to the Managing Board and Supervisory Board respectively.

In Control Statement

The Managing Board is responsible for designing, implementing and maintaining the internal risk management and control systems. The purpose of these systems is to adequately and effectively manage the risks associated with the strategy and activities of the company. In this respect the Managing Board has made an assessment of the design and effectiveness of the

Governance

internal control and risk management systems, which is described in more detail below.

On the basis of this assessment and in accordance with best practice provision 1.4.3 of the Dutch Corporate Governance Code and Article 5:25c of the Financial Supervision Act, the Managing Board believes, to the best of its knowledge, that:

1. the annual report provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems during the financial year 2019;
2. the internal risk management and control systems provide reasonable assurance that the financial statements do not contain any material inaccuracies;
3. based on the current state of affairs, it is justified that the financial statements are prepared on a going concern basis; and
4. the annual report states those material risks and uncertainties that are relevant to the expectations of the company's continuity for the period of 12 months after the preparation of this report.

It should be noted that the above does not imply that these internal risk management and control systems provide absolute assurance as to the realisation of the business objectives, or that they can prevent all misstatements, inaccuracies, errors, fraud and non-compliance with legislation, rules and regulations. Nor can they provide certainty that LeasePlan will achieve its objectives. It is also the case that evaluations of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In view of all the above the Managing Board confirms that to the best of its knowledge the LeasePlan financial statements give a true and fair view of the position at the balance sheet date, the development and performance of the business during the financial year 2019 and the subsidiaries included in the financial statements, together with a description of the principal risks that LeasePlan is being confronted with.

Amsterdam, the Netherlands, 2020

Tex Gunning
Jochen Sutor

Background and explanation

The Managing Board is accountable for the management of all risks associated with the company's strategy and activities. To this end, appropriate risk management and internal control systems are in place.

The responsibility for identifying and managing risks lies with LeasePlan's entities. These entities are supported by the Group Risk Management department and the Group Privacy & Compliance department and are periodically assessed by the Group Audit Department (GAD). Group Risk Management and Group Privacy & Compliance report directly to the CRO, and GAD has direct access to the CEO as well as to the Audit Committee of the Supervisory Board.

LeasePlan entities are responsible for setting up, maintaining, operating and monitoring an appropriate risk management and internal control system within their area of responsibility.

This responsibility includes the management, monitoring, reporting and controlling of risks. The entities are supported in this by local risk functions (headed by the Entity Risk Director). GAD, in its role as third line of defence, closes the control cycle through regular assessments of the design and operational effectiveness of the risk management and internal control system.

An In Control Statement (ICS) provides sufficient insights into any failings in the effectiveness of internal risk management and control systems, based on the results of several Risk Management Instruments like identification, registration, assessments and reporting of risks, controls and losses.

The aforementioned systems furthermore provide reasonable assurance that the financial reporting does not contain any material inaccuracies.

The risk management and internal control system within LeasePlan covers a broad set of risk types, primarily:

- Strategic risks;
- Operational risk (incl. business continuity, financial reporting, model & HR risks)
- Financial risks, which covers: asset risk, credit risk, treasury risk and insurance risk;
- Other risks, which covers: information risk, compliance, legal and reputation risk.

Governance

The Group has a framework in place which is continuously being improved and enhanced.

Important instruments for the ICS within the Group include:

- **Internal Audit:** In the LeasePlan Group, internal audits are performed by GAD through a risk-based audit methodology. The objective of the risk-based audit is to reach opinions on the internal control quality of the company. The quality review of the design and effectiveness of internal control procedures has to be planned in such a way that all major entities and processes in these organisations will be analysed periodically. Group Audit Department executes on a yearly basis the internal audit plan, as approved by the Managing Board and the Audit Committee.
- **Business Control Reviews (BCRs):** Due to the international network of subsidiaries, the Risk Management practices in all subsidiaries need to be consolidated at Corporate level to have a total overview of the risks in the Group. The objective of the BCRs is to check and monitor whether all LeasePlan subsidiaries are acting according to the policies (Control) as well as advising them where necessary and pro-actively engaging with them (Consultancy). Group Risk Management executes on a yearly basis the BCR plan. All subsidiaries need to be visited once every two years or when there is a signal that a specific risk area within an entity needs to be reviewed.
- **LeasePlan has a uniform set of accounting and reporting principles applied throughout the Group based on its application of International Financial Reporting Standards.** As part of our monitoring activities related to the Financial Control Framework, control deficiencies were identified, specifically related to the limitations of legacy IT systems and control documentation. Control deficiencies are remediated as part of the ongoing finance improvement processes.
- **Letter of Representation:** Managers of the entities submit a letter of representation emphasising the compliance with the uniform set of accounting and reporting principles. The Group of entities that is included in the consolidated financial statements is comprised of subsidiaries acting as separate entities selling LeasePlan's core products.
- **Risk Performance evaluation:** The ambition to manage and monitor risk on an integrated and holistic basis, has been a key driver in the set-up of an independent risk function at entity level, with oversight by Group Risk Management. In order to have good insight in the performance of the local Risk Function, entities are monitored on a regular basis with regard to different aspects. The main objectives of the performance evaluation (which consist of KPI's the local Risk Function can influence) are: 1) Gain insight in the maturity of local risk management practices and 2) assess regulatory compliance by adherence to global policies. Entities are challenged where necessary.
- **Entity Oversight:** In order to determine whether risk is taken in a controlled way, an entity oversight governance structure is in place. The different Risk Types LeasePlan is facing are in scope of this instrument. Group Risk Management actively monitors the performance of the entities with regard to these risk types, whereas oversight activities like Business Control Reviews are carried out as well. Alignment meetings will take place to make sure that the local second line functions are aligned with the Group's second line functions. All these activities will contribute in obtaining insight in the local risk management practices.
- **Strategic Risk Assessment (SRA):** As part of the risk strategy process, LeasePlan identifies and assesses the risks it is exposed to on an annual basis via a SRA, to ensure that we actively manage and mitigate the impact of these risks on our strategic goals, reputation and financial results. The SRA considers the current business, external trends and emerging development and includes a heatmap of the environment (in terms of probability and impact), concludes which risks are part of the risk universe and as such under active management, and defines the taxonomy.

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Consolidated statement of profit or loss

for the year ended 31 December 2019

In thousands of euros	Note	2019	2018
Operating lease income		4,155,570	3,973,110
Finance lease and Other interest income		134,669	132,542
Additional services income		2,524,832	2,422,469
Vehicle sales and End of contract fees		3,303,244	2,990,322
REVENUES	3	10,118,314	9,518,443
Depreciation cars		3,288,083	3,288,215
Finance cost		346,911	303,769
Unrealised (gains)/losses on financial instruments	13	14,623	11,409
Impairment charges on loans and receivables	4	31,065	28,705
Lease cost		3,680,683	3,632,097
Additional services cost		1,622,832	1,550,420
Vehicle and Disposal cost		3,232,765	2,881,696
DIRECT COST OF REVENUES	3	8,536,280	8,064,213
Lease services		609,556	473,555
Additional services		901,999	872,049
Profit/Loss on disposal of vehicles and End of contract fees		70,479	108,626
GROSS PROFIT	3	1,582,035	1,454,230
Staff expenses	5	614,540	571,241
Other operating expenses	6	316,080	318,288
Other depreciation and amortisation	7	183,544	45,104
TOTAL OPERATING EXPENSES		1,114,164	934,634
Share of profit of investments accounted for using the equity method		4,466	3,284
Other income	8	–	128
PROFIT BEFORE TAX		472,337	523,008
Income tax expenses	9	69,356	99,381
NET RESULT FOR THE PERIOD		402,981	423,627
<i>Attributable to:</i>			
Equity holders of parent		381,197	423,627
Holders of AT1 capital securities		21,784	–

Consolidated statement of comprehensive income

for the year ended 31 December 2019

In thousands of euros	Note	2019	2018
NET RESULT		402,981	423,627
<i>Other comprehensive income</i>			
Items that will not be reclassified to profit or loss			
Remeasurement of post-employment benefit reserve, before tax	29	-5,991	2,301
Income tax on post-employment benefit reserve	9	1,778	-654
SUBTOTAL CHANGES IN POST-EMPLOYMENT BENEFIT RESERVE, NET OF INCOME TAX		-4,213	1,647
Items that may be reclassified to profit or loss			
Changes in cash flow hedges, before tax		687	-4,778
Cash flow hedges recycled from equity to profit or loss, before tax		-4	-
Income tax on cash flow hedges	9	-187	1,195
SUBTOTAL CHANGES IN CASH FLOW HEDGES, NET OF INCOME TAX	9	496	-3,584
Exchange rate differences	29	28,352	-14,676
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX		24,635	-16,614
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		427,616	407,014
Comprehensive income attributable to:			
Owners of the parent		405,832	407,014
Holders of AT1 capital securities		21,784	-

Consolidated statement of financial position

as at 31 December 2019

In thousands of euros	Note	2019	2018
ASSETS			
Cash and balances at central banks	11	4,828,356	3,167,831
Investments in debt securities		24,663	24,709
Receivables from financial institutions	12	638,579	518,318
Derivative financial instruments	13	102,636	98,517
Other receivables and prepayments	14	1,242,624	1,150,155
Inventories	15	644,721	505,554
Lease receivables from clients	17	3,388,054	3,279,487
Property and equipment under operating lease and rental fleet	18	19,340,074	17,818,976
Other property and equipment	19	392,935	102,882
Loans to investments accounted for using the equity method	16	163,500	151,300
Investments accounted for using the equity method	20	18,778	15,874
Intangible assets	21	203,387	256,128
Corporate income tax receivable		70,796	48,096
Deferred tax asset	22	229,150	141,135
Assets classified as held-for-sale		–	776
TOTAL ASSETS		31,288,252	27,279,736
LIABILITIES			
Trade and other payables and Deferred income	24	2,437,634	2,290,482
Borrowings from financial institutions	25	4,078,817	3,788,873
Derivative financial instruments	13	136,770	112,656
Funds entrusted	23	7,763,597	6,490,204
Debt securities issued	26	11,582,171	10,449,447
Provisions	27	522,335	495,672
Corporate income tax payable		65,377	24,462
Lease liabilities	19	296,289	–
Deferred tax liabilities	22	344,623	292,347
TOTAL LIABILITIES		27,227,613	23,944,143
EQUITY			
Share capital	28	71,586	71,586
Share premium	28	506,398	506,398
Other reserves	29	–43,125	–67,760
Retained earnings	30	3,027,862	2,825,370
EQUITY OF OWNERS OF THE PARENT		3,562,720	3,335,594
AT1 capital securities	31	497,919	–
TOTAL EQUITY		4,060,639	3,335,594
TOTAL EQUITY AND LIABILITIES		31,288,252	27,279,736

Consolidated statement of changes in equity

In thousands of euros	Share capital	Share premium	Other reserves	Retained earnings	Equity of owners of the parent	AT1 capital securities	Total equity
BALANCE AS AT 1 JANUARY 2018	71,586	506,398	-51,147	2,693,243	3,220,080	-	3,220,080
Net result	-	-	-	423,627	423,627	-	423,627
Other comprehensive income	-	-	-16,614	-	-16,614	-	-16,614
TOTAL COMPREHENSIVE INCOME	-	-	-16,614	423,627	407,014	-	407,014
Interim dividend	-	-	-	-171,400	-171,400	-	-171,400
Final dividend	-	-	-	-120,100	-120,100	-	-120,100
BALANCE AS AT 31 DECEMBER 2018	71,586	506,398	-67,760	2,825,370	3,335,594	-	3,335,594
BALANCE AS AT 31 DECEMBER 2018	71,586	506,398	-67,760	2,825,370	3,335,594	-	3,335,594
Adoption of IFRIC 23	-	-	-	-13,536	-13,536	-	-13,536
BALANCE AS AT 1 JANUARY 2019	71,586	506,398	-67,760	2,811,834	3,322,058	-	3,322,058
Net result	-	-	-	402,981	402,981	-	402,981
Transfer – accrued interest on AT1 capital securities	-	-	-	-21,784	-21,784	21,784	-
Other comprehensive income	-	-	24,635	-	24,635	-	24,635
TOTAL COMPREHENSIVE INCOME	-	-	24,635	381,197	405,833	21,784	427,616
Interim dividend	-	-	-	-165,170	-165,170	-	-165,170
Proceeds AT1 capital securities	-	-	-	-	-	500,000	500,000
Issuance costs AT1 capital securities	-	-	-	-	-	-5,425	-5,425
Interest coupon paid on AT1	-	-	-	-	-	-18,440	-18,440
BALANCE AS AT 31 DECEMBER 2019	71,586	506,398	-43,125	3,027,862	3,562,720	497,919	4,060,639

Consolidated statement of cash flows

for the year ended 31 December 2019

In thousands of euros	Note	2019	2018
<i>Operating activities</i>			
Net result		402,981	423,627
<i>Adjustments</i>			
Interest income and expense	3	212,242	171,227
Impairment charges on receivables	4	31,065	28,705
Valuation allowance on inventory *		-5,410	5,327
Depreciation operating lease portfolio and rental fleet	18	3,398,932	3,362,673
Insurance expense *		370,134	341,115
Depreciation other property plant and equipment	7	70,000	26,570
Amortisation and impairment on intangibles	7	113,544	18,534
Share of profit in equity accounted investments	20	-4,466	-3,284
Gain on sale of subsidiaries / associates		-	-128
Financial instruments at fair value through profit and loss	13	14,623	11,409
Income tax expense		69,356	99,381
<i>Changes in</i>			
Provisions *		-350,053	-297,843
Derivative financial instruments		9,858	36,716
Trade and other payables and other receivables		-145,655	-124,057
Inventories *	15	207,291	234,927
Amounts received for disposal of objects under operating lease	18	2,599,174	2,285,950
Amounts paid for acquisition of objects under operating lease	18	-7,736,560	-7,187,078
Acquired new finance leases		-1,421,412	-1,470,827
Repayment finance leases		1,421,501	1,503,728
Income taxes received		10,954	6,798
Income taxes paid		-110,256	-134,774
Interest received		134,575	132,388
Interest paid		-343,866	-308,016
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		-1,051,447	-836,933

See continuation of this table on the next page.

Consolidated statement of cash flows *continued*

for the year ended 31 December 2019

In thousands of euros	Note	2019	2018
<i>Investing activities</i>			
Investments in debt securities		46	-24,709
Acquisition of subsidiary, net of cash acquired		-11,954	-
Loans provided to investments accounted for using the equity method	16	-83,000	-71,800
Redemption on loans to investments accounted for using the equity method	16	70,800	61,000
Dividend received from associates and jointly controlled entities	16	-	1,031
Changes in held-for-sale investments *		776	-
Proceeds from disposal of subsidiaries		-	280
Proceeds from sale of other property and equipment	19	28,226	26,323
Acquisition of other property and equipment	19	-62,013	-62,651
Acquisition of intangibles assets	21	-48,868	-89,039
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		-105,987	-159,564
<i>Financing activities</i>			
Receipt from receivables from financial institutions		777,561	429,427
Balances deposited to financial institutions		-773,221	-381,250
Receipt of borrowings from financial institutions		7,441,475	5,061,224
Repayment of borrowings from financial institutions		-7,197,782	-4,532,691
Receipt of funds entrusted		3,386,137	2,358,245
Repayment of funds entrusted		-2,112,775	-1,870,579
Receipt of debt securities		3,826,245	3,302,332
Repayment of debt securities		-2,718,472	-2,208,649
Payment of lease liabilities		-39,692	-
Dividends paid to Company's shareholders		-165,170	-291,500
Receipt AT1 Capital securities		494,575	-
Interest paid AT1 capital securities		-18,440	-
NET CASH INFLOW FROM FINANCING ACTIVITIES		2,900,442	1,866,560
CASH AND BALANCES WITH BANKS AS AT 1 JANUARY		3,351,570	2,481,998
Net movement in cash and balances with banks		1,743,008	870,063
Exchange gains/(losses) on cash and balances at banks		-1,288	-492
CASH AND BALANCES WITH BANKS AS AT AS AT 31 DECEMBER	11	5,093,290	3,351,570

*Prior year comparatives have been restated. Please refer to the Basis of preparation for further details.

General notes

for the year ended 31 December 2019

1 GENERAL INFORMATION

LeasePlan Corporation N.V.

LeasePlan Corporation N.V. (the "company") is domiciled in Amsterdam, the Netherlands and is registered at the Commercial Register of Amsterdam under number 39037076, where its statutory seat is located. The address of its registered office is Gustav Mahlerlaan 360, 1082 ME Amsterdam. The consolidated financial statements of the company as at and for the year ended 31 December 2019 comprise the company and its subsidiaries (together referred to as the "Group") and the Group's interest in investments accounted for using the equity method. The Group consists of an international network of companies engaged in fleet management and mobility services, mainly through operating leasing, and car remarketing through CarNext. At the end of the year 2019, the Group employed just over 7,900 people worldwide and had offices over 30 countries. A list of the principal consolidated participating interests is included in the other information paragraph of the company financial statements.

The company has held a banking licence in the Netherlands since 1993 and is regulated by the Dutch Central Bank.

Ownership of the company

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

LP Group B.V. is the parent of the company and indirectly represents a group of long-term investors. None of these investors alone has a direct or indirect controlling interest in the company:

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

- **TDR Capital:** TDR Capital LLP is a highly selective private equity firm with a track record of investing in businesses. TDR Capital LLP was founded in 2002 and currently manages funds totalling over EUR 8.0 billion on behalf of a range of sophisticated investors.

2 BASIS OF PREPARATION

Statement of compliance and restatements

The consolidated financial statements for the year ended 31 December 2019 were authorised for issue by the Board of Directors on 20 March 2020. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations as endorsed by the European Union (EU) and Part 9 of Book 2 of the Dutch Civil Code.

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. Due to rounding, numbers presented throughout these financial statements may not add up precisely to the totals provided.

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 valuation and impairment of fixed assets from operating leases, impairment of finance lease receivables, defined benefit pensions obligations, the fair value of derivatives, the assessment of the income tax position and damage risk retention provision, the impairment of intangibles and goodwill, estimates in revenue recognition, the assessment of restructuring provisions and litigation provisions. Information on the above-mentioned areas of estimation and judgement is provided in **Note T** – Critical accounting estimates, assumptions and judgements.

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

General notes *continued*

for the year ended 31 December 2019

2 BASIS OF PREPARATION *continued*

New and amended standards adopted by the Group effective as from 1 January 2019

The following new or revised standards, amendments and interpretations to published standards became effective as per 1 January 2019 (and are endorsed by the EU). The impacts of those standards and new accounting policies implemented by the Group are disclosed below.

IFRS 16 – Leases

The Group has implemented IFRS 16 on the required effective date of 1 January 2019.

IFRS 16 introduced a single, on-balance sheet lease accounting model for lessees. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset, and a lease liability representing its obligation to make lease payments. Previous off-balance sheet operating leases are now included in the consolidated statement of financial position and resulted in an increase in non-current assets and financial liabilities.

Lessor accounting remains similar to previous accounting policies.

These right-of-use assets are initially measured at cost and subsequently at cost less any accumulated depreciation and impairment losses over the contractual term. The right-of-use asset is adjusted for certain re-measurements of the lease liabilities.

The lease liabilities are initially measured at the present value of lease payments not yet paid at commencement date and are discounted using an incremental borrowing rate which varies per country within the Group. The liability is subsequently increased by the interest accretion to the lease liability and decreased by lease payments made. The lease liability is remeasured when there is a change in future lease payments or based on changes in assessment of execution of certain extension or termination options in the contracts. The Group applies judgement to determine the lease term for lease contracts that contain renewal options. The depreciation charges and financial charges replace previous operating lease expenses.

The Group applies the recognition exemption for short-term and for low-value leases and reassessed the classification of sub-leases in which the Group is a lessor.

Transition

The Group grandfathered the definition of a lease in IAS 17 on transition for both lessee and lessor accounting. Therefore, the definition of a lease under IFRS 16 is only applied to contracts entered into or changed on or after 1 January 2019.

The Group applies the modified retrospective approach with no restatement of comparative information. The effect of applying the standard is recognised in the opening balance sheet as at 1 January 2019 resulting in an increase in "Other property and equipment" (EUR 287 million) and "Lease liabilities" (EUR 292 million). There is no corresponding impact to the opening balance of retained earnings.

Right-of-use assets are measured at an amount equal to the lease liability, adjusted by any prepaid or accrued lease payment.

The Group has adopted the following practical expedients:

- Initial direct costs are excluded from the measurement of the right-of-use asset at the date of initial application.
- Use of hindsight is applied in determining the lease term where leases contain extension, renewal or termination options.
- The incremental borrowing rate per country as of 1 January 2019 are applied on a single discount rate basis to a portfolio of leases with reasonably similar characteristics such as the property asset class.

The table below presents a reconciliation of the operating lease commitments as at 31 December 2018 to the lease liability recognised as at 1 January 2019.

In thousands of euros

OPERATING LEASE COMMITMENTS DISCLOSED AS AT 31 DECEMBER 2018	278,344
Less short-term leases recognised on a straight-line basis as expense	3,814
Less low-value leases recognised on a straight-line basis as expense	653
Add extension and termination options reasonably certain to be exercised	51,956
TOTAL NOTIONAL LEASE LIABILITIES AT 1 JANUARY 2019	325,832
Discounting using the Group's incremental borrowing rate of 1.95% (weighted-average rate) at 1 January 2019	-33,889
LEASE LIABILITY RECOGNISED AS AT 1 JANUARY 2019	291,943

IFRIC 23 – Uncertainty over income tax treatments

IFRIC 23 (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019) provides a framework and specific guidance to consider, recognise and measure the accounting impact of tax uncertainties that was not included in IAS 12.

IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

Based on IFRIC 23, an entity shall assume that a taxation authority will examine amounts which has a right to examine and have full knowledge of all related information when making those examination. In the past the Group did a best estimate based on actual examination of local tax authorities.

For this reason, the impact of IFRIC 23 determined by the Group is an additional tax provision of EUR 13,5 million, which is recognised as an adjustment in the opening balance of retained earnings.

Reclassification of Asset held for sale in the presentation on the statement of financial position

Assets held for sale have been reclassified to inventories as a result of the Group's assessment of the assets included in this position. The category that was reclassified mainly includes operating leases the Group's entered into in the United states with the aim to sell onwards to debt investors as part of the Group's ongoing business.

General notes *continued*

for the year ended 31 December 2019

2 BASIS OF PREPARATION *continued*

Other changes

The following other changes that became effective as per 1 January 2019 do not have any significant impact on shareholders' equity nor comprehensive income or are not relevant to the condensed consolidated financial statements of the Group. Those changes relate to:

- Amendments to IFRS 9 'Prepayment features with negative compensation' (issued on 12 October 2017).
- Amendments to IAS 28 'Long term interests in Associates and Joint Ventures' (issued on 12 October 2017).
- Amendments to IAS 19 'Employee Benefits': Plan Amendment, Curtailment or Settlement (issued on 7 February 2018).
- Annual improvements cycle 2015 - 2017: Amendments to IFRS 3 'Business Combinations', IFRS 11 'Joint Arrangements', IAS 12 'Income Taxes', IAS 23 'Borrowing Costs' (issued on 12 December 2017).

New and amended standards issued that become effective as per 1 January 2020

The following amendments to standards are not yet endorsed by the EU and become effective as per 1 January 2020. Those changes relate to:

- Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018).
- Amendment to IFRS 3 Business Combinations (issued on 22 October 2018).
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Definition of Material (issued on 31 October 2018).
- 'Interest Rate Benchmark Reform' (Amendments to IFRS 9, IAS 39 and IFRS 7) (issued on 26 May 2019).

These changes are not expected to have a significant impact on shareholders' equity nor comprehensive income of the Group.

Interest Rate Benchmark Reform

The IASB recently published its interest rate benchmark reform amendments to IFRS 9, IAS 39 and IFRS 7, which is the first phase of the process leading to a transition away from IBOR. The final amendments were issued in September 2019, which specifically addresses certain provisions for hedge accounting, to include:

- Entities can apply the accounting requirements under IAS 39 (still adopted in LeasePlan) on the assumption that the interest rate benchmark on which the hedged cashflows and cashflows from the hedging instrument are based will not be altered, as a result of the interest rate benchmark reform;
- Make the amendments mandatory for all hedging relationships that are directly affected by the interest rate benchmark reform;
- Should not provide relief from any other consequences arising from interest rate benchmark reform;
- Will require disclosures about the extent to which entities hedging relationships are affected by the amendments.

The amendments above, are effective for periods beginning on or after 1 January 2020, with early adoption permitted. At the end of 2021 the transition to ARR's will be completed and banks will no longer submit IBOR rates.

Most relevant new and amended standards issued that become effective after 2020

IFRS 17: Insurance Contracts

The Group will implement IFRS 17 'Insurance Contracts' (as issued by the IASB in May 2017, including future amendments, but not yet endorsed by the EU) by the expected effective date. On 17 March 2020 the IASB agreed with the various changes proposed in the Exposure Draft (ED) 'Amendments to IFRS 17' issued on 26 June 2019, including deferral of the effective date to 1 January 2023. IASB granted one year more to prepare for the initial application of IFRS 17, compared to the proposal in ED. Agreed amendments are expected to be issued in the second quarter of 2020..

IFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts, which was issued in 2005.

The main features of the new accounting model for insurance contracts are as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows).
- A Contractual Service Margin (CSM) that is deferring any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profitability of the insurance contracts to be recognised in profit or loss over the service period (i.e. coverage period).
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period.
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.
- A simplified premium allocation approach (PAA) may be applied for contracts that meet specific conditions. An important condition is that the coverage of the contracts does not exceed one year. The PAA is quite similar to current accounting under IFRS 4 for non-life products.
- The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income is based on the concept of services provided during the period;
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense.
- Extensive disclosures will provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

The Group is currently assessing the impact on shareholder's equity and comprehensive income of IFRS 17, and as such is not able to quantify its impact yet, nor specify any policy choice that will be made.

General notes *continued*

for the year ended 31 December 2019

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Note A – Basis of consolidation

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

Subsidiaries and business combinations

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

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is measured at the aggregate of the fair values at acquisition date 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 carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the statement of profit or loss.

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 statement of profit or loss.

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

Associates

Associates are those companies over which the Group has significant influence but no control, generally accompanying a shareholding between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are reported in "Investments accounted for using the equity method". Under the equity method, the investment is 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.

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 statement of profit or loss, 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.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

Joint arrangements

Investments in joint arrangements comprise of joint operations or joint ventures, depending on the contractual rights and obligations of each investor. Currently the Group has no joint operations. Joint ventures are accounted for using the equity method and are reported in "Investments accounted for using the equity method" similar to accounting for associates.

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 retains control and 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. These companies are consolidated in the financial statements of the Group based on the substance of the relationship.

Note B – Foreign currency

Foreign currency translation

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 re-measured. 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 statement of profit or loss under the caption 'Finance lease and other interest income', except when deferred in other comprehensive income as qualifying cash flow hedges.

General notes *continued*

for the year ended 31 December 2019

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

continued

Foreign operations

The results and financial position of all foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into euro (the presentation 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 statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. Such translation differences are recognised in the translation reserve of equity. When a foreign operation is disposed of or sold, in part or in full, the relevant amount of this reserve is reclassified in the statement of profit or loss as part of the gain or loss on disposal or sale.

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

Note C – Financial assets and liabilities

Recognition

Purchases and sales of financial assets are recognised on settlement date, i.e. the date that a financial asset is received by or delivered to an entity. Loans are recognised when cash is advanced to the borrowers.

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

Derecognition

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

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

Offsetting

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

Income and expenses are presented on a net basis only when permitted by IFRS.

Classification and measurement

Financial assets are initially recognised at fair value. Subsequent measurement of financial assets depends on the classification, driven by cash flow characteristics and the business model in which an asset is held. The classification categories are held at fair value through profit or loss (P&L), fair value through other comprehensive income (OCI) or amortised cost, and are determined at initial recognition.

A debt financial asset is measured at amortised cost only if both of the following conditions are met:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows
- The contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

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

The fair value of a financial asset or liability is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Derivatives are categorised as fair value through profit or loss. Reference is made to **Note D** – Derivative financial instruments and hedge accounting.

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 statement of profit or loss in the period in which these gains and losses arise and are included in the caption 'Unrealised gains/losses on financial instruments' in the statement of profit or loss.

Financial assets measured at amortised cost

Financial assets are initially measured at fair value and subsequent measured at amortised costs using the effective interest method less any impairment losses. Transaction costs (including qualifying fees and commissions) are part of the amortised cost.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

The following financial assets are classified at amortised cost: cash and balances at central banks, receivables from financial institutions, investments in debt securities, loans to investments accounted for using the equity method and other receivables.

General notes *continued*

for the year ended 31 December 2019

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

continued

Financial liabilities measured at amortised cost

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

The following financial liabilities are classified as financial liabilities are measured at amortised cost: borrowings from financial institutions, funds entrusted, debt securities issued, and certain items included in trade and other payables and deferred income (trade payables, interest payable). Transaction costs are included in amortised cost using the effective interest method.

Impairment of financial assets

The following debt instruments measured at amortised cost are in scope of the impairment requirements:

- Cash and balances at central banks
- Receivables from financial institutions
- Investments in debt securities
- Loans to investments accounted for using the equity method
- Other receivables
- Lease receivables from clients
- Loan commitments and financial guarantee contracts issued that are not measured at fair value through P&L

Lease receivables from clients, both finance lease receivables and operating lease receivables as included in trade receivables in scope of IFRS 16, are brought in scope of IFRS 9 impairments. Reference is made to **Note E** – Lease receivables from clients.

An expected credit loss (ECL) is recognised upon initial recognition of a financial asset and subsequently remeasured at each reporting date. ECL is calculated by multiplying the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD):

- PD represents the likelihood of a counterparty defaulting on its financial obligations.
- LGD represents the Group's expectation of the extent of the loss on a defaulted exposure. LGD varies by type of counterparty and is expressed as a percentage loss per unit of exposure at the time of default.
- EAD is based on the expected exposure amount at the time of a default.

To measure the ECL based on the General Approach, assets migrate through the following three stages based on the change in credit quality since initial recognition:

Stage 1: 12-months expected credit losses

This stage includes financial assets that have not had a significant increase in credit risk since initial recognition and that are not credit impaired upon origination. For these financial assets, the expected credit losses that result from default events that are expected within 12 months after the reporting date are recognised. Interest revenue is recognised based on the gross carrying amount, that is, without deduction for expected credit losses.

Stage 2: Lifetime expected credit losses – not credit impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition of the financial asset but that are not credit impaired, a lifetime expected credit loss is recognised. Interest revenue is recognised based on the gross carrying amount, that is, without deduction for expected credit losses.

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition. The Group uses both quantitative and qualitative information to determine if there is a significant increase in credit risk based on the characteristics of the financial asset. Quantitative information could be a decrease in credit rating below investment grade. Qualitative information is obtained from the monitoring of existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant (negative) change in the debtor's ability to meet its obligations towards the Group. The Group applies a backstop of 30 days past due as an automatic trigger for significant increase in credit risk.

The Group has exposures to internal counterparties consisting of financial guarantees, loans to subsidiaries and loans to joint ventures entities. As the credit risk is highly dependent on the financial performance of the underlying lease portfolios, these credit risk exposures are monitored following qualitative factors in assessing the significant increase in credit risk:

- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant (negative) change in the entity's ability to meet its debt obligations towards LeasePlan Corporation; and
- An actual or expected significant (negative) change in the operating results of the entity.

In addition, the Group uses its internal credit rating scale to apply quantitative factors in assessing whether there is a significant increase in credit risk. The Group considers that credit risk has increased significantly if the internal credit rating has significantly deteriorated at the reporting date relative to the original internal rating. If a significant increase in credit risk is identified, this triggers in general a transfer for all instruments in scope held with this counterparty from stage 1 to 2.

General notes *continued*

for the year ended 31 December 2019

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

continued

Stage 3: Lifetime expected credit losses – credit impaired

Financial assets are assessed as credit impaired when one or more events that have a significant impact on the estimated future cash flows of that asset have occurred. Interest revenue is recognised based on the lower amortised cost, including expected credit losses.

The Group applies a forbearance policy based on European banking regulations from the Capital Requirements Directive IV and Capital Requirements Regulation and reported in the credit risk management section.

The Group identifies credit impaired assets under IFRS 9 by applying the default definition used for credit risk management purposes. The Group defines a default as: Any counterparty that is either unable to fulfil its obligations (irrespective of the amount involved or the number of days outstanding), or when counterparties are over 90 days in arrears, or local judgement determines that there is a reasonable chance that the amount will not be collected.

In applying this definition, the following information may serve as evidence that a financial asset is credit impaired:

- Contract breach such as a default or past due event;
- It is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The borrower faces a significant financial difficulty due to disappearance of an active market.

For credit impaired financial assets, interest is recognised in profit or loss based on the amortised cost (net of impairment allowance) rather than the gross carrying amount (gross of impairment allowances) which is the case for stage 1 and 2 assets.

Lease receivables from clients

Lease receivables consist of receivables under finance lease contracts and trade receivables, consisting of amounts invoiced for financial and operating lease receivables. For lease receivables, the Group elected to adopt an accounting policy choice to use the simplified approach, which means recognition of lifetime expected credit losses, irrespective of if a significant increase in credit risk has taken place.

The amount of ECL for lease receivables is measured at the contract level as the probability weighted present value of all cash shortfalls over the expected life of the financial asset discounted at the original implicit interest rate embedded in the lease contract. The cash shortfall is the difference between all contractual cash flows that are due to the Group and all the cash flows that the Group expects to receive.

The Group determines the ECL for lease receivables based on the model used for regulatory capital purposes (see Credit Risk Measurement). This model is adapted to remove prudential conservatism and to include forward looking macroeconomic scenarios and multiyear forecast over the lifetime of the lease contracts.

PD, LGD and EAD forecasts are combined to produce the ECL estimate. As such, ECL is highly dependent on the credit quality of counterparties in the portfolio at the reporting date, the types and characteristics of vehicles in the portfolio, the expected maturities and repayment terms of the contracts, the forecasts of future macroeconomic variables in various scenarios, the forecast market developments and residual values for used vehicles in various scenarios, and the probability weight assigned to each forecast scenario. The model is periodically updated and developed based on back-testing of previous forecasts.

Write-off

Where there are no reasonable expectations of recovering outstanding receivables that are considered credit-impaired, the gross carrying amount is reduced. Such a write-off constitutes a derecognition of the receivable and is in general recognised 12 months after the debtor is considered in default. The collection management and efforts to recover the asset may still be ongoing after the write-off.

Receivables from financial institutions

For receivables from financial institutions, the Group applies the General Approach using the low credit risk assumption. At each reporting date, the Group assesses the appropriateness of this exemption.

Investments in debt securities

The Group applies the General Approach using the low credit risk assumption for its investments in bonds and notes. At each reporting date, the Group assesses the appropriateness of this exemption.

Cash and balances at central banks

For deposits at central banks, the Group has assumed that there is no credit risk as central banks are guaranteed by governments with high credit ratings.

Loan commitments and financial guarantees

Expected credit losses for loans commitments and financial guarantees are measured under the General Approach.

Reversal of impairment

An impairment loss is reversed if there has been a change in the estimated expected credit loss and 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 amortisation, if no impairment loss had been recognised.

Presentation

The amount of expected credit losses on financial assets is presented in the statement of financial position as a deduction from the gross carrying amount of the assets. Impairment losses recognised in the statement of profit or loss form part of the 'direct cost of revenues'.

General notes *continued*

for the year ended 31 December 2019

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

continued

Note D – Derivative financial instruments and hedge accounting

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.

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

The fair value of currency and interest rate swaps is the estimated amount that the Group would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date.

LeasePlan categorises the inputs used in valuation techniques into three levels, which are defined as:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include but are not limited to inputs other than quoted prices that are observable for the asset or liability, such as:
 - Interest rates and yield curves observable at commonly quoted intervals;
 - Implied volatilities;
 - Credit spreads.
- Level 3 inputs are unobservable inputs for the asset or liability.

For swaps a valuation technique is used maximizing the use of relevant observable input. The fair values of not-actively-traded instruments are calculated using a generally accepted discounted cash flow method, while considering relevant market observable data such as quoted forward prices and interest rates. As a result of LeasePlan having collateral agreements in place for all of its derivative counterparts, the requirement to reflect other observable market inputs such as CVA, DVA and FVA is eliminated, such that they are not included specifically in the calculations other than the use of an OIS curve for discounting purposes.

As disclosed in the risk paragraph derivatives are used from an economic perspective to mitigate the interest rate and currency exposures associated with the funding of lease contracts. The Group does not hold derivatives for trading purposes, although hedge accounting cannot always be applied.

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 statement of profit or loss in the caption 'Unrealised gains/losses on financial instruments'.

The Group applies cash flow hedge accounting and fair value hedge accounting.

Cash flow hedging

The Group hedges the exposure to variability in future interest payments on recognised floating rate bonds and notes issued and on highly probable forecast transactions (short-term rolling over liabilities) attributable to changes in underlying interest rates. In cash flow hedging, the hedged risks are future changes in cash flows stemming from anticipated repricing and/or roll-overs of borrowings due to interest rate movements. To apply highly effective cash flow hedges the forecast cash flows which are subject to a hedge, must be 'highly probable'. Based on the Group's business activities and the financial/operational ability to carry out the transactions, the likelihood that forecast cash flows will take place is very high. These forecast cash flows are expected to occur and to affect the statement of profit or loss over the maturity of the loans. The Group applies cash flow hedging 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. These represent many-to-many hedge relationships.

For cash flow hedges, the potential reasons for ineffectiveness are mainly insufficient or excessive and timing of cashflows, or forecasted cashflows which are no longer highly probable. In order to establish a relationship between the hedge item(s) and hedging instrument(s), the Group will assess the total exposures on hedged item(s) (by currency, re-pricing tenor and maturity) against the hedging instrument(s), to ensure cashflows are equal and opposite.

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 other comprehensive income. The gain or loss relating to the ineffective portion is recognised in the statement of profit or loss in the caption 'Unrealised gains/losses on financial instruments'.

Amounts accumulated in other comprehensive income are recycled to the statement of profit or loss in the periods in which the forecast transaction in a hedge will affect the statement of profit or loss (i.e. when the forecast sale that is hedged takes place). When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income is recycled to the statement of profit or loss.

Fair value hedging

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 interest rate and currency risk fully offsets the changes in fair value of the receive leg of the derivative transaction (interest rate swap or cross currency interest rate swap). The fair value change from 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 adjusted for gains/losses attributable to the risk being hedged. This adjustment is booked in the statement of profit or loss in the caption 'Unrealised gains/(losses) on financial instruments', where it offsets the measurement of the fair value change of the hedging instrument that is also recorded in the statement of profit or loss.

General notes *continued*

for the year ended 31 December 2019

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

continued

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.

For fair value hedges, hedge ineffectiveness arises due to accounting mismatches and differences in fair values applied to the hedged item and hedging instruments, as well as different sensitivities to the changes in external market conditions. The Group uses regression testing for comparing the correlation between the hedged item and hedging instrument, in assessing hedge effectiveness.

Note E – Lease receivables from clients

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

Reference is made to **Note C** for the impairment of Lease Receivables From Clients.

Finance lease receivables

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. Unearned finance income is the difference between the gross investment in the lease and the net investment in the lease.

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

Note F – (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 statement of profit or loss.

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 statement of profit or loss 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 G – Intangible assets

Goodwill

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

Goodwill is allocated to cash generating units and is tested for impairment annually and whenever there is an indication that the unit may be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. The value in use is determined as the present value of forecasted cash flows of the cash generating units over an appropriate period that could be distributed to equity investors. This discounted cash-flow-to-equity valuation methodology is a commonly used methodology for valuation of financial institutions.

Impairment losses are charged to the statement of profit or loss and are not subsequently reversed. Gains and losses on the disposal of a company include the carrying amount of goodwill relating to the company sold.

Software

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

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. When subsequent expenditure is capitalised, the carrying value of the replaced part is derecognised. All other expenditure is expensed when incurred. The estimated useful lives of software for the current and comparative period are between three and ten years.

General notes *continued*

for the year ended 31 December 2019

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

continued

Other intangible assets

Other intangible assets include customer relationship intangible assets, customer contract intangible assets acquired as part of business combinations and recognised separately from goodwill. Customer relationship intangible assets are amortised over 20 years and customer contracts are amortised over the remaining contract period (on average five years).

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

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use.

Amortisation

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

Note H – Other property and equipment

Measurement

Other property and equipment (including right-of-use assets) 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 statement of profit or loss 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 is impaired, when the 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 statement of profit or loss during the year of disposal.

Due to the implementation of IFRS 16 as from 1 January 2019, the Group recognised on the balance sheet the right-of-use relating to the underlying asset and the lease liability raised from the obligation to make lease payments. The right of use is initially measured at cost and subsequently at cost less any accumulated depreciation and impairment losses over the contractual term. The right-of-use asset is adjusted for certain re-measurements of the lease liabilities.

The lease liabilities are initially measured at the present value of lease payments not yet paid at commencement date and are discounted using an incremental borrowing rate which varies per country within the Group. The liability is subsequently increased by the interest accretion to the lease liability and decreased by lease payments made. The lease liability is remeasured when there is a change in future lease payments or based on changes in assessment of execution of certain extension or termination options in the contracts.

Depreciation

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

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

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

Due to the implementation of IFRS 16, the right-of-use recognised is depreciated over the lease term, defined as the non-cancellable period for which the lessee has the right to use an underlying asset including optional periods when an entity is reasonably certain to exercise an option to extend (or not to terminate) a lease.

Note I – Property and equipment under operating lease and rental fleet

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 if substantially all 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 of the economic life of the asset; and
- whether the present value of minimum lease payments amounts to at least substantially all of the fair value of the asset.

Finance lease portfolio

Leases where substantially all the risks and rewards incidental to ownership of an asset are transferred to the lessee are classified as finance leases. Reference is made to **Note E** – Lease receivables from clients.

General notes *continued*

for the year ended 31 December 2019

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

continued

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 carrying amount of property and equipment under operating lease and rental fleet is depreciated to its estimated residual value during the lease term or the useful life of the asset. Depreciation is recognised in the statement of profit or loss.

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

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. In case of early termination there will be a settlement invoiced to the customer and part of the risk is borne by the customer. There are two main types of operating 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 case of normal termination, 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 (partially) returned to the client. Most contracts contain certain requirements that the client must fulfil 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. Open calculation contracts are classified as operating leases based on the (negative) risks being borne by the Group.

Measurement

Property and equipment under operating lease and rental fleet are measured at cost less accumulated depreciation and impairment losses. Cost consists of the purchase price and directly attributable costs. The leased assets are depreciated on a straight-line basis over the estimated useful life (normally the contract period for operating leases) to their estimated recoverable amount (residual value). 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 prospectively as a change in accounting estimate (so-called prospective

depreciation). 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.

Note J – Inventories

Inventories are measured 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 inventories are included in 'direct cost of revenues'.

Note K – 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. These amounts are valued at cost. Reference is made to **Note N** – Provisions for reinsurance assets.

Note L – Impairment of tangible assets

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 fully recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's "fair value less costs of disposal" and "value in use".

In the annual assessment of whether there is any indication that an asset may be impaired, the Group considers both external as well as internal sources of information.

If such indication for impairment exists, an analysis is performed to assess whether the carrying value of the asset or cash generating unit under an operating lease exceeds the recoverable amount, being the higher of the fair value less costs to sell and the value in use. The value in use is determined as the present value of the future cash flows expected to be derived from the cash generating unit.

The recoverable amount of lease contracts is determined as the value in use at customer contract level (cash generating unit). As debt funding and interest payments are considered to be an essential element of the Group operating lease business the assessment of the value in use is performed based on a discounted cash-flow-to-equity model. This valuation methodology is a commonly used methodology for valuation of financial institutions.

Reversal of impairment

An impairment loss in respect of goodwill is not reversed. Any impairment loss on other non-financial assets 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.

General notes *continued*

for the year ended 31 December 2019

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

continued

Note M – Capital and dividends

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

The proceeds of the issue of AT1 capital securities are available to LeasePlan in perpetuity and are undated, deeply subordinated, resettable and callable. As the payment of distributions is wholly discretionary, the proceeds received and interest coupon paid on them are recognised in equity. As there is no formal obligation to (re)pay the principal amount or to pay interest coupon, the Capital securities are recognised as equity and the distributions paid on these instruments, as well as the transaction costs related to the issuance of the capital securities, are recognised directly in equity.

Note N – Provisions

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

Damage risk retention

The provision for damage risk retention is a contract provision and includes provisions for insurance risk and own material damage provision. The risk included in the provision are those for motor third party liability, legal defence, motor material damage and passenger indemnity.

Insurance contracts

Insurance contracts are accounted for in accordance with IFRS 4 'Insurance Contracts'. Under IFRS 4, the Group may continue its existing pre-IFRS accounting policies for insurance contracts provided that certain minimum requirements are met. In accordance with this standard, the Group continues to apply the existing non-uniform accounting policies that were applied prior to the adoption of IFRS-EU with certain modifications allowed by IFRS 4 for standards effective after adoption. As a result, specific methodologies applied may differ between the Group's operations as they may reflect local regulatory requirements and local practices for specific product features in these local markets.

Insurance contracts are contracts under which the Group accepts a significant risk – other than a financial risk – from a policyholder by agreeing to compensate the beneficiary on the occurrence of an uncertain future event by which he or she will be adversely affected. Contracts that have been classified as insurance at inception are not reclassified subsequently.

Insurance contracts are recognised when the contract is entered into and the premiums are due. The liability is derecognised when the contract expires, is discharged, is disposed or cancelled.

Non-life insurance contract provisions generally include reserves for unearned premiums and outstanding claims and benefits. The reserve for unearned premiums includes premiums received for risks that have not yet expired and inadequate premium levels. Generally, the reserve is released over the coverage period of the premium and is recognised as premium income.

The liability for outstanding claims and benefits is established for all reported claims and damages that have not been settled and any related cash flows, such as claims handling costs. It includes claims that have been incurred but have not been reported (IBNR) to the Group. The liability is calculated at the reporting date using statistical methods based on empirical data and current assumptions to settle all claims, including related internal and external damages handling expenses. The liability may include a prudential margin. Liabilities for claims subject to periodic payment are calculated using actuarial methods consistent with those applied to life insurance contracts. Discounting is applied if allowed by the local accounting principles used to measure the insurance liabilities. Discounting of liabilities at a risk-free rate of interest is generally applied where there is a particularly long period from incident to damage settlement.

The adequacy of the insurance liabilities is evaluated at each reporting period at the level of the individual claims by each subsidiary based on the general principle that the carrying amount of the net liability must be sufficient to meet any reasonably foreseeable obligations resulting from the insurance contracts based on current assumptions.

Reinsurance assets

Reinsurance assets are balances due from reinsurance companies for ceded insurance liabilities. These balances are not offset against the related insurance liabilities and are separately reported as part of 'Other receivables and prepayments'. Reinsurance contracts are contracts entered into by the Group to receive compensation for claims/benefits incurred on contracts written by the Group (outgoing reinsurance). For contracts transferring sufficient insurance risk, a reinsurance asset is recognised for the expected future benefits, less expected future reinsurance premiums. Reinsurance contracts with insufficient insurance risk transfer are accounted for as investments or service contracts, depending on the nature of the agreement.

Reinsurance assets are measured consistently with the assumptions associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract. The insurance premiums for the original contracts are presented gross of reinsurance premiums paid in the consolidated statement of profit or loss. Reinsurance contracts are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

General notes *continued*

for the year ended 31 December 2019

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

continued

Annually the Group assesses whether its amounts recoverable under a reinsurance contract are subject to impairment. The focus of the test is credit risk, which arises from the risk of default by the reinsurer and from disputes regarding coverage. Reinsurance assets are impaired if there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that not all amounts due under the terms of the contract may be received. In such a case, the value of the reinsurance asset recoverable is determined based on the best estimate of future cash flows, taking into consideration the reinsurer's current and expected future financial conditions plus any collateral held in trust for the Group's benefit. The carrying value is reduced to this calculated recoverable value, and the impairment loss recognised in the statement of profit or loss.

Post-employment benefits

Group companies operate various employee benefit 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.

Defined contribution pension plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions to a separate company. The Group has no further payment obligations once the pension contributions have been paid. Contributions to defined contribution pension plans are recognised as expenses in the statement of profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Defined benefit pension 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 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. The present value of the defined benefit obligation is calculated using the projected unit credit method. The benefit is discounted at the yield at the balance sheet date on high quality corporate bonds denominated in the currency in which the benefits will be paid.

The net benefit obligation recognised in the balance sheet is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets. For determining the pension expense, the expected return on plan assets is determined using a high quality corporate bond rate identical to the discount rate used in determining the defined benefit obligation.

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 without recycling to the statement of profit or loss. Past service costs are recognised in the statement of profit or loss when due.

Settlements and curtailments invoke immediate recognition in the statement of profit or loss of the consequent change in the present value of the defined benefit obligations and in the market value of the plan assets. A settlement is an early termination of all or part of the defined benefit obligation. A curtailment occurs when the company is demonstrably committed to materially reducing the number of employees in the defined benefit plan or the pension benefits for future services.

Other provisions

Other provisions include amounts for other long-term employment benefits plans, termination benefits, litigations, ECL for financial guarantees, restructuring as well as onerous contracts. These provisions have been estimated based on the best estimate of expenditure required to settle the present obligation at the reporting date considering risks and uncertainties and the effect of time value of money. For ECL on financial guarantees see **Note C** – Financial assets and liabilities.

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

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

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

General notes *continued*

for the year ended 31 December 2019

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

continued

Note O – Trade and other payables and deferred income

Other liabilities

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 are 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 statement of profit or loss under staff expenses.

Note P – Revenues and direct cost of revenues

Revenues

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

Operating lease income

Leasing income from operating lease instalments is recognised on a straight-line basis over the lease term, based on the total of the contractual payments divided by the number of months of the lease term.

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

Finance lease & other interest income

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

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

Additional services income

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

Fleet management & other services

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

Repair & maintenance services

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

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

Rental

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

Damage & insurance services

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

Lease incentives

Amounts paid or value provided to lessees as lease incentives are capitalised. Lease incentives are amortised on a straight-line basis over the term of the related lease as a reduction in revenue.

Profit/Loss on disposal of vehicles and End of contract fees

Vehicle sales revenue includes the proceeds of the sale of vehicles from terminated lease contracts. The proceeds from the sale of vehicles are recognised when the objects are sold and control of the vehicles is transferred. End of contract fees may consist of fees charged to clients for mileages and excessive wear and tear of the vehicle. In revenues are also included charges arising from deviations from the contractual terms. The fees are recognised upon termination of the lease contract.

General notes *continued*

for the year ended 31 December 2019

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

continued

Direct cost of revenues

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

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

Finance cost

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

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

Note Q – Income tax

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

Current income tax

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

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

Deferred tax

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

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversal of existing temporary differences, are considered. Deferred tax assets are reviewed annually and reduced to the extent that it is no longer probable that the related income tax benefit will be realised.

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

Note R – 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 preparing this statement.

Operating cash flows

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

Investing cash flows

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

General notes *continued*

for the year ended 31 December 2019

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

continued

Finance cash flows

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

Cash and balances with banks

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

Note S – 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. The segment disclosure is included in **Note 2**.

The primary segment information is presented in the consolidated financial statements in respect of the Group's leasing activities in two geographical segments distinguished by management: Europe and Rest of the world. Leasing activities comprise the main activity of the Group which is providing leasing and fleet management services including the purchase, financing, insurance, maintenance and remarketing of vehicles, to external customers. The Group offers a mono-line product through all its subsidiaries.

The performance of the segments is measured based on the combination of IFRS and Alternative Performance measures, such as serviced fleet, revenue and underlying net result. The Alternative Performance measures are obtained from the internal system of management accounting. All relevant revenues and related costs of the central managed activities, like borrowings, treasury, insurance, information services, supply services and holding activities are allocated to the primary segments.

Inter-segment sales are eliminated on consolidated level.

The revenue from external parties is measured in the same way as in the statement of profit or loss.

The Group identified the secondary reportable segment information based on type of business divided in, Car-as-a-Service (CaaS) and CarNext.com. CaaS for new cars comprises a variety of lease and additional services. CarNext.com is selling on a commission basis LeasePlan's own 3-4 years-old used cars to business customers (B2B) and private consumers (B2C), as well as opening these services to third-parties.

CarNext.com revenue from external customers comprise of sales commissions of cars sold for third parties and ancillary service income. CarNext.com revenue from transactions with CaaS segment largely relates to commissions paid by CaaS to CarNext.com for preparing cars for sale, selling cars (B2B and B2C), as well as generating Used Car Lease leads. B2C commissions dependent upon the additional value realised.

The direct cost of revenue incurred by CarNext.com comprise largely of retail preparation costs and de-fleeting costs reported as part of profit/loss on disposal of vehicles in the statement of profit or loss. Operating expenses are allocated based on specific identifiable use, such as dedicated staff to CarNext.com, dedicated marketing campaigns or dedicated facility costs. Overhead expenses are not allocated to CarNext.com.

Income tax expense on CarNext is allocated based on the weighted average of the local tax rates

CaaS revenue comprise of leasing income, additional service income and profit/loss on disposal of vehicles & end of contract fees from external customers. CaaS direct cost of revenues comprise of leasing cost, additional service cost and profit/loss on disposal of vehicles & disposal cost. Costs of the central managed activities, like borrowings, treasury, insurance, information services, supply services and holding activities are allocated to the CaaS segment only.

Note T – 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, liabilities, income and expenses. These include, but are not limited to, the following areas:

Impairment of goodwill and intangible assets

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

Review of depreciable amount, residual value and depreciation period of (leased) assets

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

General notes *continued*

for the year ended 31 December 2019

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

continued

Impairment losses on property and equipment under operating lease

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 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 cash generating unit. Important input is the expected residual value of the assets under operating leases.

Impairment losses on (lease) receivables

The measurement of the ECL allowance for financial assets is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (eg, the likelihood of customers defaulting and the resulting losses). Judgement is required from management for applying appropriate models and setting assumptions for the measurement of ECL.

The methodology and assumptions, including any forecasts of future economic conditions, are reviewed regularly by management.

Details about the assumptions and estimation techniques used in measuring ECL for finance lease receivables and trade receivables from operating lease contracts are provided in section Credit risk management.

The impairment models are subject to annual review to ensure they remain current and fit for purpose and the use and performance continue to meet the Group's standards. In case of significant changes, external model validation is performed.

Post-employment benefits

The actuarial valuation of post-employment benefits and other long-term employee 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 because of changes in economic and market conditions.

Damage risk retention

The damage risk retention provision is based on estimations with respect to reported and incurred but not reported claims. Techniques applied are statistical modelling based on empirical data and assumptions on future claim development, policyholder behaviour and inflation. The assumptions may differ from the actual data as a result of changes in economic and market conditions.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Estimates are required in determining the worldwide current and deferred tax positions. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. LeasePlan assumes in the estimates that all tax positions that are not yet final will be examined by tax authorities, that have all relevant information available. 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 are analysed and will impact the income tax and deferred tax provisions in the year in which such determination is made.

Fair value of derivatives

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

Revenue recognition

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

Other provisions

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

Risk management

All amounts are in thousands of euros, unless stated otherwise

A. Risk approach

LeasePlan Group is committed in ensuring regulatory compliance and maintaining a risk profile within the set risk appetite, this is performed by challenging and assisting the business and promoting risk awareness at all levels within the Group. As part of our risk universe, the Group recognises ten categories of risk: asset risk, treasury risk, credit risk, motor insurance risk, operational risk, information risk, strategic risk, legal risk, compliance risk, and reputation risk. Of the ten risk categories, asset risk, treasury risk, credit risk, and operational risk are considered to be primary risks.

This section of the financial statements describes the Group's approach to the risk management objectives and organisation in general, as well as the Group's policy, appetite and measurement of its risks. For additional risk related disclosures in accordance with the disclosure requirements of Regulation (EU) 575/2013 part eight, general reference is made to our Group's Pillar 3 report which can be found on our website.

B. Capital management

The primary objective of our capital management strategy is to ensure that capital adequacy requirements are always met and that sufficient capital is available to support the Group's strategy. A financial institution is expected to enhance the link between its risk profile, risk management and risk mitigation systems and its capital. The main principle is that a banking institution assesses the adequacy of its available capital in view of the risks to which it is exposed. The Group's capital management consists of internal quantification of risk capital associated with its business activities, capital planning and monitoring of developments in exposures and capital adequacy ratios, based on targets set during the annual Internal Capital Adequacy Assessment Process (ICAAP).

Internal Risk Capital is the Group's internal quantification of risk capital associated with our business activities. This internal capital is considered the cushion that provides protection against the various risks inherent in our business, 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 defined by regulatory requirements. The calculation of Internal Risk Capital is not bound by accounting and/or regulatory rules which allows for a better alignment between our risk profile and capital levels.

Capital adequacy

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

Capital planning

Based on the strategic planning process, a forecast of the regulatory Common Equity Tier 1 (CET1) and Total Capital (TC) ratio is prepared. The projections of the CET1 and TC ratios are performed to ensure ongoing compliance with the minimum requirements set by the Dutch Central Bank (DNB). Next to the projections of the CET1 and TC ratio, a forecast of the development of the minimum requirement is made which takes into account the requirements of DNB; based on the latest estimates the Group will remain above the minimum CET1 and TC requirement.

The Capital Contingency Plan (CCP) is an important element within the capital risk management framework and sets out the strategies for addressing stress on capital in emergency situations (tactical level). The CCP enforces readiness of the Group's organisation to deal with events of severe stress originated from both company specific and market-wide events. The CCP ensures that contingencies are in place when necessary to ensure the Group will meet the capital requirements on a continuous basis, such as issuance of additional capital instruments or adjusting dividend levels.

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

The CCP strengthens and broadens the scope of the monitoring processes of the capital adequacy of the Group and ensures immediate reporting of any irregularities in capital ratios. The capital position is monitored and reported monthly. In addition, the Group has developed a set of Early Warning Indicators ('EWI') that comprise of several events which would prompt an immediate action. Among others, they include the deterioration of the CET1 ratio and a credit rating downgrade. Early warning indicators are to serve as warning signals following specific internal and external developments.

Risk management *continued*

All amounts are in thousands of euros, unless stated otherwise

B. Capital management *continued*

Eligible Capital

In May 2019, LeasePlan issued EUR 500 million of AT1 capital securities which further strengthened our regulatory Tier 1 and total capital position. As a result of this, the Group's eligible regulatory capital consists of CET 1 capital and AT1 instruments which can be bridged to IFRS equity. The following table illustrates this reconciliation.

As at December 31	2019	2018
TOTAL IFRS EQUITY	4,060,639	3,335,594
Results for the year	-381,197	- 423,627
Interim dividend paid	165,170	171,400
AT1 capital securities	-497,919	-
TOTAL IFRS EQUITY EXCLUDING RESULTS, INTERIM DIVIDEND PAID AND AT1 CAPITAL SECURITIES	3,346,693	3,083,367
Eligible results for year net of interim dividend	216,028	252,227
Regulatory adjustments	-301,193	- 304,474
COMMON EQUITY TIER 1 CAPITAL³	3,261,528	3,031,120
Additional Tier 1 capital ²	494,575	-
TOTAL CAPITAL³	3,756,103	3,031,120

Based on EU endorsed frameworks for Basel III (CRR/CRD IV), the Group's CET1 ratio¹ and Total capital ratio as at 31 December is as follows:

As at 31 December	2019	2018
Total risk exposure amount	18,388,611	16,572,802
Common Equity Tier 1 capital	3,261,528	3,031,120
COMMON EQUITY TIER 1 RATIO³	17.7%	18.3%
Total Capital	3,756,103	3,031,120
TOTAL CAPITAL RATIO³	20.4%	18.3%

¹ CET1 and TC ratio are presented on sub consolidated basis.

² For regulatory purposes, the accrued interest on the AT1 instrument is not considered to be eligible as part of the valuation of the AT1 instrument.

³ These CET1 and Total capital ratios take into account the Q4 2019 net results and do not take into account foreseeable dividend in line with **Note 23** Distribution of profit'. These results, will only formally be included as part of the CET1 capital upon approval of the 2019 financial statements. Excluding these results, at the regulatory Sub-consolidated level, CET1 ratio is 17.2% and the Total Capital ratio is 19.9 %.

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

Based on the 2019 ICAAP, the Group concludes that it is sufficiently capitalised and resilient to future plausible stress situations. This conclusion is based on the Group's internal control framework and its capital assessment methodologies. For further details regarding capital requirements and further specification of the TREA, reference is made to the Group's Pillar 3 report in accordance with the disclosure requirements of Regulation (EU) 575/2013 part eight.

Risk management *continued*

All amounts are in thousands of euros, unless stated otherwise

C. Risk management framework

The risk charter defines the Group's governance and decision framework (delegated authorities and mandates) for both financial and non-financial risks. The Group has the following risk governance in place through its Group entities:

Supervisory Board

The Supervisory Board of the Group supervises the direction pursued by the Managing Board of the Group and the general course of affairs. The risk strategy, risk appetite and risk policy for the medium and long term are discussed once a year. The Supervisory Board approves any material changes to the risk strategy, risk appetite and risk policy. The (Risk Committee of the) Supervisory Board is authorised to decide on credit acceptance and renewal above limits as set out in the Regulations for the (Risk Committee of the) Supervisory Board.

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

Managing Board

The Managing Board is responsible for the risk strategy and risk management systems and controls. It is also responsible for defining the risk appetite and approving the overall risk management framework. Within the Managing Board of the Group, the Chief Risk Officer (CRO) is responsible for the management and control of risk on a consolidated level, to ensure that the Group's risk profile is consistent with risk appetite and risk tolerance levels. The CRO can independently decide to escalate risk related issues to the chairman of the Risk Committee of the Supervisory Board. On December 4, the CRO left the company by mutual agreement. For the time being, the responsibilities of the CRO have been entrusted to the Chief Financial Officer, until a CRO has been appointed.

Risk committees

The Managing Board is supported by four (executive) risk committees: The Group Risk Committee (GRC), the Group Tactical Risk Committee (GTRC), the Group Model Risk Committee (GMRC) and the Asset and Liability Committee (ALCO). The GRC has delegated certain authorities to subcommittees, such as the External Reporting and Data Quality Committee (ERDQC) and the Combined Risk & Pricing Committee (CRPC). The ERDQC is responsible for developing guidance and validation rules that can prevent or detect inconsistencies or errors in data which is reported externally. The CRPC's main tasks are to take decisions on the credit proposals exceeding the authority of the Underwriting team and deciding on pricing and profitability proposals.

The main task of the GRC is to enable controlled risk taking and ensure regulatory compliance. The key mandate and purpose of the GTRC is to monitor risk exposures and emerging risks in compliance with the risk appetite. The GMRC has a delegated authority to oversee the Group risk models in the domain of credit risk, asset risk, operational risk, strategic risk and stress testing. The ALCO has a delegated authority to take decisions in the field of funding strategy, liquidity management, capital allocation and structuring.

D. Risks

Asset Risk

Asset risk definition

The Group defines asset risk as the combination of residual value risks and risks on RMT services. Residual value risk is considered the main risk and is defined as the Group's exposure to potential losses due to the resale value of assets declining below the estimates made at lease inception minus risk mitigation. For residual value risk the Group also makes the distinction between market risks that are related to developments in the used car market and non-market risks that not directly relate to market development. The risk related to RMT is the Group's exposure to potential loss due to the actual costs of the services, repair and maintenance and tyres (over the entire contractual period) exceeding the estimates made at lease inception.

Asset risk management policy

The Group has a policy in place with respect to asset risk management, based on principles developed under its Risk Charter. The policy describes, inter alia, the roles and responsibilities within its organisation for asset risk management, the minimum standards for the management and mitigation of both risks related to the RV market and non-market related risks, and the mandatory frequency of asset risk measurement and reporting. The asset risk management policy is applicable to all Group companies and focuses on all leases (finance or operating) that may expose the Group to market price risk of used vehicles and/or repair, maintenance and tyre risk.

Furthermore, this policy describes the risk appetite structure for both the Group as a whole as well as the leasing companies within the Group. This structure includes triggers and limits for market risk taking as well as portfolio composition.

Asset risk management structure and organisation

As part of the asset risk management policy, all Group companies have established a local risk management committee, chaired by either the managing director or the entity risk director and in which all relevant disciplines involved in the asset risk management process are represented. This committee has the 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, market prices of used vehicles and vehicle repair, maintenance and tyre replacement results.

The local committee assesses asset risk exposure by taking into account both internal influences and external influences (e.g. supply and demand) and, based on its assessment, will decide on the use of appropriate market prices of used vehicles and repair, maintenance and tyre cost estimates and risk mitigating measures to be applied in risk management. The local committees can also decide on the limits regarding commercial price adjustments.

Risk management *continued*

All amounts are in thousands of euros, unless stated otherwise

D. Risks *continued*

Technical valuation and price setting of vehicles, and repair, maintenance and tyre replacement is either directly overseen by the local risk committees or delegated on an operational level to a local technical pricing committee ('TPC'). In the latter case, the local risk committee will retrospectively sign off on technical pricing of RV's. The TPC defines the technical pricing of RV's for all individual makes, models and types and develops and maintains adequate matrices for the pricing of RV's. Termination result analysis distinguishes internal and external influences in a quantified manner. The vehicle pricing is based on a combination of historical actual costs, statistical analysis and external car market pricing benchmarking and is combined with expert judgement. Finally, external benchmarks are used in many countries as an additional point of reference and expert judgements are applied to challenge the outcome of statistical analysis and to overcome any shortcomings therein.

Asset risk measurement

The asset risk profile and exposure of the Group's portfolio is monitored (locally and centrally) throughout the term of the lease contracts: starting at lease inception, following it through its term up to lease termination. Measuring the asset risk position over the life of the lease contracts assists in tracing developments in asset risk elements and identifying adverse trends, as well as ensuring that the risk position remains within the Group's risk appetite.

The Group monitors the asset risk exposure and its pricing level against current and expected future market development on a continuous basis and adjusts its residual values for new leases accordingly. New leases are originated in general for original terms of three to four years, but are in practice also regularly adjusted during the term of the lease as part of interim contract adjustments.

On a quarterly basis, the Group assesses its exposure to asset risk and evaluates the outcomes against its risk appetite. This assessment also determines the amount of capital that is required as buffer against residual value market risks. Furthermore, the Group's local leasing companies also assess the exposures and expected results on their local existing lease portfolio for future years using a globally harmonised methodology, assessing the current contracted portfolio against the latest expectations regarding future market prices.

The Group has a number of risk mitigating measures in place to manage and mitigate the exposure to non-market residual value risk. These measures allow the Group to adjust its pricing to compensate for the effects of (interim) deviations from the contractual mileage and duration by customers or allow for charging of fees to compensate for excessive wear and tear to the vehicle and excess mileages at contract-end. These measures therefore mitigate the asset risk associated with deviations from the original contract terms.

Asset risk exposure

The Group is currently exposed to residual value risk in all 31 countries, except for Canada. This geographical diversification, in conjunction with being an independent multi-brand company with well-diversified brand portfolio, partly mitigates the risk related to residual values.

The Group's residual value position in relation to the total operational lease assets can be illustrated as follows:

	2019	2018
Residual value	13,508,031	12,527,070

Treasury Risk

Treasury risk definition

Treasury risk consists of three individual risks, being liquidity risk, interest rate risk and currency risk. Liquidity risk is the risk that the Group is not able to meet its obligations for (re)payments. Interest rate risk is the risk that the profitability and shareholders' equity of the Group are affected by movements in interest rates. Currency risk is the risk that currency fluctuations have an adverse impact on the Group's capital ratios, result and shareholders' equity. The Group's risk appetite for treasury risks is low.

Treasury risk management policy

Liquidity risk policy

Liquidity risk is governed by the Internal Liquidity Adequacy Assessment Process (ILAAP). The ILAAP encompasses all underlying elements of liquidity risk management such as liquidity risk appetite, tolerance levels and limits, funding strategy, contingency funding plan and stress testing. The ILAAP is an ongoing process embedded within liquidity risk management, which is part of the overall risk management framework.

The liquidity risk appetite and tolerance levels are based on the following key principles:

1. the primary (overarching) objective in managing funding and liquidity risk is to accommodate the going concern business objectives without incurring unduly exposure to liquidity or refinancing risk;
2. the Group aims to be matched or longer funded with reasonable (relative) funding costs;
3. the primary objective of the funding strategy is to maintain good market access at all times; and
4. compliance with minimum regulatory liquidity and funding requirements at all times.

Risk management *continued*

All amounts are in thousands of euros, unless stated otherwise

D. Risks *continued*

As liquidity risk is not perceived by the Group as a driver for profit, the policy aims at matched funding and diversification of funding sources. Liquidity risk is managed by seeking to conclude funding that matches on average to the estimated run-off profile of the leased assets. This matched funding principle is applied both at a consolidated Group and at entity level, considering specific mismatch tolerance levels depending on the total of interest bearing assets (including vehicles under operating lease) of the subsidiary. Local management of Group entities is responsible for adhering to the matched funding policy. To fund its business, local management can take intercompany funding at Group's central Treasury or bi-lateral funding with third-party banks. A Fund Transfer Pricing methodology governs the pricing of intercompany funding, with pricing determined and approved by the Managing Board monthly.

The Group holds a liquidity buffer to mitigate liquidity risk. The liquidity buffer consists of unencumbered cash, cash equivalents and committed facilities. Liquid assets are maintained to meet regulatory liquidity requirements at all times.

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 the Group is managed separately for:

- Group entities and associates, carrying interest-bearing assets (mainly lease contracts) and funding on their balance sheet, which mainly is intercompany funding supplied by Group's central Treasury;
- Group's central Treasury, concluding external funding, external derivatives and granting intercompany loans to the Group's entities;
- LeasePlan Bank (LPB), supporting the diversified funding strategy by raising retail saving deposits.

The interest rate risk policy is to match the interest rate profile of the lease contract portfolio with a corresponding interest rate funding profile to minimise the interest rate risk, as measured by interest rate gap reports per Group entity. Group entities carry interest-bearing assets on their balance sheet, funded by interest-bearing liabilities (loans and other indebtedness). Where interest-bearing liabilities fall short to cover interest-bearing assets, non-interest-bearing working capital and subsidiaries' equity can cover interest-bearing assets, as part of the matched funding policy.

The Group's central Treasury provides loans to the Group's entities 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; the Group does not hold a trading book. Due to the accounting treatment of derivative financial instruments, the Group is exposed to some volatility in its statement of profit or loss, particularly regarding the derivatives that do not qualify for hedge accounting.

To enable the Group's central Treasury to achieve economies of scale, smaller intercompany loans are grouped and financed through larger-sized external funding transactions. Interest rate risk inherent to the central treasury process, such as timing differences and mismatches of interest rate re-pricing, are accepted within set currency and duration limits.

The liquidity and interest typical duration of LeasePlan Bank's (hereafter LPB) flexible savings are modelled and measured from a behavioural perspective. LPB invests the flexible savings funds received by placing deposits with the Group's central Treasury in line with the modelled interest profile of the flexible savings, thereby replicating the flexible savings' maturity profile.

In addition, the Group risk management department monitors the effect of a gradual movement in market interest rates on its earnings at risk and the effect of a sudden parallel shift of the yield curve on its equity at risk.

Currency risk policy

The Group's functional currency and the reporting currency for its consolidated financial statements is the euro. However, because of its presence in a significant number of countries outside the Eurozone, the Group has substantial assets, liabilities, revenues and costs denominated in currencies other than the euro. The global nature of the Group's operations therefore exposes the Group 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 its reported earnings, cash flow and financial condition.

The Group is exposed to transactional foreign exchange rate risk when a subsidiary enters into a transaction in a currency other than the subsidiary's functional currency. The Group seeks to manage its transactional foreign exchange rate risk by attempting to limit the Group's exposure to the effects of fluctuations in currencies on its statement of financial condition and cash flows through funding its debt directly or through derivatives in the currency in which assets are originated and allocating capital in the currencies in which assets are denominated.

The Group is 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. On 31 December 2019, 30.4% (2018: 31.8%) of the Group's equity capital was denominated in currencies other than the euro.

As the Group does not hedge its equity positions, fluctuations in the value of the euro relative to currencies in which LeasePlan conducts operations will affect the Group's financial condition and net equity position resulting from these foreign operations.

Risk management *continued*

All amounts are in thousands of euros, unless stated otherwise

D. Risks *continued*

The Group hedges against the adverse effect of foreign currencies on LeasePlan's capital adequacy ratio by taking structural equity positions in the local entities, to match the entities' capital adequacy ratio with LeasePlan's capital adequacy ratio. In short, the Group has the following risk management approach regarding currency risk:

- Matched funding: The assets on the entity's balance sheet should always be financed in the same currency in which the lease contracts are denominated;
- Structural positions: The positions in non-euro currencies are of a non-trading and structural nature. As a result hereof, the regulatory ratio protection method is applied; to protect the capital ratios rather than the absolute amount of the Group's equity.

Based on the currency risk management considers the Group's capital adequacy ratio is not (or as little as possible) affected by any changes in the exchange rates it is exposed to. The logic behind this is that if the relative assets / equity position in an entity are the same as for the Group, both assets and equity allocated to the non-functional currency will deviate but will not impact Group's CET-1 ratio. In regulatory risk management a currency shock will shift TREA and CET-1 capital in the opposite direction.

In order to manage its currency risk, the Group has defined triggers and limits on the overall risk exposure, being the sum of all absolute deviations between the local ratios and the Group's capital ratio and a trigger on the underlying absolute deviation between the local ratios in comparison to the Group's capital ratio.

Treasury risk management structure and organisation

The Group's treasury risk management is driven by monitoring of regulatory and operational (mismatch) limits as set in the risk appetite statement. Compliance with the risk appetite statement of the Group and its entities (including the Group's central Treasury and LeasePlan Bank) is monitored on, at least, a monthly basis by the Group's risk management department, whereas treasury positions of the Group's central Treasury are monitored daily.

The Group risk management department has the responsibility to monitor treasury risk limits, achievement of liquidity targets, and to identify control breakdowns, inadequacy of processes and unexpected events. The treasury risk positions, non-compliance and follow-up measures are discussed within the ALCO and, if necessary, shared with the Managing Board.

Whereas the ALCO is meant for going-concern situations, a Crisis Management Response Team (CMRT) is established to manage liquidity and capital levels in crisis scenarios. The Group has developed a trigger and early warning indicator framework. The CMRT decides on the activation of the Alarm Phase 'amber' or Recovery Phase 'red' depending on breached trigger levels. The role and mandate of the CMRT are governed by the Liquidity Contingency Plan (LCP) and the Capital Contingency Plan (CCP), which together with the Recovery Plan are integrated in the Group's risk management framework.

Within the pre-conditions of the ILAAP, the Strategic Finance department executes the funding strategy. A key instrument in liquidity risk management is the funding planning, which is a recurring item on the ALCO agenda. The funding planning forecasts issuances and redemptions for each funding source, resulting in a multi-year projection of the liquidity position. Apart from a going concern forecast, a forecast based on stress scenario assumptions is calculated monthly. 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. The monthly stress testing has been further enhanced by including the estimated compliance of the '9 months survival period' requirement over a five-year forward-looking horizon. Stress testing results are used both for contingency planning as for going-concern funding and risk activities, for instance, to set the target level for the liquidity buffer to meet financial and regulatory obligations during a period of severe stress. Furthermore, these results are used as input for the periodic recalibration of the risk appetite for liquidity risk.

On a quarterly basis the Group's risk management department reports on actual performance of treasury positions against the risk appetite limits to the Risk Committee of the Supervisory Board.

Risk management *continued*

All amounts are in thousands of euros, unless stated otherwise

D. Risks *continued*

Treasury risk measurement

Liquidity risk measurement

The table below presents the Group's contractual undiscounted cash flows payable of the financial liabilities in the relevant contractual maturity groupings. As the effect of discounting is not material these amounts reconcile to the balance sheet positions. Lease liabilities are not reconciling to the balance sheet because the interest component is included in the line and not shown separately.

	Note	0-3 months	3-12 months	1-5 years	>5 years	Total
FINANCIAL LIABILITIES						
Funds entrusted	23	5,372,188	1,455,887	935,395	127	7,763,597
Trade payables	24	855,428				855,428
Borrowings from financial institutions	25	697,179	889,192	2,492,445	-	4,078,817
Debt securities issued	26	264,072	2,824,177	8,271,787	222,135	11,582,171
Future payments (interest and commitments fees)		61,766	147,064	298,942	27,569	535,341
Lease liabilities		11,023	32,279	145,340	115,790	304,433
TOTAL AS AT 31 DECEMBER 2019		7,261,657	5,348,599	12,143,910	365,621	25,119,787

FINANCIAL LIABILITIES

Funds entrusted	23	4,618,654	1,343,746	527,388	416	6,490,204
Trade payables	24	783,648				783,648
Borrowings from financial institutions	25	432,106	793,599	2,563,168	-	3,788,873
Debt securities issued	26	683,373	1,590,059	7,841,323	334,692	10,449,447
Future payments (interest and commitments fees)		47,159	136,520	248,048	36,790	468,517
TOTAL AS AT 31 DECEMBER 2018		6,564,940	3,863,925	11,179,927	371,898	21,980,689

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	-111	-6,499	19,778	20,351	33,519
Currency swaps inflows	3,586,593	433,875	558,669	-	4,579,136
Currency swaps outflows	-3,609,196	-448,526	-563,264	-	-4,620,985
TOTAL AS AT 31 DECEMBER 2019	-22,714	-21,150	15,183	20,351	-8,330

	0 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Total
Interest rate swaps / forward rate agreements	2,603	15,208	24,204	24,615	66,631
Currency swaps inflows	3,562,159	270,394	815,989	55,233	4,703,776
Currency swaps outflows	-3,586,553	-278,654	-826,419	-54,112	-4,745,738
TOTAL AS AT 31 DECEMBER 2018	-21,791	6,948	13,775	25,737	24,669

As a precaution to the risk of not having continued access to financial markets for funding, the Group maintains a liquidity buffer. This buffer includes unencumbered cash and committed (standby) credit facilities to reduce the Group's liquidity risk. The liquidity buffer as per 31 December is specified as follows:

in million EUR	2019	2018
Unencumbered cash at banks	475	353
Unencumbered cash at Dutch Central bank	4,753	3,103
TOTAL ON BALANCE LIQUIDITY BUFFER	5,228	3,456
Committed facilities	1,989	1,500
TOTAL	7,217	4,956

In May 2019 LeasePlan issued an AT1 equity instrument amounting to EUR 500M. The proceeds are available to fund the business and therefore treated as normal funding from a liquidity perspective.

The Group holds a revolving credit facility with a consortium of 12 banks (EUR 1.5 billion) maturing in November 2022. During 2019 no amounts were drawn under this facility.

The Dutch Central Bank sets out minimum liquidity level requirements demanding that available liquidity exceeds required liquidity at all times as well as a Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) of 100%; the Group is in compliance with these minimum liquidity requirements.

Risk management *continued*

All amounts are in thousands of euros, unless stated otherwise

D. Risks *continued*

The Group's liquidity stress testing programme includes the integration of risk drivers and review of stress scenarios, governance, tools used and documentation of the stress testing process. Stress testing is embedded in the funding planning, taking into account the nine months minimum liquidity buffer requirement, in line with the Group's risk appetite statement. At all times during 2019 the Group held enough liquidity to continue business as usual during the most severe stress scenario for a minimum period of nine months.

Interest rate risk measurement

With introduction of new EBA-guidelines on Interest Rate Risk arising from the Banking Book (IRRBB) effective 30 June 2019 the Group updated its IRRBB model for measuring its interest rate risk in 2019. The Group brought the 2018 comparable figures in line with the updated model.

The Group manages interest rate risk by matching the interest typical run-off of its interest-bearing assets with interest-bearing liabilities within specified limits, where the updated IRRBB model takes into account Lease client behaviour. The Group continues to investigate whether its IRRBB model reflect its economic reality and the applicable regulatory framework. The Group entities' interest rate exposure as per reporting date (not including the Group's central treasury and LeasePlan Bank positions), resulting from covering interest-bearing assets by both interest-bearing liabilities and non-interest bearing working capital and equity (including the in May 2019 issued AT1 instrument), is EUR 156.9 million (2018: EUR 313.2 million), in relation to an amount of risk bearing assets of EUR 32.7 billion as per 31 December 2019 (2018: EUR 31.1 billion). Due to the accounting treatment of operating lease contracts, this does not result in gains or losses in the Group's statement of profit or loss or in shareholders' equity.

In addition, the Group monitors the effect of a gradual movement in interest rates on its profitability and the effect of a sudden parallel shift to the yield curve on the Group's capital. The Group assumes for the effect of a gradual movement in interest rates on its profitability that all matured assets and liabilities are repriced from a fixed rate to a one month floating rate. Further the Group assumes that the margin on top of the interest rate component for assets and liabilities is not sensitive to interest rate movements. The impact of a 200-basis points interest rate shock on the Group's earnings at risk and equity at risk is shown below:

Gradual shock on the yield curve (in million EUR as at 31 December)	Earnings at risk	
	2019	2018
EFFECT WITHIN 1 YEAR		
-200 bps	21.9	13.2
+200 bps	- 21.9	- 13.2
EFFECT WITHIN 2 YEAR		
-200 bps	72.0	44.5
+200 bps	- 72.0	- 44.5

The impact of a gradual movement in interest rates on the Group's profitability is as follows:

	Equity at risk	
	2019	2018
-200 bps	166.4	287.4
+200 bps	- 153.0	- 263.2

Due to the Group's estimated overall cash flow profile, an increase in market rates has a negative impact on equity. The movement between the periods is mainly results from changes in the underlying cash flow profiles of Group entities; the impact resulting from the development in market rates is relatively stable.

Risk management *continued*

All amounts are in thousands of euros, unless stated otherwise

D. Risks *continued*

Currency risk measurement

The table below details the Group's net currency positions as at 31 December 2019:

	EUR	GBP	USD	AUD	TRY	Other currencies	Total
Cash and balances at central banks	4,828,354	–	–	–	–	2	4,828,356
Investments in debt securities	24,663	–	–	–	–	–	24,663
Receivables from financial institutions	442,143	81,052	13,778	14,505	1,969	85,133	638,579
Derivatives – long	3,712,259	2,148	6,825	1,243	–	886,754	4,609,228
Rebates and bonuses and commissions receivable	298,129	13,632	11,700	–7	745	34,107	358,307
Reclaimable damages	38,331	–	–	19	1,143	6,462	45,956
Lease receivables from clients	852,692	457,338	1,361,837	311,021	4,640	400,525	3,388,054
Investments in equity accounted investments	18,778	–	–	–	–	–	18,778
Loans to other third parties	897	569	–	–	–	5,827	7,293
Loans to equity accounted investments	163,500	–	–	–	–	–	163,500
NON-FINANCIAL ASSETS	14,340,946	2,722,803	495,712	488,490	126,239	3,537,939	21,712,129
TOTAL ASSETS	24,720,692	3,277,543	1,889,852	815,271	134,736	4,956,750	35,794,844
Funds entrusted	7,762,502	–	–	–	–	1,095	7,763,597
Total derivatives – short	958,683	2,117,894	782,935	4,449	50,320	729,080	4,643,362
Trade payables	594,464	31,963	22,636	32,821	11,482	162,062	855,428
Interest payable	53,737	256	3,933	260	148	19,845	78,179
Borrowings from financial institutions	2,707,864	26,424	22,306	122,419	12,629	1,187,175	4,078,817
Lease liabilities	206,824	13,854	14,777	14,055	741	46,037	296,289
Debt securities issued	7,933,359	547,404	772,548	375,073	–	1,953,787	11,582,171
NON-FINANCIAL LIABILITIES	496,784	525,968	269,891	272,179	23,218	848,299	2,436,341
TOTAL LIABILITIES	20,714,218	3,263,764	1,889,026	821,258	98,538	4,947,381	31,734,184
Net position (excl.net invest.in subsidiaries)	4,006,475	13,779	826	–5,987	36,198	9,369	4,060,660
CURRENCY POSITION		321,128	163,116	157,807	164,499	557,630	
Net investment in subsidiaries		307,349	162,290	163,794	128,301	548,260	
Other positions		13,779	826	–5,987	36,198	9,369	

As at 31 December 2018:

	EUR	GBP	USD	AUD	TRY	Other currencies	Total
Non-financial assets	13,180,378	2,258,309	422,565	474,806	71,495	3,233,518	19,641,071
TOTAL ASSETS	21,653,081	2,727,855	1,810,077	940,592	87,018	4,850,934	32,069,557
Non-financial liabilities	488,426	453,837	242,532	261,597	4,711	793,043	2,244,147
TOTAL LIABILITIES	18,386,851	2,706,123	1,799,538	947,017	51,867	4,842,562	28,733,963
Net position (excl.net invest.in subsidiaries)	3,266,230	21,732	10,539	–6,425	35,151	8,372	3,335,599
CURRENCY POSITION		308,261	143,387	146,591	117,340	526,297	
Net investment in subsidiaries		286,529	132,848	153,016	82,189	517,925	
Other positions		21,732	10,539	–6,425	35,151	8,372	

Risk management *continued*

All amounts are in thousands of euros, unless stated otherwise

D. Risks *continued*

The Group monitors the relative currency exposure; by comparing its capital adequacy ratio per currency to the Group's overall ratio. The Group's aim is to neutralise its capital ratio for currency exchange rate fluctuations. Taking a 10% presumed sudden currency shock on all currencies against the euro, the impact on the Group's capital would be EUR 44.4 million (2018: EUR 32.9 million). The following table shows the net currency position versus the risk exposure amount for which, in absolute terms, under a shock of 10%, the Group's capital can be impacted (considered for the main currencies).

	2019		2018	
	Net open position	Currency shock	Net open position	Currency shock
Great British Pound ("GBP")	326.3	5.4	304.8	1.7
United States Dollar ("USD")	162.3	1.0	132.8	0.5
Australian Dollar ("AUD")	151.1	7.5	140.4	6.4
Turkish Lira ("TRY")	128.3	6.8	82.2	0.9
Other ¹	528.3	23.7	486.8	23.4
TOTAL	1,296.3	44.4	1,147.0	32.9

¹ The "Other" category consists of smaller entities with corresponding currencies. The category 'other' does not reconcile with the table showing the Group's net currency position due to the inclusion of an off-balance sheet commitment as part of the total FX risk positions, whereas the position on the previous page only includes on-balance positions.

Although the Group is aware that, from an absolute equity perspective, currency exposures exist; these exposures are deliberately not fully mitigated following the ratio protection strategy.

Derivatives and hedge accounting

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. For a major part of the funding of the cars, the Group has entered into borrowings from external parties or issued notes to third parties. The Group seeks to balance the spread between interest rates charged in lease contracts and the interest rates paid on various borrowings and, at the same time, needs to control its exposure towards future movements in interest rates and currency exchange rates. Risk control is important to continuously meet the solvency and liquidity requirements and targets as set by the regulator and as expected by external stakeholders. The Group uses various non-derivative and derivative financial instruments to achieve that goal.

Derivatives are used to mitigate the interest rate and currency exposures associated with the funding of lease contracts. Interest rate swaps cover interest rate positions between lease contracts and borrowed funds and currency interest rate swaps cover currency exposures between lease contracts and borrowed funds.

The extent of exposure management is in line with internal risk appetite and limits determined by the Group risk management and reviewed on a regular basis. The Group uses a mixture of one-to-one relationships (for fair value hedging), as well as many-to-many macro hedging (for cash flow hedging). The hedge ratio is calculated by analysing the relationship between the quantity of the hedging instrument and the quantity of the hedged item in terms of their relative weighting. For fair value hedges the hedge ratio is calculated as 1:1, whereas for cash flow hedges the ratio is 0.48:1.

Cash flow hedges

The Group applies cash flow hedges to the interest rate risk and currency risk on the issued debt securities and other borrowings, to mitigate both current and future statement of profit or loss volatility arising from the variability of cash flows attributable to currency and interest rate movements. In cash flow hedging, Group has agreed to exchange interest and currency cash flows, based on an underlying nominal amount.

Fair value hedges

The Group applies fair value hedges to mitigate exposure to changes in fair value of recognised liabilities. For fair value hedge relationships, the Group Treasury's risk management policy is to hedge the interest rate risk component of debt capital markets transactions, to comply with the risk objectives as set and reviewed periodically by the Group risk management, and to achieve economic hedging of such transactions.

Risk management *continued*

All amounts are in thousands of euros, unless stated otherwise

D. Risks *continued*

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 thereto. In determining the capital adequacy requirement, both existing and potential future credit risk is considered. The current potential loss on derivatives, which is the positive fair value at the balance sheet date (positive replacement cost), is increased by a percentage of the relevant notional amounts, depending on the nature and remaining term of the contract (potential future credit risk). This credit risk is risk-weighted based on the credit rating of the counterparty and the remaining term.

The Group maintains control limits from a credit risk point of view and (for a significant part of the derivative portfolio) uses Credit Support Annexes (CSAs) to International Swaps and Derivatives Association (ISDA) master agreements to mitigate the credit risk through regular margin calls. This credit risk exposure is managed as part of the overall lending limits with financial institutions.

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. The Group has applied hedge accounting if requirements in IFRS are met. Reference is made to **Note D** – Derivative financial instruments and hedge accounting.

Credit Risk

Credit risk definition

As a result of its normal business activities, the Group is exposed to credit risk, which is the risk that a counterparty will not be able to fulfil its financial obligations when due. In the Group's core business, this credit risk mainly relates to lease receivables from clients. Lease receivables from clients consist of trade receivables and amounts receivable under finance lease contracts. For amounts receivable under finance lease contracts credit risk is mitigated materially by the underlying value of the available collateral (i.e. leased object).

In addition, the Group is exposed to credit risk originating from its banking and treasury activities, which includes deposits placed with financial institutions and hedging instruments, such as derivatives and reinsurance activities. Finally, the Group is exposed to credit risk because of insurance activities as well as to rebates and bonuses to be received from vehicle manufacturers and other suppliers.

For purposes of assessing, recognising and reporting defaults, the Group defines a default as:

any customer that is considered unable to pay its credit obligations is considered to be in default (irrespective of the amount involved or the number of days outstanding). Next to this, customers are considered to be in default when they comply with all of the following rules:

- Arrears over 90 days, in combination with
- Local judgement

The latter is the result of an internal assessment with regard to arrears to establish whether the customer is unable to pay and will be phased out gradually until January 2021. From 2021, a client will be deemed in default when there are arrears exceeding 90 days past due (as per CRR/CRD IV definition).

Credit risk management policy

The Group has issued policies and standards which regulate the governance of the local credit risk management organisation. Group entities are required to define their credit acceptance criteria and set their limits on counterparty and concentration risks as well as the types of business and conditions thereof in local policies.

For its credit risk management, the Group distinguishes between corporate clients, retail clients, governments, banks and others. In this respect, retail clients are from a regulatory point of view defined as small and medium entities (SMEs) and private households. Except for retail clients, which are assessed whenever a credit application is received, the credit risk of all counterparties is assessed at least once a year.

Risk management *continued*

All amounts are in thousands of euros, unless stated otherwise

D. Risks *continued*

For corporate counterparties, the Group has an internal rating system in place, segmented into 14 non-default rating classes. The Group's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. The governance framework built around models ensures that the rating tools are kept under constant review and are renewed when necessary. For this purpose, the Group monitors on a quarterly basis whether the performance of the models meets internal and external requirements. The Group's internal ratings scale for corporate counterparties and mapping of external ratings are as follows:

Group's rating	Description of the grade	External rating: Standard & Poor's equivalent
1	Prime	AAA/AA-
2A	Very Strong	A+
2B	Strong	A
2C	Relatively Strong	A-
3A	Very Acceptable	BBB+
3B	Acceptable	BBB
3C	Relatively Acceptable	BBB-
4A	Very 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.

The Group also applies internal models to determine the credit risk to retail exposures in the United Kingdom and the Netherlands. Where the Group uses internal models to determine the credit rating of a counterparty, capital is calculated based on AIRB models. The models for credit risk relate especially to the determination of:

- Probability of Default – the likelihood of the default of a client in the next 12 months (expressed in %).
- Loss Given Default – the loss the Group expects to incur at the moment of a default (expressed in %).
- Exposure at Default – the expected amount the Group is exposed to when a client goes into default.
- Remaining maturity – the contractual remaining term of the lease contract.

These internal models are used as a basis to comply with IFRS 9 requirements. Reference is made to **Note C** – Financial assets and liabilities.

For government, bank and other retail customers' counterparty exposures, the Group does not use internal models, as development of internal models for these counterparty classes is not cost-effective based on the Group's relatively low exposures to these counterparties. The credit rating of these exposures is determined based on external ratings, being the lowest rating of Standard & Poor's and Moody's (if available). For the determination of the risk-weight of these exposures, the Group applies the Standardised Approach (which prescribes fixed percentages for risk weighting depending on characteristics and conditions of the exposure) to determine capital requirements. For further details regarding capital requirements, reference is made to the Group's Pillar 3 report in accordance with the disclosure requirements of Regulation (EU) 575/2013 part eight.

Each local entity is required to maintain a special attention list and a watch list, which are based on the internal rating grades and other available information. These lists are reviewed in regular meetings by the credit committees. Credit risk exposures and news on companies included in these lists are monitored daily by the respective risk management teams both at local entity and at Group level. A qualitative analysis of total credit exposures, defaults and losses is reported on a quarterly basis to the Group's Risk Committee and on a monthly basis to the Group's Tactical Risk 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 risk standard. Limits are set on a legal entity basis and are included in the Group's risk appetite and approved on a yearly basis. Key criteria used in setting limits are, among others, large exposure rule, long-term debt ratings, credit risk assessments on the related banks and participation in the revolving credit facility. The Group, equally, puts in place acceptance criteria for reinsurance of motor insurance risks. The Group's treasury risk management monitors the exposures, against the approved limits, on an ongoing basis.

Risk management *continued*

All amounts are in thousands of euros, unless stated otherwise

D. Risks *continued*

On a daily basis, the treasury risk management department reviews the current spread on credit default swaps (CDS) of all relevant banking counterparties and sovereigns in the market. The spread of a CDS, securing debt holders against a counterparty or sovereign defaulting on its debt, highlights the market participant's perceived credit risk on such a counterparty. Large or unusual volatility is raised to the Senior Treasury Risk Manager for review. For credit risk in reinsurance, reference is made to the section on motor insurance risk.

Credit risk management structure and organisation

The Group's Managing Board sets authority levels for all of the Group's entities, allowing to decide on counterparty acceptance and renewal. The authority levels are granted based on the relative size of the Group entity and the quality of credit risk management. If a requested facility exceeds the local authority level, the underwriting team of Group Risk Management, Group (Tactical) Risk Committee, the Risk Committee of the Supervisory Board or the Supervisory Board is authorised to decide on credit acceptance and renewal thereof. The Group has a custom built web-based global credit risk management system in place in order to efficiently, and in accordance with granted authorities, handle and monitor credit requests and defaults.

Credit risk measurement

In accordance with the CRR/CRD IV regime, the Group measures its credit risk items in the following categories: exposure classes, geographic segmentation, industry segmentation and client concentration (single customers and groups of customers). For the purpose of the financial statements, credit risk exposure on lease receivables is reflected in two separate items based on the accounting classification of the lease, as either a finance or operating lease receivable (see **Note C** – Financial assets and liabilities). The property and equipment under operating lease and rental fleet (see **Note I** – Property and equipment under operating and rental fleet) are reported as non-financial fixed assets. The following financial assets have provisions for expected credit loss:

- Receivables from financial institutions
- Rebates and bonuses & commissions receivable
- Reclaimable damages
- Lease receivables from clients

For these financial assets further disclosures are provided. Refer to below:

By geography

The following table shows the concentration of the financial assets that have provisions for ECL in geographical sectors as at 31 December:

	Member states of the European Union		Rest of the world	Total
	(euro)	(non-euro)		
Receivables from financial institutions	521,772	95,809	20,999	638,579
Lease receivables from clients	844,128	833,963	1,709,963	3,388,054
Rebates and bonuses and commissions receivable	298,192	46,956	13,159	358,307
Reclaimable damages	38,331	6,492	1,133	45,956
TOTAL AS AT 31 DECEMBER 2019	1,702,423	983,220	1,745,253	4,430,896

	Member states of the European Union		Rest of the world	Total
	(euro)	(non-euro)		
Receivables from financial institutions	438,042	66,299	13,977	518,318
Lease receivables from clients	820,481	758,832	1,700,174	3,279,487
Rebates and bonuses and commissions receivable	281,138	40,361	11,189	332,689
Reclaimable damages	33,403	4,914	384	38,701
TOTAL AS AT 31 DECEMBER 2018	1,573,063	870,407	1,725,725	4,169,195

Risk management *continued*

All amounts are in thousands of euros, unless stated otherwise

D. Risks *continued*

By industry

A summary of the approximation of the concentration of the financial assets per industry as at 31 December can be shown as follows:

	Financial institutions	Manu- facturing	Wholesale trade	Transport and public utilities	Public sector	Other industries	Total
FINANCIAL ASSETS							
Receivables from financial institutions	638,579	–	–	–	–	–	638,579
Rebates and bonuses and commissions receivable	–	358,307	–	–	–	–	358,307
Reclaimable damages	45,956	–	–	–	–	–	45,956
Lease receivables from clients	179,279	893,534	382,617	270,984	64,761	1,596,879	3,388,054
TOTAL AS AT 31 DECEMBER 2019	863,814	1,251,841	382,617	270,984	64,761	1,596,879	4,430,896
Receivables from financial institutions	518,318	–	–	–	–	–	518,318
Rebates and bonuses and commissions receivable	–	332,689	–	–	–	–	332,689
Reclaimable damages	38,701	–	–	–	–	–	38,701
Lease receivables from clients	76,834	737,828	106,309	159,677	31,789	2,167,050	3,279,487
TOTAL AS AT 31 DECEMBER 2018	633,853	1,070,517	106,309	159,677	31,789	2,167,050	4,169,195

By credit rating

The table below summarises the credit rating of the most relevant financial assets of the Group:

	2019			
	Not credit impaired (12-months ECL)	Not credit impaired (Lifetime ECL)	Credit impaired	Total
RECEIVABLES FROM FINANCIAL INSTITUTIONS				
AAA-A	577,549			577,549
BBB – B	15,129			15,129
Other	46,292			46,292
LEASE RECEIVABLES FROM CLIENTS				
AAA-A		912,026	726	912,752
BBB – B		1,747,113	5,239	1,752,352
CCC – C		928	18	946
Other		736,795	25,011	761,806
Loss allowance	–390	–12,020	–27,782	–40,192
CARRYING AMOUNT	638,579	3,384,842	3,212	4,026,633
	2018			
	Not credit impaired (12-months ECL)	Not credit impaired (Lifetime ECL)	Credit impaired	Total
RECEIVABLES FROM FINANCIAL INSTITUTIONS				
AAA-A	447,985			447,985
BBB – B	65,158			65,158
Other	5,175			5,175
LEASE RECEIVABLES FROM CLIENTS				
AAA-A		846,127	178	846,305
BBB – B		1,673,172	6,927	1,680,099
CCC – C		267	149	416
Other		771,582	22,794	794,377
Loss allowance	–417	–11,878	–24,317	–36,612
CARRYING AMOUNT	517,901	3,279,271	5,731	3,802,903

Risk management *continued*

All amounts are in thousands of euros, unless stated otherwise

D. Risks *continued*

More detailed information regarding the exposure split in the following categories: exposure classes, geographic segmentation, industry segmentation and client concentration (single customers and groups of customers), is included in the Group's Pillar 3 report.

Operational Risk

Operational risk definition

Operational risk involves the risk of a positive, negative or potential loss resulting from inadequate or failed internal processes, human behaviour and systems or from external incidents. Business continuity risk, financial reporting risk, model risk and HR risk are within the scope of the Group's operational risk management. Operational incidents and losses in all (risk) areas are recorded in the Operational Incident Database.

Operational risk management structure and organisation

Local management is responsible for managing the operational risks in their local entity. In all local entities a risk director is in place. This function is the driving force behind the increase in risk awareness and the improvement of operational risk management within the local entity. Group Risk Management is responsible for monitoring the operational risk profile and the collation and validation of operational risk reporting. Group Risk Management analyses the operational risk incidents reported by local entities and reports subsequently to the Group Risk Committee. On a quarterly basis Group Risk Management reports on actual performance against the risk appetite to the Risk Committee of the Supervisory Board. This report includes the operational risk position of the Group.

AMA activities and projects

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

Operational risk management policy

The Group's operational risk policy, as set by the Managing Board, includes requirements on creating awareness, sufficient staffing and governance (including the existence of a local risk committee), incident identification and reporting, risk assessment and the definition of operational risk appetite. This policy prescribes the requirements for the organisation of the operational risk management activities in each local entity.

Operational risk incidents reports are continuously analysed, while operational risk incidents are reported on a monthly basis to the Group Tactical Risk Committee ('GTRC') Operational risk incidents with a net impact exceeding EUR 100,000 are reported on a quarterly basis to the Group Risk Committee ('GRC') and Risk Committee of the Supervisory Board. The overall impact of the mitigating activities is assessed by analysing the frequency and impact of operational risk incidents prior to and after implementation of the additional controls. Once it is established that certain controls have a distinguishable effect on the impact or frequency of the identified operational risks, it is the task of Group Risk Management to communicate and advise local entities with similar risks about the additional controls. The local entities are required to report all operational risk incidents above the amount of EUR 1,000. Reporting of incidents below this threshold is encouraged. The Group distinguishes between gross impact (the maximum estimated impact known at the moment of identification, irrespective of any potential recovery) and net impact (gross impact minus recovered amounts).

Operational risk measurement

During 2019 the Group recorded 2,624 operational risk incidents (1,440 incidents with a gross impact above EUR 1,000) with a total net impact of EUR 107.3 million in 2019 (EUR 15.5 million in 2018). This amount increased due to the loss of EUR 92.0 million as a result of the decision to stop with the further development of Core Leasing System.

The majority of the operational risk incidents recorded (96% from the total amount and 82% of the total number) are classified in the event category 'Execution: Delivery and Process Management'. The impact of external fraud incidents decreased over the year in terms of impact, while their number was slightly higher. The distribution of the Group's operational risk incidents is as follows:

Basel Category	2019		2018	
	% total (EUR)	% total (nr)	% total (EUR)	% total (nr)
Business Disruption and System Failures	1%	2%	0%	5%
Clients: Products and Business Practices	2%	11%	6%	7%
Damage to Physical Assets	0%	1%	0%	1%
Employment practices and workplace safety	0%	0%	0%	0%
Execution: Delivery and Process management	96%	82%	85%	84%
External Fraud	1%	4%	5%	3%
Internal Fraud	0%	0%	4%	0%
TOTAL	100%	100%	100%	100%

Risk management *continued*

All amounts are in thousands of euros, unless stated otherwise

D. Risks *continued*

Motor Insurance Risk

The Group has minimal appetite for insurable risks (outside of motor insurance risk). As such, the Group arranges multi-national insurance programmes to protect all its entities. Insurance policies issued, are written by leading global insurance companies, on a 'Freedom of Services' basis and apply to all European Union (EU) countries and Norway. For non-EU countries or where local regulations require, the Group has arranged for local policies to be issued, by the same insurers or their authorised agents. Insurance covers purchased on a global level are: Property, Combined General Liability, Employment Practices Liability, Crime, Directors & Officers Liability and Professional Indemnity cover. Additionally, where local legislation requires a policy to be in place in a particular entity, such as Employers' Liability Insurance or Workers' Compensation Insurance, such cover is arranged by the local entity and confirmation of the same is provided to the risk department at corporate centre.

Motor insurance risk definition

As a result of its normal business activities the Group is exposed to motor insurance risk. Motor insurance risk is the exposure to potential loss, due to costs related to damages incurred by drivers insured by the Group, exceeding the premiums paid for insurance coverage. This risk consists of long-tail risks (eg, motor third party liability and legal defence) and short-tail risks (eg, motor material damage and passenger indemnity).

Additionally, some local entities offer a non-insurance solution referred to as 'risk retention'. For non-compulsory lines of cover, where local regulations permit, the Group may offer a warranty for damage sustained to a vehicle, up to a pre-defined limit, in return for a higher lease charge. This risk also consists of long-tail risks (eg, motor third party liability and legal defence) and short-tail risks (eg, motor material damage and passenger indemnity).

Motor insurance risk management structure and organisation

Group risk management is responsible for monitoring the motor insurance risk profile. Motor insurance risks (referred to as insurance risk) are underwritten by the Group's insurance subsidiary, LeasePlan Insurance (Euro Insurances DAC), based in Dublin, Ireland. In addition, some local entities have a local risk retention scheme for motor material damages and retain the damage risk, whilst also offering additional insurance coverage through either LeasePlan Insurance or external providers. LeasePlan Insurance is regulated by the Central Bank of Ireland and its 'European passport' enables it to support the Group entities in all EU countries and Norway. LeasePlan Insurance is capitalised in accordance with the Standardised Approach of Solvency II. LeasePlan Insurance maintains external reinsurance cover on an excess of loss basis for motor third party liability risks and catastrophic events. LeasePlan Insurance purchases reinsurance cover for these risks up to prescribed coverage limits with an external reinsurance panel to minimise the financial impact of a single large accident and/or event.

Annually, the Group risk management department prepares the risk appetite statement, which includes all risk areas and requires approval of the Managing Board and the Risk Committee of the Supervisory Board. On a quarterly basis, the Group risk management department reports to the Risk Committee of the Supervisory Board on performance against the risk appetite, including developments within motor insurance. The motor insurance position is further discussed in the Group (Tactical) Risk Committee and shared with the Managing Board and the Risk Committee of the Supervisory Board.

Motor insurance risk management policy

The overall approach of the Group is to selectively accept damage and insurable risk within the Group entities and/or LeasePlan Insurance. The Group's objective is to identify and develop the motor insurance risk profile and to continuously monitor and manage these risks in line with the risk appetite for motor insurance risk. Generally, the Group only accepts damage and insurance risk positions arising from its own operating and (to a lesser extent) finance lease portfolio. Damage and insurance specialists in each Group entity accept damage or insurance risks in accordance with the strict Risk Selection and Pricing Procedures issued by LeasePlan Insurance, or in accordance with criteria set by the Group risk department for the risk retention schemes. These procedures set out the scope and nature of the risks to be accepted (or not) as well as the local authority rules.

Settlement of damages is generally outsourced to specialised independent damage handling companies in accordance with service level agreements, although some local entities have a specialist team in place to perform this activity. Settlement of damages is performed by specialised damage handling teams, within the Group, when a local risk retention scheme is in place.

To clearly identify, monitor, manage and limit the risks, principles are laid down in a motor insurance risk policy that must be adhered to by all Group entities. The main requirements are the existence of a motor insurance risk function within all Group entities, which is independent from the insurance pricing department and the existence of a local risk committee to monitor insurance risk, which is required to monitor exposure and discuss trends and developments within the portfolio. Clear authorisation structures are in place for intended launches of and changes in insurance structures and programmes. (Re) insurers are selected on the basis of their financial strength, price, capacity and service and are monitored, in respect of credit ratings, on a quarterly basis

Risk management *continued*

All amounts are in thousands of euros, unless stated otherwise

D. Risks *continued*

Motor insurance risk measurement

The Group monitors the damage and insurance risk acceptance process and the financial performance using actuarial and statistical methods for estimating liabilities and determining adequate pricing levels. Regular analysis of damage, loss ratio statistics, strict compliance with damage handling procedures and policies and, when necessary, reviews of damage and insurance risk pricing ensure a healthy balance between revenues and damages at both an aggregate level and an individual fleet level. The provision for damages is regularly assessed and periodically verified by external actuaries.

The price for acceptance of damage and insurance risk is set in each market based on prevailing local market conditions after determining appropriate levels of reinsurance cover and the expected costs of managing and settling damages. Regular external actuarial assessments support internal actuarial assessments of the individual programme loss ratios, which are influenced by statistical evidence of accident frequency in the local market and the cost per claim of expected and large damages. These support the Incurred But Not Reported (IBNR) and Incurred But Not Enough Reported (IBNER) factors used to determine appropriate reserve levels necessary to meet projected short-tail and long-tail damages.

Under the motor insurance risk policy, Group entities measure and monitor their motor insurance risk exposure by performing a yearly damage and insurance risk self-assessment. On a quarterly basis, LeasePlan Insurance and Group entities measure and report their risk exposures by means of premium developments and loss ratio developments to central management. These loss ratios are consolidated and monitored against the Group's risk appetite.

Annually, Group entities, Group Risk and the Group Insurance agree, a Country Based Risk Appetite (CoBRA) for motor insurance risk, for each entity, in which a loss ratio limit for motor insurance risk, against which entities are monitored, is defined for the forthcoming year.

Specific notes

All amounts are in thousands of euros, unless stated otherwise

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 joint ventures entities that are accounted for under the equity method', except for entities that have been disposed during the period. The amount of government subsidies for 2019 consists mainly in a deduction for Italy of EUR 157.9 million, with a tax incentive of EUR 37.9 million, and in a deduction for Netherlands of EUR 6.2 million, with a tax incentive of EUR 1.5 million. The amount of government subsidies for 2018 was negligible and therefore not disclosed.

2019

Country of activity	Principal subsidiary or participating interest	Main activity	Average FTE (ytd)	Revenues	Profit before tax	Income tax expenses
NETHERLANDS	LeasePlan Corporation N.V. LeasePlan Finance N.V. LeasePlan Global B.V. LeasePlan Nederland N.V. LeasePlan Digital B.V. CarNext.com B.V.	Holding Finance/Treasury services Holding Leasing Digital business & services Used cars	1,382	1,224,144	-111,409	37,489
UNITED KINGDOM	LeasePlan UK Limited	Leasing	541	1,166,347	32,529	-4,352
ITALY	LeasePlan Italia S.p.A.	Leasing	532	1,138,438	47,917	19,377
FRANCE	LeasePlan France S.A.S. PLease S.C.S. ¹	Leasing	437	740,266	44,875	-15,533
SPAIN	LeasePlan Servicios S.A.	Leasing	453	593,796	56,982	-13,936
GERMANY	LeasePlan Deutschland GmbH	Leasing	426	764,183	26,097	-9,385
AUSTRALIA	LeasePlan Australia Limited	Leasing	346	357,585	21,309	-6,463
BELGIUM	LeasePlan Fleet Management N.V.	Leasing	249	452,568	51,470	-15,149
PORTUGAL	LeasePlan Portugal Comercio e Aluguer de Automobéis e Equipamentos Uniperssoal Lda.	Leasing	389	475,031	33,332	-9,095
NORWAY	LeasePlan Norge A/S	Leasing	130	314,060	17,885	-3,936
UNITED STATES	LeasePlan USA Inc.	Leasing	533	423,550	36,034	-8,824
SWEDEN	LeasePlan Sverige AB	Leasing	104	191,555	13,224	-2,839
FINLAND	LeasePlan Finland Oy	Leasing	90	192,651	14,874	-2,977
AUSTRIA	LeasePlan Österreich Fuhrparkmanagement GmbH Flottenmanagement GmbH ¹	Leasing	169	192,242	-14,925	3,325
SWITZERLAND	LeasePlan (Schweiz) AG	Leasing	60	89,627	1,011	-875
DENMARK	LeasePlan Danmark A/S	Leasing	105	239,690	11,304	-2,064
POLAND	LeasePlan Fleet Management (Polska) Sp.z o.o.	Leasing	173	189,248	-27,231	5,535
CZECH REPUBLIC	LeasePlan Ceska republika s.r.o.	Leasing	165	176,132	14,705	-2,841
NEW ZEALAND	LeasePlan New Zealand Limited	Leasing	74	101,699	7,230	-2,221
SHARED SERVICES CENTER	LeasePlan Service Center S.R.L.	Administration Services	201	41	-1,318	240
IRELAND	Euro Insurances DAC LeasePlan Information Services Limited LeasePlan Fleet Management Services (Ireland) Limited	Motor insurance Information services Leasing	229	142,311	68,231	-8,787
LUXEMBOURG	LeasePlan Luxembourg S.A.	Leasing	52	87,153	3,395	-2,598
GREECE	LeasePlan Hellas S.A.	Leasing	127	134,084	23,412	-5,984
BRAZIL	LeasePlan Brasil Ltda.	Leasing	97	93,383	13,687	-3,972
HUNGARY	LeasePlan Hungaria Gempjarmupark Kezelo es Finanscirozo Zartkoru Reszvenytarsasag	Leasing	86	81,071	4,990	-765
ROMANIA	LeasePlan Romania SRL	Leasing	72	70,901	5,175	-817
SLOVAKIA	LeasePlan Slovakia s.r.o.	Leasing	57	62,997	4,047	-858
INDIA	LeasePlan India Private Limited	Leasing	81	74,108	-915	6,189
MEXICO	LeasePlan Mexico S.A. de C.V.	Leasing	156	76,379	7,736	-2,133
RUSSIA	LeasePlan Rus LLC	Leasing	64	45,549	4,040	-1,167

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

1 Country by country reporting *continued*

Country of activity	Principal subsidiary or participating interest	Main activity	Average FTE (ytd)	Revenues	Profit before tax	Income tax expenses
TURKEY	LeasePlan Otomotiv Servis ve Ticaret A.S.	Leasing	156	227,525	60,051	-13,939
UNITED ARAB EMIRATES	LeasePlan Emirates Fleet Management LeasePlan Emirates LLC ¹	Leasing	-	-	2,614	-
MALAYSIA	LP Fleet Management Sdn. Bhd.	Leasing	-	-	-20	-
TOTAL AS AT 31 DECEMBER			7,736	10,118,314	472,337	-69,356

¹ Investments accounted for using the equity method

2018

Country of activity	Principal subsidiary or participating interest	Main activity	Average FTE (ytd)	Revenues	Profit before tax	Income tax expenses
NETHERLANDS	LeasePlan Corporation N.V.	Holding	1,243	1,138,415	30,649	3,824
	LeasePlan Finance N.V.	Financial/Treasury services				
	LeasePlan Global B.V.	Holding				
	LeasePlan International B.V.	International client coordination				
	LeasePlan Nederland N.V.	Leasing				
	LeasePlan Digital B.V.	Digital business & services				
	Mobility Mixx B.V.1 (sold in 2018)	Mobility services				
UNITED KINGDOM	LeasePlan UK Limited	Leasing	527	1,123,368	54,834	-12,132
ITALY	LeasePlan Italia S.p.A.	Leasing	513	1,045,259	65,293	14,594
FRANCE	LeasePlan France S.A.S. PLease S.C.S. ¹	Leasing	413	728,224	58,446	-16,578
SPAIN	LeasePlan Servicios S.A.	Leasing	433	546,068	72,122	-18,108
GERMANY	LeasePlan Deutschland GmbH	Leasing	403	724,468	-1,541	499
AUSTRALIA	LeasePlan Australia Limited	Leasing	343	353,210	21,741	-6,583
BELGIUM	LeasePlan Fleet Management N.V.	Leasing	242	430,716	52,395	-15,410
PORTUGAL	LeasePlan Portugal Comercio e Aluguer de Automoveis e Equipamentos Uniperssoal Lda.	Leasing	364	448,675	52,848	-14,645
NORWAY	LeasePlan Norge A/S	Leasing	124	283,279	15,598	-1,936
UNITED STATES	LeasePlan USA Inc.	Leasing	514	377,818	21,238	-4,664
SWEDEN	LeasePlan Sverige AB	Leasing	115	188,103	13,357	-2,951
FINLAND	LeasePlan Finland Oy	Leasing	84	188,643	17,551	-3,514
AUSTRIA	LeasePlan Österreich Fuhrparkmanagement GmbH Flottenmanagement GmbH ¹	Leasing Leasing Leasing	155	179,605	5,545	-1,388
SWITZERLAND	LeasePlan (Schweiz) AG	Leasing	60	94,469	9,227	-925
DENMARK	LeasePlan Danmark A/S	Leasing	97	210,652	11,411	-2,537
POLAND	LeasePlan Fleet Management (Polska) Sp.z.o.o.	Leasing	148	185,116	-1,230	-1,085
CZECH REPUBLIC	LeasePlan Ceska republika s.r.o.	Leasing	134	161,781	13,011	-2,567
NEW ZEALAND	LeasePlan New Zealand Limited	Leasing	80	98,442	4,775	-1,219
SHARED SERVICES CENTER	LeasePlan Service Center S.R.L.	Administration Services	85	-	-1,792	-9
IRELAND	Euro Insurances DAC	Motor Insurance	231	124,063	57,187	-7,407
	LeasePlan Information Services Limited	Information services				
	LeasePlan Fleet Management Services (Ireland) Limited	Leasing				
LUXEMBOURG	LeasePlan Luxembourg S.A.	Leasing	47	86,080	5,120	-259
GREECE	LeasePlan Hellas S.A.	Leasing	105	122,430	20,126	-6,375
BRAZIL	LeasePlan Brasil Ltda.	Leasing	93	76,779	10,202	-4,377

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

1 Country by country reporting *continued*

Country of activity	Principal subsidiary or participating interest	Main activity	Average FTE (ytd)	Revenues	Profit before tax	Income tax expenses
HUNGARY	LeasePlan Hungaria Gempjarmupark Kezelo es Finanscirozo Zartkoru Reszvenytarsasag	Leasing	70	73,847	6,550	-786
ROMANIA	LeasePlan Romania SRL	Leasing	73	57,481	6,202	-1,090
SLOVAKIA	LeasePlan Slovakia s.r.o.	Leasing	49	54,866	2,902	-613
INDIA	LeasePlan India Private Limited	Leasing	77	58,993	-612	-1,990
MEXICO	LeasePlan Mexico S.A. de C.V.	Leasing	138	64,457	4,769	-1,491
RUSSIA	LeasePlan Rus LLC	Leasing	56	36,034	2,509	-839
TURKEY	LeasePlan Otomotiv Servis ve Ticaret A.S.	Leasing	140	257,100	-109,318	13,180
UNITED ARAB EMIRATES	LeasePlan Emirates Fleet Management LeasePlan Emirates LLC ¹	Leasing	-	-	1,858	-
MALAYSIA	LeasePlan Malaysia	Leasing	-	-	34	-
TOTAL AS AT DECEMBER 31			7,158	9,518,443	523,008	-99,381

¹ Investments accounted for using the equity method

2 Segment information

LeasePlan's core business activity consist of providing leasing and fleet management services, including the purchase, financing, insurance, maintenance and remarketing of vehicles, to external customers. The Group offers a mono-line product through all its LeasePlan subsidiaries allowing for some differentiation based on the maturity of local markets. The Group's key management is responsible for allocating resources to the segments and assesses its performance.

Primary segments

The Group identified Europe and Rest of the world as reportable segments. Operating segments are reported in accordance with the internal reporting provided to the Group's key management.

Europe

Geographies in this segment are all European countries where the Group operates including Turkey, Russia and United Arab Emirates.

Rest of the world

Geographies in this segment are Australia, Brazil, India, Mexico, New Zealand and the United States.

The performance of the segments is measured based on the combination of IFRS and Alternative Performance measures, such as serviced fleet, revenue and underlying net result. The Alternative Performance measures are obtained from the internal system of management accounting. This provides management with a comprehensive view of the performance of the segments. Inter-segment transactions are at arm's length and not presented separately given their insignificance. All revenue is from external customers.

The segment information is presented in the table below.

In millions of euros	Europe		Rest of the world		Total	
	2019	2018	2019	2018	2019	2018
Serviced fleet (in thousands) at period end	1,460	1,406	405	416	1,865	1,822
REVENUES	8,998	8,485	1,120	1,033	10,118	9,518
Finance lease and Other interest income	56	55	78	78	135	133
Finance cost	238	198	109	106	347	304
Car and other depreciation and amortisation	3,107	2,908	271	248	3,377	3,156
Underlying taxes	94	116	18	21	112	137
UNDERLYING NET RESULT	480	533	77	43	557	576
Total assets	27,302	23,365	3,986	3,915	31,288	27,280
Total liabilities	23,786	20,394	3,441	3,550	27,228	23,944

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

2 Segment information *continued*

The table below presents information about the major countries in which the Group is active. The Netherlands is the domicile country of the Group.

Country of activity	FTE's (average)		Underlying Revenues		Lease Contracts	
	Units		In millions of euros		In millions of euros	
	2019	2018	2019	2018	2019	2018
Netherlands	1,355	1,243	1,224	1,138	2,811	2,397
United Kingdom	541	527	1,166	1,123	2,954	2,533
Italy	532	513	1,138	1,045	1,931	1,822
Other	5,308	4,875	6,589	6,211	14,294	13,670
AS AT 31 DECEMBER	7,736	7,158	10,118	9,518	21,990	20,422

2018 lease contracts have been restated. Please refer to the Basis of preparation for further details.

Secondary segments

The Group identified two secondary reportable segments, Car-as-a-Service (CaaS) and CarNext.com. The secondary segments are reporting separately commencing with this 2019 Annual Report. The comparative 2018 numbers are proforma and un-audited.

CaaS and CarNext.com business models are disclosed in our business paragraph of this Annual Report.

in millions of euros	CaaS		CarNext		I/C eliminations		Total	
	2019	2018*	2019	2018*	2019	2018*	2019	2018
REVENUES	10,111	9,514	120	98	-112	-93	10,118	9,518
Underlying cost of revenues	-8,540	-7,950	-82	-64	112	93	-8,510	-7,921
Underlying lease and additional services gross profit	1,534	1,486	-	-	4	3	1,538	1,489
Profit/(loss) on disposal of vehicles and End of contract fees gross profit	36	78	38	33	-4	-3	70	109
UNDERLYING GROSS PROFIT	1,571	1,564	38	33	-	-	1,609	1,598
Underlying operating expenses	-841	-829	-103	-58	-	-	-944	-888
Share of profit in equity accounted investments	4	3	-	-	-	-	4	3
UNDERLYING PROFIT BEFORE TAX	734	739	-66	-25	-	-	669	714
Underlying tax	-129	-144	17	7	-	-	-112	-137
UNDERLYING NET RESULT	605	595	-49	-19	-	-	557	576
Underlying adjustments	-140	-153	-14	-	-	-	-154	-153
REPORTED NET RESULT	466	442	-63	-19	-	-	403	424
Total allocated assets*	31,147	27,248	157	43	-15	-12	31,288	27,280
Total allocated liabilities*	27,126	23,941	117	15	-15	-12	27,228	23,944

*Proforma unaudited

The segment reporting is based on a commission model, whereby CarNext.com acts as a sales agent for LeasePlan CaaS in 23 countries for the sales of used cars that are coming off lease contracts. CarNext.com generates revenues through commissions on cars-sold, used-car lease (UCaaS) and ancillary services. For B2C, commissions are dependent upon the additional value realised versus B2B trader pricing. Commission rates are set at market rates on an arms-length basis. The vehicles CarNext.com sells on behalf of LeasePlan's CaaS business remain the property of LeasePlan CaaS until sold by CarNext.com.

Identified assets and directly attributable costs in cost of sales (eg, defleeting cost and car preparation cost) and operating expenses (eg, cost related to staff, facilities, digital/IT and marketing) are allocated to CarNext.com.

Costs of the central managed activities, like borrowings, treasury, insurance, information services, supply services and holding activities are allocated to the CaaS segment only.

Income tax is allocated based on a blend of statutory rates from the 23 countries in which CarNext.com has operations. The CarNext.com and CaaS segments are integral parts of the Group's legal and fiscal entities and as such the losses in CarNext.com segment can be compensated by the profits in the CaaS segment.

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

2 Segment information *continued*

LeasePlan CaaS continues to report the full revenue of the used cars sold by CarNext.com. The commission paid to CarNext.com is reported in cost of sales.

In the operating expenses of CarNext an amount of EUR 18.7million is included related to set-up costs. These costs are excluded from the Underlying net result as they are considered distinct from regular operating activities.

All intercompany transactions between LeasePlan CaaS and CarNext.com are eliminated for consolidated purpose.

Balance sheet of CarNext.com includes directly attributable assets and liabilities of CarNext B.V, IFRS 16 leases (buildings, compounds and equipment), IT equipment, other fixed assets and allocated working capital.

In 2019 total assets included EUR 75 million for IFRS 16 leases as adopted in 2019 (2018: nil), EUR 23 million for other fixed assets (2018: EUR 21 million), EUR 30 million intangible assets (2018: EUR 2 million). In 2019 Liabilities consist of EUR 76 million IFRS 16 lease liabilities and working capital. In 2018 the liabilities mainly consisted of working capital items.

Alternative Performance measures

In addition to IFRS financial measures, LeasePlan uses certain Alternative Performance Measures to present and discuss our underlying performance and value creation. To arrive at Underlying net result, Net result is adjusted for impacts related to unrealised results on financial instruments, asset impairments, results related to the acquisition or sale of subsidiaries, restructuring expenses and other special items (like consultancy costs) which arise from events or transactions that management considers distinct from regular operating activities.

The reconciliation from IFRS measures to Alternative Performance measures for 2019 and 2018 is included in the tables below:

	IFRS results 31 December 2019	Underlying adjustments			Underlying results 31 December 2019
		Restructuring and other special items ¹	Unrealised results on financial instruments	Assets impairments	
REVENUES	10,118,314				10,118,314
DIRECT COST OF REVENUES	8,536,280	-13,683	-14,623	1,678	8,509,651
GROSS PROFIT	1,582,035	13,683	14,623	-1,678	1,608,663
Total operating expenses	1,114,164	-77,828		-92,000	944,335
Share of profit of investments accounted for using the equity method	4,466				4,466
PROFIT BEFORE TAX	472,337	91,511	14,623	90,322	668,794
Income tax expenses	69,356	21,849	3,083	18,001	112,289
NET RESULT ATTRIBUTABLE TO OWNERS OF THE PARENT	402,981	69,662	11,541	72,321	556,505

¹ Includes a RMT contract cost adjustment in LPUK (EUR 13.7 million), restructuring and consultancy costs related to the CLS (EUR 59.1 million) and CarNext BU set up programs (EUR 18.7 million) for a total of EUR 91.5 million before tax (EUR 69.7 million after tax).

	IFRS results 31 December 2018	Underlying adjustments			Underlying results 31 December 2018
		Restructuring and other special items ²	Unrealised results on financial instruments	Assets impairments	
REVENUES	9,518,443				9,518,443
DIRECT COST OF REVENUES	8,064,213		-11,409	-132,000	7,920,804
GROSS PROFIT	1,454,230		11,409	132,000	1,597,639
Total operating expenses	934,634	-47,089			887,545
Other income	128				128
Share of profit of investments accounted for using the equity method	3,284				3,284
PROFIT BEFORE TAX	523,008	47,089	11,409	132,000	713,506
Income tax expenses	99,381	13,845	989	23,094	137,309
NET RESULT ATTRIBUTABLE TO OWNERS OF THE PARENT	423,627	33,244	10,420	108,906	576,197

² Includes restructuring and consultancy costs mainly related to CLS development (EUR 6.1 million), redundancy (EUR 16.7 million), project Lima (EUR 13.7 million) and other consulting (EUR 10.6 million) for a total of EUR 47.1 million before tax (EUR 33.2 million after tax).

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

3 Revenues and direct 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 the Group's activities. In general lease and additional services are provided, invoiced and paid on a monthly basis. The vehicles sold are in general paid before the vehicle is transferred to the customer.

	2019	2018
Operating lease income	4,155,570	3,973,110
Finance lease and other interest income	134,669	132,542
Additional services income	2,524,832	2,422,469
Vehicle sales and End of contract fees	3,303,244	2,990,322
REVENUES	10,118,314	9,518,443

Finance lease and other interest income includes an amount of EUR 9.8 million (2018: EUR 8.5 million) related to Other interest income.

The Group uses a business function based approach in presenting its revenue streams. Gains and losses upon derecognition of financial assets and those arising from modification of finance lease contracts are not separately disclosed given the undue cost and effort required to produce this information.

Operating lease income includes an amount of EUR 709.8 million (2018: EUR 663.8 million) related to interest component.

Direct cost of revenues

Direct cost of revenues comprises the costs associated with providing the above-mentioned lease and additional services, the sale of vehicles and related finance cost and impairment charges.

	Note	2019	2018
Depreciation cars		3,289,761	3,156,214
Impairment on assets*	18	-1,678	132,000
Finance cost		346,911	303,769
Unrealised (gains)/losses on financial instruments		14,623	11,409
Impairment charges on loans and receivables		31,065	28,705
LEASE COST		3,680,683	3,632,097
Additional services cost		1,622,832	1,550,420
Vehicle and Disposal costs		3,232,765	2,881,696
DIRECT COST OF REVENUES		8,536,280	8,064,213

* Impairment on assets is included in the line item Depreciation cars in the consolidated statement of profit or loss.

Gross profit (net lease income and vehicles sales income)

The gross profit (revenues less cost of revenues) can be shown as follows:

	Note	2019	2018
Lease services		622,501	616,964
Impairment on assets*	18	1,678	-132,000
Unrealised gains/(losses) on financial instruments		-14,623	-11,409
LEASE		609,556	473,555
Fleet management and other services		288,636	280,222
Repair and maintenance services		315,972	322,443
Damage services and Insurance		297,391	269,385
ADDITIONAL SERVICES		901,999	872,049
End of contract fees		143,619	123,535
Profit/(loss) on disposed vehicles (PLDV)		-73,140	-14,909
PROFIT/(LOSS) ON DISPOSED VEHICLES AND END OF CONTRACT FEES		70,479	108,626
GROSS PROFIT		1,582,035	1,454,230

* Impairment on assets is included in the line item Depreciation cars in the consolidated statement of profit or loss.

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

3 Revenues and direct cost of revenues *continued*

Net finance income

As part of the analysis of the revenues and direct cost of revenues LeasePlan also considers net finance income as a relevant metric for financial reporting purposes. The Net finance income is presented below:

	2019	2018
Operating lease – interest income	709,781	663,837
Finance lease and other interest income	134,669	132,542
Finance cost	-346,911	-303,769
NET INTEREST INCOME	497,538	492,610
Unrealised gains/(losses) on financial instruments	-14,623	-11,409
Impairment charges on loans and receivables	-31,065	-28,705
NET FINANCE INCOME	451,850	452,496

4 Impairment charges on loans and receivables

Net impairment charges can be detailed as follows:

	Note	2019	2018
LEASE RECEIVABLES FROM CLIENTS			
Addition		69,569	44,113
Release		-38,741	-14,687
Recovery after write-off		-2,290	-2,114
SUBTOTAL IMPAIRMENT LEASE RECEIVABLE FROM CLIENTS	17	28,539	27,311
Other		-25	591
		28,513	27,903
Reclaimable damages		1,269	-388
Rebates and bonuses		1,282	1,190
TOTAL		31,065	28,705

5 Staff expenses

	2019	2018
Wages and salaries	436,071	400,344
Social security charges and taxes	67,048	61,699
Defined contribution pension costs	22,814	20,997
Defined benefit post-employment costs	2,732	2,834
Other staff expenses	85,875	85,367
TOTAL	614,540	571,241

The average number of staff (FTEs) employed (including temporary staff) by the Group at the end of the year was 7,736 (2018: 7,158), of whom 1,382 (2018: 1,243) were employed in the Netherlands. At 31 December the total number of staff employed by the Group was 7,956 (2018: 7,508).

The breakdown of post-employment costs is as follows:

	Note	2019	2018
Current service cost	27	2,289	2,363
Interest expense/(income)	27	391	402
Curtailments and settlements	27	52	68
Defined benefit post-employment costs		2,732	2,834
Defined contribution pension costs		22,814	20,997
TOTAL POST-EMPLOYMENT COSTS		25,546	23,831

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

6 Other operating expenses

The breakdown of other operating expenses is as follows:

	2019	2018
Professional services expenses	223,988	194,562
Facilities	32,251	66,446
Marketing and sales	39,915	32,186
Other general and administrative expenses	19,925	25,094
TOTAL	316,080	318,288

Professional services expenses are mainly driven by higher investments in CarNext and Digital of EUR 56 million for 2019 (2018: EUR 22 million). Facilities expenses are lower in 2019 due to adoption of IFRS16. Other operating expenses include travel and entertainment expenses and non-profit related tax.

7 Other depreciation and amortisation

	Note	2019	2018
Depreciation other property and equipment	19	70,000	26,570
Amortisation intangible assets	21	21,544	18,534
Impairment charges intangible assets	21	92,000	–
TOTAL		183,544	45,104

The depreciation line is increased compared to prior year because of IFRS 16 assets depreciation, started from 1 January 2019.

During the second quarter of 2019, LeasePlan has determined that its main IT system development project, the Core Leasing System (CLS), will not meet the expected product and service improvements in the emerging digital world in which the Company operates. As a consequence, CLS has been restructured and existing CLS initiatives have been abandoned. An impairment loss of EUR 92 million has been recognised for the related intangible assets.

CLS related IT development costs for an amount of EUR 13 million are still carried at cost on the balance sheet. These are separately developed IT modules that are still expected to generate economic benefits in the future.

8 Other income

In the financial year 2018 other income included the result on the sale of the Group's subsidiary Mobility Mixx B.V.

9 Income tax expenses

The income tax expenses in the income statement can be shown as follows:

	2019	2018
Current tax		
Current tax on profits for the year	112,461	104,797
Adjustments in respect of prior years	-7,903	-4,826
TOTAL CURRENT TAX	104,559	99,971
Deferred tax		
Origination and reversal of temporary differences	-28,419	10,970
Changes in tax rates	-175	-8,558
Adjustments in respect of prior years	-6,608	-3,002
TOTAL DEFERRED TAX	-35,202	-590
TOTAL	69,356	99,381

The deferred tax adjustments in respect of prior years mainly include: (i) movement in the deferred tax assets in relation to unrecognised tax losses and unrecognised tax credits resulting in a tax credit of EUR 7.7 million (2018: tax credit of EUR 5.1 million) and (ii) a tax charge of EUR 0.3 million mainly due to adjustments in respect of prior years (2018: a tax charge of EUR 1.8 million).

Further information on deferred tax assets and liabilities is presented in **Note 22**.

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

9 Income tax expenses *continued*

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:

	2019	2018
PROFIT BEFORE TAX:	472,337	523,008
Tax calculated at domicile country nominal tax rate	25.0% 118,084	25.0% 130,752
Effect of different tax rates in foreign countries	3,104	9,334
WEIGHTED AVERAGE TAXATION	25.7% 121,188	26.8% 140,086
Income not subject to tax	-42,306	-41,431
Expenses not deductible for tax purposes	5,160	17,112
Changes in tax rates	-175	-8,558
Adjustments in respect of prior years:		
Current tax	-7,903	-4,826
Deferred tax	-6,608	-3,002
TOTAL EFFECTIVE TAXATION	14.7% 69,356	19.0% 99,381

The weighted average of the local tax rates applicable to the Group for 2019 is 25.7% (2018: 26.8%), which is higher than the domicile country nominal tax rate of 25.0% predominantly as a result of the fact that the Group realises on average, relatively more profits in jurisdictions with a tax rate higher than 25.0%.

Income not subject to tax over 2019 includes the effect of the temporary tax facility in Italy resulting in extra fiscal depreciation on new investments.

The tax charge/credit relating to components of other comprehensive income is as follows:

	2019			2018		
	Before tax	Tax (charge)/credit	After tax	Before tax	Tax (charge)/credit	After tax
Cash flow hedges	683	-187	496	-4,778	1,195	-3,584
Post-employment benefit reserve	-5,991	1,778	-4,213	2,301	-654	1,647
Exchange rate differences	28,352	-	28,352	-14,676	-	-14,676
TOTAL	23,044	1,591	24,635	-17,154	540	-16,614

10 Cashflow statement supplementary information

Changes in liabilities arising from financing activities are shown in table below.

Movements in 2019						
Note	Balance as at 1 January	Financing cash flows	Foreign exchange adjustment	Other non – cash movements	Balance as at 31 December	
Borrowings from financial institutions	25	3,619,366	243,693	5,788	-	3,868,848
Funds entrusted	23	6,490,204	1,273,362	31	-	7,763,597
Debt securities issued	26	10,449,447	1,107,773	20,940	4,012	11,582,171

Movements in 2018						
Note	Balance as at 1 January	Financing cash flows	Foreign exchange adjustment	Other non – cash movements	Balance as at 31 December	
Borrowings from financial institutions	25	3,122,446	528,533	-31,612	-	3,619,366
Funds entrusted	23	6,002,501	487,667	36	-	6,490,204
Debt securities issued	26	9,337,826	1,093,683	3,483	14,455	10,449,447

Please note that for Borrowings from financial institution, the supplemental cashflow information excludes call money and bank overdrafts (see **Note 11**).

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

11 Cash and balances at central banks

The breakdown of cash and balances at central banks for the purpose of the statement of cash flows is as follows:

	Note	2019	2018
Cash and balances at central banks		4,828,356	3,167,831
Deposits with banks		310,116	277,657
Call money, cash at banks	12	164,787	75,589
Bank overdrafts	25	-209,969	-169,506
BALANCE AS AT 31 DECEMBER FOR THE PURPOSE OF THE STATEMENT OF CASH FLOWS		5,093,290	3,351,570

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 76 million (2018: EUR 65 million) form part of the 'Cash and balances at central banks'.

The Cash and balances at central banks increased over the period, mainly as a consequence of the Group's pre-funding activities given the strength of debt capital markets. The increase in Deposits with banks and Call money, cash at banks is mainly attributable to the proceeds of recent bond offerings.

The average interest rate on the outstanding cash and balances at central banks is -0.5% (2018: -0.4%).

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	2019	2018
Deposits with banks		310,116	277,657
Call money, cash at banks	11	164,787	75,589
Cash collaterals deposited for securitisation transactions		79,492	105,888
Cash collaterals deposited for derivative financial instruments		80,421	55,351
Other cash collateral deposited		3,763	3,834
BALANCE AS AT 31 DECEMBER		638,579	518,318

The cash collateral deposited for securitisation transactions relates to the Bumper securitisation transactions, reference is made to the financial risk section (treasury risk). The cash collateral deposited for derivative financial instruments originates from Credit Support Annexes (CSAs) to International Swaps and Derivatives Association (ISDA) master agreements and reference is made to the financial risk paragraph (strategy in using financial instruments).

The average interest rate on the receivables from financial institutions is 0.1% (2018: 0.1%).

The provision for expected credit losses amounts to EUR 0.4 million (2018: EUR 0.4 million).

The maturity analysis is as follows:

	2019	2018
Three months or less	566,447	369,627
Longer than three months, less than a year	38,904	93,406
Longer than a year, less than five years	33,000	55,077
Longer than five years	228	207
BALANCE AS AT 31 DECEMBER	638,579	518,318

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

13 Derivative financial instruments

Below a summary disclosure of the hedging instruments. The carrying amounts of all hedging instruments of the Group are included in the balance sheet line item 'Derivative financial instruments' for both asset and liability positions.

Hedging gains or losses are recognised in the statement of profit or loss in the caption 'Unrealised gains/(losses) on financial instruments'. Below is shown the impact of hedging gains or losses excluding the de-designation adjustment of EUR 0.3 million (2018: EUR -0.4 million).

Hedging instruments

	31 December 2019			Change in FV used in calculating hedge ineffectiveness	Change in value of the hedging instrument recognised in OCI	Amounts reclassified from the hedge reserve to profit or loss	Hedge ineffectiveness recognised on hedge relationships, in profit or loss
Hedging instrument	Notional amounts	Fair value					
		Assets	Liabilities				
FAIR VALUE HEDGE							
Interest rate swaps	6,222,934	73,867	18,810	6,434	–	–	1,936
Cross currency swaps/forwards	316,602	–	20,411	–387	–	–	3
CASH FLOW HEDGES							
Interest rate swaps	1,333,783	195	6,456	799	799	3,088	–4
TOTAL DERIVATIVES IN HEDGE	7,873,319	74,062	45,677	6,846	799	3,088	1,935
Interest rate swaps	22,231,224	13,475	52,570	–13,689	–	–	–
Cross currency swaps/forwards	4,234,730	15,099	38,522	–3,207	–	–	–
TOTAL DERIVATIVES NOT IN HEDGE	26,465,954	28,574	91,092	–16,896	–	–	–
TOTAL	34,339,274	102,636	136,770	–10,050	799	3,088	1,935
	31 December 2018			Change in FV used in calculating hedge ineffectiveness	Change in value of the hedging instrument recognised in OCI	Amounts reclassified from the hedge reserve to profit or loss	Hedge ineffectiveness recognised on hedge relationships, in profit or loss
Hedging instrument	Notional amounts	Fair value					
		Assets	Liabilities				
FAIR VALUE HEDGE							
Interest rate swaps	4,538,083	56,494	1,517	14,136	–	–	278
Cross currency swaps/forwards	445,513	592	23,644	115	–	–	–343
CASH FLOW HEDGES							
Interest rate swaps	1,452,771	168	5,989	–5,258	–5,258	–367	–97
TOTAL DERIVATIVES IN HEDGE	6,436,367	57,254	31,150	8,993	–5,258	–	–162
Interest rate swaps	19,368,837	12,093	31,670	–11,403	–	–	–
Cross currency swaps/forwards	4,252,156	29,170	49,836	512	–	–	–
TOTAL DERIVATIVES NOT IN HEDGE	23,620,993	41,263	81,506	–10,891	–	–	–
TOTAL	30,057,360	98,517	112,656	–1,898	–5,258	–367	–162

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

13 Derivative financial instruments *continued*

Hedged items

Below a summary disclosure of the hedged items. A number of fixed rate bonds included in fair value hedges are measured at amortised cost and are constantly being adjusted for gains/losses attributable to the interest rate being hedged.

31 December 2019								
	Notional amounts	Fair value		Change in value of the hedged item used for calculating hedge ineffectiveness	Amount of FVH* adjustment included in the carrying amount	Amount of FVH* adjustment included in the carrying amount ceased to be adjusted for gains/losses	CFH* reserve from hedge relationships (continuing hedges)	CFH* reserve from hedge relationships (hedge accounting is no longer applied)
		Assets	Liabilities					
FAIR VALUE HEDGE								
Interest rate swaps	6,222,934	-	6,288,782	-4,498	-47,924	-	-	-
Cross currency swaps/ forwards	294,724	-	296,002	389	613	-	-	-
CASH FLOW HEDGES								
Interest rate swaps	-	-	-	-	-	-	3,859	-
TOTAL DERIVATIVES IN HEDGE	6,517,658	-	6,584,784	-4,109	-47,311	-	3,859	-
31 December 2018								
	Notional amounts	Fair value		Change in value of the hedged item used for calculating hedge ineffectiveness	Amount of FVH* adjustment included in the carrying amount	Amount of FVH* adjustment included in the carrying amount ceased to be adjusted for gains/losses	CFH* reserve from hedge relationships (continuing hedges)	CFH* reserve from hedge relationships (hedge accounting is no longer applied)
		Assets	Liabilities					
FAIR VALUE HEDGE								
Interest rate swaps	4,538,083	-	4,610,238	-13,858	-43,426	-	-	-
Cross currency swaps/ forwards	420,915	-	422,331	-458	223	-196	-	-
CASH FLOW HEDGES								
Interest rate swaps	-	-	-	-	-	-	4,450	-96
TOTAL DERIVATIVES IN HEDGE	4,958,998	-	5,032,569	-14,316	-43,203	-196	4,450	-96

* FVH Fair value hedge – CFH Cash flow hedge

14 Other receivables and prepayments

This item includes prepayments in respect of expenses attributable to a subsequent period and amounts still to be received, rebates and bonuses receivable, as well as to amounts that are not classified under any other asset.

The majority of the other receivables and prepayments have a remaining maturity of less than one year.

	2019	2018
Rebates and bonuses and commissions receivable	358,307	332,689
Prepaid lease related expenses	411,739	413,428
VAT and other taxes	163,468	146,966
Reclaimable damages	45,956	38,701
Other prepayments and accrued income	184,189	140,324
Interest to be received	1,409	1,316
Reinsurance assets	22,053	20,077
Other receivables	55,503	56,652
BALANCE AS AT 31 DECEMBER	1,242,624	1,150,155

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

14 Other receivables and prepayments *continued*

Interest to be received is mainly related to receivables from investments accounted for using the equity method for an amount of EUR 1.0 million (2018: EUR 0.9 million).

Balances written-off from other receivables were not significant for the years 2019 and 2018.

The expected credit losses for Rebates and bonuses and commission receivable, Reclaimable damages and Reinsurance assets amounts to EUR 9 million (2018: EUR 8 million).

15 Inventories

	Note	2019	2018
Cars and trucks from terminated lease contracts	18	427,877	427,715
Valuation allowance		-8,117	-13,527
CARRYING AMOUNT CARS AND TRUCKS FROM TERMINATED LEASE CONTRACTS		419,760	414,188
New cars and trucks in stock	18	168,028	52,883
Other inventories		56,932	38,483
BALANCE AS AT 31 DECEMBER		644,721	505,554

The valuation allowance is driven by market circumstances leading to lower sales prices in certain regions.

In 2019 the increase on new cars and trucks in stock has been driven mostly by the reclass from assets-held-for-sale for United States, as well as countries acting in advance of local market tax changes related to benefit in kind values for the year 2020. The reclass is related to assets that are sold in the normal course of business and, in relation to this, 2018 comparative figures have been reclassified for an amount of EUR 38.5 million.

16 Loans to investments accounted for using the equity method

The loans to investments accounted for using the equity method are accounted for at amortised cost (less impairment) and the maturity analysis is as follows:

	2019	2018
Loans deposited	163,500	151,300
CARRYING AMOUNT AS AT 31 DECEMBER	163,500	151,300
	2019	2018
Three months or less	18,000	15,800
Longer than three months, less than a year	62,000	55,000
Longer than a year, less than five years	83,500	80,500
BALANCE AS AT 31 DECEMBER	163,500	151,300

No impairment recognised in 2019 (nil in 2018).

Credit facilities have been concluded with investments accounted for using the equity method amounting to EUR 165 million (2018: EUR 160 million) of which EUR 163.5 million (2018: EUR 151.3 million) is drawn as at 31 December.

17 Lease receivables from clients

This item includes amounts receivable under lease contracts and trade receivables, after deduction of allowances for impairment, where necessary.

	2019	2018
Amounts receivable under finance lease contracts	2,662,336	2,616,077
Trade receivables	771,704	705,120
Impairment	-45,986	-41,711
BALANCE AS AT 31 DECEMBER	3,388,054	3,279,487

The maturity analysis is as follows:

	2019	2018
Three months or less	1,161,452	1,118,872
Longer than three months, less than a year	814,808	745,693
Longer than a year, less than five years	1,443,030	1,442,089
Longer than five years	14,750	14,543
Impairment	-45,986	-41,711
BALANCE AS AT 31 DECEMBER	3,388,054	3,279,487

Reference to the fair value of the receivables is made in the specific **Note 34** Fair value of financial instruments.

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

17 Lease receivables from clients *continued*

Trade receivables represent unpaid, current lease receivables under existing operating lease contracts or receivables related to inventory sales.

Impairment of EUR 46.0 million (2018: EUR 41.7 million) includes EUR 6.2 million (2018: EUR 5.5 million) related to invoices under commercial disputes and EUR 39.8 million (2018: EUR 36.2 million) of expected credit loss allowances recognised on a counterparty level under IFRS 9.

Impairment allowance

The table below summarises the movements in the expected credit loss allowances related to lease receivables.

Changes in loss allowance	Lease receivables from clients that are not credit impaired	Lease receivables from clients that are credit impaired	Total
BALANCE AS AT 1 JANUARY 2018	9,529	23,037	32,565
Transfers (credit impaired vs non-credit impaired)	-102	102	-
Increases due to origination and acquisition of lease contracts	4,554	-	4,554
Decreases due to derecognition of lease contracts	-1,542	-5,558	-7,100
Changes due to change in credit risk (net remeasurement)	-2,345	23,420	21,075
Changes due to modifications without derecognition (net)	1,208	-37	1,171
Decrease in allowance due to write-offs	-	-13,475	-13,475
Currency translation adjustments and other	576	-3,171	-2,595
BALANCE AS AT 31 DECEMBER 2018	11,878	24,317	36,195
Transfers (credit impaired vs non-credit impaired)	-41	41	-
Increases due to origination and acquisition of lease contracts	3,989	-	3,989
Decreases due to derecognition of lease contracts	-1,897	-7,983	-9,881
Changes due to change in credit risk (net remeasurement)	21	29,471	29,492
Changes due to modifications without derecognition (net)	-4,583	-2	-4,585
Decrease in allowance due to write-offs	-	-5,844	-5,844
Currency translation adjustments and other	2,653	-12,218	-9,565
BALANCE AS AT 31 DECEMBER 2019	12,020	27,782	39,803

The following table provides information on the changes in gross carrying values of lease receivables.

Changes in Gross Carrying Values	Lease receivables from clients that are not credit impaired	Lease receivables from clients that are credit impaired	Total
BALANCE AS AT 1 JANUARY 2018	3,269,081	28,886	3,297,967
Transfers between stages	-19,296	19,296	-
Additions	1,477,234	-	1,477,234
Terminated contracts	-852,817	-5,628	-858,445
Redemptions	-671,322	-1,260	-672,581
Write-offs	-	-13,137	-13,137
Currency translation adjustments	35,892	-47	35,846
Other movements	52,376	1,939	54,315
BALANCE AS AT 31 DECEMBER 2018	3,291,149	30,048	3,321,197
Transfers between stages	-15,103	15,103	-
Additions	1,360,340	-	1,360,340
Terminated contracts	-699,900	-4,260	-704,160
Redemptions	-656,872	-770	-657,643
Write-offs	-	-17,320	-17,320
Currency translation adjustments	53,495	145	53,640
Other movements	69,938	8,047	77,985
BALANCE AS AT 31 DECEMBER 2019	3,403,046	30,994	3,434,040

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

17 Lease receivables from clients *continued*

The Group has developed three models to estimate expected credit losses for lease receivables. For corporate clients in all countries, retail clients in the Netherlands and retail clients in the United Kingdom. The calculation of expected credit losses also includes the explicit incorporation of forecasts of future economic conditions in all our subsidiaries with different scenario weighting applied. Reference is made to **Note C** – Financial assets and liabilities. Sensitivities of ECL amounts calculated via these models to different macro-economic scenarios are analysed in the following table. Base scenario represents the expected developments in future economic conditions, whereas optimistic scenario assumes the most favourable outcome and adverse scenario reflects the least favourable outcome for the Group. The amounts represent the expected credit loss on the portfolio that is assessed individually for non-default lease receivables, and ignores the collective assessment applied for a part of the lease portfolio EUR 1 million (2018: 0.2 million) that is not considered to be significant for this analysis.

2019	Corporate clients		Retail clients – UK		Retail clients – NL		Other	Total	
	ECL	Sensitivity	ECL	Sensitivity	ECL	Sensitivity	ECL	ECL	Sensitivity
Carrying value of ECL	6,943	–	4,011	–	28	–	1,038	12,020	–
ECL base	6,567	–	3,976	–	27	–	–	10,571	–
Optimistic scenario	–103	–2%	–161	–4%	–	–0%	–	–265	–3%
Adverse scenario	1,259	19%	58	1%	–	1%	–	1,318	12%

2018	Corporate clients		Retail clients – UK		Retail clients – NL		Other	Total	
	ECL	Sensitivity	ECL	Sensitivity	ECL	Sensitivity	ECL	ECL	Sensitivity
Carrying value of ECL	7,073	–	4,553	–	30	–	222	11,878	–
ECL base	6,362	–	4,789	–	21	–	–	11,712	–
Optimistic scenario	–2,277	–36%	1,053	–22%	–4	–19%	–	–3,335	–30%
Adverse scenario	2,831	44%	1,319	28%	4	19%	–	4,155	37%

Finance lease contracts

The amounts receivable from clients include finance lease receivables, which can be analysed as follows:

Gross investment in finance leases, with remaining maturities.

	2019	2018
Not longer than a year	1,256,442	1,152,767
Longer than a year, less than five years	1,958,493	1,610,726
Longer than five years	39,274	31,379
	3,254,208	2,794,873
Unearned finance income on finance lease	603,819	191,997
NET INVESTMENT IN FINANCE LEASES	2,650,390	2,602,876

Net investment in finance leases, with remaining maturities.

	2019	2018
Not longer than a year	1,156,182	1,116,623
Longer than a year, less than five years	1,463,018	1,450,450
Longer than five years	31,190	35,803
BALANCE AS AT 31 DECEMBER	2,650,390	2,602,876

A part of the finance lease assets is encumbered (securitised) because of the asset backed securitisation transactions concluded by the Group. The total value of the securitised finance lease assets amounts to EUR 472 million (2018: EUR 327 million). For further details on the transactions reference is made to **Note 36** and **Note 18** of the consolidated financial statements.

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

18 Property and equipment under operating lease and rental fleet

	Note	Operating lease	Rental fleet	Total
Cost		22,534,379	164,184	22,968,562
Accumulated depreciation and impairment		-5,965,938	-23,931	-5,989,868
CARRYING AMOUNT AS AT 1 JANUARY 2018		16,568,440	140,253	16,708,694
Purchases/additions		7,074,531	112,547	7,187,078
Disposals		-2,253,317	-32,633	-2,285,950
Transfer from inventories	15	86,625	-	86,625
Transfer to inventories	15	-427,715	-	-427,715
Depreciation		-3,204,764	-25,909	-3,230,673
Impairment charge		-132,000	-	-132,000
Currency translation adjustments		-86,236	-847	-87,083
CARRYING AMOUNT AS AT 31 DECEMBER 2018		17,625,566	193,410	17,818,976
Cost		24,191,609	230,315	24,421,924
Accumulated depreciation and impairment		-6,566,042	-36,905	-6,602,948
CARRYING AMOUNT AS AT 31 DECEMBER 2018		17,625,566	193,410	17,818,976
Purchases/additions		7,611,946	124,614	7,736,560
Disposals		-2,535,258	-63,917	-2,599,174
Transfer from inventories	15	52,883	-	52,883
Transfer to inventories	15	-427,877	-	-427,877
Depreciation		-3,363,002	-37,608	-3,400,610
Impairment charge		-39,249	-	-39,249
Impairment reversal		40,927	-	40,927
Currency translation adjustments		156,564	1,073	157,637
CARRYING AMOUNT AS AT 31 DECEMBER 2019		19,122,501	217,573	19,340,074
Cost		25,955,566	268,803	26,224,369
Accumulated depreciation and impairment		-6,833,066	-51,230	-6,884,296
CARRYING AMOUNT AS AT 31 DECEMBER 2019		19,122,501	217,573	19,340,074

The depreciation of the rental fleet is presented in the consolidated statement of profit or loss in the line item "Additional service cost".

The Group periodically assesses whether, as a result of changes in the estimated residual value and/or the useful life of the property and equipment under operating leases, prospective adjustments to the depreciation charges are required at consolidated level. For 2019 this did not result in prospective adjustments (2018: nil).

Equipment under operating lease contracts has a net impairment reversal of EUR 1.7 million related to loss-making contracts in Turkey, Austria and Poland. The impairment recognised in Turkey during 2018 was partially reversed in 2019. The reversal in the amount of EUR 40.9 million was due to the positive impact of fluctuation of the Turkish Lira forward rates. In addition there was EUR 28 million impairment related to Poland and EUR 11.2 million impairment related to Austria as result of a number of loss-making contracts.

Further information about asset risk is included in the financial risk management section.

Impairments

During 2019 car prices in second hand and new car market in Turkey increased, which lead to partial reversal of impairment in the amount of EUR 40.9 million (2018: impairment charge of EUR 70.7 million in lease contracts). The total cumulative impairment per 31 December 2019 on the Turkish lease contracts amount to EUR 7.5 million in operating lease contracts.

In Germany the total amount of cumulative impairment per 2019 was EUR 21.5 million (2018:21.9 million). There were no significant developments in German car market in 2019 which influenced the impairment during 2019. The recoverable amount is determined as the value in use at the customer level. The valuation of the German leasing portfolio and the assessment of the value in use is performed based on a discounted cash-flow-to-equity model. After tax discount rate of 5.2 % is applied.

The sensitivity of the impairment to an increase (decrease) in expected net sales results of 5% is a decrease (increase) in the impairment provision to approximately EUR 15 to EUR 25 million.

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

18 Property and equipment under operating lease and rental fleet *continued*

An impairment provision of EUR 28 million was recognised in 2019 (2018: nil) in Poland. The recoverable amount is determined as the value in use at the customer level. The valuation of the Poland leasing portfolio and the assessment of the value in use is performed based on a discounted cash-flow-to-equity model. Discount rate, equal to the Cost of Equity rate was determined using the CAPM model. After tax discount rate of 9.4% is applied.

The sensitivity of the impairment to an increase (decrease) in expected net sales results of 5% is a decrease (increase) in the impairment provision to approximately EUR 26 to 30 million.

A number of loss making contracts generated an impairment in 2019 in Austria in the amount of EUR 11 million (2018: nil). It was related to a specific number of vehicles with unfavourable residual values. The recoverable amount is determined as the value in use at the customer level. The valuation of the leasing portfolios and the assessment of the value in use are performed based on a discounted cash-flow-to-equity models.

The sensitivity of the impairment to an increase (decrease) in expected net sales results of 5% is a decrease (increase) in the impairment provision to approximately EUR 10 to 13 million.

Asset backed securitisation transactions

The Group concluded a number of asset backed securitisation transactions here in after identified as the Bumper transactions. These transactions involve the sale of future lease instalment receivables and related residual value receivables originated by various LeasePlan subsidiaries to special purpose companies (which are included in the consolidated financial statements of the company).

As a result of this sale this caption includes encumbered (securitised) operating lease assets amounting to EUR 3.0 billion (2018: EUR 3.5 billion), which can be detailed as follows:

	2019	2018
Bumper Australia Trust No.1	293,072	283,165
Bumper 7 S.A. DE	–	297,670
Bumper 11 S.A. DE	–	738,908
Bumper DE S.A. 2019-I	692,339	–
Bumper 10 France FCT	533,770	669,856
Bumper 9 (NL) Finance B.V.	368,214	596,761
Bumper NL 2018 B.V.	512,289	520,098
Bumper 8 (UK) Finance plc	159,800	401,520
Bumper UK 2019-I Finance PLC	487,334	–
TOTAL	3,046,818	3,507,979

For further information about the asset backed securitisation transactions reference is made to **Note 26**.

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:

	2019	2018
Not longer than a year	2,673,360	2,871,303
Longer than a year, less than five years	4,959,431	5,164,062
Longer than five years	36,348	41,365
TOTAL MATURITY	7,669,138	8,076,729

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

19 Other property and equipment

The composition between owned and leased assets is presented in the following table:

		2019	2018	
Owned		110,422	102,882	
Leased		282,512	–	
BALANCE AS AT 31 DECEMBER		392,935	102,882	
	Note	Property	Equipment	Total
CARRYING AMOUNT AS AT 1 JANUARY 2018		12,688	81,294	93,982
Purchases/additions		623	62,028	62,651
Disposals		–1	–26,322	–26,323
Depreciation	7	–2,341	–24,229	–26,570
Currency translation adjustments		–691	–166	–857
CARRYING AMOUNT AS AT 31 DECEMBER 2018		10,277	92,604	102,882
Cost		28,829	252,280	281,109
Accumulated depreciation and impairment		–18,551	–159,675	–178,227
CARRYING AMOUNT AS AT 31 DECEMBER 2018		10,277	92,604	102,882
Adoption IFRS 16		281,956	5,393	287,349
Acquired through business combinations		–	29	29
Purchases/additions		51,563	60,434	111,997
Disposals		–12,941	–28,139	–41,080
Depreciation and impairment	7	–43,278	–26,722	–70,000
Currency translation adjustments		1,532	226	1,758
CARRYING AMOUNT AS AT 31 DECEMBER 2019		289,110	103,825	392,935
Cost		344,580	255,754	600,335
Accumulated depreciation and impairment		–55,470	–151,929	–207,400
CARRYING AMOUNT AS AT 31 DECEMBER 2019		289,110	103,825	392,935

The title to the other property and equipment is not restricted and these assets are not pledged as security for liabilities.

Below is presented the disclosure related to IFRS 16, which is applied by the company since 1 January 2019.

The leased assets mainly include property such as buildings and IT and other equipment. Information regarding leased assets is presented in the table below:

	Property	Equipment	Total
CARRYING AMOUNT AS AT 31 DECEMBER 2018	–	–	–
Adoption IFRS 16	281,956	5,393	287,349
Purchases/additions	49,346	667	50,013
Disposals	–12,854	–	–12,854
Depreciation and impairment	–42,120	–1,376	–43,496
Currency translation adjustments	1,500	–	1,501
CARRYING AMOUNT AS AT 31 DECEMBER 2019	277,829	4,683	282,512
Cost	320,206	6,060	326,266
Accumulated depreciation and impairment	–42,378	–1,376	–43,754
CARRYING AMOUNT AS AT 31 DECEMBER 2019	277,829	4,683	282,512

The maturity of the discounted finance lease liabilities is shown below:

	2019
Short-term	39,569
Long-term	256,719
BALANCE AS AT 31 DECEMBER	296,289

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

19 Other property and equipment *continued*

For maturity analysis of undiscounted contractual cash flow of lease liabilities refer to Treasury risk measurement in the Risk management paragraph.

Amounts recognised in statement of profit or loss:

	2019
Interest on lease liabilities	-5,242
Income from sub-leasing right-of-use assets	770
Expenses relating to short-term leases	-378
Expenses relating to leases of low-value assets	-159
TOTAL	-5,010

20 Investments accounted for using the equity method

Principal investments in the consolidated financial statements are:

	% of ownership interest		Country of business and incorporation	Activity
	2019	2018		
Equity accounted investments				
LeasePlan Emirates L.L.C.	49.0%	49.0%	Emirate of Abu Dhabi	Leasing
Flottenmanagement GmbH	49.0%	49.0%	Austria	Leasing
PLEASE S.C.S.	99.3%	99.3%	France	Leasing

All investments accounted for using the equity method in the table above are interests in joint ventures.

The investment in Flottenmanagement GmbH is considered not material.

PLEASE S.C.S

PLEASE is a Société en Commandite Simple (SCS) under French law, whereby the Group is one of the partners. PLEASE is governed by a steering committee and a strategic committee whereby the Group can nominate two of the four members of each committee. In the steering committee decisions require a majority of its member votes and in the strategic committee decisions can only be taken unanimously.

The amounts recognised in the balance sheet are as follows:

	2019	2018
Equity accounted investments	18,778	15,874
BALANCE AS AT 31 DECEMBER	18,778	15,874

The amounts recognised in the statement of profit or loss are as follows:

	2019	2018
Equity accounted investments	4,466	3,284
BALANCE AS AT 31 DECEMBER	4,466	3,284

The summarised financial information below does not represent the proportionate share of the entity but the actual amount included in the separate financial statements of the material interests in investments accounted for using the equity method.

	2019	2018
	Equity accounted investments	Equity accounted investments
Other current assets	33,402	32,557
TOTAL CURRENT ASSETS	33,402	32,557
TOTAL NON-CURRENT ASSETS	262,251	246,442
Current financial liabilities	16,017	9,506
Current liabilities other	42,969	46,095
TOTAL CURRENT LIABILITIES	58,986	55,601
Non-current financial liabilities	196,911	189,661
Other non-current financial liabilities	1,986	1,891
TOTAL NON-CURRENT LIABILITIES	198,897	191,552
NET ASSETS (100%)	37,770	31,787

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

20 Investments accounted for using the equity method *continued*

The total assets of joint ventures entities amount to EUR 296 million (2018: EUR 279 million), of which EUR 211 million (2018: EUR 190 million) relate to PLease S.C.S.

The summarised statement of comprehensive income below does not represent the proportionate share of entity but the actual amount included for the material interests in investments accounted for using the equity method.

	2019	2018
	Equity accounted investments	Equity accounted investments
REVENUES	105,054	130,821
Depreciation and amortisation	-200	-19,830
Interest income	209	535
Interest expense	-5,043	-9,814
Profit before tax	9,255	5,731
Income tax expenses	-217	853
PROFIT FOR THE PERIOD	9,039	6,584
Other comprehensive income net of tax	-18	124
TOTAL COMPREHENSIVE INCOME (100%)	9,021	6,708
Dividend received by the Group	1,819	1,031

The reconciliation to the proportional share of the Group included in the summarised financial information is as follows:

	2019	2018
	Equity accounted investments	Equity accounted investments
Net assets (100%) as at 1 January	31,787	25,961
Dividend paid	-3,639	-2,061
Result for the year	9,039	6,584
Exchange rate differences	584	1,303
Net assets (100%) as at 31 December	37,770	31,787
Percentage of interest	various	various
Interest in associates/jointly controlled entities	18,778	15,874
CARRYING VALUE	18,778	15,874

The amount of net assets is mainly related to LeasePlan Emirates L.L.C. EUR 35.7 million (2018: EUR 29.9 million).

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

21 Intangible assets

	Note	Internally developed software	Software licenses	Customer relationships	Customer contracts	Goodwill	Assets under construction	Total
CARRYING AMOUNT AS AT 1 JANUARY 2018		23,988	9,300	5,314	1,648	98,604	46,825	185,679
Purchases/additions		2,568	3,858	–	–	–	82,612	89,039
Amortisation	7	-10,799	-5,493	-963	-1,280	–	–	-18,534
Assets available for use		8,947	5,144	-1	–	–	-14,091	–
Currency translation adjustments		-45	-8	–	–	–	-1	-55
CARRYING AMOUNT AS AT 31 DECEMBER 2018		24,660	12,801	4,350	369	98,604	115,345	256,128
Cost		149,289	68,400	14,441	21,894	98,604	115,345	467,972
Accumulated depreciation and impairment		-124,629	-55,598	-10,090	-21,526	–	–	-211,844
CARRYING AMOUNT AS AT 31 DECEMBER 2018		24,660	12,801	4,350	369	98,604	115,345	256,128
Acquired through business combinations		–	11,496	–	–	–	–	11,496
Purchases/additions		25,272	14,780	–	–	–	8,816	48,868
Amortisation	7	-13,677	-6,794	-963	-111	–	–	-21,544
Impairment charge	7	–	–	–	–	–	-92,000	-92,000
Currency translation adjustments		386	15	–	–	–	38	439
CARRYING AMOUNT AS AT 31 DECEMBER 2019		36,640	32,300	3,388	258	98,604	32,197	203,387
Cost		176,836	92,143	14,441	8,790	98,604	32,197	423,011
Accumulated depreciation and impairment		-140,197	-59,842	-11,053	-8,532	–	–	-219,624
CARRYING AMOUNT AS AT 31 DECEMBER 2019		36,640	32,300	3,388	258	98,604	32,197	203,387

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.

Assets under construction as at 31 December 2019 mainly include the investments in the Core Leasing System (CLS). Please refer to **Note 7** for the disclosure related to the impairment recognised on CLS.

Goodwill relates to acquisitions in previous years. All acquired companies were engaged in providing lease services. Goodwill is allocated to the Group's cash generating units which have incorporated the acquisitions. Cash generating units are the individual countries in which LeasePlan has an entity. The cash generating units to which goodwill is allocated are listed in the table below:

	Key assumptions applied in fair value less cost of disposal			
	Goodwill	Post-tax discount rate	Pre-tax discount rate	Terminal growth rate
LeasePlan Italy	46,646	9.6%	12.7%	0.4%
LeasePlan Portugal	27,232	9.6%	13.1%	0.4%
LeasePlan Spain	14,413	9.0%	12.1%	0.4%
LeasePlan France	10,313	8.0%	11.8%	0.4%
TOTAL	98,604			

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

21 Intangible assets *continued*

Annually, or more frequently if events or changes in circumstances indicate a potential impairment, goodwill is assessed for impairment. There was no impairment recognised in 2019 (2018: nil). The impairment test is identical for all cash generating units and is based on fair value less cost of disposal. The fair value less cost of disposal 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 based on actual results, 3-year business plans and forecasts. The growth rates included in the business plans and forecasts exceed the long-term average growth rate for this business. The business plans and forecasts were composed with active involvement from the shareholders of LP Group B.V. Under the new ownership a restructuring was carried out, which includes significant personnel reductions and reshaping internal processes. As a result of these changes and as a result of new commercial initiatives to increase market share, further improvement in profitability in 2020 is anticipated with continued benefits in the following years. After the 3-year forecast period a terminal growth rate of 0.4% was assumed.

A post-tax discount rate was applied which is built up of a (i) risk free rate (0.4%), (ii) a market premium (6.5%) multiplied by a market specific beta (1.10) and (iii) a country risk premium (ranging between 0.5% and 2.0%).

The recoverable amount of all cash generating units with goodwill exceed their carrying amounts.

On 9 July 2019, LeasePlan acquired 100% of the shares in Bizz Nizz BVBA for a Purchase Price of EUR 12.0 million. Bizz Nizz developed and maintained AutoManager, an international platform for customer communication, customer lead management and vehicle management in automotive retail.

The software platform acquired as result of this transaction is presented in the above table. An economic value/income approach has been used to evaluate the asset, as the economic value is a reflection of the cash generating capacity, and it shows a value of EUR 11.5 million. This asset is depreciated over a 5 years period.

The fair values of the other identifiable assets and liabilities of Bizz Nizz BVBA are considered not material (<EUR 0.5 million). The purchase price is subject to a reduction up to a total maximum amount of EUR 3 million if the Annual Security conditions are not realised by the sellers during the entire Security period. However, it has been considered remote that this amount will be paid back to LeasePlan, therefore the value of the contingent asset measured at fair value is not considered material.

22 Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities as at 31 December are attributable to the following:

	Deferred tax assets		Deferred tax liabilities	
	2019	2018	2019	2018
Goodwill	4,478	5,005	–	–
Property and equipment under operating lease	38,029	24,928	489,427	496,751
Other property and equipment	7,922	6,507	6,421	4,684
Provisions	21,425	29,705	–	54
Deferred leasing income	68,341	62,027	2,063	2,274
Tax value of losses carry forward recognised	219,304	212,359	–	–
Tax credits and prepayments	3,685	6,827	–	6,322
Other receivables	16,501	10,910	27,651	25,552
Other payables	63,877	34,561	33,473	8,405
TAX ASSETS / LIABILITIES	443,562	392,829	559,035	544,042
Offset of deferred tax assets and liabilities	–214,412	–251,694	–214,412	–251,694
BALANCE AS AT 31 DECEMBER	229,150	141,135	344,623	292,347
NET TAX POSITION:			115,474	151,212
Movement net tax position	35,738	358		

The movement in the net deferred tax position can be summarised as follows:

	Note	2019	2018
BALANCE AS AT 1 JANUARY		–151,212	–151,570
Statement of profit or loss (charge)/credit	9	35,202	590
Tax (charge)/credit relating to components of other comprehensive income	9	1,591	541
Exchange rate differences		–1,055	–773
BALANCE AS AT 31 DECEMBER		–115,474	–151,212

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

22 Deferred tax assets and deferred tax liabilities *continued*

The statement of profit or loss (charge)/credit can be broken down as follows:

	Deferred tax assets		Deferred tax liabilities	
	2019	2018	2019	2018
Goodwill	-527	-1,690	-	-
Property and equipment under operating lease	13,101	3,770	-12,126	154,049
Other property and equipment	1,415	-295	1,701	511
Provisions	-8,386	8,266	-54	-66
Deferred leasing income	5,887	-4,286	-211	-1,197
Tax value of losses carry forward recognised	3,739	129,264	-	-
Tax credits and prepayments	-3,142	5,771	-6,438	5,979
Other receivables	5,591	-1,420	1,910	3,018
Other payables	27,373	728	25,068	-22,776
MOVEMENT IN DEFERRED TAX	45,051	140,108	9,848	139,518
Movement in deferred tax liabilities	-9,848	-139,518		
STATEMENT OF PROFIT OR LOSS (CHARGE)/CREDIT	35,202	590		

Exchange rate differences can be broken down as follows:

	Deferred tax assets		Deferred tax liabilities	
	2019	2018	2019	2018
Property and equipment under operating lease	-	-	4,803	3,035
Other property and equipment	-	-	36	72
Provisions	106	-	-	120
Deferred leasing income	427	-	-	548
Tax value of losses carry forward recognised	3,206	2,766	-	-
Tax credits and prepayments	-	-	117	343
Other receivables	-	-	3	10
Other payables	165	588	-	-
TAX (ASSETS)/ LIABILITIES	3,904	3,355	4,959	4,128
Offset of deferred tax assets and liabilities	-4,959	-4,128		
EXCHANGE RATE DIFFERENCES	-1,055	-773		

The Group recognises deferred tax assets for the tax value of losses and tax credits carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group has not recognised deferred tax assets in respect to tax losses of EUR 55.1 million (2018: EUR 66.3 million) and has not recognised tax credits for an amount of EUR 19.1 million (2018: EUR 19.9 million) as the Group considers it is not probable that future taxable profits will be available to offset these tax losses and to settle tax credits with current tax liabilities (also taking into account expiry dates when applicable). The majority of the unrecognised losses of EUR 55.1 million do not have an expiry date (EUR 3.2 million of the unrecognised losses have an expiry date) and the utilisation of tax credits is limited in time.

The expiration profile of the tax credits not recognised can be illustrated as follows:

	2019	2018
Expires after a year, less than 5 years	6,959	8,000
Expires after 5 years	12,150	11,916
TOTAL	19,109	19,916

The expiration profile of the losses carried forward can be illustrated as follows:

	2019	2018
Losses		
Expire after a year, less than 5 years	33,898	36,279
Expire after 5 years	382,714	155,526
No expiry date	594,450	781,958
TOTAL	1,011,062	973,763
TAX VALUE	219,304	212,359

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

22 Deferred tax assets and deferred tax liabilities *continued*

The total tax value of losses carried forward is presented before offsetting the corresponding deferred tax liabilities (which are reflected in the offset of deferred tax assets and liabilities as shown in the first table of this note).

The deferred tax liability relating to property and equipment under operating leases reverses over the remaining term of the operating lease contracts, which ranges from three to four years.

Breakdown of certain net deferred tax asset positions by jurisdiction:

	2019	2018
Netherlands	75,755	29,165
Spain	36,989	41,705
Italy	60,607	37,656
TOTAL	173,351	108,526

The table above includes a breakdown of certain net deferred tax asset positions by jurisdiction for which the utilisation is dependent on future taxable profits whilst the related entities have incurred losses in either the current or the preceding year. In 2019, the aggregate amount for the most significant entities is EUR 173.3 million (2018: EUR 108.5 million). Recognition is based on the fact that it is probable that the entity will have taxable profits before expiration of the deferred tax assets.

23 Funds entrusted

This item includes non-subordinated loans from banks and saving deposits.

For the maturity analysis refer to the Treasury risk measurement in the Risk management paragraph.

Savings deposits raised by LeasePlan Bank amounts to EUR 7.7 billion (2018: EUR 6.4 billion) of which 43.1% (2018: 40.3%) 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 also operates on the German savings deposit market with a cross border offering from the Netherlands.

The average interest rates on the outstanding balances of the savings deposits in original maturity terms are as follows:

	2019	2018
Three months or less	0.20%	0.32%
Longer than three months, less than a year	0.65%	0.68%
Longer than a year, less than five years	1.02%	1.17%

The interest rate of the on-demand accounts is set monthly.

The interest payable in the amount of EUR 16.3 million (2018: EUR 15.1 million) is presented in the line item trade and other payables and deferred income of the statement of financial position.

The funds entrusted include an outstanding balance of EUR 1.1 million (2018: EUR 2.1 million) which is non-euro currency denominated as at 31 December. The remainder of the funds entrusted is denominated in euro. Reference is made to the financial risk section (Treasury risk).

24 Trade and other payables and deferred income

	2019	2018
Trade payables	855,428	783,648
Deferred leasing income	463,685	494,396
Lease related accruals	660,831	558,216
Other accruals and other deferred amount owed	275,471	279,429
Interest payable	78,179	75,168
Accruals for contract settlements	72,849	67,568
VAT and other taxes – payable	31,191	32,056
BALANCE AS AT 31 DECEMBER	2,437,634	2,290,482

The majority of the trade and other payables and deferred income, except for deferred leasing income, have a remaining maturity of 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'). The fair value of the accrual is EUR 8.2 million at the end of 2019 (2018: EUR 10.1 million).

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

24 Trade and other payables and deferred income *continued*

Variable remuneration

Variable remuneration cannot exceed 100% of fixed remuneration. For staff who are employed by one of the Dutch operating entities this maximum is further capped at 20% on average and for some specific Control Functions it is capped at 50%. Variable remuneration for Identified Staff consists of cash (50%) and non-cash elements (50%), i.e. PSUs. 50% of the variable remuneration of Identified Staff is paid upfront and 50% of the variable remuneration of Identified Staff is deferred for a period of three years, whereby every year one-third vests. PSU's have a retention period of one year after vesting.

The movements in the number of PSUs outstanding are as follows:

	2019	2018
OUTSTANDING AS PER 1 JANUARY	131,360	154,256
Granted	55,191	52,511
Settled during the year	- 72,515	- 75,407
OUTSTANDING PER 31 DECEMBER	114,036	131,360

The PSU result recognised during 2019 relating to PSU revaluation amount to EUR -0.7 million (2018: EUR 1.0 million).

25 Borrowings from financial institutions

This item includes amounts owed to banks under government supervision.

For maturity analysis refer to Treasury risk measurement in the Risk management paragraph.

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 1.4 billion (2018: 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.

The interest payable in the amount of EUR 14.1 million (2018: EUR 11.9 million) is presented in the line item trade and other payables and deferred income of the statement of financial position.

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.

26 Debt securities issued

This item includes negotiable, interest bearing securities, held at amortised cost.

	2019	2018
Bond and notes – originated from securitisation transactions	2,133,462	2,328,187
Bonds and notes – other	9,401,398	8,077,862
Bonds and notes – other (fair value adjustment)	47,312	43,399
BALANCE AS AT 31 DECEMBER	11,582,171	10,449,447

There is no pledge nor security for these debt securities except for the bonds and notes which are originated from securitisation transactions.

The debt securities issued include an outstanding balance of EUR 3.6 billion (2018: EUR 3.4 billion) which is non-euro currency denominated as at 31 December. The remainder of the debt securities is denominated in euro. The fair value adjustment is attributable to the hedged risk on bonds and notes in fair value hedges. This fair value hedging policy is described in the financial risk section (Strategy in using financial instruments).

The average interest rates applicable to the outstanding balances can be summarised as follows:

	2019	2018
Average interest rate	1.1%	1.2%

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

26 Debt securities issued *continued*

The interest payable in the amount of EUR 47.6 million (2018: EUR 47.9 million) is presented in the line item trade and other payables and deferred income of the statement of financial position.

For the maturity analysis refer to the Treasury risk measurement in the Risk management paragraph.

The Group issued a new public benchmark trade which settled on the 13th September, 2019 for EUR 1 billion.

The caption 'Bonds and notes – originated from securitisation transactions' can be detailed as follows:

	2019	2018
Bumper 10 France FCT	408,215	524,000
Bumper 7 S.A. DE	–	145,952
Bumper 11 S.A. DE	–	540,000
Bumper DE S.A. 2019-I	544,000	–
Bumper 9 (NL) Finance B.V.	259,509	483,741
Bumper 8 (UK) Finance plc	78,287	267,357
Bumper UK 2019-I Finance PLC	470,293	–
Bumper Australia Trust No.1	375,073	369,663
TOTAL	2,135,377	2,330,713

In 2019 Bumper UK 2019-I was concluded in June for a total of GBP 400 million of ABS notes and Bumper DE 2019-I was concluded in October, as a public refinancing of the privately placed Bumper 11 transaction that closed on November 2018, for a total of EUR 500 million of ABS notes. During 2019 Bumper 7 SA and Bumper 11 SA have been fully redeemed.

These Bumper transactions involve the sale of future lease instalment receivables and related residual value receivables originated by various LeasePlan subsidiaries to special purpose companies. Debt securities were issued by most of these special purpose companies to finance these transactions. The special purpose companies are responsible for making interest and principal payments to the noteholders. The noteholders do not have recourse to the company or other Group companies in case of non-performance or default by the special purpose companies. The Group has deposited cash collateral for these securitisation transactions; reference is made to **Note 12** of the consolidated financial statements. The higher rated notes are sold to external investors and the other (non-rated) notes are bought by the company. The company provided funding to facilitate the purchase of Bumper notes by Group companies.

A number of fixed rate bonds are included in a fair value hedge whereby the bonds (hedged items) are measured at amortised cost and are constantly being adjusted for gains/losses attributable to the risk being hedged. This adjustment is recognised in the statement of profit or loss, where it offsets (to a large extent) the re-measurement of the fair value of the hedging instruments that is also recognised in the statement of profit or loss.

Transaction costs related to issued Bonds and new Bumpers are equal to EUR 1.9 million (2018: EUR 2.5 million) and they are fully capitalised and amortised over the duration of the deal.

27 Provisions

	2019	2018
Damage risk retention provision	464,524	439,208
Post-employment benefits	28,633	23,206
Other provisions	29,178	33,257
BALANCE AS AT 31 DECEMBER	522,335	495,672

The majority of provisions are expected to be recovered or settled after 12 months.

Damage risk retention provision

	2019	2018
Provision for third party liability (TPL)	183,038	156,807
Incurred but not reported (IBNR) – TPL	157,131	153,796
Provision for damage claims	71,970	82,547
Incurred but not reported (IBNR) – damage claims	52,385	46,058
BALANCE AS AT 31 DECEMBER	464,524	439,208

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

27 Provisions *continued*

The damage risk retention provision breaks down as follows:

	2019			2018		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Damages reported	255,008	-14,017	240,990	239,354	-13,456	225,898
Damages IBNR	209,516	-8,036	201,481	199,854	-6,621	193,233
TOTAL DAMAGE RISK PROVISIONS	464,524	-22,053	442,471	439,208	-20,077	419,131
Current	124,355		124,355	128,605		128,605
Non-current	340,169	-22,053	318,116	310,603	-20,077	290,526
TOTAL DAMAGE RISK PROVISIONS	464,524	-22,053	442,471	439,208	-20,077	419,131

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.

	< 2013	2014	2015	2016	2017	2018	2019	Total
Underwriting years								
At end of accident year	612,220	84,813	91,211	114,677	153,266	166,308	175,843	
- one year later	599,472	101,449	99,089	133,315	144,870	161,867		
- two years later	533,706	88,791	89,710	124,011	128,599			
- three years later	546,831	88,555	85,797	115,061				
- four years later	568,089	84,131	82,444					
- five years later	567,395	80,386						
- more than five years later	566,291							
Estimate of cumulative claims	566,291	80,386	82,444	115,061	128,599	161,867	175,843	
CUMULATIVE PAYMENTS TO DATE	-524,821	-68,424	-60,451	-89,878	-89,797	-91,268	-45,682	
Gross outstanding claim liabilities	41,470	11,962	21,992	25,183	38,802	70,599	130,161	340,169
LESS: IBNR	10,620	3,855	5,815	10,598	18,099	36,087	72,057	157,131
Total provision for TPL (excl. IBNR)	30,850	8,106	16,177	14,585	20,703	34,513	58,104	183,038

The total provision for TPL, excluding IBNR for the year prior to 2013 can be detailed as follows:

	Gross outstanding damage liabilities	Less: IBNR	Total provision for TPL, excluding IBNR
2013	11,504	3,296	8,209
2012	9,153	2,848	6,305
2011	2,215	525	1,690
2010	1,238	415	823
2009	2,613	885	1,728
< 2008	14,747	2,651	12,096
TOTAL	41,470	10,620	30,850

The expected maturity analysis of the gross outstanding damage liabilities is as follows:

	2019	2018
Not longer than 1 year	189,183	170,440
Between 1-2 years	53,512	40,662
Between 2-5 years	62,948	56,704
Longer than 5 years	34,527	42,797
TOTAL	340,169	310,603

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

27 Provisions *continued*

Provision for post-employment benefits

The provision for post-employment benefits comprises both defined benefit pension plans and other post-employment benefits. The Group operates a number of pension plans around the world. Most of these pension plans are defined contribution plans. The Group has sponsored defined benefit pension plans and the total number of participants in these pension plans is 1,616 (2018: 1,311) of whom 1,297 are active employees and 314 are inactive participants. 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 three 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 285 (2018: 265). The number of participants of 2018 of defined benefit plans and other post-employment benefit plans is changed because of a restatement of the nature of these plans in Italy and France.

The provision for the defined benefit liability recognised in the balance sheet are as follows:

	2019	2018
Present value of funded obligations	42,789	37,028
Fair value of plan assets	-31,350	-28,829
Deficit of funded plans	11,439	8,199
Present value of unfunded obligations	17,194	15,007
TOTAL DEFICIT OF DEFINED BENEFIT PLANS AS PER 31 DECEMBER	28,633	23,206

The impact of minimum funding requirement/asset ceiling is nil in 2019 (2018: nil).

The valuations of provisions for post-employment benefits are performed by independent qualified actuaries on an annual basis.

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

27 Provisions *continued*

The following tables summarise the impact on the balance sheet, payment obligations, assets and economic assumptions in respect of the main post-employment benefits in the various countries.

	Note	Present value of obligation	Fair value of plan assets	Total
BALANCE AS AT 1 JANUARY 2018		54,940	-28,520	26,421
Opening value Adjustment		-594	-	-594
Sale of subsidiary		-3,310	3,270	-40
Current service cost	5	2,363	-	2,363
Interest expense/(income)	5	737	-335	402
Past service costs and gains and losses on settlements	5	68	-	68
		-735	2,935	2,200
Return on plan assets, excluding amounts included in interest income / expense		-	-883	-883
Gain/loss from changes in demographic assumptions		69	-	69
Gain/loss from changes in financial assumptions		-483	-	-483
Experience (gains)/losses		1,599	-2,605	-1,006
		1,185	-3,489	-2,304
REMEASUREMENTS				
Contributions – Employers		-	-2,197	-2,197
Contributions – Plan participants		298	-296	2
Benefit payments		-3,881	2,880	-1,001
Currency translation adjustments		229	-142	87
BALANCE AS AT 31 DECEMBER 2018		52,035	-28,829	23,206
BALANCE AS AT 1 JANUARY 2019		52,035	-28,829	23,206
Current service cost	5	2,289	-	2,289
Interest expense/(income)	5	795	-403	391
Past service costs and gains and losses on settlements	5	52	-	52
		3,136	-403	2,732
Return on plan assets, excluding amounts included in interest income / expense		-	-272	-272
Gain/loss from changes in demographic assumptions		156	-	156
Gain/loss from changes in financial assumptions		6,493	-	6,493
Experience (gains)/losses		-251	-136	-386
		6,398	-408	5,991
REMEASUREMENTS				
Contributions – Employers		-	-2,202	-2,202
Contributions – Plan participants		273	-260	13
Benefit payments		-2,099	914	-1,185
Currency translation adjustments		239	-162	77
BALANCE AS AT 31 DECEMBER 2019		59,983	-31,350	28,633

Reference is made to **Note 5** for the details on the amounts recognised in the statement of profit or loss in respect of the Group's post-employment defined benefit plans. Expected contributions to post-employment defined benefit plans are EUR 2.4 million for the year ending 31 December 2019.

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 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:

	2019	2018
Discount rate	1.6%	2.7%
Inflation	2.1%	2.1%
Salary growth rate	3.2%	3.2%
Pension growth rate	1.6%	1.8%

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

27 Provisions *continued*

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 based on the fair value of the assets of the plans to determine the average expected return on plan assets. All other assumptions are weighted based on the post-employment benefit obligations.

In the following table the sensitivity of the defined benefit liability for a change of 0,5% in the following assumptions:

	0.5% decrease of assumption	0.5% increase of assumption
Discount rate change	27,120	23,238
Inflation change	22,854	25,302
Salary growth rate change	22,086	26,263
Pension growth rate change	18,725	19,291

Assumptions regarding future mortality experience are set based on published statistics and actuarial advice. The average life expectancy in years of a pensioner at the retirement date on the balance sheet date is as follows:

	2019	2018
Male	27.6	27.7
Female	29.5	29.0

Plan assets comprise the following:

	2019			2018		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Equity instruments	692	706	1,398	745	–	745
Debt instruments	3,049	397	3,446	2,972	–	2,972
Property	396	739	1,135	608	–	608
Investment funds	274	25,095	25,370	2,156	22,348	24,504
TOTAL ASSETS	4,412	26,938	31,350	6,481	22,348	28,829

The expected maturity analysis of undiscounted post-employment benefits is:

	Not longer than a year	Longer than a year, less than two years	Longer than two years, less than five years	Longer than five years	Total
Expected maturity undiscounted post-employment benefits	1,581	1,267	6,307	89,157	98,311

The cumulative actuarial result recognised in the combined statements of comprehensive income is EUR –6.0 million (2018: EUR 2.3 million).

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

27 Provisions *continued*

Other provisions

	Other long-term employee benefits	Termination benefits	Litigation	Miscellaneous	Total
BALANCE AS AT 31 DECEMBER 2017	10,782	658	13,032	13,591	38,062
Adoption of IFRS 9	–	–	–	1,011	1,011
Additions	819	6,543	915	8,556	16,833
Reversals	173	–37	–8,440	–1,228	–9,532
Usage	–675	–3,630	–612	–7,748	–12,666
Currency translation adjustments	–173	77	–172	–182	–450
BALANCE AS AT 31 DECEMBER 2018	10,925	3,611	4,722	13,999	33,257
Adoption of IFRIC 23	–	–	334	–	334
Additions	1,215	3,460	655	5,418	10,748
Reversals	–2	–281	–1,396	–3,534	–5,213
Usage	–1,380	–4,919	–64	–3,765	–10,127
Currency translation adjustments	48	69	–39	101	180
BALANCE AS AT 31 DECEMBER 2019	10,806	1,940	4,212	12,220	29,178
Usage within a year	5,751	1,751	362	7,409	15,273
Usage after a year	5,056	189	3,850	4,811	13,906

Other long-term employee benefits

Other long-term employee benefits include provisions for medium-term bonus schemes, jubilee payments and extra leave entitlements.

Termination benefits

The provision for termination benefits relates to expected payments to terminate the employment of an employee or group of employees before the normal termination date. The balance relates to a small number of employee related litigations and obligations of relatively small size.

Litigation

Litigation provisions have been set up to cover legal and administrative proceedings that arise in the ordinary course of business. These provisions are not employee related. Legal provision depends on court proceedings so no assumptions related to future events have been disclosed.

Miscellaneous

Miscellaneous provisions include a provision for restructuring related expenses as well as items which cannot be classified under one of the other captions such as provisions for guarantee payments. The provision for restructuring related expenses is in the amount of EUR 3.2 million (2018: EUR 3.6 million).

ECL for financial guarantees

Loan commitments and financial guarantees are given on behalf of joint ventures for an amount of EUR 165 million (2018: EUR 160 million). The expected credit loss is not material.

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

28 Share capital and share premium

At 31 December 2019, the authorised capital amounted to EUR 250 million (2018: 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 dividends 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.

29 Other reserves

	Translation reserve	Post-employment benefit reserve	Hedging reserve	Total
BALANCE AS AT 31 DECEMBER 2017	-44,668	-5,709	-770	-51,147
Gains/(losses) arising during the year	-14,676	2,301	-4,778	-17,154
Related income tax	-	-654	1,195	541
BALANCE AS AT 31 DECEMBER 2018	-59,344	-4,063	-4,353	-67,760
Gains/(losses) arising during the year	28,352	-5,991	683	23,044
Related income tax	-	1,778	-187	1,591
BALANCE AS AT 31 DECEMBER 2019	-30,978	-8,289	-3,859	-43,125

Translation reserve

The movement in 2019 is mainly caused by the strengthening of pound sterling against euro.

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 cashflow hedging instruments. Gains/losses on the cashflow hedge reserves in their entirety relate to the interest rate swaps hedging interest rate risk.

30 Retained earnings

Dividend

In 2019 LeasePlan decided not to pay any final dividend relating to 2018. Interim dividends related to 2019 were paid in October and December 2019, in the total amount of EUR 165.1, or 60% of the available Group's reported net income up to the third quarter of 2019, after AT1 interest expense.

In March 2018 a final dividend of EUR 120.1 million was paid relating to 2017. In October 2018 an interim dividend was paid in the amount of EUR 171.4 million, or 60% of the Group's reported net income over the first half year of 2018.

Profit appropriation

Reference is made to the company financial statements on the appropriation of profits for the year and the movements in the reserves.

Transfer

During 2019 a transfer has been made from retained earnings for the accrual of the interest coupon on AT1 capital securities in an amount of EUR 21.7 million.

31 AT1 capital securities

In May 2019 LeasePlan Corporation N.V. (fully owned by LP Group B.V.) issued EUR 500 million in capital securities, including transaction costs in the amount of EUR 5 million. The Capital securities qualify as Additional Tier 1 capital (AT1) and are undated, deeply subordinated, resettable and callable. Redemption is discretionary to LeasePlan Corporation N.V. 5 years after the issue date, unless permitted by applicable banking regulations or on each interest payment date thereafter at their prevailing principal amount, together with accrued and unpaid interest.

There is a fixed interest coupon of 7.375 % per annum, payable semi-annually.

LeasePlan accrued interest on AT1 securities for an amount of EUR 21.7 million to December 2019 of which interest paid for 6 months was EUR 18.4 million in November 2019. The remaining EUR 3.3 million is payable in May 2020, as at the reporting date this amount does not yet represent a liability.

Interest is non-cumulative and fully at the discretion of LeasePlan Corporation N.V. so any failure by the issuer to pay interest or the prevailing principal amount when due in respect of the capital securities shall not constitute an event of default and does not give holders any right to demand repayment of the prevailing principal amount.

For all the reasons above, LeasePlan Corporation N.V. classified and accounted the capital securities and related interest accruals, as equity and not debt.

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

32 Commitments

The Group has entered into commitments relating to the forward purchase of property and equipment under operating lease and rental fleet amounting to EUR 2.5 billion (2018: EUR 2 billion) as at the balance sheet date. These commitments are entered into in the ordinary course of business and the majority are back-to-back matched with lease contracts entered with customers.

In 2019 together with the introduction of IFRS 16, commitments relating to long-term rental and lease contracts of which the future aggregate minimum lease payments amounted to EUR 278 million in 2018, are reported in the statement of financial position of the Group. The commitments relating to short-term lease and low-value leases are EUR 3.5 million and EUR 0.8 million respectively.

The Group has issued guarantees to the total value of EUR 381 million (year-end 2018: EUR 371 million) of which EUR 379 million (year-end 2018: EUR 366 million) is related to residual value guarantees issued to clients.

33 Related parties

Identity of related parties

Related parties and enterprises, as defined by IAS 24, are parties and enterprises which can be influenced by the company or which can influence the company.

As of 21 March 2016, LP Group B.V. became the shareholder of the company. LP Group B.V. represents a group of long-term responsible investors and includes ADIA, ATP, Broad Street Investments, GIC, PGGM and TDR Capital. None of these investors has a(n) indirect controlling interest in the company. Business relations between the company, LP Group B.V. and their indirect shareholders and their subsidiaries are handled on normal market terms. In November 2019 TDR Capital obtained a controlling interest in British Car Auction (BCA). LeasePlan Corporation N.V. has been doing business with BCA in the ordinary course of the business for a longer period of time all on arm's length basis. The transactions with BCA during the two-month period in 2019 are not material at LeasePlan Corporation N.V. level.

Transactions between the company and its subsidiaries mainly comprise long-term funding and cost allocation of Group activities as described in **Note 2**. All business relations with the Group's subsidiaries are conducted in the ordinary course of business and on arm's length basis.

Transactions between LeasePlan Corporation N.V. and its subsidiaries are eliminated on consolidation. Reference is made to **Note 10** of the company financial statements for further details with respect to investments in and loans to subsidiaries. For a list of the principal consolidated participating interests, reference is made to Other information to the financial statements.

All business relations with investments accounted for using the equity method are in the ordinary course of business and are handled on normal market terms. An amount of EUR 163.5 million (2018: EUR 151.3 million) is provided as loans to investments accounted for using the equity method (**Note 16**). In relation to the loans to investments accounted for using the equity method in the company financial statements, reference is made to its **Note 11**.

The interest income recognised by the Group on these funding transactions amounts to EUR 2.0 million (2018 EUR: 2.0 million).

Furthermore, the Group charged a service fee amounting to EUR 0.6 million (2018: EUR 0.5 million) to the investments accounted for using the equity method.

Transactions with the Managing Board

The Managing Board consists of the key management personnel. In addition to their salaries, the Group provides non-cash benefits to the Managing Board and contributes to post-employment defined contribution plans on their behalf. The Managing Board is also the statutory executive board of the Company. Remuneration of the Managing Board is disclosed, as required by Part 9 Book 2 of the Dutch Civil Code.

The statutory board remuneration is as follows:

	2019	2018
Fixed remuneration	3,031	4,147
Other short-term employee benefits*	1,855	1,194
Post-employment benefits	37	62
Other long-term employee benefits	432	550
Termination benefits**	2,470	2,383
TOTAL	7,825	8,336

* includes a one-time payment related to the hire of a new board member

** includes remuneration relating to the period after the board membership ended and severance of former board members.

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

33 Related parties *continued*

The Group has not granted any loans, guarantees or advances to members of the Managing Board. The Managing Board does participate in a management investment plan (details provided in the Management Investment Plan section below).

For information on the remuneration policy of the Managing Board, please refer to the Remuneration Report, which is included in the Group's Pillar 3 report.

Remuneration of the members of the Supervisory Board

The following table summarises the income components for the seven independent members of the Supervisory Board.

in euros	2019	2018
Mr Jos Streppel	150,000	150,000
Dr Herta von Stiegel	75,000	75,000
Mr Steven van Schilfgaarde	75,000	75,000
Mrs Allegra van Hovell-Patrizi	75,000	56,250
Mr. Paul Scholten	37,500	–
Mrs Ada van der Veer-Vergeer	–	60,685
Mr Stefan Orlowski	–	18,750
Mr Eric-Jan Vink	–	–
Mr Manjit Dale	–	–

Mr Vink and Mr Dale are associated with the consortium of the shareholders and do not receive any remuneration.

The remuneration of supervisory board members is expected to change following the appropriate governance, this may lead to an increase of the overall pay.

Management Investment Plan

Selected members of LeasePlan management, including the Managing Board members, (the 'participants') have been provided with an opportunity to make an indirect investment alongside a consortium of financial investors (the 'Consortium') in LeasePlan through a Management Investment Plan (the 'MIP'). To facilitate the allocation of the MIP investment to individual employees, the investment in the MIP is held indirectly via a management holding company ('ManCo'). ManCo issues shares to a specially incorporated foundation that issues depositary receipts to each participant as evidence of the investment. These depositary receipts entitle a participant to the full economic benefit of the underlying shares held by ManCo in an indirect parent company of LeasePlan.

The ability of a participant to dispose of the share investment is linked to the Consortium's exit. Typically, a participant will be able to sell a proportion of the investment equal to the proportion sold by the Consortium at exit. Furthermore, there are specific provisions governing an exit through an IPO where the ability to dispose of shares may be restricted by customary lock-up periods. If a participant ceases to be employed by a LeasePlan Group company prior to an exit, the participant may be required to sell part or all of the shares. The price payable for the shares will depend on a vesting schedule where 20% of the shares vest each year over a period of five years. Vested shares would be sold at fair market value and unvested shares would be sold at the lower of i) cost and ii) fair market value. As LeasePlan has no obligation to repurchase shares from a participant or to make any other cash payments to the participants under the MIP, the arrangement is classified as an equity-settled share-based payment.

ManCo is capitalised with a mix of ordinary shares and preference shares. Management participants subscribed for ordinary shares, while the Consortium subscribed for ordinary shares and preference shares in ManCo. When the Consortium exits its investment in LeasePlan, the preference shares will automatically convert into ordinary shares in ManCo. The rate at which the preference shares convert will depend on the returns achieved by the Consortium at the time of exit. If the Consortium's returns at exit are above a pre-defined threshold, the conversion ratio will be adjusted to deliver a greater share of the equity value to the management investors.

The movements in the number of shares that the participants have indirectly acquired under the MIP are as follows:

	2019	2018
BALANCE AS AT 1 JANUARY	22,940,000	28,725,000
Issued	–	–
(Re)purchased	–1,338,000	–5,785,000
BALANCE AS AT 31 DECEMBER	21,602,000	22,940,000

The participants have indirectly invested EUR 21.6 million via ManCo in LeasePlan Corporation N.V. (2018: EUR 22.9 million). Of that amount, the total aggregated investment amount of Managing Board members amounts to EUR 3.8 million (2018: EUR 6.0 million).

The acquisition price of the ordinary shares in ManCo represents the fair market value of those shares, being the same subscription price as paid by the Consortium for their interest in the ordinary shares. Accordingly, there is no impact on the Group's results or its financial position from the MIP.

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

33 Related parties *continued*

The company or another Group entity will under no circumstances be required to settle in cash. Accordingly, this arrangement is classified as an equity-settled share-based payment arrangement. The company therefore determines the fair value of the shares at the grant date and recognises, if applicable, an expense for the services received over the service period with a corresponding increase in equity.

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

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

34 Fair value of financial instruments

The table below summarises the Group's financial assets and financial liabilities, of which the derivatives are measured at fair value and the other financial assets and other financial liabilities are measured at amortised cost on the balance sheet as at 31 December 2019. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Fair value of financial instruments

As at 31 December 2019	Carrying value	Fair value		Total
		Level 1	Level 2	
FINANCIAL ASSETS MEASURED AT FAIR VALUE				
Derivatives financial instruments in hedge	74,062	–	74,062	74,062
Derivatives financial instruments not in hedge	28,574	–	28,574	28,574
FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE				
Cash and balances at central banks	4,828,356			
Investments in debt securities	24,663	24,966	–	24,966
Receivables from financial institutions	638,579			
Lease receivables from clients	3,388,054	–	3,465,321	3,465,321
Loans to investments using the equity method	163,500	–	166,714	166,714
Investments in equity accounted investments	18,778			
Other receivables and prepayments *	412,965	–	413,031	413,031
TOTAL FINANCIAL ASSETS	9,577,532	24,966	4,147,703	4,172,669
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE				
Derivatives financial instruments in hedge	45,677	–	45,677	45,677
Derivatives financial instruments not in hedge	91,092	–	91,092	91,092
FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE				
Funds entrusted	7,763,597	–	7,814,879	7,814,879
Trade and other payables and deferred income *	933,608			
Borrowings from financial institutions	4,078,817	–	4,128,474	4,128,474
Debt securities issued	11,582,171	2,141,104	9,579,733	11,720,837
TOTAL FINANCIAL LIABILITIES	24,494,963	2,141,104	21,659,857	23,800,960

* Other receivables and Other payables that are not financial assets or liabilities are not included

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

34 Fair value of financial instruments *continued*

	Carrying value	Fair value		
As at 31 December 2018		Level 1	Level 2	Total
FINANCIAL ASSETS MEASURED AT FAIR VALUE				
Derivatives financial instruments in hedge	57,254	-	57,254	57,254
Derivatives financial instruments not in hedge	41,263	-	41,263	41,263
FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE				
Cash and balances at central banks	3,167,831			
Investments in debt securities	24,709	24,737	-	24,737
Receivables from financial institutions	518,318			
Lease receivables from clients	3,279,487	-	3,355,467	3,355,467
Loans to equity accounted investments	151,300	-	153,567	153,567
Equity accounted investments	15,874			
Other receivables and prepayments *	407,936		408,036	408,036
Assets classified as held-for-sale **	776			
TOTAL FINANCIAL ASSETS	7,664,747	24,737	4,015,587	4,040,324
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE				
Derivatives financial instruments in hedge	31,150	-	31,150	31,150
Derivatives financial instruments not in hedge	81,506	-	81,506	81,506
FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE				
Funds entrusted	6,490,204	-	6,507,800	6,507,800
Trade and other payables and deferred income *	856,661			
Borrowings from financial institutions	3,788,873	-	3,842,505	3,842,505
Debt securities issued	10,449,447	2,333,493	8,050,468	10,383,961
TOTAL FINANCIAL LIABILITIES	21,697,842	2,333,493	18,513,429	20,846,922

* Other receivables and Other payables that are not financial assets or liabilities are not included

** Prior year comparatives have been restated. Please refer to the Basis of preparation for further details.

There were no changes in valuation techniques during the years.

Financial instruments in level 1

The fair value of financial instruments that are traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. Cash and balances with central banks, Investments in debt securities and Debt securities issued (securitised bonds) are the only financial instruments held that are included in level 1.

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

34 Fair value of financial instruments *continued*

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 considering 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 are collateralised, and therefore the necessity for other observable market inputs such as CVA, DVA, FVA adjustments is negated).
- 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 are 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.

Financial instruments in level 3

This category includes financial instruments whose fair value is determined using a valuation technique (eg, a model) for which more than an insignificant part of the inputs in terms of the overall valuation are not market observable. Unobservable in this context means that there is little or no current market data available from which to derive a price that an unrelated, informed buyer would purchase the asset or liability at. No financial instruments are included in this category.

35 Offsetting financial assets and financial liabilities

The following financial assets and financial liabilities are subject to offsetting, enforceable master netting agreements and similar agreements.

	Related amounts not offset in the balance sheet					
	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	Financial instruments	Cash collateral received	Net amount
AS AT 31 DECEMBER 2019						
Derivative financial assets – 2019	102,636	-	102,636	-102,636	-	-
Derivative financial liabilities – 2019	136,770	-	136,770	-102,636	-28,150	5,984
AS AT 31 DECEMBER 2018						
Derivative financial assets – 2018	98,517	-	98,517	-98,517	-	-
Derivative financial liabilities – 2018	112,656	-	112,656	-98,517	-29,950	-15,811

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 intent 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.

36 Transfer of (financial) assets

The Group engages in various securitisation transactions (reference is made to **Note 12** and **Note 18** of the consolidated financial statements of the Group and **Note 12** of the company financial statements). Because of such transactions (financial) assets are transferred from the originating LeasePlan subsidiaries to special-purpose companies. The special-purpose companies are controlled by the company and included in the consolidated financial statements, and, in view of this, the transferred (financial) assets are not de-recognised in their entirety from a Group perspective.

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

36 Transfer of (financial) assets *continued*

	Loans and receivables			
	Receivables from clients (finance leases)	Receivables from financial institutions (collateral deposited)	Property and equipment under operating lease	Total
AS AT 31 DECEMBER 2019				
Carrying amount				
Assets	287,229	79,492	3,046,818	3,413,538
Associated liabilities				
Bonds and notes originated from securitisation transactions				2,133,462
Borrowings from financial institutions				391,091
NET CARRYING AMOUNT POSITION				888,986
For those liabilities that have recourse only to the transferred assets				
Fair value				
Assets	482,646	79,492	3,058,131	3,620,269
Associated liabilities				
Bonds and notes originated from securitisation transactions				2,141,097
Borrowings from financial institutions				391,668
NET FAIR VALUE POSITION				1,087,505
AS AT 31 DECEMBER 2018				
Carrying amount				
Assets	288,783	105,888	3,507,979	3,902,649
Associated liabilities				
Bonds and notes originated from securitisation transactions				2,328,187
Borrowings from financial institutions				400,000
NET CARRYING AMOUNT POSITION				1,174,462
For those liabilities that have recourse only to the transferred assets				
Fair value				
Assets	297,396	105,888	3,518,222	3,921,506
Associated liabilities				
Bonds and notes originated from securitisation transactions				2,333,493
Borrowings from financial institutions				392,094
NET FAIR VALUE POSITION				1,195,919

37 Contingent assets and liabilities

As at 31 December 2019, 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 2.0 billion (2018: EUR 1.5 billion). The Company charges a guarantee fee to the respective direct and indirect 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.

38 Events occurring after balance sheet date

The Covid-19 pandemic is currently causing significant disruption in the global economy. In response, LeasePlan is executing its business continuity plan, and the vast majority of employees are working safely from home across all its markets, supported by the global digital infrastructure. LeasePlan customers and drivers are receiving the best service possible during this period. In response to the economic uncertainty and global supply chain disruption among car manufacturers, LeasePlan is emphasizing contract extensions or other mobility solutions which utilised its existing fleet. Attention is given to minimizing working capital through active arrears collection and inventory management. Non-urgent investments are being deferred and a dividend over the last quarter of 2019 is not being paid out and instead added to general reserves. LeasePlan's diversified funding platform and strong capitalization serve as a mitigant to capital market volatility. Given the evolving uncertainty, it is too early at this stage to assess the financial effect of the Covid-19 crisis on LeasePlan.

No other material events occurred after 31 December 2019, that require disclosure in accordance with IFRS, nor events affecting the financial position of the Group as at 31 December 2019 or the result for the period ended 31 December 2019.

Company financial statements

Statement of profit or loss of the company

For the year ended 31 December

Amounts in thousands of euros	Note	2019	2018
REVENUES		306,084	275,996
Finance cost	3	263,839	224,091
Unrealised (gains)/losses on financial instruments		13,218	11,336
Impairment charges on loans and receivables		-1,106	9,595
DIRECT COST OF REVENUES		275,951	245,023
GROSS PROFIT		30,133	30,973
Other operating expenses	5	18,937	14,152
Other depreciation and amortisation	13	2,191	1,161
TOTAL OPERATING EXPENSES		21,128	15,312
RESULT BEFORE TAX AND SHARE IN RESULT IN INVESTMENTS		9,005	15,660
Income tax expenses	7	4,490	1,289
Share of profit in equity accounted investments	10&11	389,486	406,678
NET RESULT		402,981	423,627

Statement of financial position of the company

As at 31 December

Amounts in thousands of euros	Note	2019	2018
ASSETS			
Cash and balances at central banks	8	4,828,347	3,167,804
Loans to special purpose entities	12	161,854	319,703
Receivables from financial institutions	9	111,882	61,722
Loans to subsidiaries	10	14,556,832	13,196,990
Investments subsidiaries	10	3,207,312	3,160,960
Loans to investments accounted for using the equity method	11	163,500	151,300
Investments accounted for using the equity method	11	17,510	14,638
Intangible assets	13	2,361	2,217
Other assets	14	360,977	231,820
TOTAL ASSETS		23,445,846	20,307,155
LIABILITIES			
Borrowings from financial institutions	15	1,082,426	1,084,174
Funds entrusted	16	7,662,218	6,399,423
Debt securities issued	17	9,458,261	8,126,245
Provisions	18	5,739	21,765
Other liabilities	19	1,176,563	1,339,955
TOTAL LIABILITIES		19,385,207	16,971,561
EQUITY			
Share capital		71,586	71,586
Share premium		506,398	506,398
Legal reserves		984,086	1,009,564
Other reserves		-43,125	-67,760
Retained earnings excluding net result		1,662,578	1,392,179
Net result current year	23	381,197	423,627
EQUITY OF OWNERS OF THE PARENT		3,562,720	3,335,594
AT1 capital securities		497,919	-
TOTAL EQUITY	20	4,060,639	3,335,594
TOTAL EQUITY AND LIABILITIES		23,445,846	20,307,155

Notes to the company financial statements

All amounts are in thousands of euros, unless stated otherwise

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.

In accordance with Article 362 sub 8, Book 2 of the Dutch Civil Code, the recognition and measurement principles applied in these Company financial statements are the same as those applied in the Consolidated financial statements, reference is made to **Note 2** 'Basis of preparation' of the Consolidated financial statements.

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 also measured in accordance with IFRS as applied in the consolidated financial statements of the company.

Investments in subsidiaries and in investments accounted for using the equity method

The investments in subsidiaries 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 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.

Loans to subsidiaries

There are two loans provided to special purpose companies included in the subsidiaries that do not meet the condition in IFRS 9 that the cash flows represent solely payments of principal and interest. As a consequence, these loans are measured at fair value through profit or loss. The impact of the change in fair value measurement of these intercompany is adjusted in the investments in subsidiaries.

The company applies the option in RJ-Uiting 2018-1: ontwerp-Richtlijn 100.107a 'expected credit loss' (verduidelijking van de verwerking van te verwachten kredietverliezen) in de enkelvoudige jaarrekening bij toepassing van combinatie 3'. This implies that the expected credit losses on intercompany loans and receivables in the company financial statements are eliminated according to the Dutch accounting standards chapter 260 'De verwerking van resultaten op intercompany-transacties in de jaarrekening'.

2 Interest and similar income from subsidiaries & other interest income

In 2019 the company recognised EUR 5.0 million (2018: EUR 4.1 million) as other interest income.

3 Finance cost

	2019	2018
Interest expenses on debt securities	102,650	111,061
Interest expenses on funds entrusted	37,397	36,587
Interest expenses on borrowings from financial institutions and other	123,792	76,443
TOTAL	263,839	224,091

4 Managing board remuneration

Detailed information on remuneration of the Managing Board and the members of the Supervisory Board is included in **Note 33**

Related parties to the consolidated financial statements. For information on the remuneration policy of the Managing Board, please refer to the Group remuneration report.

5 Other operating expenses

Other operating expenses include professional fees, office overheads and other general expenses. The company does not directly employ any staff.

Notes to the company financial statements *continued*

All amounts are in thousands of euros, unless stated otherwise

6 Audit fees

The table below shows the fees attributable for services provided by the Group auditors. The fees are presented as part of the caption Other operating expenses.

	2019			2018
	KPMG NL	KPMG Other	Total KPMG	Total KPMG
Audit services	2,414	4,286	6,700	6,881
Audit related services	824	560	1,384	291
Tax advice		46	46	17
Other (non-audit) services		14	14	47
TOTAL SERVICES	3,238	4,906	8,144	7,236

From the total fee of 2019 the amount of EUR 1.1 million is related to audit scope extensions for 2018.

For the period to which the statutory audit relates, KPMG has provided the following services to LeasePlan Corporation:

- Audit of financial statements;
- Quarterly reviews and the audit for regulatory purposes;
- Procedures relating to prospectuses;
- Agreed upon procedures for regulatory purposes;
- Agreed upon procedures on certain intercompany cost charging for foreign tax purposes.

7 Income tax

The company forms a fiscal unity with LeasePlan Corporation, N.V. regarding corporate income tax and VAT. Reference is made to **Note 9** of the consolidated financial statements.

	2019	2018
CURRENT TAX		
Current tax on result for the year	5,647	4,318
Adjustment in respect of prior years	-6,140	13
TOTAL CURRENT TAX	-493	4,331
DEFERRED TAX		
Origination and reversal of temporary differences	-4,016	-1,886
Changes in tax rates	1,051	-808
Adjustments in respect of prior years	-1,032	-2,926
TOTAL DEFERRED TAX	-3,997	-5,619
TOTAL	-4,490	-1,289

8 Cash and balances at 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 76 million (2018:EUR 65 million) which is not available for use in the Group's day-to-day operations.

9 Receivables from financial institutions

A breakdown of this caption is as follows:

	2019	2018
Amounts receivable from banks	31,461	6,371
Cash collateral deposited for derivatives	80,421	55,351
BALANCE AS AT 31 DECEMBER	111,882	61,722

Notes to the company financial statements *continued*

All amounts are in thousands of euros, unless stated otherwise

10 Investments in and loans to subsidiaries

Movements in investments in Group companies are as follows:

	2019	2018
BALANCE AS AT 1 JANUARY	3,160,960	2,845,991
Adoption of IFRS 9		-2,885
Adoption of IFRIC 23	-684	
Result for the year	386,034	421,300
Capital contribution	9,826	109,421
Dividend received	-347,376	-215,504
Direct changes in equity	-4,213	1,647
Revaluations	-24,591	16,471
Currency translation adjustments	27,356	-15,481
BALANCE AS AT 31 DECEMBER	3,207,312	3,160,960

Reference is made to the List of principal consolidated participating interests.

Revaluations relate to the negative net asset value of subsidiaries based on Group accounting standards. The direct changes in equity relate to the actuarial gains and losses recognised on defined benefit post-employment plans.

The maturity analysis on loans to subsidiaries is as follows:

	2019	2018
Three months or less	2,080,431	2,018,942
Longer than three months less than a year	4,223,594	3,529,487
Longer than a year, less than five years	8,413,226	7,647,095
Longer than five years	1,435	1,465
BALANCE AS AT 31 DECEMBER	14,718,686	13,196,990

11 Investments accounted for using equity method and loans to investments

The investment only relates to a joint venture in the United Arab Emirates.

Movements are as follows:

	2019	2018
BALANCE AS AT 1 JANUARY	14,638	12,142
Adoption of IFRS 9		-8
Share of results	2,614	1,858
Currency translation adjustments	257	646
BALANCE AS AT 31 DECEMBER	17,510	14,638

The loans only relate to a joint venture entity of the Group (France).

The maturity analysis on the loans to joint ventures is as follows:

	2019	2018
Three months or less	18,000	15,800
Longer than three months less than a year	62,000	55,000
Longer than a year, less than five years	83,500	80,500
BALANCE AS AT 31 DECEMBER	163,500	151,300

The company has entered into loan commitments of EUR 165 million (2018: EUR 160 million) of which EUR 164 million has been drawn at 31 December 2019 (2018: EUR 151 million). There are no other material contingent liabilities of the joint ventures.

Notes to the company financial statements *continued*

All amounts are in thousands of euros, unless stated otherwise

12 Loans to special purpose companies

This caption includes investments in special purpose companies involved in securitisation programmes concluded by LeasePlan Group. The Group consolidates the special purpose entities as control is retained. LeasePlan Corporation N.V. (the company) provided a subordinated loan in Bumper DE S.A. 2019-I and acquired B notes in Bumper UK 2019-1.

The subordinated loans to Bumper DE S.A. 2019-I has a floating interest rate and a legal maturity date of November 2023.

The B-notes of Bumper UK 2019-I Finance Plc have a legal maturity date of February 2023.

	2019	2018
Bumper 7 DE	–	135,416
Bumper 11 DE	–	184,287
Bumper UK 2019-I	35,272	–
Bumper DE S.A. 2019-I	126,582	–
BALANCE AS AT 31 DECEMBER	161,854	319,703

13 Intangible assets

	Software licenses	Customer relationship	Customer contract	Total
Cost	2,112	3,659	13,104	18,876
Accumulated amortisation and impairment	-1,966	-1,098	-12,454	-15,518
CARRYING AMOUNT AS AT 1 JANUARY 2018	146	2,561	650	3,357
Amortisation	-124	-366	-650	-1,140
CARRYING AMOUNT AS AT 31 DECEMBER 2018	22	2,195	–	2,217
Cost	2,112	3,659	13,104	18,876
Accumulated amortisation and impairment	-2,090	-1,464	-13,104	-16,658
CARRYING AMOUNT AS AT 1 JANUARY 2019	22	2,195	–	2,217
Purchases/additions	547	–	–	547
Amortisation	-37	-366	–	-403
CARRYING AMOUNT AS AT 31 DECEMBER 2019	531	1,829	–	2,361
Cost	2,727	3,659	–	6,386
Accumulated amortisation and impairment	-2,196	-1,829	–	-4,025
CARRYING AMOUNT AS AT 31 DECEMBER 2019	531	1,829	–	2,361

14 Other assets

Besides derivative financial instruments this caption includes a corporate income tax receivable from fiscal authorities and Group companies forming part of the fiscal unity. The company settles corporate income tax due or receivable on taxable income with its Group companies forming part of the fiscal unity as if these Group companies were responsible for their tax filings on a stand-alone basis.

The other assets are made up as follows:

	2019	2018
Derivative financial instruments	106,026	100,791
Tax receivable	4,517	3,352
Amounts receivable from group companies	49,007	6,494
Loans to other third parties	6,305	12,908
BALANCE AS AT 31 DECEMBER	360,977	231,820

Notes to the company financial statements *continued*

All amounts are in thousands of euros, unless stated otherwise

14 Other assets *continued*

Below a summary disclosure of the hedging instruments. Derivative financial instruments are carried at fair value and are made up as follows. Hedging gains or losses are recognised in the statement of profit or loss in the caption 'Unrealised gains/(losses) on financial instruments'.

Hedging instruments

	31 December 2019				Change in FV used in calculating hedge ineffectiveness	Change in value of the hedging instrument recognised in OCI	Amounts reclassified from the hedge reserve to profit or loss	Hedge ineffectiveness recognised on hedge relationships, in profit or loss
	Notional amounts	Fair value						
		Assets	Liabilities					
FAIR VALUE HEDGE								
Interest rate swaps	6,222,934	73,867	18,810	6,434	–	–	1,936	
Cross currency swaps/forwards	316,602	–	20,411	–387	–	–	3	
CASH FLOW HEDGES								
Interest rate swaps	1,333,783	195	6,456	799	799	3,088	–4	
TOTAL DERIVATIVES IN HEDGE	7,873,319	74,062	45,677	6,846	799	3,088	1,935	
Interest rate swaps	20,060,575	12,668	49,196	–14,743	–	–	–	
I/C Interest rate swaps	3,315,402	4,197	5,848	–	–	–	–	
Cross currency swaps/forwards	4,234,730	15,099	38,522	–3,207	–	–	–	
TOTAL DERIVATIVES NOT IN HEDGE	27,610,708	31,964	93,566	–17,950	–	–	–	
TOTAL	35,484,027	106,026	139,243	–11,104	799	3,088	1,935	
	31 December 2018				Change in FV used in calculating hedge ineffectiveness	Change in value of the hedging instrument recognised in OCI	Amounts reclassified from the hedge reserve to profit or loss	Hedge ineffectiveness recognised on hedge relationships, in profit or loss
	Notional amounts	Fair value						
		Assets	Liabilities					
FAIR VALUE HEDGE								
Interest rate swaps	4,538,083	56,494	1,517	14,136	–	–	278	
Cross currency swaps/forwards	445,513	592	23,644	115	–	–	–343	
CASH FLOW HEDGES								
Interest rate swaps	1,452,771	168	5,989	–5,258	–5,258	–367	–97	
TOTAL DERIVATIVES IN HEDGE	6,436,367	57,254	31,150	8,993	–5,258	–367	–162	
Interest rate swaps	17,038,124	11,376	27,301	–7,474	–	–	–	
I/C Interest rate swaps	4,503,478	2,991	6,930	–	–	–	–	
Cross currency swaps/forwards	4,252,156	29,170	49,836	512	–	–	–	
TOTAL DERIVATIVES NOT IN HEDGE	25,793,758	43,537	84,067	–6,962	–	–	–	
TOTAL	32,230,125	100,791	115,218	2,031	–5,258	–367	–162	

Notes to the company financial statements *continued*

All amounts are in thousands of euros, unless stated otherwise

14 Other assets *continued*

Hedged items

Below a summary disclosure of the hedged items. A number of fixed rate bonds are included in fair value hedges whereby the notes (the hedged items) are measured at amortised cost and are constantly being adjusted for gains/losses attributable to the risk being hedged.

31 December 2019								
	Notional amounts	Fair value		Change in value of the hedged item (calculating hedge ineffectiveness)	Amount of FVH* adjustment included in the carrying amount	Amount of FVH* adjustment included in the carrying amount ceased to be adjusted as gains/losses	CFH* reserve from hedge relationships (continuing hedges)	CFH* reserve from hedge relationships (hedge accounting is no longer applied)
		Assets	Liabilities					
FAIR VALUE HEDGE								
Interest rate swaps	6,222,934	-	6,288,782	-4,498	-47,924	-	-	-
Cross currency swaps/ forwards	294,724	-	296,002	389	613	-	-	-
CASH FLOW HEDGES								
Interest rate swaps	-	-	-	-	-	-	3,859	-
TOTAL DERIVATIVES IN HEDGE	6,517,658	-	6,584,784	-4,109	-47,311	-	3,859	-
31 December 2018								
	Notional amounts	Fair value		Change in value of the hedged item (calculating hedge ineffectiveness)	Amount of FVH* adjustment included in the carrying amount	Amount of FVH* adjustment included in the carrying amount ceased to be adjusted as gains/losses	CFH* reserve from hedge relationships (continuing hedges)	CFH* reserve from hedge relationships (hedge accounting is no longer applied)
		Assets	Liabilities					
FAIR VALUE HEDGE								
Interest rate swaps	4,538,083	-	4,610,238	-13,858	-43,426	-	-	-
Cross currency swaps/ forwards	420,915	-	422,331	-458	223	-196	-	-
CASH FLOW HEDGES								
Interest rate swaps	-	-	-	-	-	-	4,450	-96
TOTAL DERIVATIVES IN HEDGE	4,958,998	-	5,032,569	-14,316	-43,203	-196	4,450	-96

* FVH Fair value hedge – CFH Cash flow hedge

15 Borrowings from financial institutions

This caption includes amounts owed to credit institutions under government supervision.

The maturity of these loans are as follows:

	2019	2018
Less than three months	28,426	224
Longer than three months less than a year	-	29,950
Longer than a year, less than five years	1,054,000	1,054,000
BALANCE AS AT 31 DECEMBER	1,082,426	1,084,174

Borrowings from financial institutions include an outstanding balance of EUR 0.3 million (2018: nil) which is non-euro currency denominated as at 31 December. The remainder of the borrowings from financial institutions is denominated in euro. The related average interest rate was 1.1% (2018: 1.1%).

Notes to the company financial statements *continued*

All amounts are in thousands of euros, unless stated otherwise

16 Funds entrusted

The maturity analysis of funds entrusted is as follows:

	2019	2018
Three months or less	5,364,230	4,610,278
Longer than three months less than a year	1,434,868	1,323,823
Longer than a year, less than five years	863,120	464,968
Longer than five years	–	354
BALANCE AS AT 31 DECEMBER	7,662,218	6,399,423

This caption shows deposits raised by LeasePlan Bank of which 43.1% (2018: 40.3%) 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. The LeasePlan Bank also operates on the German banking market with a cross border offering from the Netherlands.

The average interest rates on the outstanding balances of the savings deposits in original maturity terms are as follows:

	2019	2018
Three months or less	0.20%	0.32%
Longer than three months less than a year	0.65%	0.68%
Longer than a year, less than five years	1.02%	1.17%
Longer than five years	n/a	n/a

The interest rate of the on-demand accounts is set monthly. The funds entrusted are denominated in euro.

17 Debt securities issued

This caption includes negotiable, interest-bearing securities, held at amortised cost.

	2019	2018
Bonds and notes – other	9,410,950	8,082,846
Bonds and notes – other (fair value adjustment)	47,312	43,399
BALANCE AS AT 31 DECEMBER	9,458,261	8,126,245

The average interest rates applicable to the outstanding balances can be summarised as follows:

	2019	2018
Average interest rate	1.3%	1.3%

The maturity analysis of the debt securities issued is as follows:

	2019	2018
Three months or less	130,264	514,439
Longer than three months less than a year	2,246,541	991,683
Longer than a year, less than five years	6,859,321	6,285,431
Longer than five years	222,135	334,692
BALANCE AS AT 31 DECEMBER	9,458,261	8,126,245

The debt securities include an outstanding balance of EUR 2.7 billion (2018: EUR 2.8 billion) which is non-euro currency denominated as at 31 December. The remainder of the debt securities is denominated in euro.

18 Provisions

The provision relates to subsidiaries with a negative net asset value based on Group accounting standards.

Notes to the company financial statements *continued*

All amounts are in thousands of euros, unless stated otherwise

19 Other liabilities

The other liabilities are composed of:

	2019	2018
Loans from Group companies	823,100	1,037,466
Accounts payable to Group companies	66,365	82,857
Derivative financial instruments	139,243	115,218
Other accruals and deferred income	73,970	71,685
Corporate income tax payable	58,285	32,729
Lease liabilities	15,599	–
BALANCE AS AT 31 DECEMBER	1,176,563	1,339,955

Other accruals and deferred income mainly includes accrued interest payable. For derivative financial instruments reference is made to the table in **Note 14**.

The maturity analysis of the loans from Group companies is as follows:

	2019	2018
Three months or less	147,508	128,725
Longer than three months less than a year	–	10,000
Longer than a year, less than five years	675,592	898,741
BALANCE AS AT 31 DECEMBER	823,100	1,037,466

20 Equity

Share capital

As at 31 December 2019, the authorised capital amounted to 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 2019 and 2018. The movement in shareholders' equity is as follows:

	Share capital	Share premium	Legal reserves	Other reserves	Retained earnings	Net result current year	Equity of owners of the parent	AT1 capital securities	Total equity
BALANCE AS AT 1 JANUARY 2018	71,586	506,398	636,498	-51,147	1,594,045	466,606	3,223,986	–	3,223,986
Adoption IFRS 9	–	–	–	–	-3,906	–	-3,906	–	-3,906
BALANCE AS AT 1 JANUARY 2018	71,586	506,398	636,498	-51,147	1,590,139	466,606	3,220,080	–	3,220,080
Net result	–	–	–	–	–	423,627	423,627	–	423,627
Other comprehensive income	–	–	–	-16,613	–	–	-16,613	–	-16,613
TOTAL COMPREHENSIVE INCOME	–	–	–	-16,613	–	423,627	407,014	–	407,014
Transfer from / to	–	–	373,066	–	-373,066	–	–	–	–
Appropriation of net result	–	–	–	–	466,606	-466,606	–	–	–
Final dividend	–	–	–	–	-120,100	–	-120,100	–	-120,100
Interim dividend	–	–	–	–	-171,400	–	-171,400	–	-171,400
BALANCE AS AT 31 DECEMBER 2018	71,586	506,398	1,009,564	-67,760	1,392,179	423,627	3,335,594	–	3,335,594
Adoption IFRIC 23	–	–	–	–	-13,536	–	-13,536	–	-13,536
BALANCE AS AT 1 JANUARY 2019	71,586	506,398	1,009,564	-67,760	1,378,644	423,627	3,322,058	–	3,322,058
Net result	–	–	–	–	–	402,981	402,981	–	402,981
Transfer – accrued interest on AT1 capital securities	–	–	–	–	–	-21,784	-21,784	21,784	–
Other comprehensive income	–	–	–	24,635	–	–	24,635	–	24,635
TOTAL COMPREHENSIVE INCOME	–	–	–	24,635	–	381,197	405,832	21,784	427,616
Transfer from / to	–	–	-25,478	–	25,478	–	–	–	–
Appropriation of net result	–	–	–	–	423,627	-423,627	–	–	–
Interim dividend	–	–	–	–	-165,170	–	-165,170	–	-165,170
Proceeds AT1 capital securities	–	–	–	–	–	–	–	500,000	500,000
Issuance costs AT1 capital securities	–	–	–	–	–	–	–	-5,425	-5,425
Interest coupon paid on AT1	–	–	–	–	–	–	–	-18,440	-18,440
BALANCE AS AT 31 DECEMBER 2019	71,586	506,398	984,086	-43,125	1,662,578	381,197	3,562,720	497,919	4,060,639

Notes to the company financial statements *continued*

All amounts are in thousands of euros, unless stated otherwise

20 Equity *continued*

Other reserves amounting to EUR 43 million (negative) include Translation adjustment reserve of EUR 31 million (negative). The Translation adjustment reserve is considered a legal reserve in accordance with Dutch Law. Legal reserves are non-distributable reserves required for specific purposes in line with Part 9, Book 2, of the Dutch Civil Code and/or by local law. The legal reserves are the minimum reserves to be maintained for the non-distributable share in cumulated profits of subsidiaries and investments accounted for using the equity method.

21 Commitments

Loan commitments have been concluded with investments accounted for using the equity method amounting to EUR 165 million (2018: EUR 160 million) of which EUR 163.5 million (2018: 151.3 million) is drawn (reference is made to **Note 16**).

Other commitments are related to rental lease payments in amount of EUR 5.8 million. Furthermore residual value guarantees of EUR 0.8 million were issued in 2019.

22 Contingent liabilities

Pursuant to the provisions of Article 403 f, Part 9, Book 2, of the Dutch Civil Code, the company has filed a declaration of joint and several liabilities with respect to the majority of the subsidiaries in the Netherlands. Abridged financial statements have accordingly been prepared for these subsidiaries.

The company forms a fiscal unity with a number of Group companies in the Netherlands regarding corporate income tax and VAT. As a result, the company can be held jointly liable for tax returns of those subsidiaries.

As at 31 December 2019 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 2.0 billion (2018: EUR 1.5 billion).

23 Distribution of profit

Provision of the Articles of Association on the profit appropriation, Article 31

1. The Managing Board shall in respect of distributable profits make a proposal for the distribution of a dividend and the allocation to the general reserve. Such a proposal is subject to the approval of the General Meeting.
2. With due observance of paragraph 1 of this article, the distributable profits shall be at the disposal of the General Meeting for distribution of dividend or to be added to the reserves or for such other purposes within the company's objectives as the meeting shall decide. In calculating the amount of profit to be distributed in respect of each share, only the amount of the mandatory payments towards the nominal amount of the shares shall be considered.
3. The company may make distributions to shareholders and other persons entitled to distributable profits only to the extent that the shareholders' equity exceeds the sum of the paid and called-up part of the share capital and the reserves which must be maintained by law. In calculating the appropriation of profits, the shares held by the company in its own share capital shall not be considered.
4. Distribution of profits shall take place after the adoption of the annual accounts which show that the distribution is permitted.
5. The General Meeting may resolve to distribute one (1) or more interim dividends and/or other interim distributions, provided that the requirement laid down in paragraph 3 of this article has been met as shown in an interim statement of assets and liabilities as referred to in Article 2:105(4) of the Dutch Civil Code.
6. Dividends shall be payable immediately after they have been declared, unless the General Meeting provides otherwise.
7. The claim for payment of dividends shall lapse on the expiry of a period of five (5) years.

Proposed profit appropriation

The interim dividends for the year were EUR 96.3 million paid in October and EUR 68.9 million paid in December. LeasePlan, as a result of the recent coronavirus developments and subsequent (financial) market uncertainties, will not pay-out final dividend for Q4. This was approved by the general meeting of shareholders on 20 March 2020. Proposed is to add the remainder of the net result 2019, amounting to EUR 237.8 million, to the general reserves (retained earnings).

Notes to the company financial statements *continued*

All amounts are in thousands of euros, unless stated otherwise

24 Subsequent events

The Covid-19 pandemic is currently causing significant disruption in the global economy. In response, LeasePlan is executing its business continuity plan, and the vast majority of employees are working safely from home across all its markets, supported by the global digital infrastructure. LeasePlan customers and drivers are receiving the best service possible during this period. In response to the economic uncertainty and global supply chain disruption among car manufacturers, LeasePlan is emphasizing contract extensions or other mobility solutions which utilised its existing fleet. Attention is given to minimizing working capital through active arrears collection and inventory management. Non-urgent investments are being deferred and a dividend over the last quarter of 2019 is not being paid out and instead added to general reserves. LeasePlan's diversified funding platform serves as a mitigant to capital market volatility. Given the evolving uncertainty, it is too early at this stage to assess the financial effect of the Covid-19 crisis on LeasePlan.

No other material events occurred after 31 December 2019 that require disclosure in accordance with the provisions in Part 9, Book 2, of the Dutch Civil Code, by applying the accounting policies used in the consolidated financial statements under IFRS pursuant to the provisions of Article 362 sub 8, Part 9, Book 2, of the Dutch Civil Code, nor events affecting the financial position of the company as at 31 December 2019 or the result for the year then ended.

Amsterdam, 20 March 2020

Managing Board

Tex Gunning, CEO and Chairman

Jochen Sutor, CFO

Supervisory Board

Jos Streppel, Chairman

Steven van Schilfgaarde, Vice-Chairman

Manjit Dale

Allegra Cristina Carla van Hövell-Patrizi

Herta von Stiegel

Eric-Jan Vink

Paul Scholten

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. Unless stated otherwise, the percentage interest is 100% or nearly 100%.

All holdings are in the ordinary share capital of the undertaking concerned. Reference is made to **Note 8** of the consolidated financial statements for disposals of subsidiaries. Mobility Mixx B.V. was sold in 2018.

Principal subsidiaries, which are fully included in the consolidated financial statements, are:

LeasePlan Australia Limited, Australia
 LeasePlan Brasil Ltda., Brazil
 LeasePlan Česká republika s.r.o., Czech Republic
 LeasePlan Danmark A/S, Denmark
 LeasePlan Deutschland GmbH, Germany
 LeasePlan Digital B.V., the Netherlands
 LeasePlan Finland Oy, Finland
 LeasePlan Fleet Management N.V., Belgium
 LeasePlan Fleet Management (Polska) 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 Malaysia, Malaysia
 LeasePlan México S.A. de C.V., Mexico
 LeasePlan Nederland N.V., the Netherlands
 LeasePlan New Zealand Limited, New Zealand
 LeasePlan Norge A/S, Norway
 LeasePlan Österreich Fuhrparkmanagement GmbH, Austria
 LeasePlan Portugal Comércio e Aluguer de Automóveis e Equipamentos Unipessoal Lda., Portugal
 LeasePlan Romania S.R.L., Romania
 LeasePlan Rus LLC, Russia
 LeasePlan (Schweiz) AG, Switzerland
 LeasePlan Servicios S.A., Spain
 LeasePlan Slovakia s.r.o., Slovakia
 LeasePlan Sverige AB, Sweden
 LeasePlan Otomotive Servis ve Ticaret A.Ş. Turkey
 LeasePlan UK Limited, United Kingdom
 LeasePlan USA, Inc., USA
 Euro Insurances DAC, Ireland
 LeasePlan Finance N.V., the Netherlands
 LeasePlan Information Services Limited, Ireland
 LeasePlan International B.V., the Netherlands, merged on 26 of May 2018 into LeasePlan Global B.V.
 LeasePlan Global B.V., the Netherlands
 LPC Auto Lease B.V., liquidated on the 18 of June 2018
 CarNext B.V., the Netherlands

Special purpose companies with no shareholding by the Group are:

Bumper Australia Trust N01, Australia
 Bumper NL B.V., the Netherlands
 Bumper 8 (UK) Finance plc, England
 Bumper 9 (NL) Finance B.V., the Netherlands
 Bumper 10 France FCT, France
 Bumper UK 2019-I, England
 Bumper DE 2019-I, Germany

Principal investments accounted for using the equity method in the consolidated financial statements are:

LeasePlan Emirates Fleet Management – LeasePlan Emirates LLC, United Arab Emirates (49%)
 PLease S.C.S., France (99.3%)
 Flottenmanagement GmbH, Austria (49%)
 Pursuant to the provisions of Article 403 f, Part 9, Book 2, of the Dutch Civil Code, a declaration of joint and several liabilities 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 (AMS) B.V.
 Firenta B.V.
 LeasePlan Digital B.V.
 Lease Beheer Holding B.V.
 Lease Beheer Vastgoed B.V.
 LeasePlan Global B.V. (formerly Lease Beheer N.V.)
 LeasePlan Finance N.V.
 LeasePlan International B.V., merged on 26 of May 2018 into LeasePlan Global B.V.
 LeasePlan Nederland N.V.
 LPC Auto Lease B.V., liquidated on the 18 of June 2018
 Transport Plan B.V.
 WeJeBe Leasing B.V.
 CarNext B.V.



Independent auditor's report

Independent auditor's report



Independent auditor's report

To: the General Meeting of Shareholders and the Supervisory Board of LeasePlan Corporation N.V.

Report on the audit of the 2019 financial statements included in the annual report

Our opinion

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of LeasePlan Corporation N.V. as at 31 December 2019 and of its result and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code; and
- the accompanying company financial statements give a true and fair view of the financial position of LeasePlan Corporation N.V. as at 31 December 2019 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 2019 of LeasePlan Corporation N.V. ('LeasePlan' or 'the Company') based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

The consolidated financial statements comprise:

- 1 the consolidated statement of financial position as at 31 December 2019;
- 2 the following consolidated statements for 2019: the statements of profit or loss, comprehensive income, changes in equity and cash flows; and
- 3 the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

- 1 the statement of financial position of the company as at 31 December 2019;
- 2 the statement of profit or loss of the company for 2019; and
- 3 the notes comprising a summary of the accounting policies and other explanatory information.

Independent auditor's report *continued*



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, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audit approach

Summary

Materiality

- Materiality of EUR 27.5 million
- 5.8% of profit before tax
- 4.9% of normalised profit before tax

Group audit

- 99% of total assets
- 98% of revenue
- 97% of profit before tax

Key audit matters

- Valuation of operating lease assets
- Revenue recognition for service income
- Information technology and system development

Opinion

Unqualified

Independent auditor's report *continued*



Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 27.5 million (2019: EUR 30 million). The materiality is determined with reference to normalized profit before tax (4.9%). We generally consider profit before tax as the most appropriate benchmark because we believe that it is a relevant metric for assessment of the financial performance of LeasePlan. We have normalised the profit before tax for the impairment loss recognised in respect of intangible assets under construction of EUR 92 million following the cancellation of the development of the Core Leasing System. Without normalisation materiality would have been 5.8% of profit before tax. We consider the impairment loss for the information technology system as an isolated event. Normalising is therefore relevant and appropriate. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of EUR 1.4 million which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

LeasePlan is at the head of a group of components. The financial information of this group is included in the financial statements of LeasePlan.

The group is engaged in fleet and vehicle management services, mainly through operating lease and is active in 32 countries.

We performed an audit of the complete reporting package of all 14 significant components, located in 14 different countries. At the request of the Supervisory Board we also performed a full scope audit on 18 out of 20 of the non-significant components. We have identified components as significant when they are either individually financially significant due to their relative size compared to LeasePlan as a whole or because we assigned a significant risk of material misstatement to one or more account balances of the component.

Group entities located in the Netherlands are audited by KPMG Accountants N.V. Components located abroad in scope for group reporting are audited by KPMG Member firms. We sent detailed instructions to all component auditors, covering significant areas including the relevant risks of material misstatement and set out the information required to be reported to us. In addition, on 3 and 4 October 2019, we hosted a global audit planning meeting for the senior staff involved in the audit at group level and components of the group. Purpose of this meeting was to discuss and agree our audit risk assessment and our global audit approach. Representatives of the LeasePlan organisation in finance, risk, IT and CarNext provided an overview of key developments in the organisation.

We set component materiality levels, which ranged from EUR 2 million to EUR 10 million, based on the mix of size and financial statement risk profile of the components within the group to reduce the aggregation risk to an acceptable level.

Independent auditor's report *continued*



For the execution of our group audit we:

- visited significant components in Italy, The Netherlands, Belgium and Ireland (Insurance and Treasury);
- visited LPIS in Ireland for group wide IT services;
- performed off-site file reviews of the work performed by component auditors in the UK, Spain, Italy, Belgium, the Netherlands, Australia, Portugal and Ireland (Insurance and Treasury);
- held conference calls with components in the UK, US, Germany, France, Spain, Italy, Turkey, Belgium, Portugal, The Netherlands, Australia, Norway, Austria, Romania, New Zealand, Poland and Ireland (Insurance and Treasury); and
- held conference calls with the IT audit team in Ireland and in the UK for group wide IT services.

By performing the procedures mentioned above at group components, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the financial statements.

The consolidation of the group, the disclosures in the financial statements and certain accounting topics that are performed at group level are audited by the group engagement team at the headquarter in Amsterdam, where central functions such as control, reporting and tax, risk management, strategic finance and group internal audit are located. The items audited by the group audit team, include, but are not limited to, assessment of the use of the going concern assumption, assessment of the necessity of prospective depreciation, the valuation and impairment of operating lease assets, write-down of cars in stock, goodwill impairment testing, recoverability of deferred tax assets and the adequacy of the provisions for tax exposures and corporate income tax for the Dutch fiscal unity. In addition, in 2019 special attention was given to the implementation of the new accounting standards that are effective as from 1 January 2019.

Audit scope in relation to fraud

In accordance with the Dutch standards on auditing we are responsible for obtaining a high (but not absolute) level of assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error.

As part of our risk assessment process we have evaluated events or conditions that indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud ('fraud risk factors') to determine whether fraud risks are relevant to our audit.

We communicated identified fraud risks throughout our team and remained alert to any indications of fraud throughout the audit. This included communication from the group to component audit teams of relevant fraud risks identified at group level.

Independent auditor's report *continued*



In accordance with the auditing standard we evaluated the following fraud risks that are relevant to our audit:

- revenue recognition, in relation to service income; and
- management override of controls.

Our audit procedures included an evaluation of the design, implementation as well as the operating effectiveness of internal controls relevant to mitigate these risks and substantive audit procedures, including detailed testing of high risk journal entries and evaluation of management bias. In determining the audit procedures we have made use of the company's evaluation in relation to fraud risk management (prevention, detections and response), including the set-up of ethical standards to create a culture of honesty.

As part of our evaluation of any instances of fraud, we inspected the incident reports and follow up by management.

We communicated our risk assessment and audit response to management and the Audit Committee of the Supervisory Board. Our audit procedures differ from a specific forensic fraud investigation, which investigation often has a more in-depth character.

Our procedures to address fraud risks related to revenue recognition are included in the key audit matter.

We do note that our audit is based on the procedures described in line with applicable auditing standards and are not primarily designed to detect fraud.

Audit scope in relation to non-compliance with laws and regulations

We have evaluated facts and circumstances in order to assess laws and regulation relevant to the company.

We identified laws and regulations that could reasonably be expected to have a material effect on the financial statements based on our general understanding and sector experience, through discussion with relevant management and evaluating the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to component audit teams of relevant laws and regulations identified at group level. The potential effect of these laws and regulations on the financial statements varies considerably:

- Firstly, the company is subject to laws and regulations that directly affect the financial statements including taxation and financial reporting (including related company legislation). We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.
- Secondly, the company is subject to other laws and regulations where the consequences of non-compliance could have an indirect material effect on amounts recognised or disclosures provided in the financial statements, or both, for instance through the imposition of fines or litigation.

Independent auditor's report *continued*



We identified the following areas as those most likely to have such an indirect effect:

- Wet op het financieel toezicht (Dutch Act on Financial Supervision, Wft); and
- Wet ter voorkoming van witwassen en financieren van terrorisme (Dutch Act on Anti Money Laundering and Terrorism Financing, Wwft).

Auditing standards limit the required audit procedures to identify non-compliance with laws and regulations that have an indirect effect to inquiring of relevant management and inspection of regulatory and legal correspondence, if any. Through these procedures, we did not identify any additional actual or suspected non-compliance other than those previously identified by the company in each of the above areas. We considered the effect of actual or suspected non-compliance as part of our procedures on the related financial statement items.

Our procedures to address compliance with laws and regulations did not result in the identification of a key audit matter.

We do note that our audit is not primarily designed to detect non-compliance with laws and regulations and that management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud, including compliance with laws and regulations.

The more distant non-compliance with indirect laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of operating lease assets

Description

LeasePlan's portfolio of vehicles under operating lease contracts amounts to EUR 19.3 billion as at 31 December 2019. These vehicles are measured at cost less accumulated depreciation and impairments. Management is required to assess the residual value and the useful life of leased vehicles at least each year-end. Changes should either be accounted for as an impairment charge or as a change in accounting estimate through prospective depreciation. Impairment assessment is performed at cash generating unit level on a quarterly basis.

Independent auditor's report *continued*



The residual value is an estimate of the amount that could be received from disposal of the vehicle at the reporting date if the asset were already of the age and in the condition that it will be in when LeasePlan expects to dispose of it. Residual value does not include expected future inflation or expected increases and decreases in the ultimate disposal value.

The Group's Asset Risk Management department monitors the actual asset performance of each reporting entity against the defined asset risk appetite. On a quarterly basis all reporting entities assess the estimated residual values of the existing operating lease portfolio by comparing contracted residual values and book values to the latest expectations of market prices, by means of the so-called 'fleet risk assessment tool'. Certain aspects of this assessment require significant judgement, such as the impact of technological developments and changing laws and regulations affecting the residual value of vehicles. On top of that management performs impairment trigger assessments and impairment calculations, as and when applicable, for identified loss making contracts on a quarterly basis.

The risk for the financial statements is that the depreciation charge for the period could be misstated or that impairment losses will not be recognised on a timely basis or measured incorrectly.

Due to the significance of the operating lease assets, the related risk of error and the significance of the estimation uncertainty, we consider the valuation of the operating lease assets as key audit matter.

For more information, reference is made to general note 3 T, note D Asset risk of the financial risk management paragraph and specific note 18 to the consolidated financial statements.

Our response

Our audit approach included obtaining an understanding of the asset risk management framework as designed and implemented at group and at reporting entity level.

At group level we analysed the main developments and trends resulting from the fleet risk assessment. At reporting entity level we reconciled the data used in the fleet risk assessments (FRA) to underlying source systems and assessed the reasonableness of the valuation assumptions used as captured in the FRA tool by comparing these on a sample basis to actual market data. We have specifically assessed that management actions and compensating elements as well as other risk bearing elements of the lease contract (i.e. repair, maintenance and tyre replacement) are excluded from the assessment of prospective depreciation at group level. Furthermore, we have tested the contracted residual values as included in the existing lease portfolio, by comparing these to recent actual sales results from terminated contracts.

We have tested and challenged management's quarterly impairment trigger assessment performed at each reporting entity, with a focus on the timely detection of impairments existing at client lease contract level. For this purposes we have assessed the profit or loss from disposal of vehicles ('PLDV') for the most recent months, assessed changes in regulation that may impact residual values, inspected if customers are overall loss-making and assessed management's back testing of its ability to reduce losses over the lifetime of the lease term.

Independent auditor's report *continued*



For impairments recognised we tested the appropriateness of the impairment models used and the key parameters applied by management for measurement of impairments in accordance with IAS 36. For that purpose we involved KPMG valuation specialists to assess the technical soundness and effectiveness of the models used. We engaged local KPMG teams to vouch the correctness of key data used as input to the impairment model.

We assessed whether the disclosures appropriately address the uncertainty which exists when determining the impairments and draw attention to note 18 of the financial statements, which describes management's approach to determine the amount of the impairment of the operating lease portfolio in Turkey, Germany, Poland and Austria and the key parameters and assumptions used to which the impairment is most sensitive.

Our observation

Overall, we assess the assumptions used by management and related estimates resulted in a balanced valuation of the vehicles leased under operating lease contracts.

Revenue recognition for service income

Description

As part of its Cars as Service offering LeasePlan offers a range of bundled and stand-alone services as part of the lease contracts to meet the specific needs of clients. Apart from financing of vehicles, these services can include maintenance, fuel, accident and fleet management, rental and insurance.

Any volume related bonuses related to expenses are credited directly to expenses. Purchase bonuses received on purchases of vehicles for operating lease contracts are deducted from the purchase consideration and result in lower depreciation, whereas for finance lease contracts these bonuses are immediately recognised in the statement of profit or loss. In addition services may include pass on costs, collected on behalf of third parties such as fuel and road taxes that are not presented as revenues.

The revenues and costs of these various service elements need to be recognised and considered on a separate basis, while the timing of the revenue recognition (over the term and/or at the end of the contract) of certain service elements can also be impacted by the selected pricing model, closed or open calculation. For closed calculation contracts the overall risk on the result, both positive and negative, is borne by LeasePlan. For open calculation contracts, under certain circumstances the portion of the positive result from the lease contract is shared with the client upon termination of the lease contract.

We assess the accounting of revenue and cost of revenue for service income as a complex and judgemental area that also includes a fraud risk and have therefore identified revenue recognition as key audit matter.

For more information, reference is made to general note 3-P and specific note 3 to the consolidated financial statements.

Independent auditor's report *continued*



Our response

Our audit approach included testing of internal controls around the various revenue streams as well as substantive audit procedures on the correct recording of revenue from lease contracts.

Our procedures focused on the adequacy and consistency of the accounting policies applied including the appropriate application of IFRS 15. In this context we paid particular attention to the revenue recognition over the term of the contract for closed calculation contracts in relation to repair, maintenance and tyres services (RMT). We specifically tested management estimates in relation to the estimated margins for RMT services both at group and at reporting entity level. We also performed substantive audit procedures on the cut-off results and related accruals on terminated contracts for both open and closed calculation contracts.

Our observation

Overall we assess the assumptions applied in the revenue recognition for service income (RMT) to be reasonable. We have observed a more consistent application across all reporting entities of the group accounting policy for recognition of service income over the contractual lease term. We have shared our recommendations to management to reduce reliance on spreadsheets for this critical revenue stream.

Information technology and system development

Description

LeasePlan is highly dependent on its IT-infrastructure for the reliability and continuity of its operations and financial reporting. In the course of 2019 management decided to stop the development of the Core Leasing System (CLS) in favour of building a Next Generation Digital Architecture (NGDA). This decision led to the recognition of an impairment of intangible assets under construction of EUR 92 million and has had significant impact on the pace and scope of the IT transformation agenda going forward. Due to the dependency on IT and the impact of the ongoing IT transformation on the control environment we have identified the effectiveness of IT management as part of the general IT controls as a key audit matter.

Our response

We performed a Shared Service Centre Audit at LeasePlan Information Services and reported our findings to our local auditors where relevant. In addition, our local IT auditors assessed the reliability and continuity of the IT environment for systems hosted and managed locally. Central and local testing was performed within the scope of our audit of the financial statements. We tested the design and operating effectiveness of the controls over the integrity of the IT systems relevant for financial reporting locally and centrally and tested the relevant application controls for systems in scope. We also assessed the impact of abandoning CLS and the related risks on the control environment for our audit. We tested the accuracy and completeness of the impairment recognised in respect of CLS. This included an assessment of the usability of the remaining IT components and the appropriateness of the related amounts capitalised as intangible assets under development against the criteria of IAS 38.

Independent auditor's report *continued*



Our observation

As in previous years we identified exceptions with respect to user access and change management. The combination of the tests of controls and additional substantive tests performed however provided sufficient evidence to enable us to rely on the continued operation of the IT systems for the purpose of our audit. We shared with management our recommendations on IT controls and governance.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- chapters from 'At a glance' up to and including 'Governance'; and
- chapters 'Other information' and 'Glossary'.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements; and
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Managing Board of LeasePlan is responsible for the preparation of the other information, including the information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the General Meeting of Shareholders as auditor of LeasePlan on 21 September 2015, as of the audit for the year 2016 and have operated as statutory auditor ever since that financial year.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audits of public-interest entities.

Independent auditor's report *continued*



Services rendered

For the period to which our statutory audit relates, in addition to this audit, we have provided the following services to the Company and its controlled undertakings:

- review of interim financial information for the first, second and third quarter in accordance with Dutch Standards on Auditing;
- audit of COREP and FINREP reporting to De Nederlandsche Bank N.V. (DNB) in accordance with Dutch Standards on Auditing;
- agreed-upon procedures for the deposit guarantee scheme ('DGS') reporting to DNB;
- report on controls at a service organisation for the DGS reporting to DNB;
- agreed-upon procedures for the interest rate risk reporting to DNB;
- audits of securitisation vehicles controlled by LeasePlan;
- assurance engagements with respect to prospectuses, and
- agreed-upon procedures for cost-sharing engagements.

Description of responsibilities regarding the financial statements

Responsibilities of the Managing Board and the Supervisory Board for the financial statements

The Managing Board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Managing Board is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Managing Board is responsible for assessing the LeasePlan's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Managing Board should prepare the financial statements using the going concern basis of accounting unless the Managing Board either intends to liquidate the LeasePlan or to cease operations, or has no realistic alternative but to do so.

The Managing Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the LeasePlan's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Independent auditor's report *continued*



Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A further description of our responsibilities for the audit of the financial statements is located at the website of de 'Koninklijke Nederlandse Beroepsorganisatie van Accountants' (NBA, Royal Netherlands Institute of Chartered Accountants) at: http://www.nba.nl/ENG_oob_01. This description forms part of our auditor's report.

Amstelveen, 25 March 2020

KPMG Accountants N.V.

D. Korf RA



Sustainability assurance report of the independent auditor

Sustainability assurance report of the independent auditor



Sustainability assurance report of the independent auditor

To: the General Meeting of Shareholders and the Supervisory Board of LeasePlan Corporation N.V.

Our conclusion

We have reviewed the selected sustainability indicators in the Annual Report 2019 ('the annual report') of LeasePlan Corporation N.V. ('LeasePlan' or 'the Company').

Based on the procedures performed nothing has come to our attention that causes us to believe that the of the selected sustainability indicators in the annual report are not, in all material respects, prepared in accordance with the internal reporting criteria of LeasePlan as described in the 'Reporting criteria' section below.

The selected sustainability indicators are the following:

- New EV orders (electric vehicles)
- Average CO₂ g/km per vehicle total fleet
- Percentage of female employees at top three layers
- Global employee engagement plus score

Basis for our conclusion

We performed our review on the selected sustainability indicators in accordance with Dutch law, including Dutch Standard on Auditing 3000A 'Assurance-opdrachten anders dan opdrachten tot controle of beoordeling van historische financiële informatie (attest-opdrachten) (assurance engagements other than audits or reviews of historical financial information (attestation engagements)). This engagement is aimed to obtain limited assurance.

Our responsibilities in this regard are further described in the 'Auditor's responsibilities' section of our report.

We are independent of LeasePlan in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in The Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

We believe the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Reporting criteria

The selected sustainability indicators need to be read and understood together with the internal reporting criteria. LeasePlan is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting.

Sustainability assurance report of the independent auditor

continued



The reporting criteria used for the preparation of the selected sustainability indicators are the applied internal reporting criteria as disclosed in the section 'Limited assurance on non-financial indicators' in the 'Sustainability reporting' chapter on page 69 of the annual report.

Materiality

Based on our professional judgement we determined materiality levels for each of the sustainability indicators. When evaluating our materiality levels, we have taken into account quantitative and qualitative considerations as well as the relevance of information for both stakeholders and the company.

Scope of the review of the group

LeasePlan is the parent company of a group of entities. The sustainability indicators incorporate the consolidated information of this group of entities.

Comparative information not reviewed

No review has been carried out over the selected sustainability indicators for previous years. Therefore, data included for comparison and the related disclosures for previous years are not part of our assurance conclusion.

The Managing Board's Responsibilities

The Managing Board of LeasePlan is responsible for the preparation of the selected sustainability indicators in the report in accordance with the internal reporting criteria, including the identification of stakeholders and the definition of material matters.

Furthermore, the Managing Board is responsible for such internal controls as it determines is necessary to enable the preparation of the selected sustainability indicators in the report that is free from material misstatement, whether due to fraud or error.

The Supervisory Board is responsible for overseeing the reporting process of LeasePlan.

Auditor's responsibilities

Our responsibility is to plan and perform our review in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

The procedures performed to obtain a limited level of assurance are aimed at determining the plausibility of information and differ in nature, timing and extent as compared to reasonable assurance engagements. The level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

We apply the 'Nadere Voorschriften Kwaliteitssystemen' (NVKS, Regulations for Quality management systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Sustainability assurance report of the independent auditor

continued



We have exercised professional judgement and have maintained professional skepticism throughout the review, in accordance with the Dutch Standard on Auditing 3000A, ethical requirements and independence requirements.

Our review included among others the following procedures:

- performing an analysis of the external environment and obtaining an understanding of relevant societal themes and issues, and the characteristics of the company;
- evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the report. This includes the reasonableness of estimates made by the Managing Board;
- obtaining an understanding of the reporting processes for the selected sustainability indicators, including obtaining a general understanding of internal control relevant to our review;
- identifying areas of the selected sustainability indicators in the report where a material misstatement, whether due to fraud or error, are most likely to occur, designing and performing assurance procedures responsive to these areas, and obtaining assurance information that is sufficient and appropriate to provide a basis for our conclusion. These procedures included, among others:
 - interviewing relevant staff responsible for providing the information for, carrying out internal control procedures over, and consolidating the selected sustainability indicators in the report;
 - obtaining assurance information that the disclosures on the selected sustainability indicators in the report reconcile with underlying records of the company;
 - reviewing, on a limited test basis, relevant internal and external documentation;
 - performing an analytical review of the data and trends in relation to the selected sustainability indicators.
- evaluating the consistency of the selected sustainability indicators with other information in the report which is not included in the scope of our review;
- evaluating the presentation, structure and content of the selected sustainability indicators in the report;
- considering whether the selected sustainability indicators as a whole, including the disclosures, sufficiently reflects the purpose of the reporting criteria used.

We communicated with the Supervisory Board our planned scope and timing of the review and significant findings that we identified following our review.

Amstelveen, 25 March 2020

KPMG Accountants N.V.

D. Korf RA

Glossary

AFM	The Dutch Authority for the Financial Markets (AFM) has been responsible for supervising the operation of the financial markets since 1 March 2002	Employee engagement plus score	We measure employee engagement through a global engagement plus score. This score is determined through a third-party survey of our employees globally, with a weighted average of responses to 50 questions. This indicator also receives limited assurance by our external auditor
Average CO₂ emissions per vehicle in funded fleet	We track average CO ₂ emissions in our funded fleet as part of our commitment to achieving net zero tailpipe emissions by 2030. This number also receives limited assurance by our external auditor and is reported as part of our annual Carbon Disclosure Project submissions	FMCs	Fleet management companies
CaaS	LeasePlan purchases, funds and manages vehicles for its customers, providing a complete end-to-end service through its Car-as-a-Service (CaaS) business for a typical contract duration of three to four years	ICE	Internal combustion engine
CAGR	Compound Annual Growth Rate	LCV	Light commercial vehicles
CLS	The SAP-based Core Leasing System (CLS) was the main IT system development project to harmonise processes across all countries.	LeasePlan Bank	The online retail deposit bank operated by LeasePlan Corporation N.V. under a banking licence from DNB
Digital Power of One LeasePlan	This programme aims to move the Group towards becoming a data driven company delivering digital car services steered by the latest digital technology of data analytics, artificial intelligence and algorithms	New EV orders	This indicator helps us to express how the portion of EVs is growing in our funded fleet. New EV orders refers to orders of Battery Electric Vehicles and Plug-in Hybrid Electric Vehicles for our funded fleet, excluding USA. The contracts for these vehicles have not begun, so they are not yet on our balance sheet
Diversity	Our main diversity KPI is for gender diversity. Our current target is that female employees account for at least 30% of the top three layers in the company. This target was set in collaboration with non-profit foundation Talent to the Top, which also externally monitors our progress. This indicator also receives limited assurance by our external auditor	NGDA	Next Generation Digital Architecture is our new, versatile, dynamic and modular system, which will enable us to offer a new range of smart fleet products and services to millions of customers
DNB	The Dutch Central Bank (De Nederlandsche Bank N.V.)	OEMs	Vehicle original equipment manufacturers
		Power of One LeasePlan	Power of One LeasePlan is our operational improvement programme via which we have created a fully integrated operating model. This initiative enables us to leverage the strength of our organisation across all LeasePlan countries, the value chain and our functional competencies
		PV	Passenger vehicle
		RMT	Repair, maintenance and tyres
		RV	Residual value of a vehicle

Cautionary statements

This document includes forward-looking statements relating, but not limited, to LeasePlan's potential exposures to various types of operational, credit and market risk. Such statements are subject to risks and uncertainties. These forward-looking statements are not historical facts and represent only LeasePlan's (or other third parties') beliefs regarding future events, many of which by their nature are inherently uncertain and beyond LeasePlan's control. Other factors that could cause actual results to differ materially from those anticipated by the forward-looking statements contained in this document include, but are not limited to:

- General economic, social and political conditions in countries in which LeasePlan has significant business activities, investments or other exposures, including the impact of the current Covid-19 outbreak on the global economy and on LeasePlan's performance and financial position;
- The extent and nature of future developments and continued volatility in the credit and financial markets and their impact on the financial industry in general and LeasePlan in particular;
- Macroeconomic and geopolitical risks;
- Reductions in LeasePlan's credit ratings;
- Monetary and interest rate policies of the ECB and G20 central banks;
- Inflation or deflation;
- Unanticipated turbulence in interest rates, foreign currency exchange rates, commodity prices and equity prices;
- Liquidity risks;
- The success of LeasePlan in managing the risks involved in the foregoing.

The forward-looking statements made in this Annual Report were formulated prior to the outbreak of Covid-19 and therefore do not take into account the most recent developments of the outbreak. The outbreak is ongoing at the time of publication of this report and the full extent of its impact cannot yet be estimated.

Furthermore, the forward-looking statements made in this Annual Report are only applicable as from the date of publication of this document. LeasePlan does not intend to publicly update or revise these forward-looking statements to reflect events or circumstances after the date of this report, and LeasePlan does not assume any responsibility to do so. The reader should, however, take into account any further disclosures of a forward-looking nature that LeasePlan may make in LeasePlan's interim reports.

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