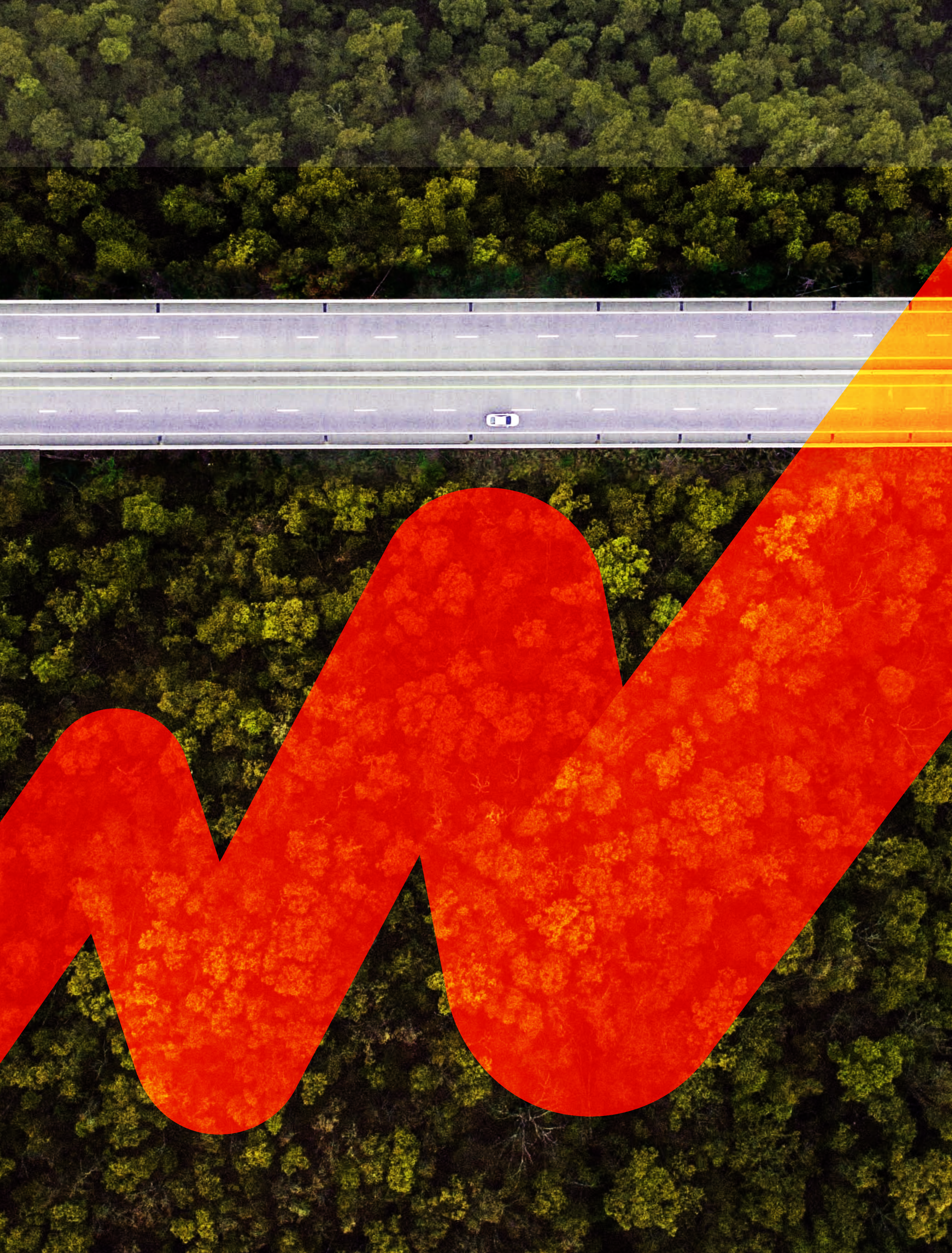
Annual Report 2016

What's next? The world is changing fast, but one thing's for certain: people love cars. Company cars, private cars, electric cars, shared cars, hailed rides, shared rides, autonomous rides. Committed to delivering another 50 years of profitable growth, we're embarking on a new strategy to unleash our potential in an exciting and dynamic market: building on the successes of the past and leveraging "The Power of One LeasePlan" to capture the exciting growth opportunities we see on the road ahead. This is the new LeasePlan: dedicated to delivering what's next for our customers and investors.

LeasePlan



About LeasePlan

LeasePlan is one of the world's leading vehicle leasing companies, with approximately 1.7 million vehicles under our care in over 30 countries. Our core business involves managing the entire vehicle life-cycle for our clients, taking care of everything from purchasing, insurance and maintenance to car re-marketing. With over 50 years' experience, we are a trusted partner for our private, SME, corporate and mobility service clients. Our mission is to provide innovative, sustainable vehicle leasing solutions whoever you are and wherever you need to be — so you can focus on what's next.

Find out more at **www.leaseplan.com**

Contents

LeasePlan is, where appropriate, used as a reference to LeasePlan Corporation N.V. or LeasePlan as a group of companies forming part of the group of LeasePlan Corporation N.V. This document contains forward-looking statements. Please read the disclaimer inside the back cover.

1. Diversified and resilient business model

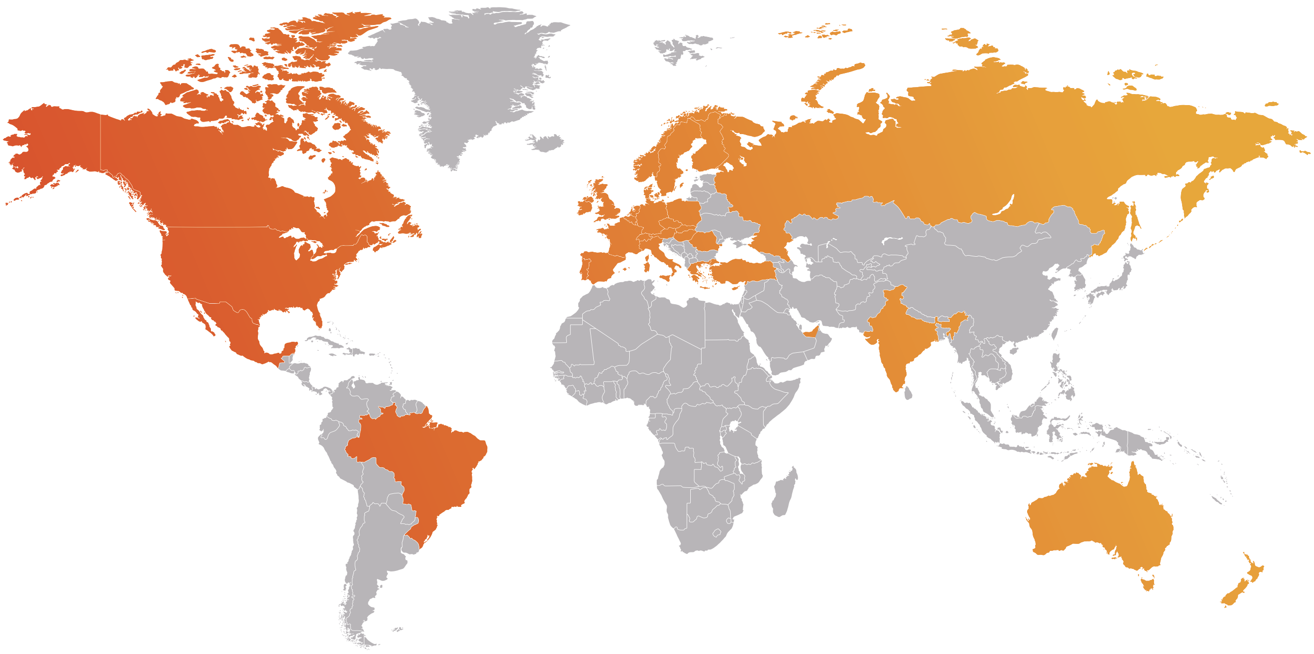
Funding Mix 2016 (%)

Debt capital markets	42
Retail deposits	31
Secured funding	10
Bank lines / other	17

Brand Mix (%)

Volkswagen	13.11
Ford	13.1
Audi	8.75
BMW	8.83
Renault	6.02
Opel	4.41
Mercedes Benz	7.11
Toyota	3.66
Peugeot	4.59
Volvo	3.93
Citroen	2.35
Skoda	3.88
Others	20.28

Geography

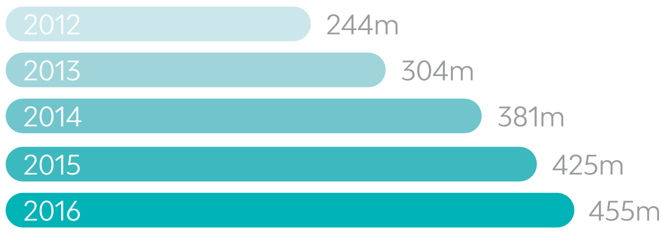


Countries where LeasePlan operates

2. Highly profitable and cash generative business

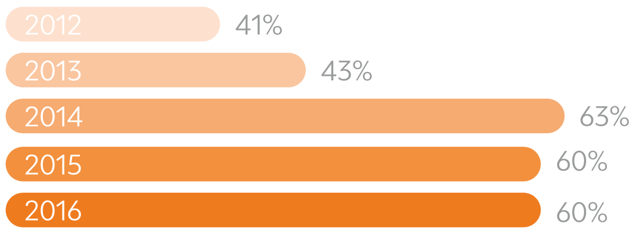
455m

Underlying net result (EUR millions)



60%

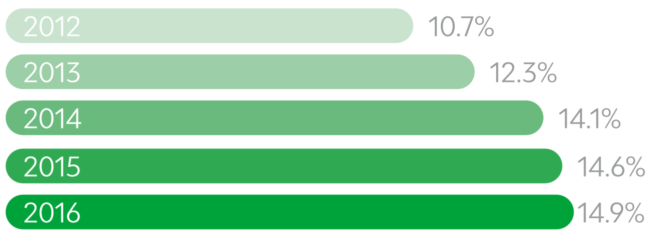
Dividend payout ratio



3. Sustainable growth trajectory

14.9%

Underlying return on equity



8%

Growth number of vehicles

93%

of customers is satisfied with service quality

CEO statement

"LeasePlan completed yet another year of strong growth and has developed an ambitious three-year plan to unlock 'The Power of One LeasePlan'."

Dear stakeholder,

Throughout its 50-year history, LeasePlan has developed a consistent track record of sustainable growth and profitability. 2016 was no exception: the team delivered strong results, yet again demonstrating the core strengths of our business. We have more cars on the road than ever, and are providing a superior service to our high-quality customer base. Net profit before exceptional items is at a record high, and we ended the year with a strong capital position. As the new leader of LeasePlan, I am very proud to have joined such a strong company and deeply recognise that I am standing on the shoulders of many others, particularly my predecessor, CEO Vahid Daemi.

Looking ahead, I also would like to share my excitement about the future of LeasePlan, and its ability to deliver another 50 years of profitable and sustainable growth. Our goals are threefold: (1) to maintain the strength and resilience of our business; (2) to enhance profitability by unlocking the "The Power of One LeasePlan", and; (3) to position ourselves strategically to take advantage of opportunities resulting from innovation in the automotive sector.

Our first priority, however, will always be to enhance those aspects of our business that are key to our strength and resilience. To that end, we will ensure we maintain our leading market positions, diversified revenue streams and geographical presence, as well as our high-quality customer base. We will also continue investing in our leading risk management capabilities and leveraging our uniquely diversified funding model. This is key to the smooth execution of our day-to-day business and the implementation of our strategic and operational initiatives.

On the foundations of our strong and resilient business, a new leadership team has developed an updated strategic plan for the coming three years under the banner of "The Power of One LeasePlan". The logic of our plan is simple. In the past, LeasePlan was managed through a multi-local organisation, with LeasePlan's overall results being the aggregate of our local business activities. With "The Power of One LeasePlan" strategy, we recognise that none of us is strong as all of us,

"LeasePlan has developed a consistent track record of sustainable growth and profitability. 2016 was no exception."

and that by leveraging the whole value chain and best practices across all our countries, we can create significant additional value for our customers and investors.

To execute our strategy, we have created a fully integrated, centralised organisation with operational centres of excellence in areas such as procurement, IT and car-remarketing. This will enable us to better leverage our scale, improve our service to customers, enhance our operational efficiency and generate cost savings. We have also developed a new and comprehensive set of key customer-centric and profitability metrics to closely track our progress across all our strategic and operational improvement initiatives.

In addition to operational excellence measures, a key element of our strategy is to pursue sustainable growth opportunities. As well as continued growth opportunities in our existing corporate, small and medium enterprises (SME) and private lease markets, we see significant sustainable growth prospects in the new 'mobility as a service' market segment. This includes integrated marketing activities with car-sharing companies and strategic partnerships with the new generation of ride-sharing businesses.

Work is already underway in this area, and in 2016 we began collaborating with a number of leading shared mobility companies in several markets. These activities are all logical adjacencies to our current business. They leverage our existing core competencies and business model of profitably managing the entire life cycle of a fleet of cars; from purchasing and insurance, through to repairs and maintenance, and finally, re-marketing. Indeed, it is our firm conviction that, with almost 1.7 million cars under management in 32 countries, there is no company better placed than LeasePlan to grow and deliver superior service and value to these new market entrants, and to capitalise on the exciting changes in the mobility landscape.

As a responsible company, whatever action we take or new markets we enter in the coming years, we will use our scale, expertise and broad geographic presence to be at the heart of the discussion on sustainability. Our aim is to help create healthier environments in our towns and cities by promoting cleaner, low-emission vehiclesand the infrastructure required to make these cars a viable option for customers. As well as being the right thing to do, this also makes good business sense. Our belief is that demand for low-emission vehicles will only go up as technology costs fall and regulatory action to cut emissions increases. Recent events confirm this assessment; in 2016, we saw many major cities in our key markets – including Amsterdam, London and Paris – pass legislation to further encourage the adoption of low-emission vehicles on our roads.

Finally, it is our belief that "you cannot grow a business; you can only grow people who grow businesses". We have therefore begun to make significant investments in our people, including the development of a comprehensive training programme to help us grow the skills and competencies required to succeed in a changing and increasingly digitised landscape. This is fundamental to our overall success.

All our employees around the world deserve tremendous credit for the energy, commitment and dedication they have shown this year. I would also like to thank our customers, suppliers and investors for their trust and cooperation. For my own part, I am proud to have joined such a great company at such an exciting and dynamic time in its history, and look forward to contributing to the next stage of its development under the banner of "The Power of One LeasePlan".

Tex Gunning
CEO, LeasePlan Corporation N.V.
Almere, the Netherlands.

Leadership team

Tex Gunning
CEO and Chairman of the Managing Board

Tex Gunning (1950) 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 merged AkzoNobel's decorative paints business with ICI. Prior to that, 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. Mr Gunning was appointed as Chairman of the Managing Board in 2016. He is an economics graduate of Erasmus University.

Guus Stoelinga
Chief Financial and Risk Officer

Guus Stoelinga (1963) has over 25 years of experience at LeasePlan. Mr Stoelinga started as the Finance Director in LeasePlan Netherlands and of Auto Lease Holland before becoming Senior Vice-President Business Process Management of LeasePlan Corporation in 2000. This was followed by the position of Senior Vice-President Business Integrations and Senior Vice-President Corporate Strategy and Development. He was appointed to his current position in 2007. He previously held various audit positions at KPMG and financial positions at Banque Paribas, Netherlands. Mr Stoelinga is a Dutch Chartered Accountant (NBA).

Marco van Kalleveen
Chief Operational Officer

Marco van Kalleveen (1969) served as member of the Board of Management of TNT Express between 2014 and 2016. He was responsible for leading the turnaround of the Domestic Businesses Division. Before his position at TNT Express, he was partner at McKinsey and Senior Vice President at Bain Capital. Mr van Kalleveen was appointed to the position of Chief Operational Officer and Member of the Managing Board in 2016. Mr Van Kalleveen earned his MSc in Business Economics at the Erasmus University Rotterdam and holds an MBA from Harvard Business School. He is a member of the Advisory Board of the Rotterdam School of Management.

Yolanda Paulissen

Chief Strategic Finance and Investor Relations Officer

Yolanda Paulissen (1969) has been promoted from her former position as Senior Corporate Vice-President (SCVP) Strategic Finance, which she held since 2010. Yolanda Paulissen has over 20 years' experience in finance, beginning her career as International Funding Manager at ABN AMRO Lease Holding, a position she held from 1993 to 1997. She then served as senior consultant Corporate Finance at Van den Boom Groep, which later became NIBC Bank, from 1997 to 2003. She joined LeasePlan Corporation in 2003 as Senior Manager Corporate Strategy and Development and was subsequently appointed Director Mergers and Acquisitions in 2006 and SCVP Strategic Finance in 2010. She holds a Master's degree in Business Economics from Maastricht University. Amongst other responsibilities, she will lead the implementation of an Investor Relations function, thereby further professionalising our interaction and communication with the investor community, and will oversee LeasePlan's M&A activities.

Daniëlle Pos
Chief Legal and Compliance Officer

Daniëlle Pos (1976) served as Senior Counsel in the Financial Markets Regulation Group at law firm De Brauw Blackstone Westbroek, where she worked in several departments focusing on financial markets regulation since 2003. At De Brauw, Ms Pos assisted financial institutions of all types in navigating the Dutch and European financial regulatory landscape to ensure compliance with regulatory law. She worked as a supervisor in the Offering and Listing of Securities & Public Offers department of the Netherlands Authority for the Financial Markets as part of a secondment by De Brauw and, at the request of the Ministry of Finance, was part of the sounding board for the implementation of the European Solvency II Directive in the Netherlands. She studied Dutch law and notarial law at the University of Amsterdam and also holds a graduate degree from Columbia University, New York.

2016 Financial and business performance

2016 was marked by a change of ownership and a change of leadership. It was also a year in which we started preparations for LeasePlan's next phase of development and one in which our business model proved its robustness with yet again a strong overall performance. In this section we discuss the financial and operational performance highlights of the year under review. We aim to enhance the ability to track progress made under our new strategy going forward. The reconciliation between the underlying results and the reported results can be found in Note 2 (Basis of preparation) of the financial statements.

Overall performance
LeasePlan's continued strong growth and overall performance over 2016 demonstrate the key strengths of our business. From a commercial perspective, we reached a service quality perception score of 93% among customer fleet managers, up 1 point from 2015, providing evidence of our continued high level of customer satisfaction. From a financial point of view, our underlying net result[1] grew by 7% year-on-year to EUR 455.3 million, while underlying return on equity[2] increased to 14.9% in 2016 from 14.6% in 2015. These metrics prove that we are able to create value for customers and investors at the same time.

Volumes and assets under management

	31 December 2016	31 December 2015
Number of vehicles (millions)	1.7	1.6
Growth number of vehicles	8%	9%
Lease assets (in billions of euros)	18.8	17.1
Total assets (in billions of euros)	23.8	21.4

In 2016, growth of the number of vehicles was the main driver of our improved underlying performance. Our number of vehicles, which consists of passenger cars and light commercial vehicles, increased by 8% during 2016 to 1,7 million vehicles under management at year-end.

We offer customers choice over a wide range of car make and model types at all relevant price points and we saw continued growth in all major regions and across all customer types. Corporate clients, the vast part of our business, continued to show a steady low single digit growth, which includes a further increase of our blue chip customer (international) fleet. The main contributors to total fleet growth were SME and private lease, both with strong double digit growth. SME growth is fuelled through a network of brokers and through telesales. In private lease we continue to see growth through our direct sales as well as through retail partners. The majority of our fleet growth was realised in Europe and more specifically across all Central Eastern Europe geographies. In particular Slovakia, Czech Republic and Hungary made a strong contribution. Organic growth was in line with growth of the total number of vehicles, as we did not engage in any material fleet-related acquisitions and divestments during the year.

Total assets increased by 11% to EUR 23.8 billion, from EUR 21.4 billion at year-end 2015 as a consequence of the strong fleet growth.

[1] Underlying net result: Net result excluding restructuring related expenses, gains/losses on acquisitions and disposals of subsidiaries and unrealised gains/losses on derivatives.
[2] Underlying return on equity: 2016 underlying net result divided by the weighted average IFRS equity.

LeasePlan's continued strong growth and overall performance over 2016 demonstrate the key strengths of our business.

Underlying income statement

in millions of euros	**2016**	**2015**
Lease revenues	6,241.8	6,102.5
Vehicles sales revenues	2,937.1	2,775.0
Total revenues	**9,178.9**	**8,877.5**
Total cost of revenues	**7,671.1**	**7,391.5**
Fees and interest margin	631.6	660.2
Lease services	485.0	450.6
Insurance	201.9	184.4
Vehicles sales	189.3	190.8
Gross profit	**1,507.8**	**1,486.0**
Overheads (underlying)	914.4	904.8
Underlying operating profit	**593.4**	**581.2**
Share of profit of associates and jointly controlled entities	4.6	5.9
Underlying profit before tax	**598.0**	**587.1**
Tax	142.7	161.8
Underlying net result	**455.3**	**425.3**
Underlying adjustments	- 29.8	17.2
Reported net result	**425.5**	**442.5**

Total revenues

Total revenues increased by 3% to EUR 9.2 billion. Revenues are driven by a mix of factors, including the number of vehicles under management, number and level of services included, developments in the second hand car market, shifts in preferred car types, contract durations and interest rates. The increase in lease revenues is mainly driven by the increase in the number of vehicles under management, which is partly offset by a decrease in the average lease instalment per contract. The latter mainly reflects a shift in the contract mix from older contracts with higher interest rates to new contracts with lower interest rates.

Gross profit

In 2016, gross profit grew by 1% to EUR 1.5 billion. We distinguish four major profit streams:

- **Fees and interest margin**

  A recurring profit stream resulting from periodical fees and interest margins largely hedged at the start of each new lease and fleet management contract and as such minimally impacted by market movements during the life of the contracts. Fees and interest margin represents 42 % of gross profit in 2016.

  Fees and interest margin declined by 4% to EUR 631.6 million in 2016. In line with previous years, our strategy during 2016 was geared towards growth aimed at gaining market share and (new) customer onboarding. For this purpose, we compromised on management fees in order to win key contracts, which limits the fee revenues increase in 2016 and actually saw average fee per car decline.

  The interest margin was under pressure due to growth of the fleet whilst being in a low-interest rate environment. As required under IFRS, our interest income is recognised on a linear basis, while our interest costs are annuity-based (e.g. more heavily weighted towards the early stages of contracts). As a consequence, our growing contract portfolio consists of a higher proportion of early-stage lower margin contracts, which will gradually generate higher margins as they mature.

  Furthermore, our interest margin in 2016 was affected by several other factors. First, liquidity costs increased due to further declines in Euribor interest rates and an on average higher liquidity buffer throughout the year. Second, following the change of ownership in the spring of 2016, we obtained an additional revolving credit facility of EUR 1,250 million to replace the previous facility provided by Volkswagen Group, and third, regulatory fees for deposit-guarantee schemes increased in 2016 due to the start of the new ex-ante financing approach of this scheme that started late 2015.

- **Lease services**

  A profit stream resulting from fleet management services during contract life, including consultancy, repair and maintenance services, rental services and other lease related services, which we provide to customers under our full service offering throughout contract duration. Lease services represents 32% of gross profit in 2016.

  Lease services increased by 8% to EUR 485.0 million in 2016, partly due to higher volume discounts on car parts such as tyres which we obtained through improved leverage of our buying power. In addition, vehicle repair and maintenance margins increased on the back of fleet growth and realised cost efficiencies. The latter includes more efficient use of our own and third party dealer network and improved dealer arrangements. Our fleet management consultancy for corporate customers also contributed to the increase of lease services, particularly in such areas of expertise as decreasing CO_2 emissions, decreasing costs of ownership and safety of our customers' drivers.

- **Insurance**

  A profit stream resulting from insurance covers for (fleets of) passenger cars and commercial vehicles as part of our full service offering. It includes covers for among others third party liability, personal indemnity and in particular own damage. Insurance represents 13% of gross profit in 2016.

  Insurance income amounted to EUR 201.9 million in 2016, up 9%, partly due to a slightly improved underwriting result per vehicle and partly due to volume effects driven by fleet growth and further roll out and penetration of fleet insurance products and services across our group. The insured fleet grew by 80,000 vehicles during the year.

- **Vehicle sales**
  A profit stream resulting from contract termination, end-of-contract settlements and the result of resale of used cars. It also includes the result of risk mitigating measures during the life time, and at the end-of-contact. Vehicle sales represents 13% of gross profit in 2016.

  Vehicle sales remained practically stable at EUR 189.3 million in 2016, with an increase in residual value pricing at the start of contracts, offset by an improvement of ex-lease car sales proceeds as a result of further leveraging our diversified car resale model.

Overheads
Underlying overheads increased 1% to EUR 914.4 million in 2016, mainly due to the higher level of business activity, partly offset by lower staff and other operating costs per vehicle. Underlying overhead per vehicle[3] decreased by 7.1% to EUR 566 from EUR 609 in 2015, reflecting increased group operating efficiencies and cost savings.

Taxes
The effective tax rate on underlying profit before tax amounted to 23.9% compared to 27.6% in 2015. The lower rate was primarily due to positive effects related to newly introduced tax legislation for company car depreciation and change of nominal tax rates in certain countries.

Net result
Underlying net result for 2016 grew by 7.1% year-on-year to EUR 455.3 million driven mainly by fleet growth, improved lease margins, higher insurance income and continued strong sales results of vehicles sold.

Our reported net result, which includes one-time items and the impact of unrealised results on financial instruments, amounted to EUR 425.5 million. Underlying adjustments of EUR 29.8 million negative included a restructuring charge of EUR 72.6 million net (gross EUR 93.6 million), partly offset by an unrealised gain of EUR 3.7 million net (gross EUR 4.8 million) on derivative financial instruments and a EUR 39.1 million result on the divestment of Travelcard. The restructuring charge was taken in the fourth quarter of 2016, when we established a new leadership team and a new European organisational structure. The charge was predominantly related to severance payments and consultancy costs to switch from a multi-local organisation to a fully integrated organisation leveraging the scale and best practices of LeasePlan across the Group to enhance our operational efficiency. In the comparable year 2015 underlying adjustments[4] amounted to EUR 17.2 million positive which brings the reported net result for the year to EUR 442.5 million.

Reconciliation
The reconciliation of the 2016 and 2015 Underlying results to reported results, is included in the financial statements and can be found in Note 2.

Underlying net result grew by 7.1% year-on-year to EUR 455.3 million

[3] Underlying overhead per vehicle: Operating expenses excluding restructuring related expenses, divided by the average total fleet.
[4] 2015 underlying adjustments consist of a positive income (badwill) of EUR 7.4 million related to the acquisitions of LPD Holding A.Ş. and Excelease S.A. and an unrealised gain of EUR 9.8 million after tax on derivative financial instruments.

Business highlights

- The small and medium enterprises (SME) market has been our fastest-growing customer business in 2016, showing a double digit growth. In the last few years we have developed our competence in the SME market in many countries, meeting the local market standards. SMEs need speed and the LeasePlan SME business model suits this need in every aspect via quick response times, the best lease deals, fast delivery of cars and easy to find and accessibility of on- and offline propositions.

- In 2016, we further rolled out our fast growing private lease business to more countries within our Group. Consumers are increasingly realising that private leasing is a way to enjoy driving while freeing oneself from the burdens and risks of vehicle ownership, as monthly lease fees include tyres, maintenance, insurance, relevant taxes and roadside assistance. During 2016, we engaged in many new private lease initiatives through retail channels. At year-end, we offered private leasing in 20 countries in Europe, including the Netherlands, United Kingdom, Denmark, Norway, Belgium, Italy and Portugal.

- LeasePlan also realised strong growth with international clients. In 2016 LeasePlan managed over 478,000 vehicles for nearly 900 international customers, up 13% on 2015.

- LeasePlan Consultancy Services delivers customised fleet management advice to clients, mainly large corporates but increasingly also middle sized companies. Advice is given on topics such as sustainable fleet management (CO_2 reduction), cost management and enhancing driver safety and how to embed these strategic focus points into an accurate company car policy.
In 2016 our 50 specialised consultants realised significant cost savings for our clients. They managed some 900 projects worldwide, delivering ideas for cost savings of over EUR 93 million in total.

We won a number of large insurance-only tenders.

- Our full-service mobility solution in flexible leasing, FlexiPlan, was initially launched in Spain and further rolled out in 2016 in The Netherlands, Spain, Italy, Poland, the United Kingdom and the United Arab Emirates. This solution offers flexibility in contract duration and mileage, without any penalties when our customers' mobility needs change.

Private leasing is a way to enjoy driving while freeing oneself from the burdens and risks of vehicle ownership.

Some 100,000 vehicles in our fleet currently have an on-board telematics device.

- In 2016, LeasePlan saw a double digit growth in its insured fleet, which was driven by the further roll-out of its insurance proposition 3D Coverage and by winning a number of large insurance-only tenders. Insurance is an integral part of fleet management. 3D Coverage combines three key elements to help managers operate their fleet and navigate related risks: Competitive Cover, Active Prevention and Easier Fleet Management. Being in regular contact with drivers, fleet managers and body repair shops, LeasePlan is ideally positioned to help companies minimise downtime caused by accidents and control the total cost of fleet insurance.

- We also set our first steps towards establishing new strategic partnerships with leading shared mobility companies. LeasePlan Portugal leases over 500 vehicles to Uber, the largest ride-hailing company in the world. This best practice is being used as the foundation for a LeasePlan wide partnership approach. In 2016 France and the Netherlands also partnered with Uber. More entities will follow, the aim is a roll out in the whole of Europe by the end of 2017.

- In the reporting year, we continued to strengthen our use of telematics solutions to support fleet managers in improving the performance of their fleet in the areas of cost control, CO_2 reduction, driver behaviour, and safety. This also allows us to provide better service levels to individual drivers. We further expanded our telematics offering to serve customers across 20 countries, and we expect to increase this number in the course of 2017. Some 100,000 vehicles in our fleet currently have an on-board telematics device.

- In 2016, we started several initiatives optimising our car remarketing activities. With more than 250.000 vehicles sold in 2016, LeasePlan has been identified as the number two vehicle reseller in Europe. In addition to our local remarketing activities, CarNext International manages our cross-border sales via an in-house online auction platform. While the majority of our vehicles are sold to professional traders, we are increasingly selling vehicles via LeasePlan owned outlets. We now have 22 outlets in 14 European countries and Abu Dhabi.

The SME market has been our fastest-growing customer business in 2016.

Funding platform

Our group funding, liquidity and capital position proved solid across the year and we saw improvements across the associated key metrics. Following the change of ownership in the spring of 2016, we demonstrated our continued financial strength. This section highlights the most important developments in 2016 concerning our funding, capital position, ratings and risk exposure.

Diversified funding model

We have a highly diversified funding base, which includes debt capital markets instruments, securitisations, bank facilities and retail deposits at our own bank. Our access to a diverse and flexible range of funding sources reduces the reliance on any single funding source. In addition, it facilitates our 'matched funding' whereby we aim to match the maturity of the funding obligation used to finance each leased vehicle with the term of the corresponding lease. Although our diversified funding model creates a natural hedge against foreign currency risk (as this model allows us to raise funds in a number of currencies and countries) we also use foreign currency derivatives and interest rate hedging to further match our assets and liabilities.

Funding

During 2016, we raised funding from several resources, demonstrating the success of our diversified funding model. We concluded two public senior unsecured transactions totalling EUR 1.5 billion and various private placements under our Euro Medium Term Note programme. The revolving period of the secured transaction 'Bumper France' was extended to August 2017 and the company placed bonds in the amount of EUR 549 million. Furthermore, a term loan with three banks amounting to EUR 1,050 million was fully drawn in the last quarter of 2016. Deposits entrusted to LeasePlan Bank in the Netherlands and Germany grew to EUR 5.4 billion (2015: EUR 5.1 billion), mainly on the back of strong deposits inflow in Germany, a market we entered in 2015.

The obtained funds combined with our own cash resources, including retained earnings and incoming cash flows were used to finance our business activities and capital expenditure on an on-going basis, and to fulfil our on-going liquidity needs.

At year-end, LeasePlan's cash balances and the undrawn revolving credit facilities with a consortium of banks, resulted in a very robust liquidity buffer of EUR 4.6 billion (year-end 2015: EUR 4.4 billion).

As (retail) deposits are one of our key funding streams, we have a bank license and adhere to capital requirements set by the Dutch Central Bank.

The main contributors to total fleet growth were small and medium enterprises (SME) and private lease.

Capital position

As at 31 December	2016	2015
Total risk exposure amount	15,450,493	13,983,563
Common Equity Tier 1 capital	2,741,304	2,378,848
Common Equity Tier 1 ratio	**17.7%**	**17.0%**

Our capital position is solid. LeasePlan's Common Equity Tier 1 ratio as per 31 December 2016 shows an improvement compared to year end 2015 and remained firmly above the regulatory capital requirements at 17.7% (2015: 17.0%).

The total risk exposure amount, compared to 2015, increased by 10% during 2016. This increase is mainly related to the lease contract portfolio; resulting from a combination of movements in asset size (future lease payments and residual values of new clients and growth of existing clients), foreign exchange differences and an increase in the rounded maturity of lease contracts. LeasePlan's eligible regulatory capital fully consists of Common Equity Tier 1 capital, which is derived from its IFRS equity position.

As at 31 December	2016	2015
Total equity	**3,075,702**	**3,071,464**
Deduction of net result for the year	- 425,466	- 442,475
Eligible result	425,466	-
Foreseeable dividend	- 112,000	-
Regulatory adjustments	- 222,398	- 250,141
Common Equity Tier 1 capital	**2,741,304**	**2,378,848**

As of the first quarter 2016 the Group pursues inclusion of quarterly interim results under deduction of a foreseeable dividend during the year. This was not the case for the year 2015.

Ratings
Since the change in ownership in the first quarter of 2016, LeasePlan's ratings have remained stable: S&P BBB- (stable outlook), Moody's Baa1 (stable outlook) and Fitch BBB+ (stable outlook).

For a more comprehensive review reference is made to the Capital Management paragraph starting on page 100.

LeasePlan what's next? 2017-2020

Industry outlook

LeasePlan's markets are stable, resilient to economic downturns and promise significant value for our investors. Furthermore, our existing high-quality corporate customer base forms a stable foundation from which we can expand our services into the rapidly growing 'mobility as a service' market segment.

Regarding our specific market segments, we expect the corporate lease market to show low single digit growth over the coming years as large companies continue to outsource non-core activities, such as fleet management, to third-party specialists. Growth in the SME and private lease segments will be faster, especially in Europe. For example, previously just a tiny proportion of the European car market, the private lease market grew by around 10% in 2015 and accounted for 10.6% of total retail sales. Two factors are driving this expansion. First, the logic of the "naked cost": in return for a fixed monthly fee, customers receive the full benefits of an operational lease car for a price that is often lower than the cost of running a private vehicle. Second, due to the growth and popularity of "sharing economy"-based services, customers are increasingly familiar and comfortable with the idea of paying for access to assets or services, rather than owning them outright – a development which clearly favours the leasing industry.

In addition to continued growth opportunities in our existing corporate, SME and private lease markets, we see significant sustainable growth potential in the new 'mobility as a service' market segment, especially with the new generation of ride-hailing businesses, which require vehicles, relevant services and flexible leases for their drivers. Lease markets will also benefit from the growth of car-sharing platforms, which need access to a pool of high-quality serviced vehicles to achieve growth. Indeed, it is our expectation that many customers may choose to place their own lease cars on a car-sharing platform to lower their total cost of ownership, further fuelling the market. Looking towards the longer term, as autonomous vehicles (AVs) become mainstream, we expect to see large fleets of AVs in urban areas used for a variety of purposes, such as ride-hailing, public transportation and even goods delivery. Again, this shift away from individual ownership to fleets will favour an organisation with LeasePlan's unique core competencies and fleet management expertise.

While we believe that our markets will continue to grow in the foreseeable future, we also expect to see significant market consolidation over the next five to ten years. Market shares will shift through acquisitions and mergers, but also because smaller players will not be able to keep up with the investments required to deliver what customers want: a seamless digital service at a competitive cost. This dynamic will limit the scope for new market entrants, who will also be unable to keep up with investments required. At the same time, established organisations such as LeasePlan that have the scale to deliver a seamless digital service at the lowest cost will gain market share.

Overall, there is substantial potential for growth in both our traditional and new market segments.

There is substantial potential for growth in both our traditional and new market segments.

Our strategy

To unleash LeasePlan's potential in an exciting and dynamic market, we have defined a three-year strategic plan. Our strategic plan has three goals:

01 Maintain the strength and resilience of our business.

02 Enhance our profitability by unlocking "The Power of One LeasePlan".

03 Position ourselves strategically in the automotive sector.

01 Maintain the strength and resilience of our business

Our first priority will always be to ensure that we maintain and enhance those aspects of our business that are key to our ongoing strength and resilience. These include:

- **Significant scale advantages**
  50 years' experience has created one of the largest car leasing companies in the world, with almost 1.7 million cars under management. Our scale enables us to leverage our buying power when purchasing new cars, invest in new processes and infrastructure, respond effectively to global automotive trends and regulatory requirements, and efficiently serve our global customers.

- **Solid recurring and diversified income base**
  We have a high-quality, predictable, recurring income stream based on (multi-year) contracts, high levels of customer satisfaction and low customer default rates. In addition, our profitability is supported by our diversified fleet management model, including car remarketing, damage risk retention and lease services. This allows us to generate multiple revenue streams from our vehicle assets, creating a higher effective return on our asset base than the more traditional, short-term or the financial leasing business models, which are mainly dependent on net interest income from leased vehicles.

Our first priority will always be to ensure that we maintain and enhance those aspects of our business that are key to our ongoing strength and resilience.

- **Advanced risk management**
  We operate a highly sophisticated risk management platform with a consistent measurement system applied across the group. This enables us to effectively manage credit and residual value risk – a fact which is underlined by the low and decreasing corporate and retail default rates on our lease contracts and by our strong termination results. In addition, we apply matched funding, through which we aim to match the maturity, interest and currency of the funding obligation used to finance a leased vehicle with the corresponding lease, in order to reduce the interest and currency risk.

- **Unique funding structure**
  Over the years, we have established a uniquely diversified funding model with funding streams across various investment grade bond programmes, securitisation programmes, bank lines and deposits, providing us with access to a diverse and flexible range of funding sources. In addition, as (retail) deposits are one of our key funding streams, we have a bank license and adhere to capital requirements set by the Dutch Central Bank. This provides us with an additional, independent 'quality stamp', which is favourable to our credit rating and secures a stable and low risk profile.

- **High levels of diversification**
  LeasePlan is highly diversified by geography, client base and vehicle brands, limiting our exposure to negative market trends. For example, we have operations in Europe, Asia-Pacific and the Americas, and leading positions in many of our key markets. In addition, our client base – which includes (international) blue chip corporates, SMEs and private individuals – is spread across all industry segments. Our top 100 corporate customers represent approximately 30% of our total book value. We also manage a broad portfolio in terms of vehicle brands. This means that we can offer customers a wide choice of vehicles and ensures our exposure to developments affecting any one brand is limited.

- **Fully independent**
  LeasePlan is entirely independent from any automotive or financial institution and is therefore able to consistently deliver all car brands at all price points through all economic cycles to its customers.

- **Digital competence**
  Consumer behaviour is changing rapidly fuelled by new digital technology. More and more consumers are using their mobile device and expect an online service that's instant, personal and relevant. LeasePlan continues to invest in projects to improve the end to end customer experience at all touch points. We have started a digital transformation to make sure that we are organized in such a way to continue to improve customer experiences and launch new products.

These core competencies are all essential to the strength and resilience of our current business and we will continue to invest in these competencies over the coming years to ensure we maintain our leading market positions. Looking ahead, we also believe that our broad range of core competencies uniquely positions LeasePlan to capitalise on emerging trends in the automotive sector, including the move towards 'mobility as a service'.

02 Enhance our profitability by unlocking "The Power of One LeasePlan"

Building on the foundations of our strong and resilient business, we will continue to focus on capital efficiency and further enhance our profitability and return on investment by unlocking "The Power of One LeasePlan". The logic of this approach is simple. In the past, LeasePlan was managed through a multi-local organisation, with LeasePlan's overall results being the aggregate of our local business activities. With our "The Power of One LeasePlan" focus, we recognise that none of us is strong as all of us, and that by leveraging the strength of our entire organisation across all our countries, the entire value chain and our functional competencies, we will be able to realise significant value for our customers and our investors.

To implement "The Power of One LeasePlan", we are taking the following key actions:

- **Organised to win and operational excellence**
  In Q4 2016, we restructured the company, creating a fully integrated, centralised organisation with centres of excellence in Finance, Human Resources and IT. In addition to our functional centres of excellence, we have also created strategic value streams on a group-wide level for our key value drivers (Commercial, Procurement, Insurance, Repairs, Maintenance & Tyres, and Re-Marketing). With our functional centers of excellence and value stream organisations in place, we will be in a stronger position to identify best practices, create repeatable One LeasePlan processes and support the implementation of standardised products and harmonised support services. Taken together, our new organisational model will enable us to better leverage our scale, improve our service to our customers, enhance our operational efficiency and generate cost savings.

  In 2016, we kicked off improvement programs for each of our value streams, with the focus being on leveraging our group buying power and enhancing the experience we offer to our customers. As part of our operational excellence activities, we will also optimise our car re-marketing model to increase our return on investment. LeasePlan is currently the number two car reseller in Europe with over 250,000 cars sold in 2016, predominantly via dealer channels or our own sales outlets. Our new re-marketing model will put more emphasis on B2C car sales, which we will enable through the implementation of a new omnichannel platform. At the same time, we will further leverage our geographic presence to optimise car sales.

- **Applying a "bullseye approach"**
  In line with our focus on return on investment, in Q4 2016 we introduced a new "bullseye approach" to growth across the company. This involves focusing on growing the most attractive and profitable customer/product segments and mandating the roll out of innovative and proven local solutions across the group. In line with this approach, our focus for the coming three years will be on our key European markets and on our European customers that have fleets in the America's.

- **Focusing on capital efficiency**
  To closely monitor and track progress made with all our strategic and operational improvement initiatives, we have also developed new profitability metrics. These will enable us to flag any issues at an early stage, implement corrective actions in a timely manner and ultimately improve the underlying profitability of the business.

- **Investing in our people**
  Finally, it is our belief that "you cannot grow a business; you can only grow people who grow businesses". To facilitate the execution of our strategy, we are therefore making significant investments in our people, including the development of a comprehensive training programme to help our people grow the skills and competencies required to succeed in a changing and increasingly digitised landscape. The overall goal is to stimulate a leadership culture at all levels in the organisation and drive best-in-class execution.

> "You cannot grow a business; you can only grow people who grow businesses".

Building on the foundations of our strong and resilient business, we will continue to focus on capital efficiency and further enhance our profitability and return on investment by unlocking "The Power of One LeasePlan".

03 Position ourselves strategically in order to take advantage of the opportunities resulting from innovation in the automotive sector.

In addition to operational excellence measures, a key element of our strategy is to pursue new, sustainable growth opportunities. As well as continued growth opportunities in our existing corporate, SME and private lease markets, we see significant sustainable growth prospects in the new 'mobility as a service' market segment.

Work is already underway to capitalise on several long-term sustainable growth opportunities. Key actions include:

- **Accelerating partnerships with ride-hailing firms**
  Ride-hailing is the fastest growing mobility market today. However, in scaling, ride-hailing firms face a critical challenge: the need to recruit sufficient numbers of drivers with access to suitable vehicles to meet market demand, while remaining asset-light. LeasePlan's core competencies in fleet and risk management enable us to help ride-hailing firms overcome this challenge. We will therefore play an expanded role in facilitating this growing market by building on the success of current initiatives and establishing new strategic partnerships with leading shared mobility companies. Our strategic partnerships will be based on a common value proposition, including the availability of carefully selected new and used vehicles at competitive rates; end-to-end hassle-free service for drivers, including insurance; and a subscription model with fast credit approval and trade in support. This strategy of facilitation rather than competition will also position us well to win with AV fleets as they emerge.

- **Enabling peer-to-peer (P2P) car-sharing**
  In addition to ride-hailing, P2P models are also growing in popularity. However, widespread adoption is limited by two factors: first, a lack of availability of cars people want to drive on the leading car-sharing platforms; and, second, technology, connectivity and insurance issues, which make sharing and accessing a shared vehicle an unnecessarily complex experience for the customer. Again, our core capabilities in fleet and risk management, as well as our growing digital competencies, will enable us to help P2P firms overcome these challenges. We will therefore build on the success of current initiatives (e.g., LeasePlan's Go More partnership in the Nordics) and develop new alliances and strategic partnerships with car-sharing firms in our key markets.

- **Growing our private lease and SME business**
  SME and private lease markets are also accelerating, especially in Europe. LeasePlan will meet this demand by creating a global private lease and SME offer, building on several successful propositions in key markets. A key development will be the launch of a new private lease app that will enable customers to quickly arrange a full operational lease car.

- **Supporting the transition to low-emission vehicles**
  As a responsible company, whatever action we take or new markets we enter over the coming years, we will use our scale, expertise and broad geographic presence to be at the heart of the discussion on sustainability. We aim to help create healthier environments in our towns and cities by promoting cleaner, low-emission vehicles and the infrastructure required to make these cars a viable option for our customers. Specific actions will include targeting relevant customers with low-emission value propositions; offering a full package with charging solutions; partnering with leading original equipment manufacturers (OEMs) to ensure we can offer a low-emission vehicle at a competitive price to our customers; addressing issues around residual value; and engaging in advocacy activities to remove barriers that are currently holding back the take-up of low- emission vehicles (e.g., a lack of a suitable charging infrastructure). As well as being the right thing to do, this makes good business sense: our belief is that demand for low-emission vehicles will only go up as technology costs fall and regulatory action to cut emissions increases. Recent events confirm this assessment: in 2016, we saw many of the major cities in our key markets – including Amsterdam, London and Paris – pass legislation to further encourage the adoption of low-emission vehicles on our roads.

- **Revitalising our brand**
  We will re-launch LeasePlan with a new brand identity in 2017 to effectively promote both our current value propositions and the new solutions that we are currently developing. Our new brand will not only serve to build a strong emotional connection between our customers and our business, but also underpin our focus on "The Power of One LeasePlan" among our employees.

These new sustainable growth opportunities are all logical adjacencies to our current business and leverage our existing core competencies and business model: profitably managing the life cycle of a fleet of cars from purchasing to insurance, repairs and maintenance, and finally to car re-marketing. Indeed, it is our firm conviction that, with almost 1.7 million cars under management in 32 countries, there is no company better placed than LeasePlan to grow and deliver superior service and value to these new market entrants, and to capitalise on the exciting changes in the mobility landscape.

These new sustainable growth opportunities are all logical adjacencies to our current business and leverage our existing core competencies and business model.

Sustainability strategy

Access to clean, safe and affordable automotive transportation is essential to the effective functioning of our societies and our economies. However, despite improvements in vehicle efficiencies over recent decades, road transport accounts for approximately 17% of energy-related carbon dioxide emissions globally and is the main cause of air pollution in our cities. Based on current projections, emissions from the automotive sector will rise dramatically over the coming years as urbanisation increases and global demand for transportation rises.

At last year's climate talks in Marrakech, the global community reaffirmed its commitment to the 2015 Paris Agreement objective of limiting world temperature rises to between 1.5 and 2 degrees Celsius. At the same time, many of the world's major cities – including Amsterdam, London and Paris – passed legislation to bring down emissions of both carbon dioxide and nitrogen oxides from the automotive sector. The need for action is therefore a pressing environmental, humanitarian and legislative priority.

Our commitment

As a responsible company, LeasePlan is committed to achieving net zero emissions from the automotive sector by 2030, supporting the effective implementation of the Paris Agreement and climate-related Sustainable Development Goals. Whatever action we take or new markets we enter over the coming years, we will therefore use our scale, expertise and broad geographic presence to be at the heart of the discussion on sustainability. We aim to help create healthier environments in our towns and cities by promoting cleaner, low-emission vehicles and the infrastructure required to make these cars a viable option for our customers. Our commitment to achieving net zero emissions from the automotive sector by 2030 is not an optional add-on to our day-to-day activities: it is an important driver of our business, contributing to the developments of effective, rewarding and sustainable solutions, partnerships and markets.

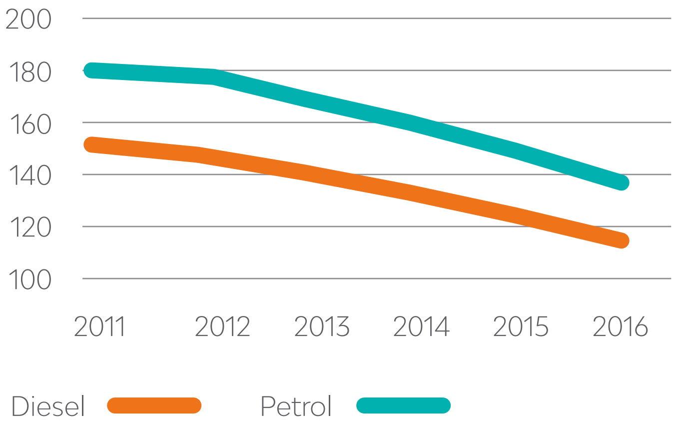
To achieve our goal of net zero emissions by 2030, we have developed a four-step strategy:

- **Advocate**
  Eliminating emissions from the automotive sector is one of the great global challenges of our age and cannot be achieved by any one organisation alone. Tackling climate- and air-quality related automotive emissions will require a cross-sector effort from government, NGOs and the private sector, acting together to address challenges in many different areas. We work with all stakeholder groups – OEMs, policy makers, consumers and mobility companies – to implement consistent, cost-effective, long-term policies and incentives that support the adoption of low-emission technologies. A particular focus will be on working with key stakeholders to develop consistent and verifiable targets for further reducing NOx emissions, which are a major cause of air pollution in our cities.

- **Educate**
  A key barrier to the adoption of low-emission vehicles is a lack of knowledge around options available and requirements for their successful implementation among consumers, legislators and company car policymakers (e.g., concerning charging facility requirements). We therefore work with all key stakeholders to support the sharing of best practice and address knowledge.

- **Facilitate**
  In addition to engaging in education and advocacy activities, we will proactively facilitate the adoption of low-emission vehicles by our customers via the following actions: targeting relevant customers with low-emission value propositions, based on high-quality operational services; offering 'full package' solutions, including charging options; partnering with leading OEMs to ensure we can offer a low-emission vehicle at a competitive price to our customers; addressing issues around the residual value of low-emission vehicles; and harnessing the latest digital technologies to support our customers in driving more safely and efficiently.

Global* average CO_2 emission (g/km) by fuel type (Passenger cars only)



*LeasePlan global fleet, excluding U.S. data

- **Lead**
  Today, CO_2 emissions from LeasePlan's own company car fleet is 6% lower compared to our global customer fleet. As a responsible company, we will continue to lead by example when it comes to the adoption of zero and low-emission vehicles by promoting them to our own employees. We are also committed to working with partners globally on flagship sustainable transport initiatives, building on the success of initiatives such as our uberGREEN partnership in Portugal.

- **Measurement and targets**
  Average CO_2 emissions from our global fleet (excluding the U.S.) have dropped considerably in recent years: from 180 grams CO_2/km for petrol cars and 152 grams CO_2/km for diesel cars in early 2011 to 131 grams CO_2/km for petrol cars and 114 grams CO_2/km for diesel cars at the end of 2016. Within the European Union, emissions from new cars ordered in 2016 were lower still at 124 grams CO_2/km for petrol cars and 110 grams CO_2/km for diesel cars, surpassing the EU target of 130 grams CO_2/km by 2015 and putting us well on track to achieve the 2021 target of 95 grams CO_2/km. In 2017, we will publish intermediate targets based on regional roadmaps to ensure we achieve our goal of net zero emissions from the automotive sector by 2030.

Governance

LeasePlan has a well-defined and well-structured corporate governance infrastructure in place which supports its business model and strategy. At LeasePlan, we believe that it is imperative that a robust infrastructure is supported by the right culture, values and behaviours, both at the top and throughout the entire organisation. We believe that a well-defined and well-structured corporate governance structure ensures good long-term relationships within the organisation between the stakeholders and with society at large.

Introduction

LeasePlan is incorporated under the laws of the Netherlands. Its head office is located in Almere, the Netherlands and its statutory seat is situated in Amsterdam. In 2017, LeasePlan's head office will be relocated to Amsterdam. LeasePlan operates in 32 countries across the globe. These operations are conducted through various local Group companies.

Supervision

In addition to a well-functioning global corporate governance infrastructure, LeasePlan is subject to supervision by competent supervisory authorities worldwide. In the Netherlands, we are supervised by among others the Netherlands Authority for the Financial Markets (AFM) and the Dutch Central Bank (DNB). In Ireland, where LeasePlan Insurance is located, the Central Bank of Ireland (CBI) supervises the insurance activities of the company. Several other Group companies are being supervised by relevant local supervisory authorities.

Applicable laws and codes

As LeasePlan meets the criteria listed in the Dutch Civil Code, we have been subjected to the large company regime (*structuurregime*) since 9 February 2013. At first, the mitigated large company regime applied and as of 21 March 2016, pursuant to the amendment of LeasePlan's Articles of Association, we comply with the full large company regime. 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 EU, 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 do use the Code as a reference point for good corporate governance and therefore apply certain principles and best practice provisions of the Code. On 8 December 2016, the Monitoring Committee Corporate Governance Code published the new Dutch Corporate Governance Code, which places more emphasis on long-term value creation and risk management. In 2017, we will use the new Code 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. In light thereof, we have a banking licence pursuant to which we are also obliged to comply with banking regulations such as the 2015 Banking Code. This code covers areas such as governance, remuneration, group audit and risk management. On an annual basis, we are obliged to disclose information on how we have complied with the 2015 Banking Code in practice.

In addition to the above, LeasePlan has implemented a new global Code of Conduct and a Supplier Code of Conduct in 2016. More information with respect to corporate governance and our compliance therewith (documents such as Code of Conduct, Supplier Code of Conduct, Banking Code Compliance and Articles of Association) can be found on our website: **www.leaseplan.com**.

Shareholders

Global Mobility Holding B.V.
period – up to 21 March 2016
Global Mobility Holding B.V., a joint venture company between Volkswagen AG and Fleet Investments B.V. at that time, was the sole shareholder of LeasePlan till 21 March 2016.

LP Group B.V.
period – as from 21 March 2016
As per 21 March 2016, LP Group B.V. acquired 100% of the shares of LeasePlan from Global Mobility Holding B.V. and has become the sole shareholder of LeasePlan. TDR Capital (United Kingdom), sovereign wealth funds ADIA (United Arab Emirates) and GIC (Singapore), pension funds PGGM (the Netherlands) and ATP (Denmark) and Broad Street Investments indirectly own 100% of LeasePlan's issued and outstanding share capital. None of these investors has a(n indirect) controlling interest in LeasePlan.

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 thereto, the Supervisory Board advises the Managing Board in determining the strategic direction. It also is responsible for the appointment, yearly assessments of the remuneration and other conditions of employment of the Managing Board members.

Following the change of ownership in 2016, four Supervisory Board members resigned and new members were appointed. In addition, the Supervisory Board was extended with an additional member and consists as from 21 March 2016 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 47-50.

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.

There is a lifelong learning programme in place for the members of the Supervisory Board which meets the requirements of the 2015 Banking Code. The various training sessions are conducted by internal and external experts.

Managing Board

The Managing Board is responsible for the management of the business of LeasePlan and its group companies.

The Managing Board's responsibility is -inter alia- setting the strategy and 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 judgments and estimates that are prudent and responsible. It is also responsible for establishing and maintaining internal procedures that ensure that the Managing Board is informed of all major financial information, so that timeliness, completeness and accuracy of external financial reporting are assured. The aforesaid means that the Managing Board is responsible for the system of internal control that is designed to safeguard controlled and sound business operations and to ensure the quality of internal and external reporting and compliance with applicable laws, regulations and codes of conduct. In devising internal controls, the company 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.

As per 20 September 2016, Mr L.W. (Tex) Gunning was appointed as the Chairman and Chief Executive Officer, following the decision of Mr V. (Vahid) Daemi to retire and step down. As per the same date, a new Chief Operating Officer was appointed, Mr M.T.A. (Marco) van Kalleveen, sharing this role with Mr H.S.T. (Sven-Torsten) Huster until 31 December 2016. The Managing Board furthermore consists of the Chief Financial and Risk Officer, Mr A.B. (Guus) Stoelinga. The Chief Commercial Officer, Mr N.J. (Nick) Salkeld resigned as from 31 December 2016. More detailed information with respect to the members of the Managing Board can be found on page 10-14.

In February 2017, we announced that our Managing Board would be extended with two new positions. As per 19 January 2017, Ms Y.J.M.A. (Yolanda) Paulissen was appointed as the Chief Strategic Finance and Investor Relations Officer and as per 7 February 2017, Ms D.M. (Daniëlle) Pos was appointed as the Chief Legal and Compliance Officer. With these two new appointments, the Managing Board comprises of five members.

The Managing Board has sufficient diversity in background, knowledge and expertise of the individual members to warrant proper execution of the overall management of the Group. 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 executive and corporate management team.

There is a lifelong learning programme in place for the members of the Managing Board. The various training sessions are conducted by internal and external experts.

Corporate governance statement

In accordance with the Dutch Decree for further content in the management report (*Vaststellingsbesluit nadere voorschriften inhoud bestuursverslag*) and based on the listing of LeasePlan's debt securities on regulated markets in the EU, the following information is provided.

Control systems

The most important features of the control systems set up for securing reliable consolidated financial statements are:

- LeasePlan has a uniform set of accounting and reporting principles applied throughout the Group based on its application of International Financial Reporting Standards;
- A monthly cycle of reporting is maintained and throughout the year financial results and developments are analysed, explained and linked to the risk management information;
- Compliance with these uniform accounting and reporting principles is monitored by the Control, Reporting & Tax department and reviewed by both internal and external auditors.

Managers of the individual business units 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 in 32 countries acting as separate business units selling LeasePlan's core products.

Gender diversity

Gender diversity is important to LeasePlan. This has been reflected by the initiation of our Global Diversity Project, wherein the following guidelines – to which LeasePlan has committed itself – were established:

- Increasing the representation of women in senior leadership globally;
- Providing opportunities for senior leadership development;
- Maintaining an inclusive and supportive work environment.

LeasePlan is committed to attracting and retaining the finest human 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, whilst also 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 Boards and Supervisory Boards as well. 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.

Managing Board responsibility on financial reporting

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, making judgements and estimates that are prudent and responsible. It is also responsible for establishing and maintaining internal procedures which ensure that all major financial information is known to the Managing Board, so that timeliness, completeness and correctness of external financial reporting are assured.

Conformity statement pursuant to section 5:25c paragraph 2(c) of the Dutch Act on Financial Supervision *(Wet op het financieel toezicht)*.

As required by section 5:25c paragraph 2(c) of the Dutch Act on Financial Supervision, each member of the Managing Board hereby confirms that to the best of his or her knowledge:

- The LeasePlan 2016 financial statements give a true and fair view of the assets, liabilities, financial position and profit and loss of LeasePlan and the subsidiaries included in the consolidated financial statements;
- The LeasePlan 2016 financial and business performance gives a true and fair view of the position at the balance sheet date, the development and performance of the business during the financial year 2016 and the subsidiaries included in the financial statements, together with a description of the principal risks that LeasePlan is being confronted with.

Almere, the Netherlands, 22 March 2017
Tex Gunning
Guus Stoelinga
Marco van Kalleveen
Yolanda Paulissen
Daniëlle Pos

Chairman of the Supervisory Board statement

2016 was an eventful year for LeasePlan. In March 2016, the change of ownership of LeasePlan was successfully completed and since then, LeasePlan is owned by a consortium of long-term investors.

As planned, and already communicated in our previous Annual Report, the composition of the Supervisory Board was largely changed following this transaction, and the members associated with the former (indirect) shareholders, have resigned. Ada van der Veer and Herta von Stiegel continued to serve as independent members, both appointed following the specific right of recommendation of the Works Council, and three new independent members were appointed in March 2016: myself as Chairman, Steven van Schilfgaarde as vice-chairman and Stefan Orlowski. An additional two members were appointed associated with the afore mentioned consortium; Manjit Dale and Eric-Jan Vink.

During the first meetings of the year, the Supervisory Board comprised of its former members. The new Board members were appointed after the transaction and the approval of the full-year results for 2015. LeasePlan has always been strongly focused on governance, processes and procedures, which enabled the Supervisory Board to step in quickly, and adequately carry out its duties towards the company's stakeholders.

In the year, we also saw major changes to the Managing Board. Vahid Daemi, who had been Chief Executive Officer for the past 10 years, and an employee of LeasePlan for more than 20 years, decided to retire and step down. The Chief Operating Officer, Sven-Torsten Huster, who joined LeasePlan's Managing Board in 2011 during his secondment contract with the former (indirect) shareholders, stepped down when the term of his appointment ended in 2016. In September, we were happy to announce the appointment of Tex Gunning as the company's new Chairman and Chief Executive Officer and Marco van Kalleveen as the new Chief Operating Officer. They will both be instrumental in bringing LeasePlan into its next phase of development.

After the year under review, in February 2017, further changes to the Managing Board were announced. Chief Commercial Officer Nick Salkeld stepped down after being with LeasePlan for over 30 years, and two new members were appointed: Daniëlle Pos as Chief Legal and Compliance Officer and Yolanda Paulissen as Chief Strategic Finance and Investor Relations Officer.

These appointments strengthen LeasePlan's diverse leadership team, and are important steps toward shaping a LeasePlan that is fit for the future. LeasePlan has a strong track record and has been able to build market leading positions. The new leadership team is implementing an integrated organisational structure that will further capitalise on our company's strengths and value creation capabilities.

On behalf of the Supervisory Board, I would like to thank Vahid, Sven and Nick for their substantial contributions to the evolution of the company and for being instrumental in creating the world's leading fleet management and driver mobility company.

We would also like to express our gratitude to the former Supervisory Board members for leaving behind a successful company that is in good shape. The Works Council has been very constructive throughout all these changes and we thank them for always taking into account the interests of the company. In addition, we are grateful to LeasePlan's shareholders for the trust they have placed in the company and its new management, and count on their continued support during the exciting new phase that is ahead of us.

Finally, we wish to thank all of LeasePlan's employees for their dedication and hard work, which has made 2016 another successful year for the company. LeasePlan's focus will remain on delivering outstanding service to our clients, and we are confident that all our stakeholders, whether clients, employees, investors, shareholders or suppliers, will benefit from the expertise of our new leadership teams, as the company enters its next stage of development.

Jos Streppel
Chairman of the Supervisory Board

"LeasePlan has a strong track record and has been able to build market leading positions."

Supervisory Board report

This report contains an overview of the activities of the Supervisory Board and its committees in 2016. A description of the composition and operation of the Supervisory Board is set out in this report and in the chapter on governance (see page 35).

Internal Organisation

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. The Supervisory Board has a complementary and mixed composition and complies with the Banking Code's provisions in the duties it performs under its purview. In this respect, a profile for the Supervisory Board has been in place since May 2011 and provides guiding principles for the appointment of its members and the composition.

Following the change of ownership five new members were appointed in March 2016: Mr J.B.M. Streppel, Mr S. van Schilfgaarde, Mr M. Dale, Mr S. Orlowski and Mr E.J.B. Vink. The members associated with the former (indirect) shareholders resigned, while Ms H. von Stiegel (member since March 2015) and Ms A.P.M. van der Veer-Vergeer (member since December 2010) continued to serve as Supervisory Board members.

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 of which were appointed following the specific right of recommendation of the Works Council) and two are associated with the consortium of shareholders. Best practice provisions III.6.1 to III.6.3 of the Dutch Corporate Governance Code were observed in so far as applicable.

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.

Gender diversity is important to LeasePlan and we aim for an equal division of gender in the Supervisory Board as well. This means that every time a position within the Supervisory Board becomes vacant, the gender diversity aspect will be taken into account during the procedure of selection and appointment of the candidates.

Diversity profile of the Supervisory Board

Name	Year of birth	Nationality	Gender	Specific Expertise
J.B.M. Streppel	1949	Dutch	M	Governance, international business, finance
S. van Schilfgaarde	1964	Dutch	M	Sound & controlled operational policies and processes, finance
M. Dale	1965	British	M	Financial services
S. Orlowski	1966	Polish and Australian	M	Management of diverse international consumer operations
H. von Stiegel	1957	Britsh and American	F	Financial services, including leasing
A.P.M. van der Veer	1959	Dutch	F	Banking & finance, governance & organisation,
E.J.B. Vink	1971	Dutch	M	Finance

Responsibilities of the Supervisory Board

The Supervisory Board supervises the policies of 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 Council, not only safeguarded by the two Supervisory Board members who were appointed following the specific right of recommendation of the Works Council, but also through direct and regular contacts from the Chairman of the Supervisory Board with the Works Council. The Chairman of the Managing Board and the Corporate Secretary ensure that the members of the Supervisory Board receive timely and clear information on all relevant matters. LeasePlan's internal Control Functions (Risk Management, Compliance and Audit) have direct access to the Chairman of the Audit Committee. The Supervisory Board and the Audit Committee annually review and discuss respectively the yearly Board report and Group management letter prepared by the external auditor. The external auditor also attends this discussion.

In line with Dutch company law, the Banking Code (as revised in 2015) and the Articles of Association, the Supervisory Board requires all its members to act in accordance with the interests of LeasePlan and its group companies, and their business enterprises.

Certain resolutions of the Managing Board, specified in the Articles of Association of LeasePlan and in the Supervisory 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 each term. While the maximum term is four years, six of the seven members have been appointed for three years. This shorter term allows a reappointment schedule which prevents simultaneous expiration going forward.

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, corporate governance in general and in particular the financial sector, integrity, risk management, financial reporting and audits.

The sessions in 2016 paid special attention to induction into the company, in which a large selection of LeasePlan's managers as well as external experts were invited to explain relevant topics and developments. Sessions were held individually as well as for the Supervisory Board as a team, with the specific aim of improving knowledge on legislation and practices for banks and leasing corporations, on IT and infrastructure as well as audit and finance. Additional time was spent on LeasePlan's business plans and strategy.

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. During the same session the Supervisory Board performs the yearly assessment of the Managing Board and its individual members, including its LLL programme.

As the Supervisory Board in its current composition was only formed during the year, the Chairman decided a formal assessment would not add valuable insights this year. A first assessment of the Board in its current composition will therefore be held in the second half of 2017. The Supervisory Board is, however, of the opinion that it meets the required profile in terms of suitability, expertise and diversity, and also complies with Principle III.3 of the Dutch Corporate Governance Code. The Supervisory Board Chairman has invested heavily in 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 Council.

Supervisory activities

Meetings of the Supervisory Board and attendance

Since its installation in March 2016, the Supervisory Board in its current composition held 10 meetings, of which 4 were plenary and 6 were arranged via conference call.

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. As the Board in its current composition only came into place during the year, it was difficult to plan all meetings in a manner that fitted all individual members' schedules. This resulted in a higher-than-normal percentage of absence, which was compensated by many bilateral contacts between the members that could not participate and the Chairman of the Supervisory Board.

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.

Attendance per member in the meetings (from 21 March onwards):

J.B.M. Streppel	100%
S. van Schilfgaarde	100%
M. Dale	57%
S. Orlowski	71%
H. von Stiegel	86%
A.P.M. van der Veer	100%
E.J.B.Vink	100%

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 100 million. The economic climate and prevailing market conditions continued to be regular discussion points. The Supervisory Board was focused on IT, information and data security matters and infrastructure, in relation to legislation.

Specific topics that were discussed during the year include:

Ownership of the company

Following the change of ownership specific attention has been paid to the relationships between Supervisory Board, Managing Board and owners, taking into account the interests of all stakeholders of the company, as well as their views on the future direction of the company.

Management of the company

Many discussions have been held to assemble the right leadership team to lead the company through its next phase of development. New outside members have been appointed after a thorough search, while it was also decided to promote an internal Senior Vice President into the Managing Board. Although the Supervisory Board has a Remuneration and Nomination Committee, which is also in charge of nominations, the appointments and remuneration of all members was a topic of discussion for the Supervisory Board as a whole, and it was established such that all components are in compliance with the Banking Code.

Financial reporting

Financial reporting is discussed regularly at meetings of the Supervisory Board. All interim reports and related reports of the external auditor are discussed in the presence of the external auditor. The former Supervisory Board approved the financial statements for 2015 on 7 March 2016. On 21 September 2015 KPMG was appointed as external auditor for the 2016 financial year following an elaborate selection process. For each reappointment of the external auditor the Audit Committee will make a recommendation for the year under review in their March meeting, which will then be decided upon during the General Meeting of Shareholders.

Legal and regulatory compliance

As LeasePlan has to comply with the Banking Code, attention is paid to discussions with DNB and its requirements. The SREP letter and outcome are discussed, also by representatives of the Supervisory Board directly with DNB.

Risk

It was decided by the current Supervisory Board to establish a Risk Committee, which had been absent until 2015, although Risk will remain a responsibility of all Supervisory Board members. During the regular meetings, continuing the existing yearly process, risk profile and appetite have been established, with attention being paid to IT, operational, credit and finance risks, as the most important topics. The current change process the company is going through means LeasePlan accepts a temporarily higher operational risk, but the Supervisory Board is of the opinion this will lead to a more moderate risk profile going forward, especially relating to compliance, which was more complicated to arrange in the former decentralised structure, also having to answer to the Banking Code as well as local rules in over 30 countries. With the establishment of One LeasePlan, compliance control will be further strengthened.

Other

The Supervisory Board was, at its own request, briefed extensively in 2016 on the initial steps and preparations which were undertaken in respect of the assessment and subsequent revision of LeasePlan's strategy and the execution of it, in terms of direction as well as team and company structure. The organisational changes related to One LeasePlan also meant employees were let go. The Works Council has been very involved during all those changes. Many discussions have also been held about the required governance structure and practice of the company and the Supervisory Board is of the opinion that the current structure warrants proper execution of the tasks of all respective bodies.

Composition and reporting by committees

Composition

In order to ensure the efficiency of its work, the Supervisory Board has three committees: the Audit Committee, the Risk Committee and the Remuneration and Nomination Committee. The Risk Committee was established in the second quarter of 2016, into which the Credit Committee was integrated, while the Remuneration Committee was also formally made responsible for Nominations and renamed Remuneration and Nomination Committee, with both subjects having a separate Chair within the Committee. The Chairman of the Supervisory Board is also the Chairman for the nominations subjects.

The current composition of the committees is as indicated in the table below. 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 will attend all Audit Committee meetings in the first year after appointment as a guest.

Committee memberships

Name	Audit	Remuneration & nomination	Risk
J.B.M. Streppel		Chairman nominations	·
S. van Schilfgaarde	Chairman		·
M. Dale		·	·
S. Orlowski			Chairman
H. von Stiegel	·		
A.P.M. van der Veer		Chairperson remuneration	
E.J.B. Vink	·		

Audit Committee

The Audit Committee met four times during the year. In addition to representatives of the Managing Board, the Senior Corporate Vice-President Group Audit attends the Audit Committee meetings as a guest. Two meetings were also attended by the external auditor. Going forward, all Audit Committee meetings will be attended by the external auditor.

Every quarter the Audit Committee reviews the main conclusions of the audits concluded during each preceding period, those high-priority issues identified by the Group Audit Department that have not been addressed conclusively over the previous six months, a report on any compliance incidents, as well as an update on the overall audit planning.

The Management letter was discussed as well as the recommendations from it. The Supervisory Board came to the conclusion that the results, as well as, audit, compliance, solvency and liquidity were satisfactory and well managed, with capital adequacy being very strong. It is clear from the broad pool of funding, that LeasePlan has the trust of the financial markets.

Risk Committee
The Risk Committee was established during the second quarter of 2016. There were two meetings during the remainder of the year, of which the first meeting was held in September 2016. In addition to representatives of the Managing Board, the Senior Corporate Vice-President Risk Management attends the Risk Committee meetings as guest. One meeting was also attended by the external auditor. Considerable time was spent on decision making about the functioning of the committee in practice and the overlap with the Audit Committee and the way to resolve this, by making sure the respective Chairmen are members in both committees. Risk Committee regulations are an enclosure to the overall Supervisory Board regulations.

A cycle of risk related matters will be addressed with a frequency of four times during the year (and more often if so desired), with specific items to be tabled upon request. During the first two meetings, risk appetite, IT, operational risk, credit and finance risk were discussed, also in light of the Brexit and other political changes. More information can be found in the risk management chapter.

As the Credit Committee has been integrated into the Risk Committee, it remained in charge of resolving on credit applications related to various LeasePlan entities.

Remuneration and Nomination Committee
The Remuneration and Nomination Committee met several times during the year and held many formal and informal discussions, as the composition of the new leadership team has had the highest attention during the year. The Supervisory Board has discussed the severance packages of Managing Board members as well as certain identified staff, when they exceeded an agreed amount. Succession is a regular topic on the agenda. Selection and appointment of the new CEO have been discussed in plenary meetings with the whole Supervisory Board instead of within the Remuneration and Nomination Committee, in light of the importance of this position for the future of the company. The CEO and the Senior Corporate Vice-President Human Resources usually attend the Remuneration and Nomination Committee meetings as guests.

More information on the involvement of the Remuneration Committee of the Supervisory Board with regard to remuneration matters can be found in the separate remuneration report beginning on page 61.

Annual report and financial statements for 2016

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 2016. The Supervisory Board discussed these documents with the Managing Board and KPMG Accountants N.V. (KPMG), the external auditor, and took note of the external auditor's report that it issued on the financial statements of 2016, as included as from page 202 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.

Almere, the Netherlands, **22 March 2017**

The Supervisory Board
Jos Streppel (Chairman)
Steven van Schilfgaarde (Vice-Chairman)
Manjit Dale
Stefan Orlowski
Herta von Stiegel
Ada van der Veer – Vergeer
Eric-Jan Vink

Supervisory Board members

Jos Streppel

Appointed Chairman of the Supervisory Board on 21 March 2016. Member of the Remuneration and Nomination Committee (Chairman of the Nomination Committee), and member of the Risk Committee.

Mr Streppel (1949) has over 40 years' experience in the financial services industry, with a particular focus in the areas of commercial real estate and insurance, retirement and workplace services. His previous positions include Chief Financial Officer of AEGON N.V. and Chief Financial Officer of FGH Bank. He has also previously served as Chairman of the Management Board of Labouchere, a merchant bank; as interim Chairman of the Management Board of FGH Bank; and as a member of AEGON's Management Board. Until 2015, Mr Streppel was Chairman of the Supervisory Board of KPN, the Dutch telecommunications company, and a member of the State Commission on Insurance. He has previously served in various roles in connection with the Dutch Corporate Governance Code, ECOFIN and the International Accounting Standards Board, among others. His current responsibilities and activities include his roles as Vice-Chairman of the Supervisory Board of Van Lanschot N.V., a bank holding company; non-executive director of RSA Insurance Group plc; deputy councillor of the Enterprise Chamber of the Amsterdam Court of Appeals; member of the Supervisory Board of Stichting Arq, a mental hospital; and Chairman of the Foundation Continuity Philips Lightning N.V.

Steven van Schilfgaarde

Appointed member of the Supervisory Board on 21 March 2016, Vice-Chairman of the Supervisory Board. Chairman of the Audit Committee and member of the Risk Committee.

Mr van Schilfgaarde (1964) has over 25 years' experience in general management, strategy, corporate finance and business finance. He began his career in 1990 within the finance function at KPN, the Dutch telecommunications company, and held various roles at KPN affiliates until 2014, most recently serving as interim Chief Financial Officer and as a member of the Management Board of Royal KPN N.V. Effective 17 May 2016, Mr van Schilfgaarde was appointed CFO and member of the Management Board of Royal FloraHolland. He is also Treasurer/Secretary of the Van Schilfgaarde Stichting (a family foundation) and director of two private companies. Previously, Mr van Schilfgaarde was a member of the Supervisory Board at KPMG N.V., a member of the Board of the KPN Company Pension Fund, and a member of the Supervisory Boards at SNT Deutschland AG, Eplus Mobilfunk GmbH & Co. KG, and Digitenne Holding B.V.

Manjit Dale

Appointed member of the Supervisory Board on 21 March 2016. Member of the Remuneration and Nomination Committee and member of the Risk Committee.

Mr Dale (1965) founded TDR Capital in 2002. Prior to that, Mr Dale served as managing partner at DB Capital Partners Europe and has almost 20 years' experience in private equity. Mr Dale graduated from Cambridge University with an honours degree in economics.

Stefan Orlowski
Appointed member of the Supervisory Board on 21 March 2016. Chairman of the Risk Committee.

Mr Orlowski (1966) has over 20 years' experience in global and local brand and portfolio management, as well as commercial fields such as sales and distribution. After beginning his career as an attorney in Australia with Arthur Robinson & Hedderwicks, Mr Orlowski has spent the majority of his career with various affiliates of Heineken N.V., including as regional president of the Americas in New York City and a member of the executive committee until 2015. In 2015, he moved to a European role with Heineken and currently is based in London, England.

Mr Orlowski currently serves as a member of the Supervisory Board of Żywiec S.A. (a Polish brewer controlled by Heineken), where he was previously employed as a vice-president, and as a member of the Supervisory Board of Brauw Holding International GmbH & Co KgaA. Previous board positions include roles as Vice-Chairman of Compañía Cervecería Costa Rica, Director of Compañía Cervecería de Colombia, and Chairman of the Marketplace Committee for Business in the Community, a charity under the patronage of the Prince of Wales.

Herta von Stiegel
Appointed member of the Supervisory Board on 25 March 2015. Member of the Audit Committee.

Dr von Stiegel (1957) has over 30 years' experience in international management, finance and board-level positions in highly regulated financial services businesses. She has specific expertise in banking, clean energy and cross-border risk management in Europe, North America, emerging and frontier markets. During her 17 years in the banking sector, she held senior positions at Citibank, JP Morgan and AIG in London and New York. Until 2005, she was Managing Director at AIG Financial Products. She currently serves on several corporate and non-profit boards, including the first independent Chairperson of CHAPS Clearing Company Ltd. and the Kenya Chapter of Women Corporate Directors. Furthermore, she is the founder and executive Chairperson of Ariya Capital Group Ltd., a financial services and project development firm focusing on clean energy and infrastructure investments in Africa. She is the founder and former Chairperson of the Prince's Trust Women's Leadership Group, the UK's leading youth charity and an Adjunct Professor at Strathmore Business School.

Ada van der Veer – Vergeer

Appointed member of the Supervisory Board on 10 December 2010; reappointed on 22 October 2014. Member of the Remuneration and Nomination Committee (Chairperson of the Remuneration Committee).

Ms van der Veer – Vergeer (1959) has over 25 years' experience in the financial services industry, including a strong background in the banking sector. Her previous positions include CEO of Currence Holding, Chairperson of the Board of Staal Bankiers and member of the Executive Board of Achmea Bank Holding. Since 2007, she has been a Director of Stranergy, a company specialising in independent boardroom consultancy in the areas of strategy and corporate governance. She is currently Chairperson of the Supervisory Board of Arcadis Nederland and member of the Supervisory Board of Alliander N.V. Furthermore, Ms. Van der Veer-Vergeer is a Board member of the Foundation of Preference Shares Nedap N.V., an advisor to the National Register of Directors and Supervisors, Visiting Lecturer at the Erasmus University and Nyenrode Business University and Chairperson of the Dutch Monitoring Committee Accountancy.

Eric-Jan Vink

Appointed member of the Supervisory Board on 21 March 2016. Member of the Audit Committee.

Mr Vink (1971) has over 18 years' experience in the private equity industry. He has been head of Private Equity at PGGM since 2012. His previous positions include Senior Investment Manager at Private Equity at PGGM and Partner at Gilde Buy Out Partners. Mr Vink graduated from the Erasmus University in Rotterdam with a degree in business administration.

Organisation and people

We are a responsible employer that believes employees who get the opportunities to reach their full potential will drive top business performance. In order to successfully execute its strategy, LeasePlan must have high quality, highly engaged people. In the highly competitive environment we operate in, our people are a key differentiator. Creating an inclusive and innovative culture that enables continuous learning and personal growth is a strategic priority for our human resources policies. Through global projects, international mobility and multifunctional teams, we actively encourage our people to broaden their experience.

We want our people to offer our customers a high standard of quality and service. In turn, our employees are entitled to expect us to inspire and challenge them, to offer them competitive pay and benefits packages, and provide them with facilities for training and development.

LeasePlan as an employer

The average number of staff (FTEs) employed by our group during the year was 7,116. At year-end the total nominal number of staff employed was 7,243. Our global workforce is highly engaged, as demonstrated by the 89% participation rate in LeasePlan's 2016 global engagement and integrity survey. The annual survey assesses areas such as employee engagement as well as our people's perception of LeasePlan's leadership, goals, strategy and organisational capability. The company maintained a consistent set of results in all survey metrics and showed an overall engagement score of 75, with a benchmark of 64.

Being an employer of choice requires commitment on the part of both the employee and the employer. We want our staff to have their performance appraised in a modern manner and so we run a transparent and interactive process. While allowing for local differences, we have a consistent and transparent process for target setting and performance management. Employees typically have two appraisals a year, in which they set goals, assess achievements and define development plans and career paths. These sessions generate useful information for succession planning, staff training and job rotation.

The Integrity Index shows how integrity is perceived within LeasePlan based on seven elements of ethical culture: balance, consistency, negotiability, feasibility, exemplary behaviour, transparency and level of control. This score remained on par with 2015 at 4.2 on a scale of 1-5. These consistently excellent results show that LeasePlan employees care about the organisation and are passionate about having their say in its future success.

LeasePlan envisions remuneration as more than just pay – it is also about providing an inspiring working environment where employees take pride in their work and are free to make decisions and develop their skills. We aim to attract the best people, and our remuneration reflects this by offering competitive compensation. Our employment policies are developed to reflect local regulatory, cultural and employment requirements, and our businesses operate work councils or other feedback channels to give our people the opportunity to share their views and contribute to making our business an even better place to work. LeasePlan regards its remuneration policy as prudent, restrained and linked to the success and long-term sustainability of the business. Our Group remuneration policy is explained in detail as from page 61.

Ensuring expertise: from recruitment to development

In order to successfully execute our strategy, we must have high-quality, highly engaged people. We strive to recruit the right talent. We stimulate high performance and an environment that enables personal growth and development, creating a culture that attracts the right people.

We operate in an increasingly competitive environment, with new, surprising and innovative players entering our industry. LeasePlan strives to become more creative and agile, and aims to attract the talent that thrives in such environment. In this digitalising world, we are further enhancing our transparency about individual career opportunities and explaining to people what it takes to make a career within LeasePlan.

A new talent strategy was introduced across the business in 2015. It aims to ensure that we have the right people in the right place at the right time, by building an internal talent pipeline to provide successors now and in the future. This will also create more development opportunities for talented individuals by enhancing clarity around career paths. During 2016, we have rolled out this best-in-class Talent Management program throughout all 32 countries we are active in.

We stimulate high performance and an environment that enables personal growth and development.

A new leadership team and a new European organisation have been put in place.

Although we allow for local differences, by using a globally consistent approach towards the identification, assessment, development and deployment of talent, we support our 'One LeasePlan' vision for the future. The ultimate goal is to have the right people in the right place at the right time.

In the year under review, we trained our HR staff throughout our operating companies in their development approach based on a performance and matrix model to assess talent within our organisation. We look at long-term performance to see how employees perform over time and in different assignments. This helps us to not only build an internal talent pipeline for succession planning, but also identify a pool of talent through all layers of the organisation and start management development early on in employees' careers.

In order to become the high-performing organisation that we envisage, we are encouraging employees to move, develop and enlarge their mobility.

Training: the LeasePlan Academy

The LeasePlan Academy continues to provide a range of high quality development opportunities in support of emerging talent and senior leadership. It runs a variety of high quality courses throughout the year to provide global people management and senior leadership programmes, international introductions, as well as global project trainings.

In 2015, we successfully created and launched a new 'Leaders for the Future Programme'. The programme had been set up with the Cranfield University School of Management to stimulate customer-centric and innovative business thinking amongst our senior managers. The programme entails an academic phase as well as a real live project phase, in which participants work on an innovative idea in support of LeasePlan's strategy. This project not only contributes to the development and engagement of the participant, but also benefits LeasePlan's continued business success. The first participants have concluded their learning journey in November 2016, with presentations to the LeasePlan Managing Board. We have seen many great ideas come from the master classes, with enduring impressions within the organisation.

LeasePlan's unique Commercial Training Programme (CTP) grew from strength to strength and is now in its seventh year. The training contains a strong focus on embedding and integrating our Customer Relationship Management (CRM) systems. These leading edge sales techniques are now the gold standard for all current and future salespeople, delivering a differentiated sales approach across the global LeasePlan organisation.

Alongside these development programmes, LeasePlan Academy has placed increased focus on supporting strategic projects and initiatives to stimulate specialist skills and expertise and boost the efficiency of our employees. Examples include training assignments for consultancy services, strategic insurance growth, lease accounting risk management and indirect channel / SME segments. All our training programmes are aimed at identifying opportunities to ensure that strategically important business changes and new ways of working are embraced and maximally implemented throughout the organisation.

Engaging: diversity and inclusion

After the successful launch of the Global Diversity Project in 2014, the programme was rolled out across the Group in 2015. In 2016, we have broadened our focus on building a truly inclusive LeasePlan organisation.

We believe that a truly inclusive organisation delivers many benefits: helping us attract and retain talented people, allowing us to better understand our stakeholders' needs, and helping us develop an international mind-set, thus contributing to a high performing organisation.

During the year, we have revisited our approach to Diversity and Inclusion (D&I) and paid significant attention to further embedding D&I into our culture. To this end, we have created a strong platform with D&I Ambassadors in the Group to share best practices, create communications materials, enhance internal and external tools and nominate and publish D&I role models.

We aim to provide our operating companies with guidelines and measurement tools, so all operating companies can further accelerate their focus on D&I within the organisation. We will share accountability and see that these measures start to bear fruit. Local initiatives around the globe are also promoting diversity in our operations.

After LeasePlan Spain was recognised for excellence in promoting gender diversity and equality in the workplace in 2015, LeasePlan Mexico was formally awarded the highest Gold Label for being an inclusive company in 2016. LeasePlan Mexico is the first company ever in Mexico to receive this highest recognition. The label is proof that the organisation meets the highest standards in terms of equal opportunities and non-discrimination, equal pay and awareness and mechanisms to prevent, address and sanction discrimination and workplace violence within the organisation.

Creating One LeasePlan

Under the banner of "The Power of One LeasePlan", we intend to further strengthen our culture and create the right focus and mind-set as we move from a multi-local organisation to a more coherent group. For this, a new leadership team and a new European organisation have been put in place in the last quarter of 2016 and the first quarter of 2017. As such, human resources have been established as one of our new global centres of excellence in order to create a more consistent roll out of employee policies, incentives and best practices across the Group while ensuring optimal alignment with our new strategy.

Legal and Compliance

LeasePlan operates in a complex regulatory environment. The trust and confidence placed in us by stakeholders are crucial to our success. Only by conducting the business according to ethical standards and applicable directives, laws and regulations can we win and retain that trust, and succeed in our mission. The management of legal and compliance risks is therefore essential.

The Managing Board of LeasePlan is responsible for managing legal and compliance risks. The Compliance team as well as the Legal team coordinates, oversees, objectively challenges, controls and reports the legal and compliance risks. The basis for mitigating legal and compliance risks is formed by the Group's Compliance Charter, Legal Charter and the Compliance Risk Management Framework. Additionally, LeasePlan has internal policies, standards and procedures to guarantee that it and its employees comply with relevant laws and regulations.

Legal and Compliance translate the external compliance and legal obligations into internal obligations and assist management by explaining and promoting these obligations (risk identification and assessment). This includes advising on whether or not to accept certain risks (risk appetite), on what mitigating measures to take and in general on compliance and legal matters. Furthermore, the departments also monitor and report on legal and compliance risks and enforce rules.

The Directors of both the Compliance and Legal teams report to the Chief Legal and Compliance Officer, who is a member of the Managing Board, and the Director Compliance has direct access to the Chairman of the Supervisory Board.

We are committed to protecting the privacy of the personal information collected and processed by us. LeasePlan's Group Privacy Officer, who also reports to the Chief Legal and Compliance Officer, is promoting compliance with applicable data protection and privacy rules and regulations. We are in a process of implementing Privacy Policies (in the form of Binding Corporate Rules). The following main steps have been taken in 2016:

- In our new global privacy statement we inform individuals (clients, drivers and website visitors) how we collect and use their personal data. This privacy statement has been published on the various LeasePlan websites;
- Staff members which are involved in the setup of systems and applications which contain personal data have successfully participated in internal training courses on Privacy Impact Assessments. This is an important step in our preparations for compliancy with the new European General Data Protection Regulation;
- Staff members having access to personal data are trained on an ongoing basis in privacy topics that are relevant for them.

During 2016, much attention was given to enhancing efficiencies in the field of legal as well as compliance. LeasePlan also continued to strengthen its compliance framework, in view of regulatory developments and in response to compliance-related developments in the industry. Such initiatives include:

- **Implementation of a new global Code of Conduct and Supplier Code of Conduct**; the Codes reflect the values and behaviours that apply within our organisation and add to the aforementioned basis by ensuring ethical behaviour in the broadest sense, including corporate responsibility in doing business and customer focus;

- **Execution of sixth annual integrity survey**; this globally conducted survey helps us to measure the perceived level of integrity that exists in all parts of the business. Its outcomes enable us to further steer values and integrity and to enhance awareness of compliance risks;

- **Approval of Counterparty Due Diligence Policy and standards**; with the approval thereof the Managing Board has set the path for combatting money laundering, terrorist financing and transactions with sanctioned countries or persons;

- **Enhancement of the Compliance Risk Assessment**; each group company performs an annual compliance risk assessment. All entities report on this assessment in their yearly compliance reports to the Group Compliance Officer. Those local compliance risk assessments also contribute to the insight into the adequacy of the legal and compliance risk management organisation. Furthermore, identified risks are taken into consideration for inclusion in the Compliance Annual Plan;

- **Implementation of the Competition Compliance Program and Policy**; the programme provides an overview of the actions required by LeasePlan to prevent and reduce the risk of competition law violations. The Competition Compliance Program builds on our previous Competition Guidelines, our Code of Conduct and the values we stand for. The Competition Compliance Policy formalises and provides a concise overview of the competition compliance requirements that all our entities and employees must follow. A competition law risk assessment was performed as part of the annual compliance risk assessment.

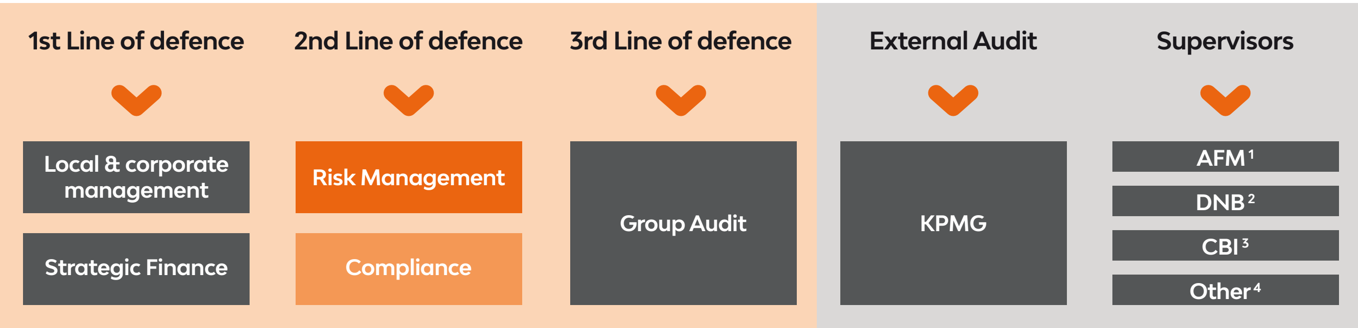
- **Roll out of a global e-learning course 'Introduction to Competition Law'**; the course was rolled out for all LeasePlan employees and participation thereof is a requirement for all employees.

- **Approval of Intellectual Property Policy**; this policy was approved by the Managing Board and contains clear rules to ensure that our brands are adequately protected in all our countries, and infringements by third parties are adequately dealt with. Uniformity and central control is key in order to protect our identity and brand.

- **Approval of a local Whistleblowing Policy**; LeasePlan had already implemented a Whistleblowing Policy which is applicable to all LeasePlan's employees worldwide. In 2016 the Managing Board approved a local Whistleblowing Policy for the employees working in the Dutch organisation. This local Policy incorporates the additional requirements which were introduced through the new Dutch House for Whistleblowers Act (*Wet Huis voor Klokkenluiders*).

Risk management

The effectiveness of our risk management framework is vital to our Group's functioning and ongoing business. In this section, we describe the framework, including the improvements made to further enhance its effectiveness and the most important developments with regard to our risk appetite and risk profile.



[1] AFM: Autoriteit Financiële Markten
[2] DNB: De Nederlandsche Bank
[3] CBI: Central Bank of Ireland
[4] Other: Other Financial/Insurance egulators

Lines of defence

LeasePlan's control framework includes three lines of defence supported by investments in information technology and people. The following overview outlines the composition and responsibilities of the key parties involved in executing the three lines of defence within our Group:

1. Local and corporate management have ownership and responsibility for the leasing business and accountability for assessing, controlling and mitigating risks, whereas the Strategic Finance department is involved concerning the central funding of the Group;

2. Corporate Risk Management (including Information Security & Governance) and the Compliance department (acting independently from risk originators) coordinate, oversee and objectively challenge the execution, management, control and reporting of risks;

3. Group (Internal) Audit, through a risk-based approach, provides independent and objective assurance, on how effectively we assess and manage our risks, including the manner in which the first and second lines operate, to our Managing Board and the Audit Committee of the Supervisory Board.

The Risk Committee of the Supervisory Board was established during the second quarter of 2016; the first meeting was held on 13 September 2016. The Risk Committee's role is to review LeasePlan's risk appetite and to monitor performance of key risk indicators against the targets and tolerance levels set, in order to support the Supervisory Board's supervision of risk management.

The continued level of sales proceeds, which is also reflected in increased residual values for newly concluded business in 2016, is considered a reflection of generally improved economic circumstances.

Risk appetite

During 2016 we managed our risk appetite on the basis of the following pillars:

- (stand-alone) long-term debt rating;
- financial return on risk-adjusted capital (i.e. economic return);
- diversified share of funding layers.

An institution's rating target is an indication of the overall risk appetite a company may have and the level of capital it will hold.

In addition, a specific risk appetite has been set for each underlying risk category. The Risk Committee of the Supervisory Board approves the risk appetite for the Group annually, 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 (including corporate management) and the Risk Committee of the Supervisory Board. The Group's performance in 2016 against the set and approved risk appetite shows no continued breaches.

The principal financial risks inherent to our business activities are individually discussed in the Financial Risk Management section of the Financial Statements.

Risk profile 2016

The Group's 'Vehicles sales' includes results from contract termination, end-of-contract settlements and the result of resale of used cars. It also includes the result of risk mitigating measures during the life time and at the end-of-contract. 'Vehicles sales' has continued to contribute substantially to the net result.

Similar to 2015, LeasePlan continued to benefit from strong performance of second-hand car markets. This led to a small increase in achieved sales results for the full year 2016, when compared to 2015. The continued level of sales proceeds, which is also reflected in increased residual values for newly concluded business in 2016, is considered a reflection of generally improved economic circumstances.

Following the widely published vehicle emission issue of Volkswagen A.G., we have not seen any significant impact materialising in the residual values of our vehicles or the demand of certain types of our cars in the second-hand car market during 2016.

LeasePlan continues to harmonise the management of asset-related exposures and to remain best-in-class in controlling residual value risk. Investments in systems, sharing of best practices, training staff and further development of (statistical) techniques are considered a prerequisite to remain in control of our Group's asset risks and to support the pricing of the business written by the Group companies.

During 2016, the Group 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. Furthermore, based on the 2016 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.

In the years to come, the Group will continue to allocate the necessary time, resources and investment to maintain the strength of its risk management framework.

Over the last years, a solid platform of diversified funding sources has been set up, which include debt capital markets, securitisation, bank credit lines and an internet savings bank in the Netherlands and Germany. With this as an underlying strategy, we ensure the availability of funding to meet our ongoing liquidity needs. Overall, our liquidity and capital position remains solid and we safely comply with CRR/CRD IV.

During 2016, the number of credit losses of our customer portfolio slightly decreased on an overall base, which was mainly the result of a decrease in the number of defaults recorded in the retail segment. Influenced by a customer portfolio that rose at a higher pace, the yearly default rate improved for both the corporate and retail portfolios. The average credit losses in the corporate segment marginally increased over 2016, whereas the average credit losses in the retail customer portfolio remained stable, leading to a slightly higher level of overall credit losses.

We continue to leverage our Internal Rating Based (IRB) status and our approach to corporate and retail sectors to appropriately reflect the level of risk in the portfolio. This status reflects the Group's commitment to high levels of credit risk management standards and allows for advanced credit risk assessments and clear risk appetite-setting for Group companies.

Likewise, the Group's Advanced Measurement Approach (AMA) for operational risk signals the Group's commitment to operational excellence and risk awareness. It is the main driver behind business process improvements across existing and new products and operations. Furthermore, the Group's insurance activities are conducted in line with Solvency II regulations and specific attention is given to underwriting skills and risk mitigation capabilities.

LeasePlan infrastructure is connected with public networks and this 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). The frequency and the intensity of attacks are increasing on a global scale and we continuously enhance our cyber security framework to protect, detect and respond to this type of cybercrime threats.

Furthermore, risk is an essential building block in the Group's remuneration framework. Balanced risk-taking is required, by definition, to grow the business profitably. The remuneration framework will continue to reflect the right incentives for managing risk and return in alignment with risk appetite objectives in a sustainable and healthy manner, and will discourage excessive risk taking.

We have analysed the potential impact of Brexit on several metrics and risk components and have not encountered significant changes to the risk profile so far. A Brexit committee has been established, comprising members with first and second line responsibilities covering several disciplines, which will monitor relevant further developments. Within LeasePlan UK, several measures have been taken to reduce the potential impact; as a result, we are well prepared for the effects that may follow Brexit.

Risk profile – outlook 2017

In the fourth quarter of 2016, LeasePlan has designed a new value creation model and has built a more integrated organisational structure. The Group's risk profile will be reassessed and reshaped towards new strategic initiatives. In the meantime, the corporate risk department is closely monitoring transition risks resulting from the organisational changes.

In the years to come, the Group will continue to allocate the necessary time, resources and investment to maintain the strength of its risk management framework, in support of its business ambitions and regulatory compliance.

A comprehensive overview of our overall risk management framework, including elaboration on all key risks inherent to our business activities, is described in detail in the Financial Risk Management section of the Financial Statements and the Pillar III Disclosures, which are available at **www.leaseplan.com**.

Group remuneration report

Introduction

The remuneration report sets out LeasePlan's remuneration policy, as laid down in the Group Remuneration Framework, which applies to the entire Group and 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 (Wbfo) and Book 2 of the Dutch Civil Code (DCC).

LeasePlan's Group Remuneration Framework

The Group Remuneration Framework (Framework) of LeasePlan is aimed at attracting, retaining, motivating and rewarding high-calibre employees to deliver first-rate long-term business performance in line with the business strategy and approved risk appetite.

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

General remuneration principles

The following general remuneration principles apply to all staff:

- The remuneration policy and structure are aligned with LeasePlan's business strategy, long-term interests, objectives, corporate values and risk appetite and support robust and effective risk management;
- The remuneration positioning will, in general, be set at the median of the relevant market, assuming a comparable split between fixed and variable remuneration;
- Variable remuneration is performance-related, consists of a well thought-out mix of financial (at maximum 50%) and non-financial elements and reflects both short- and long- term strategic goals;
- Variable remuneration targets are specific, measureable, attainable, relevant and time-bound;
- Variable remuneration can never exceed 100% of fixed remuneration. For staff who are employed by one of the Dutch operating companies this maximum is further capped at 20% on average;
- Pension schemes are recognised in accordance with the applicable accounting standards. LeasePlan does not award discretionary pension benefits as part of the variable remuneration;
- Other benefits for staff are provided in line with local market practice;
- Severance payments reflect performance over time and do not reward for failure or misconduct. For LeasePlan's daily policymakers severance payments are capped at 100% of fixed remuneration;
- Claw back and malus provisions are applicable to all variable remuneration awarded;
- For variable remuneration that deviates from the Framework, approval of the (Remuneration and Nomination Committee of the) Supervisory Board is required.

Remuneration Identified Staff

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

- Variable remuneration is capped at 50% for the heads of Risk Management, Compliance and Audit (jointly referred to as Control Functions);
- The remuneration positioning for Identified Staff is based on a relevant peer group as approved by the (Remuneration and Nomination Committee of the) Supervisory Board;
- Variable remuneration for Identified Staff consists of cash (50%) and non-cash elements (50%), i.e. phantom share units (PSUs);
- 60% of the variable remuneration for Identified Staff is paid upfront and 40% of the variable remuneration of Identified Staff is deferred for a period of three years, whereby every year one-third vests;
- PSUs have a retention period of one year after vesting.

Remuneration Managing Board

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

- In line with the Dutch Banking Code the remuneration positioning of the Managing Board is set below the median for comparable positions in- and outside the financial industry, taking into account the relevant international context;

- Managing Board members are entitled to a variable remuneration of 15% at target and 20% at maximum;
- Managing Board members are appointed for the duration of four years.

As of the appointment of two Managing Board members in September 2016, the following principles also apply:
- A fixed notice period of 3 months in case of termination by a Managing Board member and 6 months in case of termination by the Employer applies;
- Managing Board members in principle fully participate in LeasePlan's pension scheme. Where the applicable retirement age (*pensioenrichtleeftijd*) is however reached during the appointment period, a fixed allowance of 18.7% over the gross annual salary is paid;
- Managing Board members are entitled to a net expense allowance of EUR 550 on a monthly basis.

Remuneration governance

The remuneration governance within LeasePlan is as follows.

The (Remuneration and Nomination Committee of the) Supervisory Board

The main responsibilities of the (Remuneration and Nomination Committee of the) Supervisory Board concerning the Framework are the following:
- Reviewing and approving the Framework and supervising its implementation (if it includes changes applicable to the Managing Board, in addition the General Meeting of Shareholders will be requested for approval);
- Approving the selection of Identified Staff on an annual basis;
- Approving the financial and the non-financial target areas and levels for Identified Staff;
- Reviewing and approving the award of any fixed and variable remuneration for Identified Staff;
- Reviewing and approving significant severance payments for Identified Staff.

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

The Managing Board

The main responsibilities of the Managing Board concerning the Framework are the following:
- Developing and adopting the Framework;
- Recommending fixed and variable remuneration levels/payments for Identified Staff (other than for Managing Board members) in line with the Framework;
- Setting the financial and non-financial targets (as applicable) for Identified Staff (excluding those of Managing Board members) in line with the short- and long-term corporate strategy and objectives.

Control Functions

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

Performance targets

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

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

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

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

Target	Element	Link to LeasePlan's strategy
Financial	Profit	Growth (financial) and operational excellence
Non-financial	Volume growth	Growth (volume)
	Customer loyalty	Customer centric innovation
	Employee engagement	Right people and culture
	Integrity	LeasePlan values

For 2017, the global performance targets will be aligned with LeasePlan's revised business strategy.

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

The targets for Control Functions exclude any targets that may create a conflict of interest and the function holders are remunerated on the basis of the achievement of non-financial Group objectives and non-financial targets relevant to their position.

Execution LeasePlan's Remuneration Framework in 2016

In 2016, no changes were made to LeasePlan's Remuneration Framework. However, prior to the transaction in March 2016, a temporary deviation of the maximum variable remuneration cap for Managing Board members (from 20% to 40%) was approved by the Shareholder for 2016. This was done to facilitate the last part of the award under the Incentive Plan in March 2016 following the successful closing of the transaction. For more information about the Incentive Plan, we refer to last year's Annual Report.

In addition and with the appointment of two new Managing Board members in September 2016, a few new remuneration principles (e.g. fixed notice period, net expense allowance) were introduced by the (Remuneration and Nomination Committee of the) Supervisory Board. These principles are outlined in the section 'Remuneration Managing Board'.

For 2017, the LeasePlan's Remuneration Framework is updated to ensure alignment with the European Banking Authority Remuneration Guidelines which entered into force as of 1 January 2017 and the organisational changes and revised corporate strategy.

Remuneration disclosures

In line with the Wbfo, the following table summarises (i) the total amount of aggregated variable remuneration expenses for the year 2016 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 67.2 million
Number of individuals that received (i.e. were awarded) more than EUR 1 million of total remuneration	1 - Head office 4 - Other

More remuneration information can be found in:

- Note 8 of the consolidated Financial Statements as included in the Annual Report: Staff expenses;
- Note 26 of the consolidated Financial Statements as included in the Annual Report: Trade and other payables and deferred income;
- Note 34 of the consolidated Financial Statements as included in the Annual Report: Relating Parties;
- Pillar III report, remuneration section as published on **www.leaseplan.com/page/financial-publications-overview:** qualitative and quantitative remuneration information with respect to Identified Staff.

Financial Statements 2016

About LeasePlan

LeasePlan is one of the world's leading vehicle leasing companies, with approximately 1.7 million vehicles under our care in over 30 countries. Our core business involves managing the entire vehicle life-cycle for our clients, taking care of everything from purchasing, insurance and maintenance to car re-marketing. With over 50 years' experience, we are a trusted partner for our private, SME, corporate and mobility service clients. Our mission is to provide innovative, sustainable vehicle leasing solutions whoever you are and wherever you need to be — so you can focus on what's next.

Find out more at **www.leaseplan.com**

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Consolidated financial statements

Consolidated income statement

for the year ended 31 December

In thousands of euros	Note	2016	2015[1]
Revenues (lease income and vehicles sales)	3	8,430,912	8,101,702
Cost of revenues	3	7,348,165	7,061,547
Gross profit (net lease and vehicles sales income)		**1,082,747**	**1,040,155**
Interest and similar income	4	768,136	799,087
Interest expenses and similar charges	5	322,917	330,035
Net interest income		**445,219**	**469,052**
Impairment charges on loans and receivables	6	20,168	23,245
Unrealised gains/losses on financial instruments	14	4,776	13,480
Net finance income		**429,827**	**459,287**
Other income	7	**39,068**	**7,357**
Total operating income		**1,551,642**	**1,506,799**
Staff expenses	8	640,977	557,986
General and administrative expenses	9	310,602	290,570
Depreciation and amortisation	10	56,403	56,178
Total operating expenses		**1,007,982**	**904,734**
Share of profit of investments accounted for using the equity method	21	4,596	5,870
Profit before tax		**548,256**	**607,935**
Income tax expenses	11	122,790	165,460
Net result		**425,466**	**442,475**
Net result attributable to			
Owners of the parent		425,466	442,475

The notes to the consolidated financial statements are an integral part of these statements.

[1] Prior year figures have been adjusted due to changes in presentation. Please refer to Note 2 (Basis of preparation) for further details.

Consolidated statement of comprehensive income

for the year ended 31 December

In thousands of euros	Note	2016	2015
Net result		**425,466**	**442,475**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of post-employment benefit reserve, before tax	31	3,736	- 218
Income tax on post-employment benefit reserve	11	- 1,162	162
Subtotal changes post-employment benefit reserve, net of income tax		**2,574**	**- 56**
Items that may be subsequently reclassified to profit or loss			
Changes in cash flow hedges, before tax		11,460	6,851
Cash flow hedges recycled from equity to profit and loss, before tax		- 6,863	- 7,565
Income tax on cash flow hedges	11	- 1,149	178
Subtotal changes in cash flow hedges, net of income tax	11	**3,448**	**- 536**
Exchange rate differences	31	- 18,848	16,655
Other comprehensive income, net of income tax		**- 12,826**	**16,063**
Changes in post-employment plans in associates		398	-
Total comprehensive income for the year		**413,038**	**458,538**
Comprehensive income attributable to			
Owners of the parent		413,038	458,538

The notes to the consolidated financial statements are an integral part of these statements.

Consolidated balance sheet

as at 31 December

In thousands of euros	Note	2016	2015[1]
Assets			
Cash and balances at central banks	12	1,857,144	1,605,437
Receivables from financial institutions	13	490,448	368,930
Derivative financial instruments	14	224,898	166,085
Other receivables and prepayments	15	980,292	837,361
Inventories	16	280,519	261,325
Loans to investments accounted for using the equity method	17	125,275	103,325
Corporate income tax receivable		57,906	37,441
Lease receivables from clients	18	3,425,539	3,084,247
Property and equipment under operating lease and rental fleet	19	15,919,429	14,486,782
Other property and equipment	20	91,806	90,673
Investments accounted for using the equity method	21	27,394	24,211
Intangible assets	22	174,179	171,267
Deferred tax assets	23	118,178	141,372
		23,773,007	**21,378,456**
Assets classified as held-for-sale	24	13,763	36,790
Total assets		**23,786,770**	**21,415,246**

[1] Prior year figures have been adjusted due to changes in presentation. Please refer to Note 2 (Basis of preparation) for further details.

Consolidated balance sheet - *continued*

as at 31 December

In thousands of euros	Note	2016	2015[1]
Liabilities			
Funds entrusted	25	5,480,777	5,086,974
Derivative financial instruments	14	77,584	88,379
Trade and other payables and deferred income	26	2,320,288	2,255,271
Corporate income tax payable		40,454	37,315
Borrowings from financial institutions	27	3,259,384	2,073,118
Debt securities issued	28	8,805,351	8,142,443
Provisions	29	454,507	378,333
Deferred tax liabilities	23	272,723	253,860
		20,711,068	**18,315,693**
Liabilities classified as held-for-sale	24	-	28,089
Total liabilities		**20,711,068**	**18,343,782**
Equity			
Share capital	30	71,586	71,586
Share premium	30	506,398	506,398
Other reserves	31	- 9,725	3,101
Retained earnings	32	2,507,443	2,490,379
Total equity		**3,075,702**	**3,071,464**
Total equity and liabilities		**23,786,770**	**21,415,246**

The notes to the consolidated financial statements are an integral part of these statements.

[1] Prior year figures have been adjusted due to changes in presentation. Please refer to Note 2 (Basis of preparation) for further details.

Consolidated statement of changes in equity

In thousands of euros	Attributable to the owners of the parent				
	Share capital	**Share premium**	**Other reserves**	**Retained earnings**	**Total equity**
Note	30	30	31	32	
Balance as at 1 January 2015	**71,586**	**506,398**	**- 13,178**	**2,278,120**	**2,842,926**
Net result				442,475	442,475
Other comprehensive income			16,063	-	16,063
Post-employment plans in associates			216	- 216	-
Total comprehensive income			**16,279**	**442,259**	**458,538**
Dividend relating to 2014				- 230,000	- 230,000
Total transactions with owners of the parent				**- 230,000**	**- 230,000**
Balance as at 31 December 2015	**71,586**	**506,398**	**3,101**	**2,490,379**	**3,071,464**
Net result				425,466	425,466
Other comprehensive income			- 12,826	-	- 12,826
Post-employment plans in associates				398	398
Total comprehensive income			**- 12,826**	**425,864**	**413,038**
Dividend relating to 2015				- 265,500	- 265,500
Dividend relating to 2016				- 143,300	- 143,300
Total transactions with owners of the parent				**- 408,800**	**- 408,800**
Balance as at 31 December 2016	**71,586**	**506,398**	**- 9,725**	**2,507,443**	**3,075,702**

The notes to the consolidated financial statements are an integral part of these statements.

Consolidated statement of cash flows

for the year ended 31 December

In thousands of euros	Note	2016	2015[1]
Operating activities			
Net result		425,466	442,475
Adjustments			
Interest income	4	- 768,136	- 799,092
Interest expense	5	322,917	330,035
Impairment on receivables	6	20,168	23,245
Bargain purchase gain	7	-	- 7,357
Valuation allowance on inventory	16	- 1,264	- 336
Depreciation operating lease portfolio and rental fleet	19	3,098,115	2,973,848
Depreciation other property and equipment	20	26,740	24,507
Amortisation and impairment intangible assets	22	29,663	31,671
Share of profit of investments accounted for using the equity method	21	- 4,596	- 5,870
Financial instruments at fair value through profit and loss	14	- 4,776	- 13,480
Income tax expense		122,790	165,460
Changes in			
Provisions		76,174	21,446
Derivative financial instruments		- 61,384	- 12,022
Trade and other payables and other receivables		- 154,519	40,989
Inventories	16	192,485	164,705
Amounts received for disposal of subsidiaries		- 40,650	-
Amounts received for disposal of vehicles under operating lease	19	2,226,427	2,114,007
Amounts paid for acquisition of vehicles under operating lease	19	- 7,432,245	- 6,475,708
Acquired new finance leases and other increases of receivables from clients		- 1,278,079	- 1,178,514
Repayment finance leases		1,232,580	818,052
Cash generated from operating activities		**- 1,972,124**	**- 1,341,939**
Interest paid		- 313,962	- 351,850
Interest received		768,043	799,026
Income taxes paid		- 133,209	- 150,781
Income taxes received		20,681	19,847
Net cash flows from operating activities		**- 1,630,571**	**- 1,025,697**

See continuation of this table on the next page.

[1] Prior year figures have been adjusted due to changes in presentation. Please refer to Note 2 (Basis of preparation) for further details.

Consolidated statement of cash flows - *continued*

In thousands of euros	Note	2016	2015[1]
Investing activities			
Acquisition of subsidiary, net of cash acquired	7	-	- 36,125
Proceeds from sale of other property and equipment	20	16,897	15,635
Purchases of other property and equipment	20	- 44,901	- 45,574
Purchases of intangible assets	22	- 34,383	- 23,284
Divestments of intangible assets	22	566	2,382
Loans provided to investments accounted for using the equity method	17	- 71,950	- 364,516
Redemption on loans to investments accounted for using the equity method	17	50,000	551,322
Dividend received from investments accounted for using the equity method	17	720	1,999
Changes in held-for-sale investments		- 5,062	-
Proceeds from sale of subsidiaries		40,650	-
Net cash flows from investing activities		**- 47,463**	**101,839**
Financing activities			
Receipt of receivables from financial institutions		2,751,687	3,593,192
Balances deposited to financial institutions		- 2,923,665	- 2,705,585
Receipt of borrowings from financial institutions		3,469,973	7,975,232
Repayment of borrowings from financial institutions		- 2,112,567	- 8,257,058
Receipt of funds entrusted		2,187,510	2,353,168
Repayment of funds entrusted		- 1,793,706	- 1,645,085
Receipt of debt securities		2,872,668	2,477,152
Repayment of debt securities		- 2,209,760	- 1,972,746
Dividends paid to Company's shareholders		- 408,800	- 230,000
Net cash flows from financing activities		**1,833,340**	**1,588,270**
Cash and balances with banks as at 1 January		**1,583,373**	**919,688**
Net movement in cash and balances with banks		155,307	664,411
Exchange gains/losses on cash and balances with banks		387	- 726
Cash and balances with banks as at 31 December	**12**	**1,739,066**	**1,583,373**

The notes to the consolidated financial statements are an integral part of these statements.

[1] Prior year figures have been adjusted due to changes in presentation. Please refer to Note 2 (Basis of preparation) for further details.

General notes

1. General information

LeasePlan Corporation N.V.
LeasePlan Corporation N.V. (the "Company") is a company domiciled in and operating from Almere, the Netherlands and having its statutory seat in Amsterdam, the Netherlands. The address of its registered office is P.J. Oudweg 41, 1314 CJ Almere. The consolidated financial statements of the Company as at and for the year ended 31 December 2016 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. At the end of 2016, the Group employed just over 7,200 people worldwide and had offices in 32 countries. A list of the principal consolidated subsidiaries is included on page 201.

The Company holds a banking licence in the Netherlands since 1993 and is regulated by the Dutch Central Bank. Therefore, specific additional (IFRS) disclosures are included that focus on the Company's liquidity and solvency and on the risks associated with the assets and liabilities recognised on its balance sheet and with its off-balance sheet exposures.

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. represents a group of long-term responsible investors. None of these investors has a(n 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 largest pension fund 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 5.0 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 2016 were authorised for issue by the Managing Board on 22 March 2017. The Managing Board may decide to amend the financial statements as long as these are not adopted by the General Meeting of Shareholders. The General Meeting of Shareholders may decide not to adopt the financial statements, but may not amend these. In accordance with Article 362 paragraph 6, Book 2 of the Dutch Civil Code the Managing Board can, after adoption, at any time disclose facts which seriously affect the adopted financial statements. Such disclosure has to be filed at the Chamber of Commerce.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations as adopted by the European Union (EU). The financial statements are also compliant with article 362.9 of the Dutch Civil Code.

The 2016 presentation of the Consolidated income statement changed compared to last year and certain comparative amounts in the Consolidated income statement have been adjusted. The 2016 presentation of the operating segments presented as well as the various gross profit streams recognized changed as well and also for these changes the comparative amounts in the disclosures to the Consolidated income statement have been reclassified. These changes in classification make the financial statements more relevant and reliable as they align with the new and comprehensive set of key customer-centric and profitability metrics defined by Group's key management to enable them to closely monitor and track progress made with all strategic and operational improvement initiatives.

The tables below summarise the impact on the Consolidated income statement and related disclosures:

in thousands of euros	**Revenues**	**Cost of revenues**	**Interest and similar income**	**Other income**
2015 Previously reported	**8,297,646**	**- 7,231,056**	**780,009**	**-**
Reclassifications between revenues and cost of revenues	- 169,509	169,509	-	-
Reclassification correction operating lease interest income	- 19,078	-	19,078	-
Results of acquisition and sale of subsidiaries	- 7,357	-	-	7,357
2015 Adjusted	**8,101,702**	**- 7,061,547**	**799,087**	**7,357**

Reclassification between revenues and cost of revenues consist of two major changes: (i) end of contract results on the services provided under the lease contract, which were previously classified as revenues, but given the nature of the results, cost of revenues is considered more appropriate; and (ii) purchase bonuses related to services provided which were previously classified as revenues but given the nature of the results, a deduction of costs of revenues is considered more appropriate.

The interest income component in operating lease instalments, which is charged on a straight-line basis to the customer, was previously presented based on the effective interest method in interest income using the interest rate included in the lease contract and based on the net investment value of the leased asset. The correction to arrive at a straight-line recognition of the interest income components in operating lease instalments, which was previously part of revenues, is no longer applied, so that the straight-line income is reflected directly in Interest and similar income.

Results of acquisitions and sale of subsidiaries were previously included in Revenues, but going forward reflected separately in Other income and therefore no longer considered a gross profit component.

In the presentation of the gross profit the Group decided to distinguish four profit streams going forward, whereby fees, lease services and insurance relate to services provided under the lease contracts, while vehicles sales reflects the gross profit relating to the sales of vehicles for which the lease contracts ended. The main change in reclassification between lease services and vehicles sales is related to end of contract results on the services provided under the lease contract, which were previously classified as "Results of vehicles sold (results terminated contracts)" and going forward are classified under Lease services. The changes are reflected in the table on the next page.

in thousands of euros	2015 Previously reported	Reclassifications	2015 Adjusted
Fees (management fees)	**210,994**	**- 19,884**	**191,110**
Depreciation	42,622		
Lease services	161,416		
Rental	18,413		
Other	120,026		
Lease services	**342,477**	**131,338**	**473,815**
Insurance (Damage risk retention)	**184,401**	**-**	**184,401**
Vehicles sales (Results terminated contracts)	**328,718**	**- 137,889**	**190,829**
Gross profit	**1,066,590**	**- 26,435**	**1,040,155**

Certain comparative amounts in the Consolidated balance sheet have been adjusted, as a result of a revised interpretation of lease contract classification for a small part of the lease portfolio. This portfolio used to be classified as finance lease contracts, but is adjusted to operating lease, given the nature of the contracts. The changes are reflected in the table below:

in thousands of euros	2015 Previously reported	Reclassifications	2015 Adjusted
Lease receivables from clients	3,309,512	- 225,265	3,084,247
Property and equipment under operating lease and rental fleet	14,261,517	225,265	14,486,782

The impact of this reclassification on the net result 2016 and the years before is fully reflected in the net result of 2016, given the limited materiality.

The 2015 comparative disclosures following this reclassification have not been fully adjusted as this information is not readily available and retrospective preparation would require undue cost and effort.

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.

Use of estimates, assumptions and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The main estimates and underlying assumptions relate to the residual values at the end of the contract date, the assessment of the impairment of the lease portfolio, the defined benefit pensions obligations, the fair value of the derivatives, the assessment of the income tax position and damage risk retention provision, the impairment of intangibles and goodwill and revenue recognition, the assessment of restructuring provision and litigation provision. Information on the above-mentioned areas of estimation and judgement is provided in note X - Critical accounting estimates, assumptions and judgements.

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

New and amended standards adopted by the Group

There are no IFRS or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2016 that have a material impact on the Group.

The following new standards, amendments and interpretations to published standards are mandatory for the first time for the financial year beginning 1 January 2016 and are applicable to the Group:
- Amendments to IFRS 11 'Joint arrangements' regarding the accounting for acquisitions of an interest in a joint operation. This amendment has no impact on the Group.
- Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets' clarifying that a depreciation or amortisation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. This amendment has no impact on the Group.
- Amendments to IAS 1 'Presentation of Financial Statements' to address perceived impediments to preparers exercising their judgement in presenting their financial reports. These amendments have no material impact on the Group.
- Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 'Investments in Associates and Joint Ventures' (2011) to address issues that have arisen in the context of applying the consolidation exception for investment entities. These amendments have no material impact on the Group.
- Annual Improvements 2012-2014 Cycle:
  - Amendment to IFRS 5 'Non-current assets held-for-sale and discontinued operations' adding specific guidance for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued. This amendment has no impact on the Group
  - IFRS 7 'Financial instruments: disclosures' clarifying whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements. This amendment has no material impact on the Group.
  - IAS 19 'Employee benefits' clarifying that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid. This amendment has no impact on the Group as this is already applied.
  - IAS 34 'Interim financial reporting' clarifying the meaning of 'elsewhere in the interim report' and requiring a cross-reference. This amendment is already applied by the Group.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2016 and not early adopted

The following new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2016 and have not been early adopted in preparing these consolidated financial statements.

- IFRS 9 (2014) 'Financial instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. IFRS 9 was subsequently adopted by the EU on 22 November 2016. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. There is a new expected credit loss model that replaces the incurred impairment model used in IAS 39. For financial liabilities there are no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 eases the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.
  The Group plans to adopt IFRS 9 by the required effective date of 1 January 2018 with no early adoption and no restatement of comparative information as permitted by the standard. Furthermore, it is expected that the Group will apply the accounting policy choice to defer the application of the new general hedging model and continue to apply the hedge accounting requirements of IAS 39 in their entirety until the standard resulting from the IASB's separate project on macro hedge accounting is effective.
  At initial application of IFRS 9, it is expected that an impact of IFRS 9 will arise from the introduction of the new expected credit loss model which will result in a decrease in shareholder's equity. No changes are expected in the measurement of the Group's financial assets and liabilities. Post initial application, expected credit losses will lead to earlier recognition of credit losses. The Group expects to provide more information about the quantitative impact of the application of IFRS 9 in the 2017 interim financial statements for the period ending 30 June 2017.
- IFRS 15 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's control of a good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The effective date of the standard is 1 January 2018, whereby earlier adoption is still permitted. The Group plans to adopt IFRS 15 in its Consolidated financial statements for the year ending 31 December 2018 and will assess the impact of IFRS 15 in the course of 2017.
- IFRS 16 'Leases', issued in January 2016, includes a new approach to lease accounting that requires a lessee to recognise assets and liabilities for the rights and obligations created by leases. The model reflects that, at the start of a lease, the lessee obtains a right to use the underlying asset for a period of time, and the lessor has provided or delivered that right. Both the asset and the liability are initially measured at the present value of lease payments. A lessee presents amortisation of the right-of-use asset in the same line item as other similar expenses (for example, depreciation of property, plant, and equipment) and interest on the lease liability in the same line item as interest on other, similar financial liabilities. For lessors, the accounting stays almost the same. However, the definition of a lease, as well as the guidance on the combination and separation of contracts, have been updated. IFRS 16 is effective for periods beginning on or after 1 January 2019, with earlier adoption permitted if IFRS 15 Revenue from contracts with customers has also been applied. The Group has yet to assess the full impact of IFRS 16. Furthermore, the Group is investigating how it can support its lessees in calculating the right of use asset and corresponding liability.
- Amendments to IAS 12 'Income Taxes' issued in January 2016 and clarifying certain aspects around the recognition and measurement of deferred taxes, amongst which that unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. This amendment is effective for periods beginning on or after 1 January 2017, with earlier adoption permitted. The Group will not early adopt this amendment and expects the impact to be limited.
- Amendments to IAS 7 'Statement of Cash Flows' issued in January 2016 and clarifying that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing

activities. This amendment is effective for periods beginning on or after 1 January 2017, The Group will disclose any material changes in liabilities arising from financing activities in its 2017 consolidated statement of cash flows.
- Amendments to IFRS 2 'Share-based Payment' issued June 2016 and clarifying the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. This amendment is effective for periods beginning on or after 1 January 2018. The Group will assess the impact of these amendments.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

3. Summary of significant accounting policies

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

Note A - Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries all of which prepare financial statements up to 31 December.

Subsidiaries

Subsidiaries are all companies (including special purpose companies) over which the Group has control. The Group controls a company when the Group is exposed to, or has rights to, variable returns from its involvement with the company and has the ability to affect those returns through its power over the company. Subsidiaries are fully consolidated from the date on which control 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 the fair values of the assets transferred, the liabilities incurred to the former owners of the entity acquired and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at its fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the entity acquired either at fair value or at the non-controlling interest's proportionate share of the entity's net assets. Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in the income statement.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired in case of a bargain purchase, the difference is recognised in the income statement.

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

Transactions with non-controlling interests and disposals

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control any retained interest in the company is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that company are accounted for as if the Group had directly disposed of the related assets or liabilities. This may imply that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Associates
Associates are those companies over which the Group has significant influence but not control, generally accompanying a shareholding between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses exceeds its interest in an equity accounted associate, including any other unsecured receivables, the Group does not recognise further losses, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate. The accounting policies applied for the associates are in line with the policies adopted by the Group.

For the impairment of non-financial assets, reference is made to note S - Impairments.

Joint arrangements
Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interest that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies applied for the joint ventures are consistent with the policies adopted by the Group.

Special purpose companies
Special purpose companies are companies created to accomplish a narrow and well-defined objective, such as the securitisation of leased assets. The financial statements of special purpose companies are included in the Group's consolidated financial statements where the substance of the relationship is that the Group continues to be exposed to risks and rewards from the securitised leased assets. The Group uses various legal entities, which have been incorporated specifically for the Group's securitisation transactions, and these companies are therefore regarded as subsidiaries and included in the consolidated financial statements of the Group.

Note B - Foreign currency

Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement under the caption 'Cost of revenues', except when deferred in other comprehensive income as qualifying cash flow hedges.

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 presentational currency of the Group) as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. Since 1 January 2004, the Group's date of transition to IFRS, such translation differences have been 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 income statement as part of the gain or loss on disposal or sale.

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

Note C - Financial assets and liabilities

Classification

Financial assets are initially recognised at fair value. Subsequent measurement depends on the classification described below. The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and cash and cash equivalents. The classification depends on the purpose for which the investments were initially acquired or originated.
Financial liabilities are initially recognised at fair value net of transaction costs incurred and are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the financial liability using the effective interest method.

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

This category has two sub-categories: financial assets held-for-trading and financial assets and financial liabilities designated at fair value through profit or loss at inception. A financial asset or financial liability is classified in this category if acquired principally for the purpose of selling or repurchasing it in the short-term or if so designated by management. Derivatives are categorised as held-for-trading unless these are designated as hedging instrument in a hedge.

Gains and losses arising from changes in the fair value of the 'Financial assets and financial liabilities at fair value through profit or loss' category are included in the income statement in the period in which these gains and losses arise and are included in the caption 'Unrealised gains/losses on financial instruments' in the income statement.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. The following balance sheet items are classified as loans and receivables: receivables from financial institutions, lease receivables from clients, loans to investments accounted for using the equity method, and certain items included in other receivables and prepayments (rebates and bonuses and commissions receivable, reclaimable damages, interest to be received).

After initial recognition at fair value, loans and receivables are carried at amortised cost using the effective interest method, less any impairment losses.

Financial liabilities measured at amortised cost
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any differences between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. The following balance sheet items 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).

Recognition
A financial asset is recognised if the Group becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets at fair value through profit or loss, held-to-maturity and available-for-sale are recognised on settlement date, i.e. the date that a financial asset is delivered to the company that purchased this financial asset. Loans are recognised when cash is advanced to the borrowers.

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

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

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

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.

Note D - Derivative financial instrumentsand hedge accounting

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

The fair value of currency and interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date. The fair values of not actively traded instruments are calculated using a generally accepted discounted cash flow method, while taking into account relevant market observable data such as quoted forward prices and interest rates.

The Group uses derivatives to hedge its exposure to interest rate and foreign exchange rate risks arising from operating, financing and investing activities. In accordance with its treasury policy, the Group does not hold derivatives for trading purposes. The Group applies cash flow hedge accounting and fair value hedge accounting.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedging instrument either in: (i) hedges of changes in future cash flows attributable to a recognised asset or liability or a forecasted transaction (cash flow hedge); or (ii) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge).

Derivatives are used as hedging instruments designated in this way provided certain criteria are met.

The Group documents at inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in a hedge are highly effective in offsetting changes in fair values or cash flows of hedged items.

Cash flow hedging
When derivatives are designated as a hedging instrument in a cash flow hedge, the effective portion of changes in the fair value of derivatives is recognised directly in the related hedging reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement in the caption 'Unrealised gains/losses on financial instruments'.

Amounts accumulated in equity are recycled to the income statement in the periods in which the forecasted transaction in a hedge will affect the income statement (i.e. when the forecasted sale that is hedged takes place). When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in the income statement when the forecasted transaction is ultimately recognised in the income statement. When a forecasted transaction is no longer expected to occur, hedge accounting should cease retrospectively and the cumulative unrealised gain or loss that was reported in equity is immediately transferred to the income statement.

In case ineffectiveness arises because insufficient cash flows are available but forecasted cash flows are still likely to occur or when a hedge no longer meets the criteria for hedge accounting then then amounts in equity are amortised only as and when the forecasted cash flows will occur.

Fair value hedging
The Group applies fair value hedge accounting to eliminate the income statement volatility arising from different measurement principles applied by IAS 39 to some issued fixed rate notes and to all issued structured notes (hedged items measured at amortised cost) and related derivatives (hedging instruments measured at fair value through profit or loss).

The future cash flows on the fixed leg of the swaps (hedging instrument), which the Group will apply to change the interest profile of the notes, will match the cash flows of the notes but in an opposite way thus creating a highly effective hedge. The change in the fair value of the debt attributable to the change of the underlying swap rate is in principle equal and opposite to the change in the fair value of the swap. As the hedging period always matches the period of life-time of the note, the basis adjustments are fully reversed at maturity and no further amortisation of basis adjustments is necessary.

Changes in the fair value of a hedging instrument designated as fair value hedge are recognised in the income statement. The carrying amount of the hedged item measured at amortised cost has been adjusted by gains or losses attributable to the hedged risk. These gains or losses are recognised in the income statement in the caption 'Unrealised gains/(losses) on financial instruments'.

Derivatives
Changes in the fair value of derivatives that are not designated as a hedging instrument in a cash flow hedge are recognised immediately in the income statement in the caption 'Unrealised gains/losses on financial instruments'.

Note E - Lease contracts

Lease classification
The lease classification is determined on a contract-by-contract basis, taking into consideration the substance of the transaction and the specific details of each lease contract. The key factor is whether or not substantially all of the risks and rewards incidental to ownership are transferred.

Various criteria are used to determine the lease classification of which the two most important are:
- whether the lease term is for the major part the economic life of the asset; and
- whether the present value of minimum lease payments amounts to at least substantially all of the fair value of the asset.

Finance lease portfolio
Leases where substantially all the risks and rewards incidental to ownership of an asset are transferred to the lessee are classified as finance leases. The Group as a lessor records a finance lease receivable at the amount of its net investment which equals the present value of the future minimum lease payments receivable (including any guaranteed residual value by the lessee) and the unguaranteed residual value accruing to the Group, after any accumulated impairment losses. The finance lease receivables are presented within the caption 'Lease receivables from clients'.

The finance lease instalments can comprise various components each having its own revenue recognition. The instalments are classified and presented in the following categories in the income statement: (i) interest income (the difference between the gross receivable and the present value of the receivable is unearned finance income and is recognised over the term of the lease using the effective interest method); and (ii) revenues (to the extent that services are included in the lease).

Operating lease portfolio
An operating lease is different from a finance lease and is classified as such if it does not transfer substantially all the risks and rewards incidental to ownership. The Group as a lessor presents the assets subject to operating leases in the balance sheet according to the nature of the asset.

The operating lease instalments are recognised in the financial statements in their entirety on a straight-line basis over the lease term. The instalments are classified and presented in the following categories in the income statement: (i) revenues; and (ii) interest income.

Lease products
The Group leases assets to its clients for durations that normally range between three to four years. In almost all cases, the leased assets are returned to the Group at the end of the contract term. There are two main types of leasing products offered:

(a) Closed calculation contracts
Closed calculation contracts are typically leasing contracts whereby the client is charged a fixed fee for the use of the asset over a period of time. At the end of the lease, the asset is normally returned to the Group and then sold in the second hand car market. In all cases, the overall risk on the result of the contract, both positive and negative, is borne by the Group.

(b) Open calculation contracts

Open calculation contracts are leasing contracts whereby the client, under particular circumstances, may share a portion of any positive upside potential resulting from the exploitation of the lease contract. The specifics of each contract can differ by country and/or by client. However, in most of these contracts, the result on service income and the sale of the leased asset at the end of the lease are combined and a net positive result is returned to the client. Most contracts contain certain requirements that the client must fulfil in order to receive the net positive result, such as maintaining a certain number of leased objects during the year or that a certain number of leased objects must be included in the calculation of the net result.

Both open and closed calculation contracts are classified as operating leases. Open calculation contracts are classified as operating leases on the basis of the (negative) risks being borne by the Group.

Note F - General and presentation format

The Group considers the presentation model for banks as the most appropriate format. Within the banking model interest income and interest expenses are separately shown on the face of the income statement whereas the operating expenses are presented by nature. For its main activity – leasing – the related revenues and costs are shown separately based on the functional method taking into account IFRS presentation requirements. As IFRS do not define an income statement for leasing business within the banking industry, the Group makes this distinction to give the reader a better understanding of the performance of the business. Revenues only include the gross inflow of economic benefits received and receivable by the Group on its own account; amounts collected on behalf of third parties are therefore excluded.

Note G - Net interest income

The interest income component in operating lease instalments, which is charged on a straight-line basis to the client, is presented on a straight line basis in Interest and similar income.

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

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

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

Note H - Revenues and 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.

Revenues include the various components of the lease instalment, such as lease services (repair, maintenance and tyres (RMT), depreciation, rental revenues), insurance and management fees. The lease instalments may include passed on costs such as fuel, road taxes and other taxes which do not represent the inflow of economic benefits and/or are collected on behalf of third parties and are therefore not presented as revenues. The rental revenues are recognised on a straight-line basis over the term of the rental agreement.

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

Revenues also include 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 the risk and rewards are transferred.

Cost of revenues
Cost of revenues comprises the cost associated with providing the above-mentioned service components of the lease instalment. Any (volume related) bonuses related to these expenses, 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 income statement.

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

Note I - Employee benefits

Group companies operate various employee benefits schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has defined benefit and defined contribution pension plans as well as other post-employment benefits.

Pension obligations
(a) Defined contribution plans
A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate company. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Obligations for contributions to defined contribution pension plans are recognised as expenses in the income statement as incurred. In case of a defined contribution plan the Group has no further payment obligations once the pension contributions have been paid. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Defined benefit plans
A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

The Group's net obligation in respect of defined benefit post-employment plans, including pension plans, is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their services in the current and prior periods. That benefit is discounted to determine its present value and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on high quality credit rated bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related post-employment obligation.

A qualified independent actuary performs the calculation of the present value of the defined benefit obligation annually using the projected unit credit method. When the benefits of a plan are improved and the changes to the pension plan are conditional on the employees remaining in service for a specific period of time (the vesting period), the portion of the increased benefit relating to past services by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expenses are recognised immediately in the income statement.

The pension liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets. Actuarial gains and losses from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognised immediately in income.

Settlements and curtailments invoke immediate recognition (in the income statement) of the consequent change in the present value of the defined benefit obligations and in the market value of the plan assets.

A settlement is an early termination of all or part of the defined benefit obligation. A curtailment occurs when the company is demonstrably committed to materially reducing the number of employees in the defined benefit plan or the pension benefits for future services.

(c) Other post-employment services

Some Group companies provide other post-employment benefits to their employees based on local legal requirements. These benefits mainly comprise termination indemnities which are either payable at retirement age or if the employee leaves. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. The obligations are valued annually by qualified independent actuaries.

Other post-employment obligations

Other than pension plans, the Group's net obligation in respect of other service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. These service benefits comprise short-term service benefits such as vacation and sick days and long-term service benefits such as long-service leave.

The obligation is calculated using the projected unit credit method and is discounted to its present value. The fair value of any plan assets, if any, is deducted. The discount rate is the yield at the balance sheet date on high quality credit rated bonds that have terms to maturity approximating to the terms of the related post-employment obligation.

Termination benefits

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

Bonus plans

The Group recognises a liability and an expense for variable remuneration to employees based on a comparison made at the end of the year between the criteria applied for granting variable remuneration and an assessment of the relevant performance. The Group recognises an accrual where contractually obliged or where there is a past practice that has created a constructive obligation.

The variable remuneration award for the Identified Staff consists of a direct payment in cash and a deferred payment in cash and Phantom Share Units (PSUs). The PSUs represent the underlying value of the company shares which entitle the participant to a payment in cash after a specified period and is recognised as a cash-settled share based payment arrangement. The PSU part of the deferred award is revalued annually by estimating the

Company's equity value for determining the fair value of the outstanding PSU awards. Liabilities recognised for PSUs are measured at the estimated fair value. This fair value is established once a year by the (Remuneration Committee of the) Supervisory Board and is based on comparing financial performance of the Company to publicly available valuation and financial performance of a selected peer group of comparable companies. All changes to the PSUs liabilities are recognised in the income statement under staff expenses.

Share based payments
Selected managers of the Group participate in the share capital of an indirect parent company of The Group. In relation with an exit, the shares will be settled in cash by the acquirer. 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. This analysis is performed at each grant date.

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 income statement for the period.

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

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 business plans for individual subsidiaries of the Group. 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 K - Receivables from financial institutions

This caption includes amounts receivable from Dutch and foreign credit institutions under supervision with fixed or determinable payments that are not quoted in an active market. These receivable balances are shown after any accumulated impairment losses and are initially measured at fair value and subsequently at amortised cost using the effective interest method.

Note L - Lease receivables from clients

This caption includes lease instalments receivable from the finance and operating lease portfolio, from the rental portfolio and receivables arising from other business activities. These receivable balances are shown after any accumulated impairment losses and are initially measured at fair value and subsequently at amortised cost using the effective interest method.

Note M - (Non-current) assets held-for-sale and discontinued operations

A non-current asset or disposal group is classified as held-for-sale when its carrying amount will be recovered principally through a sale transaction, whereby the expectation is that the sale will be completed within one year of the classification of assets or disposal groups as held-for-sale, subject to extension in certain circumstances.

On initial and subsequent classification as held-for-sale, (non-current) assets and disposal groups are recognised at the lower of the carrying amount and the fair value less costs to sell. Impairment losses on initial classification as held-for-sale are included in the income statement.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held-for-sale, if earlier, and is presented in the balance sheet separately. When an operation is classified as a discontinued operation the comparative income statement is restated as if the operation had been discontinued from the start of the comparative period.

Depreciation and amortisation of assets ceases at the moment of initial classification as held-for-sale.

Note N - Intangible assets

Goodwill

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

Goodwill is allocated to cash generating units and is tested for impairment annually and whenever there is an indication that the unit may be impaired. An impairment loss is recognised 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. Impairment losses are charged to the income statement and are not subsequently reversed. Gains and losses on the disposal of a company include the carrying amount of goodwill relating to the company sold.

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

Other intangible assets
Other intangible assets include customer relationship intangible assets and customer contract intangible assets acquired as part of business combinations and recognised separately from goodwill. Customer relationship intangible assets are amortised over 10 years and customer contracts are amortised over the remaining contract period (on average three to four years).

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

Amortisation
Intangible assets 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 seven years. The capitalised intangible assets have no estimated residual value.

Note O - Other property and equipment

Measurement
Items of property and equipment owned and for Group use are measured at cost less accumulated depreciation and impairment losses. Costs include expenditures that are directly attributable to the acquisition of the asset.

Subsequent expenditure on property and equipment is recognised in the carrying amount of the item only when it increases the future economic benefits embodied in the specific asset to which it relates and its costs can be measured reliably. All other expenditure is expensed when incurred. The costs of the day-to-day servicing of property and equipment are recognised in the income statement as incurred.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in operating income in the income statement during the year of disposal.

Depreciation
The carrying amount of other property and equipment is depreciated to its estimated residual value and recognised in the income statement on a straight-line basis over the estimated useful life of each part of an item of property and equipment. The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date Land is not depreciated.

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

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

Note P - Property and equipment under operating lease and rental fleet
Property and equipment under operating lease and rental fleet are measured at cost less accumulated depreciation and impairment losses. The assets subject to operating leases are presented in the balance sheet according to the nature of the asset. The depreciation policy for depreciable leased assets is consistent with the Company's normal depreciation policy for similar assets. The leased assets are depreciated on a straight-line basis over its contract period to its residual value. The contract period ranges on average between three to four years. Upon termination of the lease or rental contract the relevant assets are reclassified to the caption 'Inventories' at their carrying amount. Leased assets are depreciated over the shorter of the lease term and their useful lives. The residual value and the useful life of the leased assets are reviewed at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as a change in accounting estimate (so-called prospective depreciation).

Note Q - Inventories
Inventories are stated at the lower of cost and net realisable value. Upon termination of the lease or rental contract the relevant assets are reclassified from the caption 'Property and equipment under operating lease and rental fleet' to the caption 'Inventories' at their carrying amount. Net realisable value is the estimated selling price in the ordinary course of business, less the applicable variable selling expenses. Valuation allowances on cars and trucks from terminated lease contracts are included in Other cost of revenues'.

Note R - Other receivables and prepayments
Other receivables and prepayments include prepayments in respect of expenses attributable to a subsequent period plus amounts still to be received.

Note S - Impairment
(Leased) assets and assets for own use
Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs 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 object or cash generating unit.

(Lease) receivables
Impairment on a receivable is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of the receivable. The amount of the impairment is the difference between the carrying amount and the recoverable amount, being the value of future cash flows, including amounts recoverable from guarantees and collateral.

For a finance lease, the lessor recognises lease receivables rather than the leased asset itself. In an annual assessment it is determined whether there is any objective evidence that a financial asset is impaired or uncollectable. The occurred impairment is the difference between the carrying value of the asset and the present value of the future cash flows, discounted at the original effective interest rate.

Impairment loss on receivables is recognised in the income statement and is separately disclosed as part of net finance income.

Receivables are written off in case there are no reasonable expectations of recovering the outstanding amounts. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Twelve months after the debtor is considered in default (in accordance with the Group's default policy) serves as a backstop by when the receivable should have been written-off. However, receivables that are written off can still be subject to enforcement activities in order to recover the amounts due.

Non-financial assets
Intangible assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units).

Assets carried at amortised cost
At each balance sheet date the Group assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has (have) an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses these for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Reversal of impairment
An impairment loss in respect of goodwill is not reversed. In respect of all other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent of the asset's carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Note T - Capital and dividends
Ordinary shares are classified as equity. Dividends are recognised as a liability in the balance sheet in the period of approval by the shareholders.

Note U - Provisions

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

Damage risk provision

The damage risk provision for motor third party liability, legal defence, motor material damage and passenger indemnity is calculated on the basis of the damages history and technical damage risk principles. The amount of the provision also includes an allowance for losses incurred but not yet reported (IBNR).

Reinsurance assets are balances due from reinsurance companies for ceded insurance liabilities and are shown separately and are not offset against the related insurance liabilities. Annually the Group as assignor assesses whether its amounts recoverable under a reinsurance contract are impaired. The focus of the test is credit risk, which arises from the risk of default by the reinsurer and also from disputes regarding coverage.

Damages outstanding comprise provisions for the Group's estimate of the ultimate cost of settling all damages incurred but unpaid at the balance sheet date whether reported or not and related internal and external damages handling expenses and an appropriate prudential margin. Damages outstanding are assessed by reviewing individual damages and making allowances for IBNR, the effect of both internal and external foreseeable events, such as changes in damage handling procedures, inflation, judicial trends, legislative changes and past experience and trends. Anticipated reinsurance recoveries are presented separately as assets. Reinsurance and other recoveries are assessed in a manner similar to the assessment of damages outstanding. Provisions for damages outstanding are discounted at a risk free rate of interest where there is a particularly long period from incident to damage settlement and where there exists a suitable damage pattern from which to calculate the discount.

Other provisions

Other provisions include amounts for litigation, provisions for restructuring as well as onerous contracts. For litigation the best estimate of the future outflow of resources has been recognised.

A provision for restructuring is recognized 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.

Note V - Statement of cash flows

The consolidated statement of cash flows has been drawn up in accordance with the indirect method, classifying cash flows as cash flows from operating, investing and financing activities. Changes in balance sheet items that have not resulted in cash flows have been eliminated for the purpose of preparing this statement.

Operating cash flows

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

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.

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 W - Segment reporting
Segment reporting is based on the internal reporting to the Group's Managing Board (in its function as the chief operating decision-maker), which makes decisions on the allocation of resources and assesses the performance of the reportable segments. Consequently, segment information is presented in the consolidated financial statements in respect of the Group's leasing activities and Group activities.

Leasing activities comprise the main activity of the Group which is providing fleet management services including the purchase, financing service and remarketing of vehicles. The Group offers a mono-line product through all of its LeasePlan subsidiaries. In the course of 2016 the operating segments as provided for internal reporting to the Group's key management have been revised. The segmentation is presented based upon the revised operating segments, being the two geographical segments distinguished by management: Europe and Rest of the World. These changes in segments make the financial statements more relevant and reliable as they align with the segments reported upon to Group's key management. See disclosure Note 2 for the revised segment reporting . Group activities provide services in the area of treasury, insurance, procurement and infrastructure to support the leasing activities.

Note X - Critical accounting estimates, assumptions and judgements
Preparation of the consolidated financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities. These include, but are not limited to the following areas:

Impairment of goodwill and intangible assets
Determining whether goodwill or intangible assets are impaired requires an estimation of the value in use of the groups of cash generating units to which the goodwill and intangible assets have been allocated. The key assumptions calculating the value in use are those regarding discount rates, growth rates and other expected changes in cash flows. The sensitivity to estimates and assumptions used is disclosed in note 22 of the consolidated financial statements of the Company.

Review of depreciable amount 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 contract duration. A change in these accounting estimates leads to a change in depreciation that has an effect in the current period and/or is expected to have an effect in subsequent periods.

Statistical models and calculations (regression analysis) are used to calculate a vehicle's future value as accurately as possible. The Group has an advanced management information system that closely monitors changes in the contractual residual values used in lease contracts. The existing residual value risks are also periodically assessed at a portfolio level. The sensitivity to estimates and assumptions used is disclosed in the financial risk section (Asset risk).

Impairment losses on (lease) receivables
The Group reviews its outstanding receivables in its lease portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows of a lease portfolio before the decrease can be identified with an individual lease contract in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or in national or local economic conditions that correlate with defaults on assets in the Group. The Group recognises, next to specific impairment allowances, an incurred but not reported loss provision based on the probability of default (PD) and the loss given default (LGD).

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. This method makes use of the probability of default (PD), the loss given default (LGD) and the exposure at default (EAD). The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. The sensitivity to estimates and assumptions used is disclosed in the financial risk section (Credit risk).

Post-employment benefits
The actuarial valuation of post-employment benefits is based on assumptions regarding inflation, discount rates, expected return on plan assets, salary rises and mortality rates. The assumptions may differ from the actual data as a result of changes in economic and market conditions.

Damage risk retention
The damage risk retention provision is based on assumptions such as technical damage risk principles, policyholder behaviour, inflation and court decisions. The assumptions may differ from the actual data as a result of changes in economic and market conditions.

Income taxes
The Group is subject to income taxes in numerous jurisdictions. Significant estimates are required in determining the worldwide provision for income taxes and the deferred tax positions. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The Group recognises deferred tax assets only to the extent that it is probable that future taxable profits will be available. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

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 (closed calculation) is recognised over the term of the contract based on historical statistics and on assumptions regarding expected service costs. The assumptions may differ from the actual data as a result of changes in economic and market conditions and are periodically back tested and adjusted if considered necessary. For details in relation to the accounting of revenue recognition please refer to specific note H.

Litigation
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 recognized in the balance sheet but information about a contingent liability is disclosed.

Restructuring provision
A provision for restructuring is recognized 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.

Financial risk management

All amounts are in thousands of euros, unless stated otherwise

Introduction

The Group recognises nine risk management areas being strategic risk, asset risk, credit risk, treasury risk (which includes interest rate, currency and liquidity risks), reputational risk, operational risk, motor insurance risk, legal and compliance risk and ICT risk.

Of the nine risk management areas, asset risk (which includes residual value risk), credit risk and liquidity risk (which is part of treasury risk) are considered to be primary risks. This section of the financial statements describes in detail the Group's approach to capital management (including regulatory risk) and the risk management objectives and organisation in general, as well as the Group's policy, appetite and measurement of strategic risk, credit risk, asset risk, treasury risk, operational risk, motor insurance risk and ICT risk over the year 2016. Reputational risk and legal and compliance risk are discussed in other sections of the Annual Report.

as at 31 December	**2016**	**2015**
Financial assets		
Cash and balances at central banks	1,857,144	1,605,437
Receivables from financial institutions	490,448	368,930
Derivative financial instruments	224,898	166,085
Rebates and bonuses and commissions receivable	288,208	235,405
Reclaimable damages	25,470	19,656
Interest to be received	258	165
Lease receivables from clients	3,425,539	3,309,512
Loans to other third parties	30,128	12,482
Loans to investments accounted for using the equity method	125,275	103,325
Assets classified as held-for-sale[1]	13,763	13,065
Total	**6,481,131**	**5,834,062**
Non-financial assets	17,305,639	15,581,184
Total assets	**23,786,770**	**21,415,246**
Financial liabilities		
Funds entrusted	5,480,777	5,086,974
Derivative financial instruments	77,584	88,379
Trade payables	790,893	764,430
Interest payable	99,609	90,653
Borrowings from financial institutions	3,259,384	2,073,118
Debt securities issued	8,805,351	8,142,443
Total	**18,513,598**	**16,245,997**
Non-financial liabilities	2,197,470	2,097,785
Total liabilities	**20,711,068**	**18,343,782**

[1] Relates to finance leases with the aim to sell onward to debt investors

In line with IFRS 7, the Group's strategy in using financial instruments and various disclosures on the Group's financial assets and liabilities are included in this section. The Group is mainly transacting operating leases, which under IFRS do not qualify as financial assets, resulting in a significant difference between financial assets and financial liabilities.

A. Capital management

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).

Economic capital

Economic capital is the Group's internal quantification of risk capital associated with its business activities. The level and the composition of economic capital are as much as possible aligned with the annual ICAAP at Company level. Economic capital is considered the cushion that provides protection against the various risks inherent to the business in order to maintain its 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 the Group can absorb unexpected losses up to a level of confidence in line with the requirements of its stakeholders.

Economic capital for the Group's entities involved in leasing covers credit risk, asset risk, motor insurance risk and operational risk whereby, economic capital for credit risk is calculated using Advanced Internal Ratings Based (AIRB) and standardised approaches, economic capital for operational risks is derived from Advanced Measurement Approach (AMA), economic capital for motor insurance risk uses a non-regulatory factor model and a non-regulatory Value at Risk model for asset risk is used for asset risk. The models are amended where deemed appropriate to better fit the risk profile of the Group.

In addition to the risks mentioned for the Group's entities involved in leasing, various other risks are recognised (e.g. credit risks in non-leasing activities, stress tests for motor insurance, credit and operational risk). The Group uses economic capital as the basis for economic return measurements, which is the leading risk-based performance measure in 2016. The Group is working on an enhanced methodology to further improve the internal quantification of risk capital; this new methodology will be implemented in the course of 2017.

Capital planning

Based on the strategic management outlook a forecast of the regulatory Common Equity Tier 1 (CET 1) ratio is prepared with a time horizon of 5 years. The projections of the CET 1 capital ratios are performed in order to ensure ongoing compliance with the minimum requirements set by the Dutch Central Bank (DNB); based on the latest estimates the Group will remain well above the minimum CET 1 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 LeasePlan organisation to deal with events of severe stress originated from both company specific and market-wide events.

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 LeasePlan and ensures immediate reporting of any irregularities in capital ratios. The capital position is monitored and reported on a monthly basis. In addition, the Group developed a set of key triggers, Early Warning Indicators ("EWI") and their respective trigger levels. Key triggers comprise of several events which would prompt an immediate action. These are seen as more abrupt and severe. Among others, they include the deterioration of CET 1 ratio and a credit rating downgrade. Early warning indicators are to serve as warning signals following specific internal and external developments.

Capital Adequacy
On 1 January 2014 the EU's adoption of the third Basel capital accord (Basel III) was implemented, by means of the amended Capital Requirements Directive (Directive 2013/36/EU) and the Capital Requirements Regulation (Regulation No 575/2013). 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 (currency risk). Furthermore, banking institutions are required to assess the adequacy of available capital in view of the risks to which it is exposed. The periodic process in achieving this objective is referred to as ICAAP.

Total risk exposure amount (TREA)
In order to determine risk-weighting, the Group applies the AIRB approach for credit risk 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.

In addition, the Group implemented an AMA for operational risk. During 2016 the Group implemented a new Operational Risk Management tool and a new AMA framework (policies, standards and methodologies).

For the calculation of risk-weighting of other balance sheet and off-balance sheet exposures, the standard approaches as described in the CRR/CRD IV framework are used.

The following table llustrates the comparison between the carrying amount of assets and the risk weighted assets.

			2016			2015
	Carrying amount	**Risk-weighted**	**Risk-weight**	**Carrying amount**	**Risk-weighted**	**Risk-weight**
Lease assets	18,765,829	9,621,756	51%	17,061,719	8,506,018	50%
Other assets	5,020,941	2,216,017	44%	4,353,527	1,978,886	45%
Total assets	**23,786,770**	**11,837,773**	**50%**	**21,415,246**	**10,484,904**	**49%**
Off-balance sheet exposures and other capital requirements		3,612,720			3,498,659	
Total risk exposure amount		**15,450,493**	**65%**		**13,983,563**	**65%**

Common Equity Tier 1 (CET 1)
The Group's eligible regulatory capital fully consists of CET 1 capital, which is derived from its IFRS equity position. The following table illustrates the reconciliation between Total equity and CET 1 capital.

As at 31 December	**2016**	**2015**
Total equity	**3,075,702**	**3,071,464**
Deduction of net result for the year	- 425,466	- 442,475
Eligible result	425,466	-
Foreseeable dividend	- 112,000	-
Regulatory adjustments	- 222,398	- 250,141
Common Equity Tier 1 capital	**2,741,304**	**2,378,848**

As of the first quarter 2016 the Group pursues inclusion of quarterly interim results under deduction of a foreseeable dividend during the year. This was not the case for the year 2015.

Based on EU endorsed frameworks for Basel III (CRR/CRD IV), the Group's CET 1 ratio as at 31 December is as follows:

As at 31 December	**2016**	**2015**
Total risk exposure amount	15,450,493	13,983,563
Common Equity Tier 1 capital	2,741,304	2,378,848
Common Equity Tier 1 ratio	**17.7%**	**17.0%**

The TREA for currency risk is calculated based on the net currency positions, specified in the Treasury risk section in the Financial risk management paragraph. As per February 2017 the Group applies a new methodology which is built on ratio protection; considering the absolute mismatch between the capital adequacy ratio per currency and the Group's overall ratio. If the new approach would have been applied for year-end 2016, the CET 1 ratio as per 31 December 2016 would have been 18.4%.

During 2016 the Group also invested in the development of an advanced (Pillar 2) capital approach for residual value risk, further leveraging on investments previously made, which resulted in an improved calculation of the required capital amount. The Group will continue to work on further improvements.

The regulatory scope of consolidation comprises LeasePlan Corporation N.V. and its subsidiaries ('sub-consolidated level'). The Group also submits regulatory reporting on a consolidated level (including LP Group B.V., since 21 March 2016) and on a solo level (LeasePlan Corporation N.V. stand-alone). The sub-consolidated level of consolidation is equal to the IFRS scope of consolidation as applied in these consolidated financial statements. The Group's CET 1 ratio is equal to the Total Capital Ratio.

The Group analyses the development in (risk-weighted) exposures and in eligible capital; stress testing is an important part of this analysis. Developments in (risk-weighted) exposures typically represent relative movements in the lease portfolio, whereas eligible capital normally grows with retained profits after dividend distribution.

Based on the 2016 ICAAP, the Group concludes that it is sufficiently capitalised and resilient to future plausible stress scenarios. This conclusion is based on the Group's internal control framework and its capital assessment methodologies.

B. Risk management

Risk management framework and objective

The Group uses the principles of the Committee of Sponsoring Organisations of the Treadway Commission (COSO) and ERM Enterprise Risk Management (ERM) as a basis and reference model for the risk management frameworks. A risk management framework aims at reducing the frequency and/or the consequences of risk events, and enables management to evaluate and balance the risks and returns related to business operations.

The Managing Board has implemented corporate risk policies for all the Group's entities pursuant to its risk management strategy. The policies describe the minimum activities, controls and tools that must be in place within all the Group's entities. It is the responsibility of local management to ensure personnel are kept informed of strategy and policies relevant to them and complying with these corporate policies.

Risk, being the chance of occurrence of an event that will have a negative impact on the objectives of the organisation, is inherent to the Group's business operations. The Group's risk strategy is to support the business in achieving all strategic aims, such as achieving their target Return on Equity (RoE), while adhering to the risk appetite.

Risk appetite

The risk appetite or the amount of risk a company is willing to accept in pursuit of its business objectives is set at two levels. First, the overall risk appetite is defined in terms of a long-term debt credit rating, supported by the financial return on risk adjusted capital (i.e. economic return) and the diversified share of funding layers. Secondly, risk appetite is set for the underlying key risks that the Group is facing by using key risk indicators customary to measure these exposures.

At least once a year, the Managing Board is required to submit the risk appetite and risk tolerance to the Supervisory Board for its approval. The Group has identified and implemented a set of key risk indicators in order to monitor its performance versus the risk appetite. The key risk indicators report (across all risk areas) is provided to the Supervisory Board on a quarterly basis where deviations and potential breaches of the set risk tolerance levels are disclosed and, if required, (mitigating) actions are discussed.

The Group has defined new Key Performance Indicators, enhancing performance measurement following the introduction of a new value creation model; The Group is currently aligning the risk appetite with these new metrics.

Risk governance

Supervisory Board

As per the Group's Articles of Association, the Supervisory Board supervises the direction pursued by the Managing Board 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 in the Regulations for the (Risk Committee of the) Supervisory Board.

The Supervisory Board has a Remuneration and Nomination Committee, an Audit Committee and a Risk Committee. In September 2016 the Risk Committee held their first meeting over the second quarter of 2016. 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, in order 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, the Chief Financial and Risk Officer 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.

Risk Committees
During 2016 LeasePlan had specific risk committees for credit risk, asset risk, motor insurance risk, operational risk and funding and treasury risk. In addition, the risk department is member of the product approval process (PAP) committee. The ICT profile and information security related matters are discussed in the Information Security Board. All risk committees meet on a regular basis (minimum frequency of once per quarter) and have been given a mandated authority by the Managing Board.

The risk committees act within their mandated authority and assist the Managing Board with respect to all matters related to their specific risk areas. The Risk committees have a cross functional character as they are comprised of at least two members of the Managing Board and are chaired by the Senior Corporate Vice-President ("SCVP") Risk Management, except for the Funding and Treasury Risk Committee ("FTRC") which is chaired by the Group's Chief Financial and Risk Officer and the Information Security Board, which is chaired by the Chief Operating Officer. Only one Managing Board member participates in the Information Security Board and FTRC.

In addition to the above committees with a specific focus, strategic risk, reputational risk and legal and compliance risks are monitored by the Group's Senior Management Team structurally. LeasePlan is currently reviewing the set-up of all separate risk committees, in order to ensure a proper fit with the strategic and functional value drivers.

Lines of defence
In line with banking industry best practice and the European Banking Authority Guidelines on Internal Governance, risk management includes three lines of defence that are supported by investment in information technology and people.

The lines of defence mainly consist of:
- Local and corporate management, having ownership, responsibility and accountability for assessing, controlling and mitigating risks;
- Corporate control functions, acting independently from risk originators who coordinate, oversee and objectively challenge the execution, management, control and reporting of risks;
- Internal audit, which through a risk-based approach, provides independent and objective assurance to the Managing Board and the Audit Committee of the Supervisory Board, on how effectively LeasePlan assesses and manages risks, including the manner in which the first and second lines operate.

The organisational set-up of each of these internal lines of defence is currently reviewed to ensure it supports the key value drivers. The first step is to identify best practices that can be implemented per value stream across all countries, like standardised product/service offerings and harmonised processes and support systems. The second and third line control functions need to align their activities to the changes in the first line processes supporting the Group's new strategy.

C. Strategic risk

The Group defines strategic risk as the current or prospective risk to earnings and capital arising from changes in the business environment and from adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment. The Group has designed a new value creation model and has started to build a more integrated organisational structure. Inherently, this imposes the Group to uncertainties in executing the new strategy. The Group's risk profile will be reassessed and reshaped towards the strategic initiatives. For details regarding the new organisational structure and strategy reference is made to page 26. In the meantime the corporate risk department is closely monitoring transition risks resulting from the organisational changes.

D. Credit risk

Credit risk definition

Credit risk is the risk that a counterparty will be unable to fulfil its financial obligations when due. The Group is exposed to credit risk for vehicles leased to counterparties through both receivables due under the lease and the book value of vehicles. The credit risk of the book value of vehicles is mostly mitigated by the sales proceeds of these vehicles. 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 as a result 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 unable to fulfil its obligations (irrespective of the amount involved or the number of days outstanding) and when customers are over 90 days in arrears and local judgment so determines that there is a reasonable chance that the amount will not be collected.

The local judgment criterion is the result of an internal assessment with regard to arrears in order to establish whether the customer is unable to pay. The local judgment criterion is used to avoid disputes with counterparties being reported as defaults. As a consequence of the Group's local judgment criterion, the probability of default of AIRB counterparties is lower than when applying a default definition solely based on a definition of default as being over 90 days past due (as per CRR/CRD IV definition) whereas the loss given default of corporate counterparties is higher.

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 LeasePlan entity and the perceived quality of credit risk management. If a requested facility exceeds the local authority level, the Group's credit risk management, the Group's Credit 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.

The Group's credit risk management advises the Group's Credit Committee in quarterly meetings on items concerning adjustments of delegated authorities, development of credit and concentration risk in local portfolios, internal credit risk models performance, stress testing, development of trade receivables and doubtful debtors, watch accounts and provisions, and introduction and adjustment of credit risk management policies and guidelines. Furthermore, the Group's credit risk management initiates the introduction and review of counterparty rating models and score cards.

Quantitative specialists within the Group are responsible for monitoring and analysing performance of the internal risk models and underlying risk components. In the model development phase, this function performs an internal pre-validation of the model and advises on the expected performance of the models to be validated and implemented. The quantitative specialists work in consultation with several corporate risk management disciplines and are supported by external parties, among others, for validation of the models.

The tasks of credit risk management organisations within the local entities, including the local credit committee, comprise among others the following:
- defining a clear internal credit acceptance policy;
- decisions on credit requests;
- regular reviews of overdue trade receivables and the non-performing debtors; and
- regular reviews of the local watch account list, containing all counterparties that need special attention with regards to credit risk management.

The Managing Director and the Finance Director of a local entity are members of the local credit risk committee. The local credit risk committees act independently from the commercial business area. The Group's (internal) audit department pays, during the audits, specific attention to the way credit risk management has been organised and embedded in the organisation.

On a quarterly basis, risk management reports on actual performance against the risk appetite to the Risk Committee of the Supervisory Board. This report includes the credit risk position of the Group. In addition, the Group monitors defaults on an ongoing basis with reports prepared for the Risk Committee and the Supervisory Board on a quarterly basis. Furthermore, the credit risk position is discussed in the Group's Credit Committee and is shared with the Managing Board.

Credit risk management policy

The Group has issued policies and standards, which regulate the governance of the local credit risk management organisation. Group entities are required to define their risk appetite and set their limits on counterparty and concentration risks, as well as the types of business and conditions thereof in local policies.

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 (SME's) 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.

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 and the models are validated on an annual basis.

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 Sufficiënt	BB+
4B	Sufficiënt	BB
4C	Relatively Sufficiënt	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. LeasePlan 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 - being the likelihood of the default of a client in the next 12 months (expressed in %).
- Loss given default - being the loss the Group expects to incur at the moment of a default (expressed in %).
- Exposure at default - is the expected amount the Group is exposed to when a client goes into default.
- Remaining maturity - the contractual remainder of the lease contract.

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 those counterparties. The credit rating of these exposures is determined based on external ratings being the lowest rating of Standard & Poor's and Moody's. 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 as set by 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 on a daily basis 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 Credit Committee.

As per above, credit risk arising from the use of the relationship with banking and treasury counterparties is laid down in a specific counterparty policy. Limits are set on a 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.

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 participants 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 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). Whereas for the purpose of the financial statements credit risk exposure is reflected in two separate items based on the accounting classification of the lease, as either a finance or operating lease.
The Group's credit risk exposure can be detailed as follows:

as at 31 December	**2016**	**2015**
Amounts receivable under finance lease contracts	2,832,636	2,787,137
Property and equipment under operating lease and rental fleet	15,919,429	14,261,517
Assets classified as held-for-sale	13,763	13,065
Total lease assets	**18,765,828**	**17,061,719**
Trade receivables	592,903	522,375
Total credit risk exposure	**19,358,731**	**17,584,094**

The following table shows the concentration of the financial assets in geographical sectors as at 31 December:

	Europe		Rest of the world	Total
	(euro)	(non-euro)		
Financial assets				
Cash and balances at central banks	1,857,127	17	-	1,857,144
Receivables from financial institutions	462,779	9,805	17,864	490,448
Derivative financial instruments	224,898	-	-	224,898
Rebates and bonuses and commissions receivable	243,806	30,467	13,935	288,208
Reclaimable damages	23,730	1,446	294	25,470
Interest to be received	232	-	26	258
Lease receivables from clients	800,928	823,626	1,800,985	3,425,539
Loans to other third parties	30,116	12	-	30,128
Loans to investments accounted for using the equity method	125,275	-	-	125,275
Assets classified as held-for-sale	-	-	13,763	13,763
Total as at 31 December 2016	**3,768,891**	**865,373**	**1,846,867**	**6,481,131**
Total as at 31 December 2015	**3,184,747**	**884,076**	**1,765,239**	**5,834,062**

A summary of the approximation of the concentration of the financial assets per industry as at 31 December can be shown as follows:

	Financial institu-tions	Manu-facturing	Wholesale trade	Transport and public utilities	Public sector	Other industries	Total
Financial assets							
Cash and balances at central banks	1,857,144	-	-	-	-	-	1,857,144
Receivables from financial institutions	490,448	-	-	-	-	-	490,448
Derivative financial instruments	224,898	-	-	-	-	-	224,898
Rebates and bonuses and commissions receivable	288,208	-	-	-	-	-	288,208
Reclaimable damages	-	-	-	-	-	25,470	25,470
Interest to be received	258	-	-	-	-	-	258
Lease receivables from clients	227,913	854,720	565,222	276,859	107,361	1,393,464	3,425,539
Loans to other third parties	-	-	-	-	-	30,128	30,128
Loans to investments accounted for using the equity method	-	-	-	-	-	125,275	125,275
Assets classified as held-for-sale	-	-	-	-	-	13,763	13,763
Total as at 31 December 2016	**3,088,869**	**854,720**	**565,222**	**276,859**	**107,361**	**1,588,100**	**6,481,131**
Total as at 31 December 2015	**2,368,326**	**1,069,615**	**578,892**	**272,983**	**106,536**	**1,437,710**	**5,834,062**

Information on past due and/or impaired financial assets as at 31 December can be shown as follows:

	Carrying amount	Neither past due nor impaired	Past due but not impaired	Impaired	Allowance for impairment
Financial assets					
Cash and balances at central banks	1,857,144	1,857,144	-	-	-
Receivables from financial institutions	490,448	490,448	-	-	-
Derivative financial instruments	224,898	224,898	-	-	-
Rebates and bonuses and commissions receivable	288,208	288,208	-	1,193	- 1,193
Reclaimable damages	25,470	25,470	-	4,779	- 4,779
Interest to be received	258	258	-	-	-
Lease receivables from clients	3,425,539	2,856,626	571,224	37,722	- 40,033
Loans to other third parties	30,128	30,128	-	-	-
Loans to investments accounted for using the equity method	125,275	125,275	-	7,325	- 7,325
Assets classified as held-for-sale	13,763	13,763	-	-	-
Total as at 31 December 2016	**6,481,131**	**5,912,218**	**571,224**	**51,019**	**- 53,330**
Financial assets					
Cash and balances at central banks	1,605,437	1,605,437	-	-	-
Receivables from financial institutions	368,930	368,930	-	-	-
Derivative financial instruments	166,085	166,085	-	-	-
Rebates and bonuses and commissions receivable	235,405	235,405	-	1,008	- 1,008
Reclaimable damages	19,656	19,656	-	6,354	- 6,354
Interest to be received	165	165	-	-	-
Lease receivables from clients	3,309,512	2,809,175	495,462	95,786	- 90,911
Loans to other third parties	12,482	12,482	-	-	-
Loans to investments accounted for using the equity method	103,325	103,325	-	7,325	- 7,325
Assets classified as held-for-sale	13,065	13,065	-	-	-
Total as at 31 December 2015	**5,834,062**	**5,333,725**	**495,462**	**110,473**	**- 105,598**

More detailed information regarding the exposures 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.

Cash and balances at central banks/receivables from financial institutions
LeasePlan maintains liquid assets at central banks and a diversified group of solid commercial banks. These exposures are monitored against predefined limits on a daily basis and are part of the liquidity buffer the Group maintains to reduce liquidity risk. All balances included under the heading central banks are deposited at the DNB.

Derivative financial instruments
The Group is exposed to credit risk resulting from the use of derivative financial instruments and because of excess cash being deposited with banks. Both credit risks arising from the Group's central Treasury operations are controlled by setting specific nominal limits for the limited number of financial institutions that such transactions are being concluded with and the requirement of minimal external rating grades that such counterparties are assigned.

Exposures on derivative financial instruments are mitigated by using CSAs (reference is made to paragraph 'Strategy in using financial instruments'). As at 31 December 2016 all derivatives are governed by ISDAs, of which 98% (measured in terms of notional amounts) have CSAs (2015: 96%); The Group received EUR 71 million cash collateral under these CSAs (2015: EUR 63 million).

The Group does not maintain trading or investment books. As per EMIR (European Market Infrastructure Regulation) legislation the Group is required to clear all eligible OTC (over-the-counter) trades with a central clearing house, the objective of which is to significantly reduce systemic counterparty default risk. In the Group's case, plain vanilla interest rate swaps (IRS) can be cleared through the central clearing house. At the start of 2016, the Group had a cleared portfolio of 42 trades in 6 currencies. At the end of 2016, the Group had a total book of cleared trades and trades potentially eligible for clearing of EUR 19.5 billion.

On a best efforts basis, the Group has retrospectively cleared eligible trades which were entered into before migrating to central clearing. At the end of 2016, the Group had 151 cleared trades in 9 currencies, to a total euro-equivalent value of 7.6 billion; this equates to 33% (in terms of notionals) of the total derivative book.

Currently, the Group exchanges monthly collateral with their counterparties for any uncleared derivative trade. Under the EMIR regulations, the Group is required to collateralise all uncleared eligible derivatives on a daily basis from 1 March 2017. The Group has a Project Board and a Project Team which are responsible for implementing and meeting all EMIR related requirements; the Group is well positioned to meet these requirements.

Lease receivables from clients
Lease receivables from clients are individually assessed on indications for impairment. The sources for such indications can be internal, such as internal credit rating, payment behaviour and receivable ageing or external, such as external credit ratings and solvency information. Impairment is recognised when collection of receivables is at risk and when the recoverable amount is lower than the carrying amount of the receivable, also taking into account cash collateral amounting to EUR 56.3 million at year-end 2016 (2015: EUR 53.8 million) and the fact the Group retains legal ownership of the leased asset until transfer of such ownership at the end of the lease contract.

Lease receivables from clients less than 90 days past due are not considered to be impaired, unless other information is available to indicate the contrary. Gross amounts of lease receivables from clients that were past due but not impaired were as follows:

as at 31 December	**2016**	**2015**
Lease receivables from clients past due, but not impaired		
Past due to up to 90 days	515,803	436,128
Past due between 90-180 days	30,360	43,677
Past due between 180 days - 1 year	21,111	10,292
Past due 1 - 2 years	1,740	3,092
Past due over 2 years	2,210	2,273
Total	**571,224**	**495,462**

When invoiced lease instalments for finance leases are past due, the remaining not-yet-invoiced finance lease receivables (relating to the remaining contract duration) also become past due, and are included in the above balance of receivables from clients past due but not impaired. This balance of not-yet-invoiced finance lease receivables amounts to EUR 426 million (2015: EUR 348 million).

Receivables from clients impaired and the allowance for impairment were as follows:

as at 31 December	**2016**	**2015**
Impaired loans and lease receivables from clients	**37,722**	**95,786**
Specific impairment allowances	32,568	84,911
Incurred but not reported loss provision	7,465	6,000
Total allowance for impairment	**40,033**	**90,911**

The total impairment allowance for loans and receivables is EUR 40.0 million (2015: EUR 90.9 million) of which EUR 32.6 million (2015: EUR 84.9 million) represents specific impairment allowances and the remaining amount of EUR 7.5 million (2015: EUR 6.0 million) represents the incurred but not reported loss provision. In 2016, the impairment allowance decreased by EUR 51 million mainly as a result of the change in accounting estimate related to the write-off of receivables. Please refer to the specific note 18 (Lease receivables from clients) for more information. The Group assessed the levels of forbearance activities. The financial impact of forbearance is not significant.

Loans to investments accounted for using the equity method
Credit risk for the Group also arises on lending to associates and jointly controlled companies. The underlying business of the respective associates and jointly controlled companies is very similar to the core activities conducted through wholly owned Group entities. In shareholder agreements the Group has agreed with its respective partners the ability to provide debt funding under specific credit documentation. Such provision of credit is committed and established limits are reviewed regularly. In the control of its investments in associates and jointly controlled entities, the Group also monitors and manages its credit exposure to such entities. The impairment in the table on past due and/or impaired financial assets relates to loans to Overlease, a jointly controlled entity in Italy. In June 2009 the shareholders of Overlease decided to enter into a liquidation scenario for this company. As a result, it is expected that Overlease will not be able to fully repay loans received from the Group. This is an ongoing situation.

Credit risk measurement including non-financial assets
As at 31 December 2016, the number of corporate defaults (in the operating lease portfolio) reported over the year 2016 was slightly lower than in 2015, while the number of retail defaults decreased as well. The yearly default rate for 2016 was 0.60% for the corporate fleet as at 31 December 2016 (0.67% as at 31 December 2015). The yearly default rate for 2016 was 1.79% for the retail fleet as at 31 December 2016 (2.14% as at 31 December 2015).

The table below summarises the credit rating of the other most relevant financial assets of the Group, including the lease contract portfolio (which includes both financial assets (finance leases) and non-financial assets (operating leases)), as credit risk management is performed on the total lease contract portfolio. The credit risk management of the finance lease portfolio is, however, not substantially different from the credit rating of the total lease contract portfolio.

For counterparties included in the lease contract portfolio that are subject to the AIRB models, and for which no external rating is available, the 'external' rating is based on the internal Group rating equivalent as mentioned in the mapping table above. Internally scored relates to AIRB retail counterparties in the United Kingdom and the Netherlands. The unrated part mainly includes the lease contract portfolio to retail clients for which the Standardised Approach is applied. There are no defaults included in the unrated part of the lease contract portfolio.

			2016			2015
	Lease assets	Derivative financial institutions	Receivables from financial institutions	Lease contract portfolio	Derivative financial institutions	Receivables from financial institutions
AAA to AA-	1,022,559	86,218	31,396	952,360	51,252	24,015
A+ to A-	4,876,245	93,232	435,822	4,682,827	67,294	278,218
BBB+ to BBB-	7,020,214	45,448	10,173	5,972,454	47,539	58,942
BB+ to BB-	1,493,773	-	6,608	1,480,016	-	2,245
B+ to B-	102,368	-	137	99,099	-	-
CCC+ to C	4,699	-	-	2,883	-	-
At default	9,529	-	-	7,861	-	-
Internally scored	992,351	-	-	1,583,961	-	-
Unrated	3,244,091	-	6,312	2,280,258	-	5,510
Total	**18,765,829**	**224,898**	**490,448**	**17,061,719**	**166,085**	**368,930**

In addition to the (financial) assets included in the table above the Group recognises other unrated financial assets such as (i) rebates and bonuses and commissions receivable and (ii) loans to investments accounted for using the equity method. The receivables are due from counterparties that are contracted for purchasing goods and rendering services.

Loss-given default or loss severity represents the Group's expectation of the extent of a loss should default occur. It is expressed as percentage loss of the exposure at the time a counterparty is declared in default and typically varies by country and transactional features like the leased object. The average credit risk exposure-weighted estimated loss given default percentage of the AIRB portfolio, and applicable to the capital calculation of the Group in 2016, amounted to 28% (2015: 27% for the AIRB corporate portfolio). The remaining maturity of the lease portfolio on average amounts to 2.07 years (2015: 2.01 years).

On a quarterly basis the Group's credit risk management performs stress testing on the AIRB lease portfolio by assuming deterioration in counterparties' scores and ratings in combination with a deterioration of LGDs. The worst case scenario calculated under these stress tests assumes the following: (i) for all counterparties in countries with a Standard & Poor's rating equal to or higher than BBB a decrease of 1 notch of the counterparties' rating and in countries with a Standard & Poor's rating below BBB a decrease of 2 notches of the counterparties' rating, and (ii) in all countries a deterioration of the average LGD by 5% for corporate counterparties and 10% for retail counterparties. Such a scenario would, result in an increase of required capital amounting to approximately EUR 94 million (2015: 99 million) which includes an additional AIRB provision shortfall of EUR 13 million (2015: 20 million).

E. Asset risk

Asset risk definition

Asset risk can be split into two main risk components; residual value risk and risk related to the services repair, maintenance and tyre replacement. Residual value risk, being the prominent risk under asset risk, is defined as the exposure to potential losses at contract end date due to the resale values of assets declining below the estimates made at lease inception. The risk related to repair, maintenance and tyre replacement is considered the exposure to potential losses due to the actual costs of the services repair, maintenance and tyre replacement exceeding the estimates made at lease inception.

Asset risk management structure and organisation

The Group's Asset Risk Committee, which consists of members of the Managing Board as well as relevant members of senior management, is responsible for determining policies and risk appetite in the asset risk domain. Asset risk management is responsible for monitoring the implementation of the policies on asset risk by the Group entities and their performance against the asset risk appetite. On a quarterly basis asset risk management reports to the Asset Risk Committee on the actual performance against the asset risk appetite and relevant developments that may affect the asset risk profile in the future. These reports are shared with the Managing Board and Supervisory Board.

Group entities are responsible for adequate management (risk identification, risk assessment and response, risk control, monitoring and communication) of asset risks in their respective portfolios as well the adequate implementation of asset risk related policies determined by the Managing Board.

Asset risk management policy

The asset risk management policy outlines a limit structure which is based on the defined residual value risk appetite. Furthermore, the policy describes that due to the complexity involved all Group entities should establish a quarterly Asset Risk Committee including the Managing Director and/or the Finance Director.

Internal asset risk reporting by Group entities includes, but is not limited to, the trends in termination results, trends in risk mitigation and asset risk measurements. The policy also describes the minimum standard with respect to risk mitigating techniques. The purpose of these risk mitigating techniques is to ensure that Group entities are placed in a position where asset risks can be managed. Examples of risk mitigation are charging end-of-contract damages, charging the costs related to premature terminations and performing recalculations in case of deviations of actual mileage versus contractually agreed mileage.

Asset risk measurement

The asset risk profile of the Group's portfolio is analysed throughout the term of the lease contracts: starting at lease inception, following it through its term up to lease termination. Measuring asset risk at all three stages of the lease contracts assists in tracing developments in asset risk elements and identifying adverse trends.

On a quarterly basis, all Group entities assess the exposures in the existing lease portfolios for future years using a global platform introduced in 2013; comparing contracted residual values to the latest expectations of market prices. With a view to the consolidated outcome of the assessment of expected residual value results in future years, no additional depreciation charge was taken in 2016 (2015: nil). Reference is made to note 19 to the consolidated financial statements.

In determining additional depreciation charges not only the outcome of the comparison between residual value and fair price is relevant, but also the risk mitigating measures which are actively being pursued to manage residual value risk during and at the end of a lease contract, are of importance. Examples of such measures are forward looking with regards to estimated numbers of early terminations, mileage variation adjustments to lease rentals and amounts of end of contract damages invoiced at contract termination. Additional management actions and compensating elements as well as other risk bearing elements of the product (i.e. maintenance, tyre replacement and repair), are included in the exposure (Management actions and compensating elements are included in the exposure, but excluded from the assessment of additional depreciation charges).

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 five years, but are in practice also regularly adjusted during the term of the lease (either extended or early terminated).

The Group's residual position in relation to the total lease assets can be illustrated as follows:

	2016	2015
Future lease payments	8,040,577	7,458,874
Residual value	10,725,252	9,602,845
Total	**18,765,829**	**17,061,719**

In addition to the above-mentioned on-balance sheet residual value risk, the Group has also provided off-balance sheet residual value commitments for non-funded vehicles up to an amount of EUR 0.4 billion (2015: EUR 0.3 billion). The above table includes both operating and finance leases.

The Group is currently present in 32 countries. 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 sales reached a stable positive level in 2016 and a fairly stable performance in risk mitigation.

The Group has a number of instruments available to reduce the exposure to residual value risk. These instruments are all related to termination of the contract and include charging of compensation in case of excessive wear and tear to the vehicle, compensation in case of early termination of a lease contract, compensation in case of higher total realised mileage than agreed on at inception. During the duration of a lease contract the Group also has the opportunity to reduce its exposure through recalculations in case of significant (expected) deviations in duration and total mileage.

The Group performs stress testing as part of the above-mentioned quarterly assessment. A one percentage point movement in the estimated sales ratio (the fair value as percentage of the list price) would lead to a EUR 59 million (2016: EUR 57 million) movement in estimated gross sales results expected for the year 2017. This effect on gross sales results applies to both the upward and downward direction.

F. Treasury risk

Treasury risk definitions

Treasury risk entails a combination of three individual risks, being liquidity risk, interest rate risk and currency risk. Liquidity risk is the risk that the Group is not able to meet its obligations for (re)payments, due to a mismatch between the run-off of its assets and liabilities. Interest rate risk is the risk that the profitability and shareholders' equity of the Group is affected by movements in interest rates. Currency risk entails the risk that currency fluctuations have an adverse impact on the Group's capital ratios, result and shareholders' equity. The Group's risk appetite for Treasury risks is low.

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 LeasePlan's central Treasury and LeasePlan Bank) is monitored on, at least, a monthly basis by the Group's risk management department, whereas treasury risk positions of the Group's central Treasury are monitored daily.

The Group's risk management department is physically present at LeasePlan's central Treasury and has the responsibility to monitor treasury risk limits, achievement of liquidity targets, and to identify control breakdowns, inadequacy of processes and unexpected events. The treasury risk positions, non-compliance and follow-up measures are discussed within the Group's FTRC and if necessary shared with the Managing Board.

Whereas the FTRC 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.

On a quarterly basis the Group's risk management department reports on actual performance of treasury risk positions against the risk appetite limits to the Risk Committee of the Supervisory Board.

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 on-going 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 & liquidity risk is to accommodate the going concern business objectives without incurring unduly exposure to liquidity or refinancing risk;
2. LeasePlan aims to be matched or longer funded with reasonable (relative) funding costs;
3. primary objective of the funding strategy is to maintain good market access at all times; and
4. compliance with minimum regulatory liquidity requirements at all times.

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 the estimated run-off profile of the leased assets. This matched funding principle is applied both at a consolidated Group and at entity level, taking into account specific mismatch tolerance levels depending on the total of interest bearing assets of the subsidiary. Local management of Group entities is responsible to adhere to the Matched Funding Policy. To fund its business, local management can take inter-company funding at LeasePlan's central Treasury or bi-lateral funding with third party banks. A Fund Transfer Pricing Policy governs the pricing of intercompany funding, which is determined and approved by the Managing Board on a monthly basis.

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.

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 FTRC agenda. The funding planning forecasts issuances and redemptions for each funding source, resulting in a multi-year projection of the liquidity position. Apart from a going concern forecast, a forecast based on stress scenario assumptions is calculated on a monthly basis. 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. In addition to the quarterly stress testing cycle a high-level stress test is performed based on parameterisation of estimated cash flow forecasting on a monthly basis. The monthly stress testing has been further enhanced by including the estimated compliance of the '9 months survival period' requirement over a 5 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.

In addition to the Group's own internal policies and controls, liquidity risk is also supervised by and reported to DNB on a monthly basis. The liquidity supervision by DNB is focused on identifying available sources of liquidity and required liquidity for weekly and monthly periods. Additionally, the ILAAP is subject to the yearly Supervisory Review and Evaluation Process (SREP) conducted by DNB. Furthermore, a Liquidity Coverage Ratio (LCR) of at least 100% is a binding regulatory requirement. These regulatory liquidity limits are embedded in the Group's liquidity and cash management processes.

Interest rate risk policy

The Group accepts and offers lease contracts to clients at both fixed and floating interest rates, for various durations and in various currencies. Interest rate risk within LeasePlan is managed separately for:

- Group entities and jointly controlled entities, carrying interest-bearing assets (mainly lease contracts) and funding on their balance sheet, which mainly is inter-company funding supplied by LeasePlan's central Treasury;
- LeasePlan's central Treasury, concluding external funding, external derivatives and granting inter-company loans to LeasePlan 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 sensitive liabilities fall short to cover interest-bearing assets, non-interest sensitive working capital and subsidiary's equity are allowed to cover interest-bearing assets, as part of the Matched Funding Policy.

LeasePlan's central Treasury provides loans to LeasePlan entities and attracts funds from the market in conjunction with interest rate derivatives entered into for hedging purposes. Derivative financial instruments are concluded by LeasePlan's central Treasury as an end-user only; 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 income statement, particularly regarding the derivatives that do not qualify for hedge accounting.

To enable the LeasePlan's central Treasury to achieve economies of scale, smaller inter-company 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 LPB's flexible savings are modelled and measured from a behavioural perspective. LPB invests the flexible savings funds received by placing deposits with LeasePlan's central Treasury in line with the modelled interest profile of the flexible savings, thereby replicating the flexible savings' maturity profile. In 2016 model performance, investment rule and outflow assumptions have been revalidated.

In addition, the Group monitors the effect of a gradual movement in market interest rates on its profitability and the effect of a sudden parallel shift of the yield curve on its equity.

Currency risk policy

The Group is exposed to currency risk due to its global coverage. Where required, hedging is applied by means of matching assets and liabilities in the same currency or by means of financial derivatives. Nearly all debt funding, directly or via derivatives, is concluded in the currency in which assets are originated. This principle is applied both at Group level, and at entity level. This is required both when obtaining funds at local banks or at LeasePlan's central Treasury. In order to facilitate this, LeasePlan's central Treasury works with limits per currency, in line with the Group's approved risk appetite. Also Group equity (in most cases) is allocated to the currencies in which assets are denominated.

The Group's currency risk management is built on ratio protection; the Group protects its overall capital adequacy ratio against fluctuations in foreign exchange rates by deliberately taking structural equity positions in its foreign currency entities, effectively matching the entities' capital adequacy ratios with the Group's overall capital adequacy ratio. The Group's currency exposure, from a capital ratio protection perspective, is therefore the absolute mismatch between the Group's overall ratio and the capital adequacy ratios of the foreign currency entities.

The logic behind this is that if the relative individual capital adequacy position is the same as for the Group as a whole, both the TREA and capital allocated to the non-functional currency will move in the same direction in case of a currency shock, hence this should not impact the Group's capital ratio.

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. The cash flows do not reconcile to the balance sheet because the balance sheet amounts are presented on an amortised cost basis. In 2016 funds entrusted, funding in the debt capital markets and borrowings from financial institutions increased as a result of a combination of the growth of the lease portfolio and the utilisation of funding levers.

	0-3 months	3-12 months	1-5 years	> 5 years	Total
Financial liabilities					
Funds entrusted	3,809,864	1,125,902	544,858	153	5,480,777
Trade payables	790,893	-	-	-	790,893
Borrowings from financial institutions	553,622	727,809	1,965,909	12,044	3,259,384
Debt securities issued	316,052	2,045,359	6,141,913	302,027	8,805,351
Future payments (interest and commitment fees)	47,086	179,956	274,653	73,034	574,729
Total as at 31 December 2016	**5,517,517**	**4,079,026**	**8,927,333**	**387,258**	**18,911,134**
Financial liabilities					
Funds entrusted	3,013,292	1,167,209	906,300	173	5,086,974
Trade payables	764,430	-	-	-	764,430
Borrowings from financial institutions	353,713	518,971	1,189,054	11,380	2,073,118
Debt securities issued	102,010	1,402,959	6,254,451	383,023	8,142,443
Future payments (interest and commitment fees)	51,319	187,897	309,438	160,116	708,770
Total as at 31 December 2015	**4,284,764**	**3,277,036**	**8,659,243**	**554,692**	**16,775,735**

In the table below for interest rate swaps the undiscounted cash inflows and outflows are presented on a net basis into the relevant maturity groupings, whereas the undiscounted cash flows on currency swaps are presented on a gross basis.

	0-3 months	3-12 months	1-5 years	> 5 years	Total
Interest rate swaps/forward rate agreements netted cash flow	- 1,073	- 4,889	56,085	56,878	107,001
Currency swaps cash inflow	2,665,740	580,685	1,006,503	-	4,252,928
Currency swaps cash outflow	- 2,621,790	- 541,702	- 983,536	-	- 4,147,028
Total as at 31 December 2016	**42,877**	**34,094**	**79,052**	**56,878**	**212,901**
Interest rate swaps/forward rate agreements netted cash flow	- 428	2,739	63,875	134,733	200,919
Currency swaps cash inflow	2,761,186	564,425	1,000,780	-	4,326,391
Currency swaps cash outflow	- 2,746,799	- 549,285	- 981,979	-	- 4,278,063
Total as at 31 December 2015	**13,959**	**17,879**	**82,676**	**134,733**	**249,247**

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 as at December)	**2016**	**2015**
Unencumbered cash at banks	273	331
Unencumbered cash at Dutch Central Bank	1,805	1,559
Total on balance liquidity buffer	**2,078**	**1,890**
Committed facilities	2,500	2,500
Total	**4,578**	**4,390**

In June 2015 the Group renewed a three-year committed revolving credit facility with a consortium of 12 banks (EUR 1.25 billion) maturing in December 2018. Furthermore, a three-year committed revolving credit facility with Volkswagen A.G., through its subsidiary Volkswagen International Luxemburg S.A., (EUR 1.25 billion) maturing December 2018 renewed in March 2015. Following the completion of the acquisition on 21 March 2016, the Group acceded to a second Revolving Credit Facility (RCF II) replacing the Volkswagen revolving credit facility amounting to EUR 1.25 billion and maturing in December 2018. None of these facilities include material adverse change clauses. During 2016 and 2015 no drawings were made under the above-mentioned facilities.

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) of 100%; LeasePlan is in compliance with these minimum liquidity requirements.

The Group's liquidity stress testing program includes the integration of risk drivers and review of stress scenarios, governance, tools used and documentation of the stress testing process. Stress testing is embedded in the funding planning, taking into account the 9 months minimum liquidity buffer requirement. At all times during 2016 the Group held enough liquidity to continue business as usual during the most severe stress scenario for a minimum period of 9 months.

Interest rate risk measurement

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. LeasePlan entities' interest rate exposure as per reporting date (not including LeasePlan'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, is EUR 39.8 million (2015: EUR 150.3 million), in relation to an amount of risk bearing assets of EUR 19.8 billion as per 31 December 2016 (2015: EUR 18.4 billion). Due to the accounting treatment of lease contracts, this does not result in gains or losses in the Group's income statement or in shareholder's 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 impact of a 200 basis points interest rate shock on the Group's result and capital are shown below.

	Earnings at risk	
Gradual shock on the yield curve (in million EUR as at 31 December)	**2016**	**2015**
Effect within 1 year		
- 200 bps	- 7.5	- 7.7
+ 200 bps	7.5	7.7
Effect within 2 years		
- 200 bps	- 16.2	- 21.0
+ 200 bps	16.2	21.0

The impact of a gradual movement on the Group's profitability is fairly stable when comparing 2016 to 2015.

	Equity at risk	
Sudden parallel shock on the yield curve (in million EUR as at 31 December)	**2016**	**2015**
- 200 bps	228.3	205.9
+ 200 bps	- 208.2	- 188.0

Due to the Group's estimated overall cash flow profile, an increase in market rates has a negative impact on Equity. The difference between 2016 and 2015 is mainly resulting from changes in the underlying cash flow profiles of Group entities; whereas the impact resulting from the development in market rates is relatively stable.

Currency risk measurement

The table below details the Group's net currency positions:

	EUR	GBP	USD	AUD	Other	Total
As at 31 December 2016						
Financial assets						
Cash and balances at central banks	1,857,127	-	-	-	17	1,857,144
Receivables from financial institutions	438,589	2,142	- 347	7,446	42,618	490,448
Derivatives (long)	3,068,432	1,358	710,103	1,812	560,489	4,342,194
Rebates and bonuses and comissions receivable	237,025	10,457	11,131	1,651	27,944	288,208
Reclaimable damages	23,147	-	-	-	2,323	25,470
Interest to be received	111	-	-	-	147	258
Lease receivables from clients	783,638	454,876	1,489,563	285,637	411,825	3,425,539
Loans to other third parties	-	12	-	-	30,116	30,128
Loans to investments accounted for using the equity method	125,275	-	-	-	-	125,275
Assets held-for-sale	-	-	13,763	-	-	13,763
Non-financial assets	11,220,921	2,201,572	415,129	482,309	2,985,708	17,305,639
Total	**17,754,265**	**2,670,417**	**2,639,342**	**778,855**	**4,061,187**	**27,904,066**
Financial liabilities						
Funds entrusted	5,478,485	-	-	-	2,292	5,480,777
Derivatives (short)	1,270,110	1,977,602	13,828	248,793	684,547	4,194,880
Trade payables	487,208	30,419	34,408	41,841	197,017	790,893
Interest payable	63,946	385	11,374	1,915	21,989	99,609
Borrowings from financial institutions	1,992,598	247,617	56,650	119,959	842,560	3,259,384
Debt securities issued	4,964,240		2,296,642	119,959	1,424,510	8,805,351
Non-financial liabilities	1,431,119	191,096	98,398	119,244	357,613	2,197,470
Total	**15,687,706**	**2,447,119**	**2,511,300**	**651,711**	**3,530,528**	**24,828,364**
Net position	**2,066,559**	**223,298**	**128,042**	**127,144**	**530,659**	**3,075,702**

See continuation of this table on the next page.

[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.

	EUR	GBP	USD	AUD	Other	Total
As at 31 December 2016						
Currency position		**223,298**	**128,042**	**127,144**	**530,659**	
Net investment subsidiaries		236,264	116,244	123,953	457,472	
Other		- 12,966	11,798	3,191	73,187	
As at 31 December 2015						
Financial assets	5,734,293	462,394	2,192,817	276,050	1,343,620	10,009,174
Non-financial assets	10,146,056	2,198,770	336,517	475,848	2,423,993	15,581,184
Financial liabilities	12,432,788	2,195,769	2,314,824	507,094	2,970,634	20,421,109
Non-financial liabilities	1,317,288	236,279	80,300	114,752	349,166	2,097,785
Net position	**2,130,273**	**229,116**	**134,210**	**130,052**	**447,813**	**3,071,464**
Currency position		**229,116**	**134,210**	**130,052**	**447,813**	
Net investment subsidiaries		229,778	112,423	127,716	398,111	
Other		- 662	21,787	2,336	49,702	

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 currency shock on all currencies against the euro, an instantaneous impact on the Group's capital would be EUR 37.7 million (2015: EUR 30.0 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).[1]

	2016		2015	
in million EUR as at December	**Net open position**	**Currency shock**	**Net open position**	**Currency shock**
Great British Pound ("GBP")	236.3	8.9	229.8	6.8
United States Dollar ("USD")	116.2	4.9	112.4	1.6
Australian Dollar ("AUD")	124.0	3.6	127.7	4.0
Other	574.1	20.3	511.1	17.6
Total	**1,050.6**	**37.7**	**981.0**	**30.0**

Although LeasePlan is aware that, from an absolute equity perspective, currency exposures exist; these exposures are deliberately not fully mitigated following the ratio protection strategy.

[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.

G. Operational risk

Operational risk definitions

Operational risk is the risk of a positive, negative or potential loss resulting from inadequate or failed internal processes, human behaviour and systems or from external incidents and it includes model risk. Legal, information and communication technology and reputation risks are covered, managed/investigated under individual separate frameworks.

Operational risk management structure and organisation

Local management is responsible for managing the operational risks in their local entity. In all local entities a formal operational risk management role is in place. This function is the driving force behind the increase in risk awareness and the improvement of operational risk management within the local entity. The Group's operational risk management is responsible for establishing and maintaining the operational risk framework, monitoring the operational risk profile and the collation and validation of operational risk reporting. Operational risk management analyses the operational risk incidents reported by local entities and reports subsequently to the Group's operational risk committee. On a quarterly basis, operational 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

On December 1, 2008 the Group received approval from the Dutch Central Bank to use the Advanced Measurement Approach (AMA) for operational risk. A review of the Dutch Central Bank at the end of 2013 indicated the need for further attention to elements of the framework. Over 2015 and 2016 the Group has redesigned the governance process for operational risk by, among others, decreasing the reporting threshold for reporting operational risk incidents from EUR 5,000 to EUR 1,000; transforming the risk self-assessments in risk and control self-assessments; setting a standardised operational risk register mapped to internal processes; integrating risk appetite and scenario analysis exercises at Group entity level. Additionally the Group's operational risk tool has been replaced in order to facilitate the governance alterations. It is estimated that all these upgrades operated to the AMA framework will be submitted for the Dutch Central Bank's review and approval in the second half of 2017.

The Group applies the AMA in its operational risk framework. Methods deployed for risk identification are the operational risk scenario analysis, operational risk and controls self-assessments, operational risk incidents analysis, the integration of outcomes from internal and external audits, as well as of relevant internal and external micro/macro-economic developments. Based upon the risks identified and losses reported, the Group's operational risk profile is assessed.

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 analysed on a weekly basis, while operational risk incidents with a net impact exceeding EUR 100,000 are reported on a monthly basis to the Managing Board and quarterly to the Operational Risk Committee. 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 the Group's Operational 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 2016 the Group recorded 1,766 operational risk incidents, compared to 1,862 events in 2015. 48% of these incidents have a gross impact below EUR 1,000 whereas 916 events are exceeding this threshold. The 1,766 events recorded amount to a total net loss of EUR 16.7 million in 2016; whereas incidents of EUR 13.7 million net were reported in 2015. The increase is mostly due to a few incidents reported over 2016 that had a more significant impact compared to previous experiences within the Group. These are not indicative of structural failures of controls as they concern very specific incidents.

The majority of the operational risk incidents recorded (62% from the total amount and 79% of the total number) are classified in the event category "Execution: Delivery and Process Management". The impact of external fraud incidents increased over the year in terms of impact, while their number was slightly lower. The distribution of the Group's operational risk incidents is as follows:

	2016		2015	
Basel Category	**% total (EUR)**	**% total (nr)**	**% total (EUR)**	**% total (nr)**
Business Disruption and System Failures	4%	4%	7%	5%
Clients: Products and Business Practices	7%	6%	8%	3%
Damage to Physical Assets	2%	4%	1%	5%
Employment practices and workplace safety	0%	0%	6%	1%
Execution: Delivery and Process Management	62%	79%	74%	78%
External Fraud	25%	6%	4%	8%
Internal Fraud	0%	0%	0%	0%
Total	**100%**	**100%**	**100%**	**100%**

The Group is currently going through a transformation process; the risk department is closely monitoring transition risks resulting from the organisational changes.

Financial Reporting Risk
Like other companies, the Group faces financial reporting risks resulting from operational failures or external events, such as changes in regulations, acts from personnel and system issues. The finance systems and processes are designed to support the accounting and reporting of products and transactions and to avoid issues as non-compliance with regulations and the Group accounting and reporting policy, system failures and human errors. The Group has processes in place to update and improve these finance systems and processes when required.

H. ICT risk

ICT risk definition
The Group defines ICT risk as any risk that is related to information and communication technology. As there is substantial overlap with (processes related to) operational risk such as self-assessments, loss reporting and business continuity (including disaster recovery).

ICT risk management structure and organisation
Each Group entity must have an information security officer ("ISO") role assigned. The ISO role reports to local senior management or is assigned to a member of the local senior management and cooperates closely with Information Security & Governance at the corporate centre. Corporate Information Security & Governance is responsible for establishing and maintaining the ICT Risk Framework, monitoring the ICT Risk profile and the collation and validation of ICT risk reporting. On a bi-monthly basis a consolidated ICT Risk report (based upon the ICT risk reports reported by Group entities) is prepared for the Group's Information Security Board. Similar to operational risk, all Group entities

including LeasePlan Bank, structurally identify, assess, and report their ICT risks. Important part of identifying ICT risks is the process to produce an information asset inventory with corresponding security controls. The output from the information asset inventory is created, maintained and reviewed by the individual Group entity. On a day-to-day basis ICT issues and risks are typically identified and established via information technology infrastructure library ("ITIL") ICT management processes (especially incident management and problem management), upon which the ICT Management processes are based. Risk analysis activities are incorporated within the ITIL processes.

ICT risk management policy
The Group's Information Security Policy, as set by the Managing Board, includes requirements on creating awareness, sufficient staffing and governance, security incident reporting and risk assessment. This policy prescribes the requirements for the organisation of information security in each Group entity. Local management is responsible for managing information security.

ICT risk measurement
ICT risk incidents (which have also resulted in a loss event) are reported as an operational risk, so the financial impact of security incidents is taken into account in the overall operational risk figures. ICT risk incidents are mainly related to phishing mails.

I. 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 of 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 and Directors & Officers Liability 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 (e.g. motor third party liability and legal defence) and short-tail risks (e.g. 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 guarantee for damage sustained, up to a pre-defined limit, in return for a higher lease charge. This risk also consists of long-tail risks (e.g. motor third party liability and legal defence) and short-tail risks (e.g. motor material damage and passenger indemnity).

Motor insurance risk management structure and organisation
Motor insurance risk management is responsible for establishing and maintaining the motor insurance risk framework and 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, while also offering 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 LeasePlan 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 in order to minimise the financial impact of a single large accident and/or event.

Annually, the risk management department prepares the risk appetite statement, which includes all risk areas and requires approval by the Managing Board and the Risk Committee of the Supervisory Board. On a quarterly basis, the 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 Motor Insurance 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 LeasePlan 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 by Motor Insurance Risk for 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.

In order to clearly identify, monitor, manage and limit the risks, principles are laid down in a motor insurance risk policy that must be adhered to by all Group 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 motor insurance risk committee, 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.

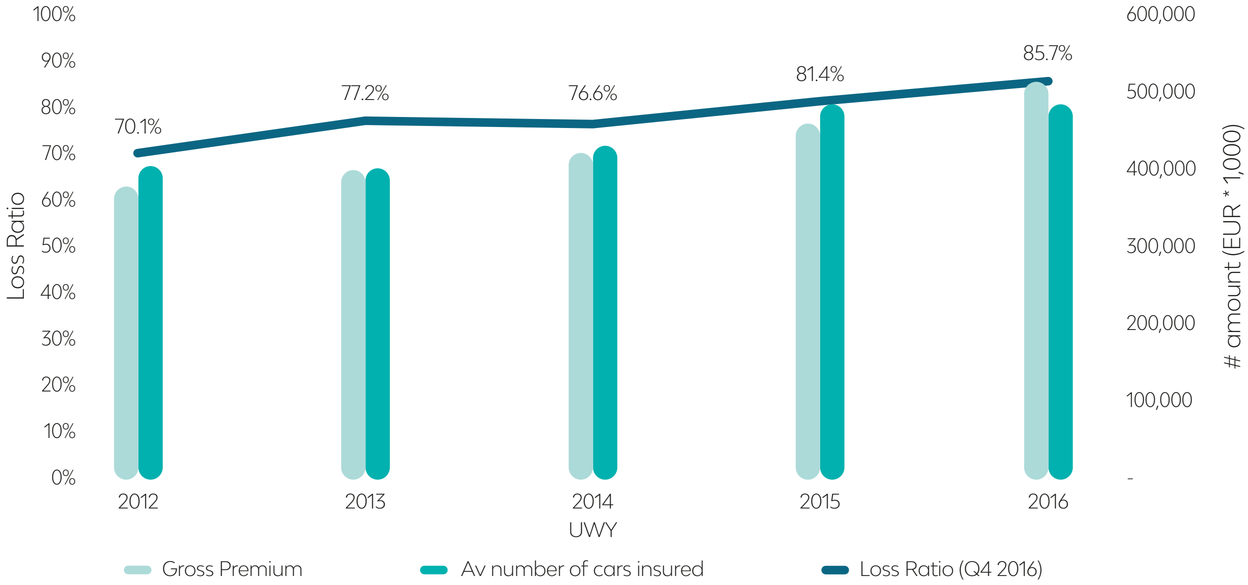
Motor insurance risk measurement

The Group monitors the damage and insurance risk acceptance process and the financial performance using actuarial and statistical methods for estimating liabilities and determining adequate pricing levels. Regular analysis of damage and loss ratio statistics, strict compliance with damage handling procedures and policies and when necessary, reviews of damage and insurance risk pricing, ensure a healthy balance between revenues and damages at both an aggregate level and an individual fleet level. The provision for damages is regularly assessed and periodically verified by external actuaries.

The price for acceptance of damage and insurance risk is set in each market based on prevailing local market conditions after determining appropriate levels of 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.

The graph on the next page shows the Group's consolidated loss ratio, premium development and average number of insured vehicles measured at year's end 2016 for the underwriting years 2012 up to 2016.



Annually, Group entities submit for approval, a Country Based Risk Appetite (CoBRA) for Motor Insurance Risk, in which they define for the year ahead a loss ratio limit for motor insurance risk, against which entities are monitored.

J. Strategy in using financial instruments

The Group's activities are principally related to vehicle leasing and fleet management. The Group accepts and offers lease contracts to clients at both fixed and floating interest rates, for various periods and in various currencies. The Group seeks to balance the spread between interest rates charged in lease contracts and the interest rates paid on various borrowings and at the same time needs to control its exposure towards future movements in interest rates and currency exchange rates. The risk control is important to continuously meet the solvency and liquidity requirements and targets as set by DNB and as expected by external stakeholders. The Group uses various non-derivative and derivative financial instruments to achieve that goal.

Derivatives are financial instruments, of which the value changes in response to underlying variables. Derivatives require little to no initial investment and are settled at a future date. Under IFRS derivatives are initially and subsequently recognised on the balance sheet at fair value. Examples of derivatives used are interest rate swaps, currency swaps and currency interest rate swaps. Derivative transactions are contracted to hedge the interest rate and currency exposures associated with the funding of lease contracts. In particular, interest rate swaps cover the interest rate positions between lease contracts and borrowed funds and currency interest rate swaps cover the mismatch between the currency structure of lease contracts and borrowed funds.

The Group has, where allowed under IFRS hedge accounting rules, applied cash flow and fair value hedges to the interest rate risk and other types of market risks on the issued debt securities and other borrowings, to mitigate both current and future income statement volatility arising from the variability of cash flows attributable to currency and interest rate movements, and due to the exposure to changes in fair values of recognised liabilities. It should be noted that while as a result of the above the Group mitigates interest rate risk and currency risk from an economic perspective, these derivatives do not always qualify for hedge accounting from an accounting perspective and in such cases, the unrealised gains and losses are recognised in the income statement.

The contracted notional amounts of all derivatives are listed below:

	2016			2015		
	Interest rate contracts	**Currency contracts**	**Total**	**Interest rate contracts**	**Currency contracts**	**Total**
Fair value hedge	4,923,053	44,297	4,967,350	4,057,309	85,948	4,143,257
Cash flow hedge	1,595,000	-	1,595,000	1,805,000	-	1,805,000
Not in hedge	13,781,558	4,050,937	17,832,495	12,196,989	4,111,929	16,308,918
Total	**20,299,611**	**4,095,234**	**24,394,845**	**18,059,298**	**4,197,877**	**22,257,175**

(i) Cash flow hedges
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 swap and money market rates. In cash flow hedging, the hedged risks are future changes in cash flows stemming from anticipated repricings and/or roll-overs of borrowings due to interest rate movements. To apply highly effective cash flow hedges the forecasted cash flows, which are subject to a hedge, must be 'highly probable'. Based on the Group's business activities and the financial/operational ability to carry out the transactions, the likelihood that forecasted cash flows will take place is very high. These forecasted cash flows are expected to occur and to affect the income statement during 2017-2021.

The Group applies a cash flow hedge as an aggregate hedging of a similar group of assets/liabilities. A group of derivatives sharing the same characteristics is designated to the hedge with a group of borrowings with the same characteristics. Any ineffectiveness resulting from these cash flow hedges is recognised in the income statement when incurred.

(ii) Fair value hedges
Fair value hedge accounting is applied in such a way that the changes in fair value of the recognised liability (issued note) attributable to the hedged risk fully offsets the changes in fair value of the receive leg of the derivative transaction (interest rate swap or currency interest rate swap). In other words, the cash flows on the note and the receive leg of the swap are equal and opposite.

Fair value hedge accounting entails that the hedged item (i.e. the note) that is measured at amortised cost is constantly being adjusted for gains/losses attributable to the risk being hedged. This adjustment is booked in the income statement, where it offsets the measurement of the fair value of the hedging instrument that is also recorded in the income statement.

(iii) Risk-weighting
The notional amounts of the derivatives provide an indication of the size of the contracts but do not indicate the extent of the cash flows and risks attached hereto. In determining the capital adequacy requirement, both existing and potential future credit risk is taken into account. The current potential loss on derivatives, which is the 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 risk through regular margin calls. This credit risk exposure is managed as part of the overall lending limits with financial institutions.

K. 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.

	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
as at 31 December 2016					
Financial assets measured at fair value					
Derivatives financial instruments in hedge	78,336		78,336		78,336
Derivatives financial instruments not in hedge	146,562		146,562		146,562
Financial assets not measured at fair value					-
Cash and balances at central banks	1,857,144	1,857,144			1,857,144
Receivables from financial institutions	490,448		490,452		490,452
Lease receivables from clients	3,425,539			3,471,791	3,471,791
Loans to investments using the equity method	125,275		128,452		128,452
Receivables and prepayments[1]	344,063		344,921		344,921
Assets held-for-sale	13,763			14,269	14,269
Total financial assets	**6,481,130**	**1,857,144**	**1,188,723**	**3,486,060**	**6,531,927**
Financial liabilities measured at fair value					
Derivatives financial instruments in hedge	18,750		18,750		18,750
Derivatives financial instruments not in hedge	58,834		58,834		58,834
Financial liabilities not measured at fair value					
Funds entrusted	5,480,777		5,556,367		5,556,367
Trade and other payables and deferred income[2]	890,502		890,502		890,502
Borrowings from financial institutions	3,259,384		3,314,513		3,314,513
Debt securities issued	8,805,351		8,870,422		8,870,422
Total financial liabilities	**18,513,598**	**-**	**18,709,388**	**-**	**18,709,388**

	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
as at 31 December 2015					
Financial assets measured at fair value					
Derivatives financial instruments in hedge	83,799		83,799		83,799
Derivatives financial instruments not in hedge	82,286		82,286		82,286
Financial assets not measured at fair value					
Cash and balances at central banks	1,605,437	1,605,437			1,605,437
Receivables from financial institutions	368,930		369,212		369,212
Lease receivables from clients	3,309,512			3,354,887	3,354,887
Loans to investments using the equity method	103,325		106,401		106,401
Receivables and prepayments[1]	267,708		267,708		267,708
Assets held-for-sale	13,065			13,274	13,274
Total financial assets	**5,834,062**	**1,605,437**	**909,406**	**3,368,161**	**5,883,004**
Financial liabilities measured at fair value					
Derivatives financial instruments in hedge	29,184		29,184		29,184
Derivatives financial instruments not in hedge	59,195		59,195		59,195
Financial liabilities not measured at fair value					
Funds entrusted	5,086,974		5,184,833		5,184,833
Trade and other payables and deferred income[2]	855,083		855,083		855,083
Borrowings from financial institutions	2,073,118		2,099,092		2,099,092
Debt securities issued	8,142,443		8,235,543		8,235,543
Total financial liabilities	**16,245,997**		**16,462,930**		**16,462,930**

There were no transfers between levels 1, 2 and 3 during the year. There were also no changes in valuation techniques during the year.

[1] Other receivables that are not financial assets are not included.
[2] Other payables that are not financial liabilities are not included.

Financial instruments in level 1

The fair value of financial instruments that are traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. Cash and balances with central banks are the only financial instruments held that are included in level 1.

Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques that maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of the interest rate swaps and cross currency swaps calculated as the present value of the estimated future cash flows based on observable yield curves at commonly quoted intervals, while taking into account the current creditworthiness of the counterparties.
- The yield curve for all collateralised derivatives is based on the overnight index swap (OIS) rate (the vast majority of the Group's derivatives is collateralised).
- The valuation methodology of the cross currency swaps includes a liquidity premium (which swaps less liquid currencies into those that are considered more liquid in the market and vice versa).
- The counterparty's probability of default is estimated using market CDS spreads resulting in credit valuation adjustments.
- The Group's own creditworthiness and probability of default is estimated using input such as secondary spreads and cost of funding curve as well as information from counterparties resulting in a debit valuation adjustment.
- Other techniques such as discounted cash flow analysis based on observable yield curves at commonly quoted intervals, are used to determine the fair value for the remaining financial instruments.
- For certain other receivables (Rebates and bonuses and commissions receivable, Reclaimable damages and Interest to be received) and payables (Trade payables and Interest payable) with a remaining term well below one year, the carrying value is deemed to reflect the fair value.

The derivative financial instruments not in hedge are derivatives that mitigate interest rate risk and currency risk from an economic perspective but do not qualify for hedge accounting from an accounting perspective. The Group is not involved in active trading of derivatives.

Financial instruments in level 3

If one or more of the significant inputs is not based on observable market data, the financial instrument is included in level 3. Receivables from clients are included in level 3 as well as the finance leases included in Assets classified as held-for-sale as the pricing is not based on observable market data. The fair value of the receivables to clients and the finance leases included in Assets classified as held-for-sale are calculated as the present value of the (estimated) future cash flows based on yield curves that next to observable market data also include client specific pricing considerations, while also taking into account the current creditworthiness of the client.

[1] Other receivables that are not financial assets are not included.
[2] Other payables that are not financial liabilities are not included.

L. Offsetting financial assets and financial liabilities

The following financial assets and financial liabilities are subject to offsetting, enforceable master netting agreements and similar agreements.

	Gross amounts of recognised financial instruments	Gross amounts of recognised financial instruments offset in the balance sheet	Net amounts of financial instruments presented in the balance sheet	Related amounts not offset in the balance sheet: Financial instruments	Related amounts not offset in the balance sheet: Cash collateral received	Net amount
As at 31 December 2016						
Derivative financial assets	224,898	-	224,898	- 77,584	- 71,320	75,994
Derivative financial liabilities	77,584	-	77,584	- 77,584	-	-
As at 31 December 2015						
Derivative financial assets	166,085	-	166,085	- 88,379	- 63,100	14,606
Derivative financial liabilities	88,379	-	88,379	- 88,379	-	-

For the financial assets and liabilities subject to enforceable master netting agreements or similar agreements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party. Except for derivative financial instruments there are no other financial assets or liabilities subject to offsetting.

M. Transfer of (financial) assets

The group engages in various securitisation transactions (reference is made to note 13 and note 19 of the consolidated financial statements of the Group and note 14 of the Company financial statements). As a consequence of such transactions (financial) assets are transferred from the originating LeasePlan subsidiaries to special-purpose companies that are included in the consolidated financial statements. In view of this, the transferred (financial) assets are not de-recognised in their entirety from a Group perspective.

The table below summarises the Group's transferred (financial) assets and financial liabilities that are not derecognised in their entirety at 31 December.

	Loans and receivables			
	Receivables from clients (finance leases)	Receivables from financial institutions (collateral deposited)	Property and equipment under operating lease	Total
As at 31 December 2016				
Carrying amount				
Assets	56,384	185,753	2,264,623	2,506,760
Associated liabilities				
Bonds and notes originated from securitisation transactions				1,435,997
Borrowings from financial institutions				249,750
Net carrying amount position				**821,013**
For those liabilities that have recourse only to the transferred assets				
Fair value				
Assets	61,094	191,468	2,307,951	2,560,513
Associated liabilities				
Bonds and notes originated from securitisation transactions				1,428,194
Borrowings from financial institutions				250,687
Net fair value position				**881,632**
As at 31 December 2015				
Carrying amount				
Assets	54,879	15,794	2,473,764	2,544,437
Associated liabilities				
Bonds and notes originated from securitisation transactions				1,610,820
Borrowings from financial institutions				249,750
Net carrying amount position				**683,867**
For those liabilities that have recourse only to the transferred assets				
Fair value				
Assets	55,120	16,537	2,484,699	2,556,356
Associated liabilities				
Bonds and notes originated from securitisation transactions				1,609,169
Borrowings from financial institutions				247,868
Net fair value position				**699,319**

Specific notes

Note 1 - Country by country reporting

This note is pursuant to the 'Besluit uitvoering publicatieverplichtingen richtlijn kapitaalvereisten' that implements articles 89 and 90 of the Capital Requirement Directive (CRD IV). The list of entities is equal to the 'List of principal consolidated participating interests' and 'Principal associates and jointly controlled entities that are accounted for under the equity method' as included on page 150. The amount of Government subsidies is negligible and therefore not disclosed. .

		2016				
Country of activity	**Principal subsidiary or participating interest**	**Main activity**	**FTE's (average)**	**Revenues**	**Profit before tax**	**Income tax expenses**
Netherlands			995	1,136,379	21,406	- 5,164
	LeasePlan Corporation N.V.	Holding/Treasury/ Retail banking				
	LeasePlan Finance N.V.	Treasury				
	LeasePlan International B.V.	International client coordination				
	LeasePlan Nederland N.V.	Leasing				
	Mobility Mixx B.V.	Mobility services				
	Terberg Leasing B.V.[1]	Leasing				
United Kingdom	LeasePlan UK Limited	Leasing	585	1,005,721	50,565	10,066
Italy			528	788,125	42,650	6,695
	LeasePlan Italia S.p.A.	Leasing				
	Overlease S.r.L.[1]	Leasing				
France	LeasePlan France S.A.S.	Leasing	438	619,548	42,482	17,595
	PLease S.C.S.[1]	Leasing				
Spain	LeasePlan Servicios S.A.	Leasing	482	575,577	57,250	17,194
Germany	LeasePlan Deutschland GmbH	Leasing	383	604,350	27,522	9,881
Australia	LeasePlan Australia Limited	Leasing	370	342,307	5,543	1,667
Belgium	LeasePlan Fleet Management N.V.	Leasing	238	429,598	51,461	15,586
Portugal	LeasePlan Portugal Comércio e Aluguer de Automóbeis e Equipamentos Unipessoal Lda.	Leasing	372	398,282	37,752	10,236
Norway	LeasePlan Norge A/S	Leasing	114	294,712	16,786	2,797
United States	LeasePlan USA Inc.	Leasing	568	312,853	18,938	6,951
Sweden	LeasePlan Sverige AB	Leasing	105	215,136	8,535	1,906
Finland	LeasePlan Finland Oy	Leasing	81	175,551	15,474	3,109
Austria			153	168,087	7,089	1,766
	LeasePlan Österreich Fuhrparkmanagement GmbH	Leasing				
	Flottenmanagement GmbH[1]	Leasing				
Switzerland			125	112,153	27,212	2,311
	LeasePlan Supply Services AG	Procurement				
	LeasePlan (Schweiz) AG	Leasing				

		2016				
Country of activity	**Principal subsidiary or participating interest**	**Main activity**	**FTE's (average)**	**Revenues**	**Profit before tax**	**Income tax expenses**
Denmark	LeasePlan Danmark A/S	Leasing	87	189,542	10,411	1,908
Poland	LeasePlan Fleet Management (Polská) Sp.z.o.o.	Leasing	125	127,947	10,997	2,337
Czech republic	LeasePlan Česká republika s.r.o.	Leasing	127	122,558	13,495	2,615
New Zealand	LeasePlan New Zealand Limited	Leasing	100	79,277	4,924	1,399
Ireland			318	119,018	32,527	4,429
	Euro Insurances DAC LeasePlan Information Services Limited LeasePlan Fleet Management Services (Ireland) Limited	Motor Insurance Information services Leasing				
Luxembourg	LeasePlan Luxembourg S.A.	Leasing	72	80,075	2,556	- 7,080
Greece	LeasePlan Hellas S.A.	Leasing	92	85,260	14,170	4,262
Brazil	LeasePlan Brasil Ltda.	Leasing	84	55,862	6,470	2,848
Hungary	LeasePlan Hungária Gépjárműpark Kezelö és Finanscírozó Zártkörű Részvénytársaság	Leasing	72	54,589	2,186	334
Romania	LeasePlan Romania SRL	Leasing	74	46,897	4,940	636
Slovakia	LeasePlan Slovakia s.r.o.	Leasing	41	42,739	3,465	609
India	LeasePlan India Private Limited	Leasing	86	40,371	691	238
Mexico	LeasePlan México S.A. de C.V.	Leasing	142	44,655	- 1,269	1,391
Russia	LeasePlan Rus LLC	Leasing	34	9,449	- 1,161	114
Turkey	LeasePlan Otomotiv Servis ve Ticaret A.Ş.	Leasing	124	154,290	12,695	4,164
United Arab Emirates	LeasePlan Emirates Fleet Management - LeasePlan Emirates LLC[1]	Leasing	-	-	1,635	-
Malaysia	LeasePlan Malaysia	Leasing	1	4	- 1,141	- 10
Total as at 31 December 2016			**7,116**	**8,430,912**	**548,256**	**122,790**

[1] Associates and jointly controlled entities that are accounted for using the equity method.

2015

Country of activity	Principal subsidiary or participating interest	Main activity	FTE's (average)	Revenues	Profit before tax	Income tax expenses
Netherlands			970	1,140,750	44,368	15,486
	LeasePlan Corporation N.V.	Holding/Treasury/ Retail banking				
	LeasePlan Finance N.V.	Treasury				
	LeasePlan International B.V.	International client coordination				
	LeasePlan Nederland N.V.	Leasing				
	Mobility Mixx B.V.	Mobility services				
	Travelcard Nederland B.V.	Fuel card services				
	Terberg Leasing B.V.[1]	Leasing				
United Kingdom	LeasePlan UK Limited	Leasing	556	1,014,419	65,181	12,841
Italy			517	729,964	58,438	26,570
	LeasePlan Italia S.p.A.	Leasing				
	Overlease S.r.L.[1]	Leasing				
France			438	596,632	49,031	20,830
	LeasePlan France S.A.S.	Leasing				
	PLease S.C.S.[1]	Leasing				
Spain	LeasePlan Servicios S.A.	Leasing	456	535,508	56,575	16,452
Germany	LeasePlan Deutschland GmbH	Leasing	353	562,653	42,831	16,256
Australia	LeasePlan Australia Limited	Leasing	357	331,001	11,402	3,505
Belgium	LeasePlan Fleet Management N.V.	Leasing	232	407,070	54,872	15,457
Portugal	LeasePlan Portugal Comércio e Aluguer de Automóbeis e Equipamentos Unipessoal Lda.	Leasing	370	401,449	18,927	3,278
Norway	LeasePlan Norge A/S	Leasing	114	277,972	14,132	1,493
United States	LeasePlan USA Inc.	Leasing	541	384,236	26,177	9,733
Sweden	LeasePlan Sverige AB	Leasing	104	190,045	7,680	1,713
Finland	LeasePlan Finland Oy	Leasing	76	178,781	15,212	3,227
Austria			147	164,999	10,210	1,848
	LeasePlan Österreich Fuhrparkmanagement GmbH	Leasing				
	Flottenmanagement GmbH[1]	Leasing				
Switzerland			131	134,648	16,522	994
	LeasePlan Supply Services AG	Procurement				
	LeasePlan (Schweiz) AG	Leasing				

2015

Country of activity	Principal subsidiary or participating interest	Main activity	FTE's (average)	Revenues	Profit before tax	Income tax expenses
Denmark	LeasePlan Danmark A/S	Leasing	80	114,078	15,410	2,381
Poland	LeasePlan Fleet Management (Polská) Sp.z.o.o.	Leasing	123	115,825	10,922	2,417
Czech republic	LeasePlan Česká republika s.r.o.	Leasing	121	97,561	11,789	2,382
New Zealand	LeasePlan New Zealand Limited	Leasing	93	73,862	5,697	1,611
Ireland			295	97,483	36,533	4,965
	Euro Insurances DAC	Motor Insurance				
	LeasePlan Information Services Limited	Information services				
	LeasePlan Fleet Management Services (Ireland) Limited	Leasing				
Luxembourg	LeasePlan Luxembourg S.A.	Leasing	70	71,421	4,009	-6,511
Greece	LeasePlan Hellas S.A.	Leasing	85	69,063	10,617	3,507
Brazil	LeasePlan Brasil Ltda.	Leasing	83	55,257	5,966	3,369
Hungary	LeasePlan Hungária Gépjárműpark Kezelö és Finanscírozó Zártkörű Részvénytársaság	Leasing	74	48,647	2,017	352
Romania	LeasePlan Romania SRL	Leasing	70	42,259	5,909	1,176
Slovakia	LeasePlan Slovakia s.r.o.	Leasing	40	36,846	3,371	721
India	LeasePlan India Private Limited	Leasing	89	34,212	- 2,346	- 797
Mexico	LeasePlan México S.A. de C.V.	Leasing	127	42,864	- 8,980	- 3,168
Russia	LeasePlan Rus LLC	Leasing	24	3,622	- 2,270	- 238
Turkey	LeasePlan Otomotiv Servis ve Ticaret A.Ş.	Leasing	94	148,575	14,674	3,610
United Arab Emirates	LeasePlan Emirates Fleet Management - LeasePlan Emirates LLC[1]	Leasing			3,059	
Total as at 31 December 2015			**6,830**	**8,101,702**	**607,935**	**165,460**

[1] Associates and jointly controlled entities that are accounted for using the equity method.

Note 2 - Segment information

Operating segments are reported in accordance with the internal reporting provided to the Group's key management (the chief operating decision-maker). The Group's key management is responsible for allocating resources to the reportable segments and assesses its performance. Segment information is presented in the consolidated financial statements in respect of the Group's leasing activities (LeasePlan) and Group activities, which are the basis of segment reporting.

Leasing activities

Leasing activities comprise the main activity of the Group which is providing fleet management services including the purchase, financing, insurance, maintenance and remarketing of vehicles. The Group offers a mono-line product through all of its LeasePlan subsidiaries allowing for some differentiation based on the maturity of local markets. In the course of 2016 the operating segments as provided for internal reporting to the Group's key management have been revised. The segmentation is presented based upon the revised operating segments:

- 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 segment reporting of 2015 has been adjusted accordingly.

Group activities

These activities provide services in the area of treasury, insurance, procurement and infrastructure to support the leasing activities. Companies included are: LeasePlan Supply Services, LeasePlan Information Services, LeasePlan International, LeasePlan Insurances as well as the Group's central Treasury (including LeasePlan Bank) and other support activities.

The segment reporting format reflects the Group's management and internal reporting structure and is based on the internal system of management accounting. The main purpose of the management accounting is to enable a comparison between leasing subsidiaries. This results in an allocation of income and expense from Group activities to the leasing activities as well as a zero equity assumption for the leasing activities in order to facilitate this comparison. There are no asymmetrical allocations as both the leasing activities and the Group activities are measured on the basis of the same internal system of management accounting. The Group activities allocate all relevant revenues and related costs to the leasing activities.

Segment revenues, cost of revenues, gross profit and underlying profit before tax include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Inter-segment pricing is determined on an arm's length basis. Internal segment revenues are not presented separately given their insignificance.

The segment information is presented in the table on the next page.

In millions of euros	Leasing activities				Group activities		Total	
	Europe		Rest of World					
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Total revenues	8,111.5	7,743.4	1,024.5	1,065.6	42.9	68.5	9,178.9	8,877.5
Total cost of revenues	6,854.3	6,542.3	813.1	871.3	3.7	- 22.1	7,671.1	7,391.5
Gross profit	**1,257.2**	**1,201.1**	**211.4**	**194.3**	**39.2**	**90.6**	**1,507.8**	**1,486.0**
Underlying profit before tax	**551.2**	**551.3**	**24.7**	**31.2**	**22.1**	**4.6**	**598.0**	**587.1**
Interest income	615.4	649.2	150.2	146.4	2.5	3.5	768.1	799.1
Interest expense	273.7	330.3	97.3	94.5	- 48.1	- 94.8	322.9	330.0
Other depreciation and amortisation	27.0	30.9	17.8	16.7	10.5	8.6	55.3	56.2
Impairment charges	45.5	41.3	3.2	3.4	-	-	48.7	44.7
Reversal of impairment	- 26.6	- 20.4	- 2.0	- 1.1	-	-	- 28.6	- 21.5
Income tax expenses	156.9	143.4	15.1	9.7	- 29.3	8.6	142.7	161.7
Year ended 31 December								
Segment assets	17,914.1	16,295.1	3,301.6	2,900.6	2,571.1	2,219.5	23,786.8	21,415.2
Segment liabilities	7,601.0	7,611.6	1,349.8	1,055.3	14,836.0	12,748.3	23,786.8	21,415.2

	Total underlying results		Underlying adjustments		Finance income		Reported results	
In millions of euros	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Revenues (excluding finance income)							8,430.9	8,101.7
Revenues	**9,178.9**	**8,877.5**	**-**	**-**	**- 748.0**	**- 775.8**		
Cost of revenues (excluding finance income)							7,348.2	7,061.5
Cost of revenues	**7,671.1**	**7,391.5**	**-**	**-**	**- 322.9**	**- 330.0**		
Gross profit excluding net finance income							1,082.7	1,040.2
Gross profit	**1,507.8**	**1,486.0**	**-**	**-**	**- 425.1**	**- 445.8**		
Net finance income	-	-	4.8	13.5	425.1	445.8	429.9	459.3
Other income	-	-	39.1	7.4	-	-	39.1	7.4
Overheads (operating expenses)	914.4	904.8	93.6	-	-	-	1,008.0	904.8
Operating profit	**593.4**	**581.2**	**-49.7**	**20.9**	**-**	**-**	**543.7**	**602.1**
Share of profit of joint ventures and associates	4.6	5.9	-	-	-	-	4.6	5.9
Profit before tax	**598.0**	**587.1**	**-49.7**	**20.9**	**-**	**-**	**548.3**	**608.0**
Tax	142.7	161.8	-19.9	3.7	-	-	122.8	165.5
Net result	**455.3**	**425.3**	**-29.8**	**17.2**	**-**	**-**	**425.5**	**442.5**

In millions of euros	Unrealised results on financial instruments 2016	Unrealised results on financial instruments 2015	Other income 2016	Other income 2015	Overheads 2016	Overheads 2015	Tax 2016	Tax 2015
Underlying performance	**-**	**-**	**-**	**-**	**914.4**	**904.8**	**142.7**	**161.8**
Unrealised results on financial instruments	4.8	13.5	-	-	-	-	1.1	3.7
Normalisations	**4.8**	**13.5**	**-**	**-**	**-**	**-**	**1.1**	**3.7**
Gains/losses on the sale of subsidiaries	-	-	39.1	7.4	-	-	-	-
Power of One LeasePlan	-	-	-	-	93.6	-	-21.0	-
One-time items	**-**	**-**	**39.1**	**7.4**	**93.6**	**-**	**-21.0**	**-**
Reported per consolidated income statement	**4.8**	**13.5**	**39.1**	**7.4**	**1,008.0**	**904.8**	**122.8**	**165.5**

One-time items are unique events that are outside the normal course of business of the Group. Power of One LeasePlan includes restructuring expenses related to shifting the Group from a multi-local organisation to become a fully integrated organisation. These expenses include mainly staff expenses (EUR 73 million), but also some general and administrative expenses and impairments charges.

Revenues and other key figures of the subsidiaries are distributed relatively evenly over the segments and in principle there are no individual subsidiaries that contribute more than 10% to the overall revenues except for LeasePlan in the Netherlands and in the United Kingdom. The Netherlands is also the domicile country of the Group.

	FTEs (average)		Underlying revenues		Lease assets	
Country of activity	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Netherlands	977	953	1,528	1,583	2,071	1,992
United Kingdom	585	556	1,133	1,141	2,540	2,532
Other	5,554	5,321	6,518	6,154	14,155	14,242
Total as at 31 December 2016	**7,116**	**6,830**	**9,179**	**8,878**	**18,766**	**17,062**

Note 3 - Revenues and cost of revenues

(i) Revenues

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

	2016	2015
Fees	243,081	240,823
Lease revenues	4,624,589	4,522,065
Insurance income	626,179	563,796
Vehicles sales revenues	2,937,063	2,775,018
Total	**8,430,912**	**8,101,702**

Insurance income includes EUR 99.8 million (2015: EUR 86.6 million) for third party liability risk retained by LeasePlan Insurances, the Group's own internal insurance company.

(ii) Cost of revenues

Cost of revenues comprises the cost associated with providing the above-mentioned service components of the lease instalment.

	2016	2015
Fees	56,614	49,713
Lease service expenses	4,119,421	4,048,250
Insurance expenses	424,328	379,395
Cost of vehicles sold	2,747,802	2,584,189
Total	**7,348,165**	**7,061,547**

The Group reviews whether as a result of changes in the estimated residual value and/or the useful life of the property and equipment under operating lease prospective adjustments to the depreciation charges are required. For 2016 this did not result in additional depreciation charges (2015: nil). Reference is made to note 17 and the financial risk section (Asset risk).

(iii) Gross profit

The gross profit (revenues -/- cost of revenues) can be shown as follows:

	2016	2015
Fees	186,467	191,110
Lease services	505,168	473,815
Insurance	201,851	184,401
Vehicles sales	189,261	190,829
Total	**1,082,747**	**1,040,155**

The results of vehicles sold remained practically stable in 2016, with an increase in residual value pricing at the start of contracts, offset by an improvement of ex-lease car sales proceeds as a result of further leveraging our diversified car resale model.

Note 4 - Interest and similar income

This caption mainly includes interest income from operating and finance leases and to a lesser extent also interest income on deposits placed by the Group with financial institutions amounting to EUR 1.2 million (2015: EUR 4.1 million).

Note 5 - Interest expenses and similar charges

	2016	2015
Interest expenses on debt securities issued	150,652	146,063
Interest expenses on funds entrusted	68,087	89,692
Interest on borrowings with financial institutions	104,178	94,280
Total	**322,917**	**330,035**

The decrease in interest expenses is mainly due to lower market interest rates, which are reflected in the average interest rate charged on funds entrusted.

Note 6 - Impairment charges on loans and receivables

The net impairment charges can be detailed as follows:

	Note	2016	2015
Trade receivables			
Impairment		48,569	44,410
Reversal of impairment		- 28,720	- 21,298
	18	**19,849**	**23,112**
Other			
Reclaimable damages		23	66
Rebates and bonuses		296	67
Total		**20,168**	**23,245**

Note 7 - Other income

Other income includes the result of the sale of Travelcard Nederland B.V. (Travelcard). Travelcard has been classified as held for sale following the approval of the Group's Managing Board and Supervisory Board in 2015 to sell this part of the business. On 1 August 2016 LeasePlan Corporation N.V. entered into a share purchase agreement with FleetCor Technologies Inc. and sold its subsidiary Travelcard Nederland B.V. for an amount of EUR 40.65 million. The gain on the sale amounts to EUR 39.1 million.

In 2015 the caption 'Other' includes bargain purchase gains of EUR 7.4 million arising from two acquisitions of the remaining share capital of LPD Holding A.Ş. (Turkey) and Excelease S.A. (Belgium). These former jointly controlled entities have been consolidated in the Group figures from the moment of acquiring the remaining shares.

The following table summarises the consideration paid, the fair value of assets acquired and liabilities assumed at acquisition date.

Consideration at:	Note	LPD Holding A.Ş.	Excelease S.A.	Total
Cash		30,625	5,500	36,125
Fair value of equity interest held before the acquisition		31,875	5,724	37,599
Total consideration		**62,500**	**11,224**	**73,724**
Acquisition related expenses (included in the general and administrative expenses in the consolidated income statement for the period ended 31 December 2015)		291	160	451
Recognised amounts of identifiable assets acquired and liabilities assumed				
Cash and balances at central banks		-	2	2
Lease receivables from clients		6,052	14,576	20,628
Receivables from financial institutions		290	404	694
Corporate income tax receivable		-	149	149
Inventories		17,864	907	18,771
Other receivables and prepayments		24,101	373	24,474
Property and equipment under operating lease and rental fleet	19	269,147	36,180	305,327
Other property and equipment	19	1,529	389	1,918
Purchased software (included in intangible assets)	20	1,115	-	1,115
Customer relationship (included in intangible assets)	22	3,659	-	3,659
Customer contract (included in intangible assets)	22	13,104	-	13,104
Corporate income tax payable		- 1,964	-	- 1,964
Deferred tax assets	23	-	605	605
Borrowings from financial institutions		- 237,330	- 33,882	- 271,212
Trade and other payables and deferred income		- 23,100	- 4,873	- 27,973
Damage risk retention provision		- 531	- 86	- 617
Provision for post-employment benefits	29	-	- 782	- 782
Other provisions		- 232	- 50	- 282
Deferred tax liabilities	23	- 6,535	-	- 6,535
Total identifiable net assets		**67,169**	**13,912**	**81,081**
Bargain purchase gain		- 4,669	- 2,688	- 7,357
Total		**62,500**	**11,224**	**73,724**

LPD Holding A.Ş.
In November 2007 the Group acquired 51% of the share capital of LPD Holding A.Ş., the holding company of LeasePlan Turkey, for EUR 9.2 million. The remaining 49% of the share capital was acquired on 27 February 2015. From the moment control was obtained, the figures of LeasePlan Turkey were consolidated in the Group figures and also adding approximately 14,000 vehicles to the total lease portfolio of the Group.

The Group recognised a loss of EUR 1.1 million as a result of re-measuring its 51% equity interest in LeasePlan Turkey held before the acquisition to fair value. The loss is included in 2015 in *Share of profit of investments accounted for using the equity method*. As the fair value of assets acquired and liabilities assumed exceeded the total consideration paid, a bargain purchase gain of EUR 4.7 million has been included in the income statement.

The fair value of acquired lease receivables from clients amounts to EUR 6.1 million. The gross contractual amount for lease receivables from clients due is EUR 7.8 million of which EUR 1.7 million is deemed to be uncollectible. No contingent liabilities were recognised.

If the acquisition had been consolidated from 1 January 2015 the net result would have been EUR 493 thousand higher. The 51% of the January 2015 net result of LeasePlan Turkey is presented as S*hare of profit of investments accounted for using the equity method*. The revenue included in the consolidated income statement 2015 contributed by LeasePlan Turkey was EUR 150.3 million. If LeasePlan Turkey had been consolidated as from 1 January 2015, the consolidated statement of income would show a revenue of EUR 163.1 million.

Excelease S.A.
On 12 November 2015 LeasePlan Belgium acquired the remaining 49% of the shares of Excelease S.A. based in Brussels, Belgium. From the moment control was obtained, the figures of Excelease were consolidated in the LeasePlan Belgium figures and also adding approximately 3,000 vehicles to the total lease portfolio of the Group.

The Group recognised a gain of EUR 0.9 million as a result of re-measuring its 51% equity interest in Excelease S.A. held before the acquisition to fair value. The gain is included in 2015 in *Share of profit of investments accounted for using the equity method*. As the fair value of assets acquired and liabilities assumed exceeded the total consideration paid, a bargain purchase gain of EUR 2.7 million has been included in the income statement.

The fair value of lease receivables from clients of EUR 14.6 million includes acquired trades receivables amounting to EUR 3.0 million. The gross contractual amount for trade receivables is EUR 3.8 million of which EUR 0.8 million is deemed to be uncollectible. No contingent liabilities were recognised.

If the acquisition had been consolidated from 1 January 2015 the net result would have been EUR 94 thousand lower. The 51% of the October 2015 year-to-date net result of Excelease S.A. is presented as *Share of profit of investments accounted for using the equity method.* The revenue included in the consolidated income statement 2015 contributed by Excelease S.A. was EUR 0.9 million. If Excelease S.A. had been consolidated as from 1 January 2015, the consolidated statement of income would show a revenue of EUR 2.4 million.

Note 8 - Staff expenses

	2016	2015
Wages and salaries	461,095	421,512
Social security charges	66,636	62,631
Defined contributions pension costs	23,570	22,647
Defined benefit post-employment costs	6,544	4,285
Other staff costs	83,132	46,911
Total	**640,977**	**557,986**

The average number of staff (FTEs) employed (including temporary staff) by the Group during the year was 7,116 (2015: 6,830), of whom 995 (2015: 970) were employed in the Netherlands. At year-end the nominal number of staff employed by the Group was 7,243 (2015: 7,275). In 2016, restructuring related expenses relating to "The Power of One LeasePlan" are included in the staff expenses. Please refer to Note 2 for further details.

The breakdown of post-employment costs is as follows:

	Note	2016	2015
Current service costs	29 (ii)	4,347	3,781
Interest expense/income	29 (ii)	625	603
Curtailments and settlements	29 (ii)	1,572	- 99
Defined benefit post-employment costs		**6,544**	**4,285**
Defined contribution pension costs		23,570	22,647
Total post-employment costs		**30,114**	**26,932**

Note 9 - General and administrative expenses

This item includes office overheads, ICT costs, advertising costs, professional fees and other general expenses.

	2016	2015
Professional services expenses	169,062	144,023
Housing and other office expenses	71,150	66,948
Other general and administrative expenses	70,390	79,599
Total	**310,602**	**290,570**

Other general and administrative expenses include marketing, travel and entertainment expenses and non-profit related taxes. In 2016, restructuring related expenses relating to "The Power of One LeasePlan" are included in the general and administrative expenses. Please refer to Note 2 for further details.

Note 10 - Depreciation and amortisation

	Note	2016	2015
Depreciation other property and equipment	20	26,740	24,507
Amortisation intangible fixed assets	22	29,663	31,671
Total		**56,403**	**56,178**

Note 11 - Income tax expenses

The income tax expenses in the income statement can be shown as follows:

	2016	2015
Current tax		
Current tax on profits for the year	86,913	134,147
Adjustments in respect of prior years	- 1,881	2,549
Total current tax	**85,032**	**136,696**
Deferred tax		
Origination and reversal of temporary differences	37,718	32,336
Changes in tax rates	- 599	- 2,539
Adjustments in respect of prior years	639	- 1,033
Total deferred tax	**37,758**	**28,764**
Total	**122,790**	**165,460**

The deferred tax adjustments in respect of prior years mainly include: (i) valuation allowances on deferred tax assets in relation to tax losses and tax credits resulting in a tax charge of EUR 9.6 million (2015: charge of EUR 6.6 million), (ii) a tax credit of EUR 4.7 million for anticipated adjustments of prior years' tax returns (2015: charge of EUR 3.8 million) and (iii) a tax credit of EUR 4.3 million mainly due to adjustments in respect of prior years. (2015: a tax credit of EUR 11.4 million).

Further information on deferred tax assets and liabilities is presented in note 23.

Effective tax rate reconciliation
The tax on the Group's profit before tax differs from the theoretical amount that would arise using the basic nominal tax rate of the domicile country (25.0%) of the parent and is as follows:

		2016		2015
Profit before tax		**548,256**		**607,935**
Tax calculated at domicile country nominal tax rate	25.0%	137,064	25.0%	151,984
Effect of different tax rates in foreign countries		2,780		12,199
Weighted average taxation	**25.5%**	**139,844**	**27.0%**	**164,183**
Income not subject to tax		- 21,664		- 4,557
Expenses not deductible for tax purposes		6,451		6,857
Changes in tax rates		-599		- 2,539
Adjustments in respect to prior years				
Current tax		- 1,881		2,549
Deferred tax		639		- 1,033
Total effective taxation	**22.4%**	**122,790**	**27.2%**	**165,460**

The weighted average of the local tax rates applicable to the Group for 2016 is 25.5% (2015: 27.0%) which is higher than the domicile country nominal tax rate of 25.0% predominantly as a result of the fact that the Group realises on average, relatively more profits in jurisdictions with a tax rate higher than 25.0%.

The tax charge/credit relating to components of other comprehensive income is as follows:

			2016			2015
	Before tax	**Tax charge/credit**	**After tax**	**Before tax**	**Tax charge/credit**	**After tax**
Cash flow hedges	4,597	- 1,149	3,448	- 714	178	- 536
Post-employment benefit reserves	3,736	- 1,162	2,574	- 218	162	- 56
Exchange rate differences	- 18,848	-	- 18,848	16,655	-	16,655
Total	**- 10,515**	**- 2,311**	**- 12,826**	**15,723**	**340**	**16,063**

Note 12 - Cash and balances at banks

	Note	2016	2015
Cash and balances at central banks		1,857,144	1,605,437
Call money, cash at banks	13	66,998	113,083
Call money and bank overdrafts	27	- 185,076	- 135,147
Balance as at 31 December for the purposes of the statement of cash flows		**1,739,066**	**1,583,373**

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 52.2 million (2015: EUR 46.7 million) are not used in the Group's day-to-day operations and form part of the 'Cash and balances at central banks'.

The average interest rate on the outstanding cash and balances at central banks is –0.4% (2015: -0.3%).

Note 13 - Receivables from financial institutions

This caption includes amounts receivable from Dutch and foreign banks. Amounts receivable from financial institutions includes call money and current account bank balances that form part of the cash and balances with banks in the cash flow statement.

	Note	2016	2015
Deposits with banks		206,542	216,953
Call money, cash at banks	12	66,998	113,083
Cash collateral deposited for securitisation transactions		185,753	15,794
Cash collateral deposited for derivative financial instruments		16,300	19,606
Other cash collateral deposited		14,855	3,494
Balance as at 31 December		**490,448**	**368,930**

The cash collateral deposited for securitisation transactions relates to the Bumper securitisation transactions, reference is made to the financial risk section (Treasury risk) and to note 14 of the Company financial statements. The cash collateral deposited for derivative financial instruments originates from Credit Support Annexes (CSAs) to International Swaps and Derivatives Association (ISDA) master agreements and reference is made to the financial risk section (Strategy in using financial instruments).

The average interest rate on the receivables from financial institutions is 0.4% (2015: 0.0%).

The maturity analysis is as follows:

	2016	2015
Three months or less	292,393	333,109
Longer than three months, less than a year	58,264	10,664
Longer than a year, less than five years	139,136	24,934
Longer than five years	655	223
Balance as at 31 December	**490,448**	**368,930**

Note 14 - Derivative financial instruments

Derivative financial instruments are carried at fair value and are made up as follows:

	2016			2015		
	Notional amounts	Fair value		Notional amounts	Fair value	
		Assets	Liabilities		Assets	Liabilities
Fair value hedge						
Interest rate swaps	4,923,053	78,131	10,981	4,057,309	80,456	15,953
Currency swaps	44,297	-	337	85,948	3,343	1,053
Cash flow hedge						
Interest rate swaps	1,595,000	205	7,432	1,805,000	-	12,178
Total derivatives in hedge	**6,562,350**	**78,336**	**18,750**	**5,948,257**	**83,799**	**29,184**
Interest rate swaps	13,781,558	14,529	35,147	12,196,989	13,022	38,939
Currency swaps/currency forwards	4,050,937	132,033	23,687	4,111,929	69,264	20,256
Total derivatives not in hedge	**17,832,495**	**146,562**	**58,834**	**16,308,918**	**82,286**	**59,195**
Total	**24,394,845**	**224,898**	**77,584**	**22,257,175**	**166,085**	**88,379**

The fair value is based on the price including accrued interest (dirty price). Reconciliation between the fair value of the derivative financial instruments and the hedging reserve included in Group equity is as follows:

	2016	2015
Fair value cash flow hedges - assets	205	-
Fair value cash flow hedges - liabilities	- 7,432	- 12,178
Less: accrued interest on cash flow hedges	1,905	2,244
Total net position on cash flow hedges	**- 5,322**	**- 9,934**
Less: cumulative fair value gains/losses through income statement (hedge ineffectiveness)	- 15	- 1
Tax on cash flow hedges	1,334	2,484
Hedging reserve	**- 4,003**	**- 7,451**
Movement hedging reserve 2016	**3,448**	

The unrealised gains/losses on financial instruments recognised in the income statement break down as follows:

	2016	2015
Derivatives not in hedges	2,708	13,468
Hedge ineffectiveness cash flow hedges	14	21
Derivatives fair value hedging instruments	3,867	- 16,492
Financial liabilities fair value hedged items	- 1,813	16,483
Hedge ineffectiveness fair value hedges	**2,054**	**- 9**
Unrealised gains/losses on financial instruments	**4,776**	**13,480**

A number of fixed rate bonds are included in fair value hedges whereby the bonds (the hedged items) are measured at amortised cost and are constantly being adjusted for gains/losses attributable to the risk being hedged. This adjustment is recognised in the income statement, where it offsets the re-measurement of the fair value of the hedging instruments that is also recognised in the income statement.

Certain derivative contracts are used by the Group as part of its Interest and Liquidity Risk Management Strategy. These economic hedges do not qualify for hedge accounting under the Group's accounting policy which is driven by the strict requirements as set under IAS39. These derivatives are therefore deemed as not in hedge.

Note 15 - Other receivables and prepayments

This item includes prepayments in respect of expenses attributable to a subsequent period and amounts still to be received, as well as to amounts that are not classified under any other asset.

	2016	2015
Rebates and bonuses and commissions receivable	288,208	235,405
Prepaid lease related expenses	312,985	289,324
VAT and other taxes	148,164	118,339
Reclaimable damages	25,470	19,656
Other prepayments and accrued income	137,069	128,789
Interest to be received	258	165
Reinsurance assets	12,355	10,825
Other receivables	55,783	34,858
Balance as at 31 December	**980,292**	**837,361**

Other receivables include amongst others receivables from investments accounted for using the equity method and loans and deposits to employees and third parties. The majority of the other receivables and prepayments has a remaining maturity of less than one year.

Note 16 - Inventories

	Note	2016	2015
Cars and trucks from terminated lease contracts	19	245,900	227,104
Valuation allowance		-	- 1,264
Carrying amount cars and trucks from terminated lease contracts		**245,900**	**225,840**
New cars and trucks in stock	19	34,619	35,485
Balance as at 31 December		**280,519**	**261,325**

Inventories are stated at the lower of cost or net realisable value. The inventories are expected to be settled within 3 months after balance sheet date.

Note 17 - 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:

	2016	2015
Loans deposited	132,600	110,650
Impairment	- 7,325	- 7,325
Carrying amount as at 31 December	**125,275**	**103,325**

	2016	2015
Three months or less	21,575	18,350
Longer than three months, less than a year	42,275	36,750
Longer than a year, less than five years	68,750	55,550
Impairment	- 7,325	- 7,325
Balance as at 31 December	**125,275**	**103,325**

Note 18 - Lease receivables from clients

This item includes amounts receivable under lease contracts and trade receivables, after deduction of allowances for impairment, where necessary.

	2016	2015[1]
Amounts receivable under finance lease contracts	2,832,636	2,787,137
Trade receivables	632,936	613,286
Impairment	- 40,033	- 90,911
Balance as at 31 December	**3,425,539**	**3,309,512**

[1] The 2015 comparatives of the Lease receivables from clients have been adjusted in the consolidated balance sheet. Reference is made to the General notes (Basis of preparation) for further details.

The maturity analysis is as follows:

	2016	2015
Three months or less	581,074	795,102
Longer than three months, less than a year	396,515	387,175
Longer than a year, less than five years	2,357,649	2,137,148
Longer than five years	130,334	80,998
Impairment	- 40,033	- 90,911
Balance as at 31 December	**3,425,539**	**3,309,512**

The fair value of the receivables does not significantly differ from the carrying amount, as a significant part of these receivables is contracted at a floating interest rate and due to the short-tail of the average remaining term. Reference is made to the financial risk section (Credit risk).

(i) Impairment allowance

The movement in impairment allowance on trade receivables is as follows:

	Note	2016	2015
Balance as at 1 January		**90,911**	**89,160**
Net impairment charges	6	19,849	23,112
Receivables written off during the year as uncollectable		- 70,745	- 20,687
Exchange rate differences		18	- 263
Reclassification to assets held-for-sale	24	-	- 411
Balance as at 31 December		**40,033**	**90,911**

For a description of the criteria used to determine whether receivables to clients are impaired reference is made to the financial risk section (Credit risk). The Group recognises, next to specific impairment allowances of EUR 32.6 million (2015: EUR 84.9 million), an incurred but not reported loss provision of EUR 7.5 million (2015: EUR 6.0 million) based on the probability of default (PD) and the loss given default (LGD).

In 2016, the impairment allowance decreased by EUR 51 million to EUR 40 million as at 31 December 2016 mainly as a result of a change in accounting estimate related to the write-off of receivables. The Group adopted a change in accounting estimate related to the write-off of receivables. Effective 1 November 2016, receivables are written off in case there are no reasonable expectations of recovering the outstanding amounts. Twelve months after the debtor is considered in default (in accordance with the Group's default policy) serves as a backstop by when the receivable should have been written-off. This change in estimate better reflects increased supervisory expectations about the timeliness of write-offs and better aligns to guidance included in IFRS 9 which becomes effective on 1 January 2018.

(ii) Finance lease contracts

The amounts receivable from clients include finance lease receivables, which may be analysed as follows:

Gross investment in finance leases, with remaining maturities

	2016	**2015**
Not longer than a year	720,533	613,103
Longer than a year, less than five years	2,557,734	2,278,905
Longer than five years	140,618	90,149
	3,418,885	**2,982,157**
Unearned finance income on finance leases	586,249	195,020
Net investment in finance leases	**2,832,636**	**2,787,137**

Net investment in finance leases, with remaining maturities

	2016	**2015**
Not longer than a year	344,655	568,991
Longer than a year, less than five years	2,357,647	2,137,148
Longer than five years	130,334	80,998
Balance as at 31 December	**2,832,636**	**2,787,137**

The accumulated allowance for uncollectable minimum lease payments receivable amount to EUR 4.4 million (2015: EUR 4.3 million).

A part of the finance lease assets is encumbered (securitised) as a result of the asset backed securitisation transactions concluded by the Group. The total value of the securitised finance lease assets amounts to EUR 56.3 million (2015: EUR 54.9 million). For further details on the transactions reference is made to the financial risk section (Transfer of (financial) assets), note 19 of the consolidated financial statements and note 14 of the Company financial statements.

Note 19 - Property and equipment under operating lease and rental fleet

	Note	Operating lease	Rental fleet	Total
Cost		18,126,213	82,880	18,209,093
Accumulated depreciation and impairment		- 5,513,386	- 14,395	- 5,527,781
Carrying amount as at 1 January 2015		**12,612,827**	**68,485**	**12,681,312**
Carrying amount as at 1 January 2015		**12,612,827**	**68,485**	**12,681,312**
Purchases		6,398,022	77,686	6,475,708
Acquisition of subsidiary	7	305,327	-	305,327
Transfer from inventories	16	25,434	-	25,434
Transfer to inventories	16	- 227,104	-	- 227,104
Disposals		- 2,074,293	- 39,715	- 2,114,008
Depreciation		- 2,958,463	- 15,385	- 2,973,848
Exchange rate differences		88,763	- 67	88,696
Carrying amount as at 31 December 2015[1]		**14,170,513**	**91,004**	**14,261,517**
Cost		19,673,152	106,389	19,779,541
Accumulated depreciation and impairment		- 5,502,639	- 15,385	- 5,518,024
Carrying amount as at 31 December 2015[1]		**14,170,513**	**91,004**	**14,261,517**
Purchases		7,211,496	64,273	7,275,769
Transfer from inventories	16	35,485	-	35,485
Transfer to inventories	16	- 245,900	-	- 245,900
Disposals		- 2,179,103	- 47,324	- 2,226,427
Depreciation		- 3,083,130	- 14,985	- 3,098,115
Exchange rate differences		- 239,121	- 255	- 239,376
Reclassification		156,476	-	156,476
Carrying amount as at 31 December 2016		**15,826,716**	**92,713**	**15,919,429**
Cost		21,343,482	108,897	21,452,379
Accumulated depreciation and impairment		- 5,516,766	- 16,184	- 5,532,950
Carrying amount as at 31 December 2016		**15,826,716**	**92,713**	**15,919,429**

[1] The 2015 comparatives of operating lease equipment have been adjusted in the consolidated balance sheet. Reference is made to the General notes (Basis of preparation) for further details.

The Group concluded a number of asset backed securitisation transactions under the names Bumper France (2013 extended to June 2016), Bumper 6 (2014), Bumper NL (2014) and Bumper 7 (2016). These transactions involve the sale of future lease instalment receivables and related residual value receivables originated by various LeasePlan subsidiaries to special purpose companies (which are included in the consolidated financial statements of the Company). As a result of this sale this caption includes encumbered (securitised) operating lease assets amounting to EUR 2.3 billion (2015: EUR 2.5 billion), which can be detailed as follows:

	2016	2015
Bumper France	819,833	807,446
Bumper DE*	-	664,888
Bumper 6	436,214	681,107
Bumper NL	326,809	320,323
Bumper 7	681,767	-
Total	**2,264,623**	**2,473,764**

** Unwound in 2016*

For further details on the transactions reference is made to the financial risk section (Treasury risk) and note 14 of the Company financial statements.

The Group reviews whether as a result of changes in the estimated residual value and/or the useful life of the property and equipment under operating lease prospective adjustments to the depreciation charges are required. For 2016 this did not result in additional depreciation charges (2015: nil). Reference is made to the financial risk section (Asset risk). In 2016 and 2015 there were no impairments on leased assets.

An approximation of the future minimum lease payments under non-cancellable operating leases in aggregate and for each of the following periods can be summarised as follows:

	2016	2015
Not longer than a year	3,147,261	2,695,229
Longer than a year, less than five years	6,216,050	5,191,709
Longer than five years	42,035	37,911
Total	**9,405,346**	**7,924,849**

Note 20 - Other property and equipment

	Note	Property	Equipment	Total
Cost		40,952	215,951	256,903
Accumulated depreciation and impairment		- 25,977	- 148,038	- 174,015
Carrying amount as at 1 January 2015		**14,975**	**67,913**	**82,888**
Carrying amount as at 1 January 2015		**14,975**	**67,913**	**82,888**
Purchases		1,124	44,450	45,574
Acquisition of subsidiary		-	1,918	1,918
Disposals		- 289	- 15,346	- 15,635
Depreciation	10	- 1,342	- 23,165	- 24,507
Exchange rate differences		304	423	727
Reclassification to assets held-for-sale		-	- 292	- 292
Carrying amount as at 31 December 2015		**14,772**	**75,901**	**90,673**
Cost		42,170	230,984	273,154
Accumulated depreciation and impairment		- 27,398	- 155,083	- 182,481
Carrying amount as at 31 December 2015		**14,772**	**75,901**	**90,673**
Purchases		578	44,323	44,901
Disposals		- 12	- 16,885	- 16,897
Depreciation	10	- 1,400	- 25,340	- 26,740
Exchange rate differences		84	- 215	- 131
Carrying amount as at 31 December 2016		**14,022**	**77,784**	**91,806**
Cost		42,865	233,999	276,864
Accumulated depreciation and impairment		- 28,843	- 156,215	- 185,058
Carrying amount as at 31 December 2016		**14,022**	**77,784**	**91,806**

The title to the other property and equipment is not restricted and these assets are not pledged as security for liabilities.

Note 21 - Investments accounted for using the equity method

Principal investments in the consolidated financial statements are:

	% of ownership interest 2016	2015	Country of incorporation	Activity	Measurement method
Associates					
Terberg Leasing B.V.	24.0%	24.0%	Netherlands	Leasing	Equity
Jointly controlled entities					
LeasePlan Emirates Fleet Management - LeasePlan Emirates LLC	49.0%	49.0%	United Arab Emirates	Leasing	Equity
Overlease S.r.L.	51.0%	51.0%	Italy	Leasing	Equity
PLease S.C.S.	99.3%	99.3%	France	Leasing	Equity
Flottenmanagement GmbH	49.0%	49.0%	Austria	Leasing	Equity

All jointly controlled entities in the table are interests in joint ventures.

The equity method is applied in case the Group has joint control. In the situations where the Group has a majority shareholding in the companies listed above these companies still qualify as jointly controlled entities as the Group has contractually agreed to sharing of control whereby the strategic and operating decisions relating to the company require the unanimous consent of the parties sharing control. The accounting period of the principal investments accounted for using the equity method aligns with the accounting period of the Group.

PLease S.C.S

PLease is a Société en Commandite Simple (SCS) under French law, whereby the Group is one of the partners. PLease is governed by a steering committee and a strategic committee whereby the Group can nominate two of the four members of each committee. In the steering committee decisions require a majority of its member votes and in the strategic committee decisions can only be taken unanimously.

The amounts recognised in the balance sheet are as follows:

	2016	2015
Associates	12,443	10,911
Jointly controlled entities	14,951	13,300
Balance as at 31 December	**27,394**	**24,211**

The amounts recognised in the income statement are as follows:

	2016	2015
Associates	2,252	1,420
Jointly controlled entities	2,344	4,450
Balance as at 31 December	**4,596**	**5,870**

There are no material contingent liabilities of the investments accounted for using the equity method other than loan commitments (reference is made to note 33).

The summarised financial information below does not represent the proportionate share of entity but the actual amount included in the separate financial statements of the material interests in investments accounted for using the equity method.

	2016			2015		
	Associates	**Jointly controlled entities**	**Total**	**Associates**	**Jointly controlled entities**	**Total**
Cash and cash equivalents	2	3,086	3,088	13	1,413	1,426
Other current assets	23,127	25,050	48,177	31,352	25,475	56,827
Total current assets	**23,129**	**28,136**	**51,265**	**31,365**	**26,888**	**58,253**
Total non-current assets	**347,472**	**229,739**	**577,211**	**333,431**	**223,676**	**557,107**
Current financial liabilties	8,835	9,578	18,413	12,710	14,031	26,741
Other current liabilities	29,034	36,158	65,192	41,754	37,285	79,039
Total current liabilities	**37,869**	**45,736**	**83,605**	**54,464**	**51,316**	**105,780**
Non-current financial liabilities	279,839	180,020	459,859	264,024	170,865	434,889
Other non-current liabilities	1,043	2,174	3,217	847	1,827	2,674
Total non-current liabilities	**280,882**	**182,194**	**463,076**	**264,871**	**172,692**	**437,563**
Net assets (100%)	**51,850**	**29,945**	**81,795**	**45,461**	**26,556**	**72,017**

The total assets of jointly controlled entities amount to EUR 258 million (2015: EUR 251 million), of which EUR 157 million (2015: EUR 137 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.

	2016			2015		
	Associates	Jointly controlled entities	Total	Associates	Jointly controlled entities	Total
Revenue	25,750	3,796	29,546	20,657	8,969	29,626
Depreciation and amortisation	820	237	1,057	834	312	1,146
Interest income	12,151	13,557	25,708	12,306	14,906	27,212
Interest expense	6,633	4,701	11,334	7,040	5,803	12,843
Profit before tax	**12,056**	**4,912**	**16,968**	**7,990**	**9,403**	**17,393**
Income tax expenses	2,673	157	2,830	2,074	223	2,297
Net result	**9,383**	**4,755**	**14,138**	**5,916**	**9,180**	**15,096**
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	**9,383**	**4,755**	**14,138**	**5,916**	**9,180**	**15,096**
Dividends received	720	-	720	1,224	-	1,224

The reconciliation to the proportional share of the Group included in the summarised financial information is as follows:

	2016			2015		
	Associates	Jointly controlled entities	Total	Associates	Jointly controlled entities	Total
Net assets (100%) as at 1 January	**45,461**	**26,556**	**72,017**	**44,651**	**85,423**	**130,074**
Transfer to subsidiaries	-	-	-	-	- 68,310	- 68,310
Result for the year	9,383	4,755	14,138	5,916	9,180	15,096
Dividend paid	- 3,000	- 2,285	- 5,285	- 5,100	- 1,579	- 6,679
Exchange rate differences	-	917	917	-	1,842	1,842
Other equity changes	6	2	8	- 6	-	- 6
Net assets (100%) as at 31 December	**51,850**	**29,945**	**81,795**	**45,461**	**26,556**	**72,017**
Percentage of interest	24%	various	-	24%	various	-
Interest in associates/jointly controlled entities	12,443	14,951	27,394	10,911	13,300	24,211
Carrying value	**12,443**	**14,951**	**27,394**	**10,911**	**13,300**	**24,211**

Note 22 - Intangible assets

	Note	Internally generated software development costs	Software licenses	Customer relationship	Customer contract	Goodwill	Total
Cost		137,348	61,524	28,447	12,808	98,604	338,731
Accumulated amortisation and impairment		- 92,127	- 53,715	- 22,927	- 7,116	-	- 175,885
Carrying amount as at 1 January 2015		**45,221**	**7,809**	**5,520**	**5,692**	**98,604**	**162,846**
Carrying amount as at 1 January 2015		**45,221**	**7,809**	**5,520**	**5,692**	**98,604**	**162,846**
Purchases		16,536	6,748	-	-	-	23,284
Acquisition of subsidiary		-	1,115	3,659	13,104	-	17,878
Divestments		- 278	- 2,104	-	-	-	- 2,382
Amortisation	10	- 18,667	- 5,104	- 1,937	- 5,963	-	- 31,671
Exchange rate differences		1,822	97	-	-	-	1,919
Reclassification to assets held-for-sale	24	-	- 607	-	-	-	- 607
Carrying amount as at 31 December 2015		**44,634**	**7,954**	**7,242**	**12,833**	**98,604**	**171,267**
Cost		157,045	63,993	32,034	25,912	98,604	377,588
Accumulated amortisation and impairment		- 112,411	- 56,039	- 24,792	- 13,079	-	- 206,321
Carrying amount as at 31 December 2015		**44,634**	**7,954**	**7,242**	**12,833**	**98,604**	**171,267**
Purchases		12,032	22,278	73	-	-	34,383
Divestments		- 332	- 147	-	- 87	-	- 566
Amortisation	10	- 18,781	- 4,855	- 1,050	- 4,977	-	- 29,663
Exchange rate differences		- 1,257	- 3	17	1	-	- 1,242
Carrying amount as at 31 December 2016		**36,296**	**25,227**	**6,282**	**7,770**	**98,604**	**174,179**
Cost		168,745	86,124	32,107	25,825	98,604	411,405
Accumulated amortisation and impairment		- 132,449	- 60,897	- 25,825	- 18,055	-	- 237,226
Carrying amount as at 31 December 2016		**36,296**	**25,227**	**6,282**	**7,770**	**98,604**	**174,179**

The remaining amortisation period for the majority of the intangible assets with a finite life is approximately six years. The title to the intangible assets is not restricted and the intangible assets are not pledged as security for liabilities.

In 2016 the Group recognised EUR nil (2015: EUR 0.8 million) of research and development expenditure as an expense. In 2016 and 2015 no indications for impairment or reversal of impairment on intangibles with a finite life were identified and consequently no impairment charge was recognised or reversed.

The goodwill relates to the acquisition in 2005 of three companies of Europcar Fleet Services in Italy, Spain and Portugal, to the acquisition in 2008 of Daimler Chrysler Fleet Management France S.A.S., which operates under the brand name DCS fleet and to the acquisition in 2011 of Multirent - Aluguer e Comércio de Automóveis, S.A., which operates under the name of Santander Consumer Multirent (Multirent). All acquired companies were engaged in providing leasing services. Goodwill is allocated to the Group's cash generating units which have incorporated the above mentioned acquisitions and can be presented as follows:

Cash generating unit	Acquisition	Year	Discount rate	Goodwill
LeasePlan Italy	Europcar	2005	9.13%	46,646
LeasePlan Spain	Europcar	2005	9.13%	14,413
LeasePlan Portugal	Europcar	2005	9.80%	14,799
LeasePlan France	DCS	2008	7.56%	10,313
LeasePlan Portugal	Multirent	2011	9.80%	12,433
Total				**98,604**

Annually, or more frequently if events or changes in circumstances indicate a potential impairment, goodwill is reviewed for impairment. There was no impairment recognised in 2016 (2015: nil). The impairment test is identical for all cash generating units and based on value in use. The value in use was determined by discounting future cash flows generated from the continuing use of the cash generating units in which the acquired operating companies were incorporated. Cash flows were projected on actual financial results and the 5-year business plans. The growth rates included in the business plans exceed the long-term average growth rate for this business as a reflection of the relative growth potential of the markets and to allow for an improvement in market position. In order to align the planned growth rate to the long-term growth rate, the cash flows were extrapolated for a further 10 years based on a gradually declining growth rate. A discount rate was applied which is built up of (i) a risk free rate (1.0%), (ii) a market premium (6.5%) multiplied by a market specific β (1.0) and (iii) a country specific risk premium (ranging between 0.6% and 2.8%).

There are no cash generating units with relatively little headroom between the carrying amount and the value in use.

Note 23 - Deferred tax assets and deferred tax liabilities

Deferred tax assets and liabilities as at 31 December are attributable to the following:

	Deferred tax assets		Deferred tax liabilities	
	2016	**2015**	**2016**	**2015**
Goodwill	8,441	9,315	-	-
Property and equipment under operating lease	18,420	22,912	355,284	318,516
Other property and equipment	5,278	6,419	5,047	7,349
Provisions	23,780	22,988	-	263
Deferred leasing income	77,807	65,887	469	1,717
Tax value of losses carried forward recognised	48,677	61,036	-	-
Tax credits and prepayments	1,555	7,115	-	-
Other receivables	24,267	20,308	3,164	7,410
Other payables	36,513	37,208	35,319	30,421
Tax assets/liabilities	**244,738**	**253,188**	**399,283**	**365,676**
Offset of deferred tax assets and liabilities	- 126,560	- 111,816	- 126,560	- 111,816
Balance as at 31 December	**118,178**	**141,372**	**272,723**	**253,860**
Net tax position			**154,545**	**112,488**
Movement net tax position in 2016	**- 42,057**			

The movement in the net deferred tax position can be summarised as follows:

	Note	2016	2015
Balance as at 1 January		**- 112,488**	**- 71,799**
Acquisition of a subsidiary	7	-	- 5,930
Income statement charge/credit	11	- 37,758	- 28,764
Tax charge/credit relating to components of other comprehensive income	11	- 2,311	340
Exchange rate differences		- 1,988	- 6,335
Balance as at 31 December		**- 154,545**	**- 112,488**

The income statement (charge)/credit can be broken down as follows:

	Deferred tax assets		Deferred tax liabilities	
	2016	**2015**	**2016**	**2015**
Goodwill	- 875	- 2,197	-	-
Property and equipment under operating lease	- 4,492	1,332	32,720	- 8,630
Other property and equipment	- 1,141	- 118	- 2,373	- 4,189
Provisions	672	- 498	- 263	118
Deferred leasing income	11,031	4,637	- 1,248	- 7,308
Tax value of losses carried forward recognised	- 14,365	- 26,247	-	- 1,589
Tax credits and prepayments	- 5,561	1,144	- 194	- 322
Other receivables	3,863	- 43,639	- 5,395	1,479
Other payables	- 693	17,706	2,950	1,325
Movement in deferred tax	**- 11,561**	**- 47,880**	**26,197**	**- 19,116**
Movement in deferred liabilities	- 26,197	19,116		
Income statement charge/credit	**- 37,758**	**- 28,764**		

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 60.6 million (2015: EUR 52.0 million) and has not recognised tax credits for an amount of EUR 22.4 million (2015: EUR 15.9 million) as the Group considers it not probable that future taxable profits will be available to offset these tax losses and to settle tax credits with current tax liabilities (also taking into account expiry dates when applicable). The unrecognised losses of EUR 60.6 million do not have an expiry date and tax credits can be utilised.

The expiration profile of the losses carried forward can be illustrated as follows:

	2016	**2015**
Expire within a year	-	-
Expire after a year, less than five years	5,289	30,765
Expire after five years	99,949	84,365
No expiry date	60,920	91,696
Total	**166,158**	**206,826**
Tax value	48,677	61,036

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.

Were the actual final outcome on the largest net deferred tax asset positions of expected cash flows to differ by 10% from expected financial results (forecasted period of seven years), the Group would need to:

- increase the income tax liability by EUR 0.3 million (2015: EUR 0.5 million), if unfavourable; or
- decrease the income tax liability by EUR 0.5 million (2015: EUR 0.4 million), if favourable.

Note 24 - Assets and liabilities classified as held-for-sale

Assets and liabilities held-for-sale include parts of the business expected to be sold within a year whose carrying amount will be recovered principally through a sale transaction rather than through continuing operations.

This category also includes finance leases that the Group entered into in the United States with the aim to sell onward to debt investors for an amount of EUR 13.8 million (2015: EUR 13.1 million).

Note 25 - Funds entrusted

This item includes all non-subordinated loans not included in the caption 'Borrowings from financial institutions' or 'Debt securities issued'.

The maturity analysis of these loans is as follows:

	2016	2015
Three months or less	3,809,864	3,013,292
Longer than three months, less than a year	1,125,902	1,167,209
Longer than a year, less than five years	544,858	906,300
Longer than five years	153	173
Balance as at 31 December	**5,480,777**	**5,086,974**

This caption includes savings deposits raised by LeasePlan Bank amounting to EUR 5.386 billion (2015: EUR 4.994 billion) of which 48.8% (2015:51.0%) is deposited for a fixed term. LeasePlan Bank is the brand name under which savings deposits are raised by LeasePlan Corporation N.V. which holds a banking licence in the Netherlands. As of September 2015 LeasePlan Bank is also operating on the German 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:

	2016	2015
Three months or less	0.75%	1.18%
Longer than three months, less than a year	1.10%	1.61%
Longer than a year, less than five years	2.00%	2.35%
Longer than five years	n/a	n/a

The interest rate of the on demand accounts is set on a monthly basis.

The funds entrusted include an outstanding balance of EUR 2.3 million (2015: EUR 1.6 million) which is non-euro currency denominated as at 31 December. The remainder of the funds entrusted is denominated in euro. Reference is made to the financial risk section (Treasury risk).

Note 26 - Trade and other payables and deferred income

	2016	2015
Trade payables	790,893	764,430
Deferred leasing income	563,889	580,111
Lease related accruals	503,158	501,113
Other accruals and other deferred amounts owed	228,456	197,234
Interest payable	99,609	90,653
Accrual for contract settlements	105,256	106,725
VAT and other taxes	29,027	15,005
Balance as at 31 December	**2,320,288**	**2,255,271**

The majority of the trade and other payables and deferred income, except for deferred leasing income, have a remaining maturity less than one year. Deferred leasing income relates to amounts received in advance, as part of the monthly lease instalments, to cover lease expenses in a subsequent period. Lease related accruals mainly consist of accruals for lease related service expenses.

Other accruals and other deferred amounts owed contain accruals for a number of different staff expenses, including for the variable remuneration. The accrual for variable remuneration contains also the liability for Phantom Share Units ('PSUs') measured at fair value, for an amount of EUR 11,285 thousand at the end of 2016 (EUR 3,891 thousand at the end of 2015).

The movements in the number of PSUs outstanding are as follows:

	2016	2015
Outstanding as per 1 January	**71,550**	**55,123**
Granted	132,010	33,365
Settled during the year	35,965	16,938
Outstanding per 31 December	**167,595**	**71,550**

The PSU expenses recognised during 2016 relating to the PSU revaluation amount to EUR 4,240 thousand (2015: EUR 5,307 thousand).

The intrinsic value of one vested PSU awarded prior to 2015 is EUR 64.54 The intrinsic value of one PSU awarded after 2015 is EUR 68.09.

Note 27 - Borrowings from financial institutions

This item includes amounts owed to banks under government supervision.

The maturity analysis of these loans is as follows:

	Note	2016	2015
On demand	12	185,076	135,147
Three months or less		368,545	218,566
Longer than three months, less than a year		727,810	518,971
Longer than a year, less than five years		1,965,909	1,189,054
Longer than five years		12,044	11,380
Balance as at 31 December		**3,259,384**	**2,073,118**

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 1.3 billion (2015: EUR 1.0 billion) which is non-euro currency denominated as at 31 December. The remainder of the borrowings from financial institutions is denominated in euro. Reference is made to the financial risk section (Treasury risk).

In May 2016 the Company concluded a term loan with three banks amounting to EUR 1,050 million. At 31 December 2016 this term loan was fully drawn.

In December 2014 Bumper NL concluded an asset backed securitisation warehousing facility of EUR 250 million with a bank. In December 2016, the revolving period of this committed facility has been extended until December 2017 and increased to EUR 400 million. At 31 December 2016 EUR 250 million was drawn under this facility (EUR 250 million as at 31 December 2015). For further details on the Bumper NL transaction reference is made to note 14 of the Company financial statements.

In June 2015 the Company renewed a committed revolving credit facility with a consortium of 12 banks (EUR 1.25 billion) maturing in December 2018. Following the completion of the change in ownership on 21 March 2016, the Company acceded to a second committed revolving credit facility with a consortium of 12 banks (EUR 1.25 billion) also maturing in December 2018. The 12 banks in this consortium largely consist of the banks that also participate in the committed revolving credit facility concluded in June 2015. During 2016 and 2015 no amounts were drawn under these facilities.

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.

Note 28 - Debt securities issued

This item includes negotiable, interest bearing securities.

	2016	2015
Bonds and notes - originated from securitisation transactions	1,435,997	1,610,820
Bonds and notes - other	7,319,911	6,483,993
Bonds and notes - fair value adjustment on hedged risk	49,443	47,630
Balance as at 31 December	**8,805,351**	**8,142,443**

There is no pledge or 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 3.1 billion (2015: EUR 3.8 billion) which is non-euro currency denominated as at 31 December. The remainder of the debt securities is denominated in euro. The fair value adjustment is attributable to the hedged risk on bonds and notes in fair value hedges. This fair value hedging policy is 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:

	2016	2015
Bonds and notes - originated from securitisation transactions	1.5%	1.7%
Average interest rate	**1.5%**	**1.7%**

The maturity analysis of these debt securities issued is as follows:

	2016	2015
Three months or less	316,053	102,010
Longer than three months, less than a year	2,045,359	1,402,959
Longer than a year, less than five years	6,141,912	6,254,451
Longer than five years	302,027	383,023
Balance as at 31 December	**8,805,351**	**8,142,443**

The caption 'Bonds and notes – originated from securitisation transactions' can be detailed as follows:

	2016	2015
Bumper France	614,736	595,420
Bumper DE*	-	499,817
Bumper 6	274,514	515,583
Bumper 7	546,747	-
Total	**1,435,997**	**1,610,820**

** Fully redeemed and unwound in 2016.*

Further reference is made to the financial risk section (Treasury risk) and note 14 of the Company financial statements.

A number of fixed rate bonds are included in a fair value hedge whereby the bonds (hedged items) are measured at amortised cost and are constantly being adjusted for gains/losses attributable to the risk being hedged. This adjustment is recognised in the income statement, where it offsets (to a large extent) the remeasurement of the fair value of the hedging instruments that is also recognised in the income statement.

Note 29 - Provisions

		2016	2015
Damage risk retention	(i)	340,240	300,744
Post-employment benefits	(ii)	32,482	33,947
Other provisions	(iii)	81,785	43,642
Balance as at 31 December		**454,507**	**378,333**

The majority of provisions is expected to be recovered or settled after more than 12 months.

(i) Damage risk retention provision

	2016	2015
Provision for Third Party Liability (TPL)	136,661	109,966
Provision for damage claims	64,019	62,861
Incurred but not reported (IBNR)	139,560	127,917
Balance as at 31 December	**340,240**	**300,744**

The damage risk retention provision breaks down as follows:

	2016			2015		
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
Damages reported	200,680	- 7,357	193,323	172,827	- 6,800	166,027
Damages IBNR	139,560	- 4,998	134,562	127,917	- 4,024	123,893
Total damage risk provisions	**340,240**	**- 12,355**	**327,885**	**300,744**	**- 10,824**	**289,920**
Current	94,513	-	94,513	107,644	-	107,644
Non-current	245,727	- 12,355	233,372	193,100	- 10,824	182,276
Total damage risk provisions	**340,240**	**- 12,355**	**327,885**	**300,744**	**- 10,824**	**289,920**

The development of the third party liability (TPL) exposures provides a measure of the Group's ability to estimate the ultimate value of damages. The top half of the table below illustrates how the Group's estimate of total damages outstanding for each accident year has changed at successive year-ends. The bottom half of the table below reconciles the cumulative damages to the amounts appearing in the balance sheet for TPL. The accident year basis is considered the most appropriate for the business written by the Group.

Accident year	< 2011	2011	2012	2013	2014	2015	2016	Total
At end of accident year	424,446	64,201	71,744	70,452	55,854	70,170	116,853	
One year later	407,543	53,396	68,425	84,761	72,490	79,626		
Two years later	389,281	50,267	73,010	65,319	59,864			
Three years later	380,349	38,111	57,495	71,392				
Four years later	368,435	33,268	63,087					
Five years later	342,468	35,068						
More than five years later	342,205							
Estimate of cumulative claims	342,205	35,068	63,087	71,392	59,864	79,626	116,853	
Cumulative payments to date	- 320,387	- 26,519	- 39,146	- 36,016	- 35,549	- 23,214	- 37,396	
Gross outstanding damage liabilities	**21,818**	**8,549**	**23,941**	**35,376**	**24,315**	**56,412**	**79,457**	**249,868**
Less: IBNR	2,842	5,150	10,043	20,644	7,074	30,730	36,724	113,207
Total provision for TPL, excluding IBNR	**18,976**	**3,399**	**13,898**	**14,732**	**17,241**	**25,682**	**42,733**	**136,661**

The total provision for TPL, excluding IBNR for the year prior to 2011 can be detailed as follows:

	Gross outstanding damage liabilities	Less: IBNR	Total provision for TPL, excluding IBNR
2010	2,503	918	1,585
2009	3,742	789	2,953
2008	1,986	260	1,726
2007	1,189	277	912
2006	2,039	139	1,900
2005	1,631	102	1,529
2004	1,340	108	1,232
< 2003	7,388	249	7,139
Total	**21,818**	**2,842**	**18,976**

The expected maturity analysis of the gross outstanding damage liabilities is as follows:

	2016	2015
Not longer than a year	139,928	101,798
Between 1-2 years	29,984	25,449
Between 2-5 years	39,978	33,280
Longer than 5 years	39,978	35,238
Total	**249,868**	**195,765**

(ii) Provision for post-employment benefits

The provision for post-employment benefits comprises both defined benefit pension plans and other post-employment benefits. The Group operates a number of pension plans around the world. Most of these pension plans are defined contribution plans. In four countries, the Group has defined benefit pension plans, which for the majority are not open to new participants. The total number of participants in these pension plans is 427 (2015: 414). The plans are final salary pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. In the plans, pensions generally do not receive inflationary increases once in payment. The benefit payments are from trustee administered funds. Plan assets held in trusts are governed by local regulations and practice, as is the nature of the relationship between the company and the trustees (or equivalent) and their composition. In addition, the Group operates other post-employment benefit plans in five countries for legally required termination indemnities, which are payable at either the retirement date or the date the employee leaves the Group. The amount of the benefit depends on the length of service of the employee at the dismissal or retirement date. The majority of these plans is unfunded where the company meets the benefit payment obligation as it falls due. The total number of participants of these other post-employment benefit plans is 1,292 (2015: 1,272).

The amounts recognised in the balance sheet are as follows:

	2016	2015
Present value of funded obligations	50,474	51,145
Fair value of plan assets	- 34,694	- 32,638
Deficit of funded plans	**15,780**	**18,507**
Present value of unfunded obligations	16,702	15,440
Total deficit of defined benefit plans as per 31 December	**32,482**	**33,947**

The impact of minimum funding requirement/asset ceiling is nil in 2016 (2015: nil).

The valuations of provisions for post-employment benefits are performed by independent qualified actuaries on an annual basis. The following tables summarise the impact on the balance sheet, payment obligations, assets and economic assumptions in respect of the main post-employment benefits in the various countries.

	Note	Present value of obligation	Fair value of plan assets	Total
Balance as at 1 January 2015		**65,973**	**- 33,709**	**32,264**
Current service cost	8	3,781	-	3,781
Interest expense/income	8	1,133	- 530	603
Past service cost and gains and losses on settlements	8	16	- 115	- 99
		4,930	**- 645**	**4,285**
Remeasurements				
Return on plan assets, excluding amounts included in interest expense/income		- 8	277	269
Gain/loss from changes in demographic assumptions		149	-	149
Gain/loss from changes in financial assumptions		2,382	-	2,382
Experience gain/losses		- 1,573	- 47	- 1,620
		950	**230**	**1,180**
Exchange differences		1,603	- 1,265	338
Contributions				
Employers		-	- 2,602	- 2,602
Plan participants		334	- 350	- 16
Payments from plans				
Benefit payments		- 9,018	6,734	- 2,284
Acquired in a business combination	7	1,812	- 1,030	782
Balance as at 31 December 2015		**66,584**	**- 32,637**	**33,947**
Balance as at 1 January 2016		**66,584**	**- 32,637**	**33,947**
Current service cost	8	4,282	65	4,347
Interest expense/income	8	1,104	- 479	625
Past service cost and gains and losses on settlements	8	4,649	- 3,077	1,572
		10,035	**- 3,491**	**6,544**
Remeasurements				
Return on plan assets, excluding amounts included in interest expense/income		-	- 492	- 492
Gain/loss from changes in demographic assumptions		- 3,950	-	- 3,950
Gain/loss from changes in financial assumptions		2,478	-	2,478
Experience gain/losses		- 1,697	- 37	- 1,734
		- 3,169	**- 529**	**- 3,698**
Exchange differences		131	- 138	- 7
Contributions				
Employers		-	- 3,060	- 3,060
Plan participants		535	- 535	-
Payments from plans				
Benefit payments		- 6,940	5,696	- 1,244
Balance as at 31 December 2016		**67,176**	**- 34,694**	**32,482**

In the course of 2016 the defined (benefit) pension plan in Mexico was settled by means of a transfer of all obligations and plan assets to an insurance company. The balance sheet impact of this settlement is included in the table on the previous page.

In 2016 it was concluded that the existing pension plan in LeasePlan Supply Services (Switzerland) meets the IAS 19 definition of a defined benefit pension plan and the present value of the obligation and the fair value of the plan assets have been included in the table on the previous page. The impact amounts to EUR 2 million.

Reference is made to note 8 for the details on the amounts recognised in the income statement in respect of the Group's post-employment defined benefit plans. Expected contributions to post-employment defined benefit plans are EUR 3.6 million for the year ending 31 December 2017.

There are no defined benefit pension plans that are wholly unfunded and none of the collective and individual pension plans in the various countries are fully funded.

The weighted averages of the main actuarial assumptions used to determine the value of the provision for post-employment defined benefits as at 31 December were as follows:

	2016	2015
Discount rate	1.8%	2.4%
Inflation	1.7%	1.7%
Salary growth rate	2.9%	2.9%
Pension growth rate	0.1%	0.6%

The rates used for interest discount factors, inflation, salary developments and future pension increases reflect country specific conditions. The expected return on plan assets is determined by considering the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk free premium associated with the respective asset classes and the expectations for future returns on each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets. The expected returns of the individual plans have been weighted on the basis of the fair value of the assets of the plans in order to determine the average expected return on plan assets. All other assumptions are weighted on the basis of the post-employment benefit obligations.

Assumptions regarding future mortality experience are set based on published statistics and actuarial advice. The average life expectancy in years of a pensioner retiring at age 65 on the balance sheet date is as follows:

	2016	2015
Male	21.3	20.1
Female	24.5	23.8

Plan assets comprise the following:

	2016			2015		
	Quoted	**Unquoted**	**Total**	**Quoted**	**Unquoted**	**Total**
Equities	114	-	114	101	-	101
Debt instruments	1,789	-	1,789	1,594	-	1,594
Property	71	-	71	63	-	63
Investment funds	11,004	21,706	32,710	11,969	18,910	30,879
Insurance policy	1	9	10	-	-	-
Total	**12,979**	**21,715**	**34,694**	**13,727**	**18,910**	**32,637**

The expected maturity analysis of undiscounted post-employment benefits is:

	Not longer than a year	**Between 1-2 years**	**Between 2-5 years**	**Longer than 5 years**	**Total**
Post-employment benefits	3,916	2,617	8,630	75,376	90,539

(iii) Other provisions

	Other long-term employee benefits	Termination benefits	Litigation	Miscel-laneous	Total
Balance as at 1 January 2015	**12,259**	**3,424**	**11,339**	**6,360**	**33,382**
Charge/credit to the income statement					
Additional provisions	2,684	5,706	1,851	18,569	28,810
Unused amounts reversal	- 2,121	- 665	- 247	- 4,114	- 7,147
Usage during the year	- 1,421	- 3,337	-	- 6,835	- 11,593
Exchange rate differences	- 52	11	- 143	435	251
Reclassification to liabilities held-for-sale	- 61	-	-	-	- 61
Balance as at 31 December 2015	**11,288**	**5,139**	**12,800**	**14,415**	**43,642**
Charge/credit to the income statement					
Additional provisions	1,331	1,131	3,261	59,923	65,646
Unused amounts reversal	-949	-1,047	-2,400	-2,116	- 6,512
Usage during the year	-370	-3,027	-55	-17,725	- 21,177
Exchange rate differences	78	-135	260	-17	186
Balance as at 31 December 2016	**11,378**	**2,061**	**13,866**	**54,480**	**81,785**
Usage within a year	3,000	1,704	6,478	50,189	61,371
Usage after a year	8,378	357	7,388	4,291	20,414

(a) Other long-term employee benefits
Other long-term employee benefits include provisions for medium-term bonus schemes, jubilee payments and extra vacation entitlements.

(b) Termination benefits
The provision for termination benefits relates to expected payments in order to terminate the employment of an employee or group of employees before the normal termination date. The balance relates to a small number of employee related litigations and obligations of relatively small size.

(c) Litigation
Litigation provisions have been set up to cover legal and administrative proceedings that arise in the ordinary course of business. These provisions are not employee related.

(d) Miscellaneous
Miscellaneous provisions include 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 and onerous contracts. The provision for restructuring related expenses of EUR 44.7 million (2015: 1.6 million) is the main reason for the increase and relates to shifting the Group from a multi-local organisation to become a fully integrated organisation. The restructuring provision at balance sheet date represents the best estimate of the expected restructuring expenses and is expected to be sufficient to cover these expenses. Reference is made to Note 2 for more details.

Note 30 - Share capital and share premium

At 31 December 2016, the authorised capital amounted to EUR 250 million (2015: EUR 250 million), divided into 250,000,000 ordinary shares with a nominal value of EUR 1.00 each, of which EUR 71.6 million is issued and paid up. The holders of the ordinary shares are entitled to receive dividend as declared from time to time and are entitled to vote per share at meetings of the Company.

The share premium includes the amount paid in excess of the nominal value of the share capital.

Note 31 - Other reserves

	Translation reserve	Post-employment benefit reserve	Hedging reserve	Other	Total
Balance as at 1 January 2015	**3,739**	**- 9,786**	**- 6,915**	**- 216**	**- 13,178**
Gains/losses arising during the year	16,655	- 218	- 714	-	15,723
Related income tax	-	162	178	-	340
Transfer to retained earnings	-	-	-	216	216
Balance as at 31 December 2015	**20,394**	**- 9,842**	**- 7,451**	**-**	**3,101**
Gains/losses arising during the year	- 18,848	3,736	4,597	-	- 10,515
Related income tax	-	- 1,162	- 1,149	-	- 2,311
Transfer to retained earnings	-	-	-	-	-
Balance as at 31 December 2016	**1,546**	**- 7,268**	**- 4,003**	**-**	**- 9,725**

Translation reserve
The translation reserve comprises all exchange rate differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the Group. In 2016 no translation differences related to discontinued operations were recycled to the income statement (2015: nil). The significant movement in 2016 and 2015 is mainly caused by depreciation of the euro against the pound sterling and United States dollar.

Post-employment benefit reserve
The post-employment benefit reserve comprises the actuarial gains and losses recognised on defined benefit post-employment plans.

Hedging reserve
The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments where the hedged transaction has not yet occurred.

Other
Other comprises the share of other comprehensive income in investments accounted for using the equity method.

Note 32 - Retained earnings

Dividend

In March 2016 a final dividend of EUR 265,5 million (EUR 3.71 cent per share) was paid relating to 2015. In September 2016 an interim dividend of EUR 143,3 million (EUR 2.00 cent per share) was paid as interim dividend for 2016.

Profit appropriation

Reference is made to the Company financial statements on the appropriation of profit for the year and the movements in the reserves.

Note 33 - Commitments

The Group has entered into commitments in connection with the forward purchase of property and equipment under operating lease and rental fleet amounting to EUR 1.9 billion (2015: EUR 1.9 billion) as at the balance sheet date. These commitments are entered into in the ordinary course of business and the majority is back-to-back matched with lease contracts entered into with customers.

Furthermore, the Group has entered into commitments in connection with long-term rental and lease contracts. The future aggregate minimum lease payments under these contracts are as follows:

	2016	2015
Not longer than a year	29,580	32,012
Longer than a year, less than five years	91,797	79,395
Longer than five years	78,344	52,893
Balance as at 31 December	**199,721**	**164,300**

For a number of clients, residual value guarantees have been given to a total of EUR 363 million (2015: EUR 346 million).

Credit facilities have been concluded with investments accounted for using the equity method amounting to EUR 176 million (2015: EUR 155 million) of which EUR 133 million (2015: EUR 111 million) is drawn as at 31 December.

Note 34 - Related parties

Identity of related parties

Related parties and enterprises, as defined by IAS 24, are parties and enterprises which can be influenced by the Company or which can influence the Company.

Global Mobility Holding B.V., a joint venture company between Volkswagen AG and Fleet Investments, was shareholder of the Company till 21 March 2016. Any business relations with the former indirect shareholders are handled on normal market terms.

The Group purchases cars and trucks manufactured amongst others by the Volkswagen Group. These purchases are entered into in the ordinary course of business and are handled on normal market conditions. These cars and trucks are not directly obtained from the Volkswagen Group but indirectly through importers and dealers in these brands and are purchased based on the price lists and terms that are available to third parties.

As per 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. The business relations between the Company, LP Group B.V. and their indirect shareholders are handled on normal market terms. Apart from the transaction related to the change of shareholder no other transactions occurred in 2016.

Transactions between the Company and its subsidiaries mainly comprise of long-term funding and cost allocation of group activities as described in Note 2. All business relations with its subsidiaries are in the ordinary course of business and at arm's length.

All business relations with investments accounted for using the equity method are in the ordinary course of business and handled on normal market terms. An amount of EUR 133 million (year-end 2015: EUR 111 million) is provided as loans to investments accounted for using the equity method.

The interest income recognised by the Group on these funding transactions amounts to EUR 2.2 million (2015: EUR 2.5 million). Furthermore, the Group charged a service fee amounting to EUR 0.9 million (2015: EUR 0.7 million) to the investments accounted for using the equity method.

Transactions with the Managing Board

Key management personnel is the Managing Board. In addition to their salaries, the Group provides non-cash benefits to the Managing Board and contributes to post-employment defined contribution plans on their behalf. The Managing Board is also the statutory executive board of the Company.

The statutory board remuneration is as follows:

	2016	2015
Fixed remuneration	3,193	2,899
Other short-term employee benefits	1,336	2,209
Post-employment benefits	1,030	286
Other long-term employee benefits	1,686	1,653
Total	**7,245**	**7,047**

The increase in fixed remuneration compared to 2015 is mainly caused by the fact that the COO position was temporarily fulfilled by both Mr Huster and Mr van Kalleveen for the fourth quarter of 2016.

The decrease in Other short-term employee benefits compared to 2015 is mainly caused by lower expenses for the upfront part of the one-off incentive plan in 2016.

The increase in Post-employment benefits is mainly caused by the increase in pension expenses for our (leaving) Chief Operations Officer and the expenses in relation to the termination payment of our Chief Commercial Officer.

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 on the next page).

For information on the remuneration policy of the Managing Board, please refer to the Remuneration Report.

Remuneration of the members of the Supervisory Board
Two independent members of the Supervisory Board received compensation from LeasePlan for their tasks and responsibilities as a member of the Supervisory Board for the entire year. The other three independent members, Mr Streppel, Mr van Schilfgaarde and Mr Orlowski were all appointed as of 21 March 2016.

The following table summarises the income components for these five members of the Supervisory Board members over 2016.

in euros	**2016**	**2015**
Mr Jos Streppel	112,500	-
Ms Ada van der Veer - Vergeer	113,750*	110,000*
Dr Herta von Stiegel	113,750*	77,500*
Mr Steven van Schilfgaarde	56,250	-
Mr Stefan Orlowski	56,250	-

* In 2016, both Ms Ada van der Veer and Dr Herta von Stiegel received EUR 40,000 as additional compensation for incremental time and tasks related to extraordinary activities during calendar year 2015. In 2015, Ms Ada van der Veer received EUR 40,000 as a one-off additional compensation for extraordinary activities performed in 2014. Prior to her formal appointment in March 2015, Dr Herta von Stiegel attended various Supervisory Board meetings and calls for which she received a compensation of EUR 25,000 in 2015. These additional compensations have been included in the table above.

Neither the Company nor any of its Group companies has granted any loans, guarantees or advances to the members of the Supervisory Board.

Management Investment Plan
Selected members of LeasePlan management, including the Managing Board members, have been provided with an opportunity to make an indirect investment alongside a consortium of financial investors (the 'Consortium') in LeasePlan through a new Management Investment Plan (the 'MIP'). In order 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 his/her MIP 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 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, he/she 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:

in thousands	**2016**
Balance as at 1 January	**-**
Issued	25,320,000
(Re)purchased[1]	-
Balance as at 31 December	**25,320,000**
Of which:	
Vested	-
Unvested	25,320,000

Management has indirectly invested EUR 25.3 million via ManCo in LeasePlan Corporation N.V. as per 31 December 2016. Of that amount, the total aggregated investment amount of Managing Board members amounts to EUR 7 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.

[1] At 31 December 2016, 300,000 certificates were temporarily re-purchased by the Consortium from a leaver. These certificates are intended to be re-purchased by new joiners.

Note 35 - Contingent assets and liabilities

As at year-end 2016, 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 1.8 billion (2015: EUR 2.3 billion). The Company charges a guarantee fee to the respective subsidiaries based on normal market terms.

The probability of any inflow of economic benefits arising from the contingent assets is difficult to estimate and remote. Accordingly no asset is recognised in the balance sheet.

Following an investigation in July 2015 by the Italian competition authority (ICA) into a possible infringement of EU competition law by all members (including LeasePlan Italy (LPIT)) of the Italian car leasing association ANIASA, LPIT was served with a Statement of Objections on 7 December 2016. Pursuant to the Statement of Objections, the ICA is of the opinion that an infringement of competition law has taken place. LPIT has defended its position. A decision of the ICA is expected in April 2017. If the ICA confirms its allegations and decides to impose a fine, LPIT will file an appeal before the Italian administrative court. The Group assessed that it is more likely than not that a fine will be imposed by the ICA in first instance. This fine might vary between 0% and 10% of the total turnover generated by LPIT, in the last financial year. However, no provision has been included in the 2016 Financial Statements for this matter, as no reliable estimate can be made of the amount of the fine. Therefore this litigation is considered a contingent liability as the IFRS criteria to recognize a provision are not met. The financial loss in this case, if any, will also be dependent on the success of our appeal against a future fine before the Italian administrative court.

In respect of the widely-publicized vehicle emissions controversy affecting our former co-shareholder Volkswagen AG, to date the Group has not seen any significant impact on the residual values of our vehicles or on the demand for certain types of our vehicles in the second-hand vehicle market. As this is a developing issue, the full scope of any impact on the residual values of our vehicles might not yet be fully apparent. Accordingly, we continue to monitor closely all developments with respect to this issue.

On 1 August 2016 the Group entered into a share purchase agreement ('SPA') with FleetCor Technologies Inc. and sold its subsidiary Travelcard Nederland B.V. As part of this SPA the Group has a contingent liability for a specifically agreed period. Based on current knowledge the Group assesses the probability of any economic outflow to be limited.

Note 36 - Events occurring after balance sheet date

No material events occurred after 31 December 2016, that require disclosure in accordance with IFRS, nor events affecting the financial position of the Group as at 31 December 2016 or the result for the period ended 31 December 2016.

Company financial statements

Income statement of the company

In thousands of euros	Note	2016	2015
Interest and similar income	2	270,279	296,332
Interest expenses and similar charges	3	252,358	250,618
Net interest income		**17,921**	**45,714**
Share of profit from subsidiaries and jointly controlled entities	12 & 13	368,582	423,946
Unrealised gains/losses on financial instruments	16	19,272	9,187
Other income	4	39,229	163
Total income		**445,004**	**479,010**
General and administrative expenses	6	15,752	15,125
Depreciation and amortisation	8	4,357	4,637
Operating expenses		**20,109**	**19,762**
Impairment charges on loans and receivables		-	-
Total expenses		**20,109**	**19,762**
Profit before tax		**424,895**	**459,248**
Income tax expenses	9	571	- 16,773
Net result		**425,466**	**442,475**

Balance sheet of the company

for the year ended 31 December (before profit appropriation)

In thousands of euros	Note	2016	2015
Assets			
Cash and balances with central banks	10	1,857,120	1,605,407
Amounts due from banks	11	27,520	22,845
Loans to subsidiaries	12	12,483,098	11,346,977
Loans to jointly controlled entities	13	125,000	102,800
Financial assets held-to-maturity	14	135,416	214,286
Investments in subsidiaries	12	2,692,523	2,690,746
Investments in jointly controlled entities	13	13,354	11,297
Intangible assets	15	9,474	13,673
Other assets	16	563,599	311,181
Total assets		**17,907,104**	**16,319,212**
Liabilities			
Amounts due to banks	17	1,122,464	319,336
Funds entrusted	18	5,388,309	4,997,075
Debt securities issued	19	7,224,117	6,339,501
Provisions	20	11,560	8,157
Other liabilities	21	1,084,952	1,583,679
Total liabilities		**14,831,402**	**13,247,748**
Equity			
Share capital		71,586	71,586
Share premium		506,398	506,398
Legal reserves		484,244	417,920
Other reserves		- 9,725	3,101
Retained earnings		1,597,733	1,629,984
Profit for the year		425,466	442,475
Shareholders' equity	**22**	**3,075,702**	**3,071,464**
Total equity and liabilities		**17,907,104**	**16,319,212**

Notes to the company financial statements

All amounts are in thousands of euros, unless stated otherwise

Note 1 - General

For certain notes to the Company's balance sheet, reference is made to the notes to the consolidated financial statements.

The Company's financial statements are prepared pursuant to the provisions in Part 9, Book 2, of the Dutch Civil Code, by applying the accounting policies used in the consolidated financial statements under IFRSs pursuant to the provisions of Article 362 sub 8, Part 9, Book 2, of the Dutch Civil Code.

Under reference to Article 362 sub 8, Part 9, Book 2 of the Dutch Civil Code, the investments accounted for using the equity method are measured and valued in accordance with the same IFRSs accounting standards as adopted in the consolidated financial statements of the Company.

The accounting policies set out before in preparing the consolidated financial statements for the year ended 31 December 2016 and 2015 are also applied in the Company's financial statements, with the exception of the valuation of investments in subsidiaries.

Previously the Company applied the option in article 402, book 2 of the Dutch Civil Code and presented an abbreviated income statement together with the relevant notes and disclosures. This option is no longer available and therefore a full income statement is included in the company financial statements.

Investments in subsidiaries and in investments accounted for using the equity method

The investments in subsidiaries that are not classified as held-for-sale are accounted for in accordance with the net value of assets and liabilities, based upon accounting policies used in the consolidated financial statements.

If the valuation of a subsidiary, jointly controlled entity or associate, based on the net asset value is negative, it will be stated at nil. If and insofar as the Group can be held fully or partially liable for the debts of the subsidiary, or has the firm intention of enabling the subsidiary to settle its debts, a provision is recognised for this.

Legal reserves

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.

Note 2 - Interest and similar income

	2016	**2015**
Interest and similar income from subsidiaries	267,372	292,780
Other interest income	2,907	3,552
Total	**270,279**	**296,332**

Note 3 - Interest expenses and similar charges

	2016	**2015**
Interest expenses on debt securities issued	132,316	125,688
Interest expenses on funds entrusted	66,831	86,255
Interest on borrowings with financial institutions	53,211	38,675
Total	**252,358**	**250,618**

Note 4 - Other income

In 2016 Other income includes the result of the sale of Travelcard Nederland B.V. On 1 August 2016 the Company entered into a share purchase agreement with FleetCor Technologies Inc. and sold its subsidiary Travelcard Nederland B.V. for an amount of EUR 40.65 million. The gain on the sale amounts to EUR 39.1 million.

Note 5 - Managing board remuneration

Key management personnel is the Managing Board. In addition to their salaries, the Group provides non-cash benefits to the Managing Board and contributes to post-employment defined contribution plans on their behalf.

The statutory board remuneration is as follows:

	2016	**2015**
Fixed remuneration	3,193	2,899
Other short-term employee benefits	1,336	2,209
Post-employment benefits	1,030	286
Other long-term employee benefits	1,686	1,653
Total	**7,245**	**7,047**

Detailed information on remuneration of the Managing Board and the members of the Supervisory Board is included in note 34 Related parties to the consolidated financial statements.

For information on the remuneration policy of the Managing Board, please refer to the Group remuneration report.

Note 6 - General and administrative expenses

General and administrative expenses include professional fees, office overheads and other general expenses. The Company does not directly employ any staff.

Note 7 - Audit fees

The caption 'General and administrative expenses' (reference is made to note 9 of the consolidated financial statements) includes an amount of EUR 5.8 million (2015: EUR 6.3 million) for services provided by KPMG Accountants N.V. and its network.

			2016	**2015**
	KPMG Accountants N.V.	**Other KPMG network**	**Total KPMG network**	**Total PwC network**
Audit services	1,464	3,603	5,067	5,676
Audit related services	122	-	122	288
Tax advice	-	35	35	270
Other (non-audit) services	-	65	65	33
Total services	**1,586**	**3,703**	**5,289**	**6,267**

Note 8 - Depreciation and amortisation

Depreciation and amortisation mainly includes the amortisation of the intangible fixed assets. Reference is made to note 15.

Note 9 - Income tax expenses

	2016	2015
Current tax		
Current tax on result for the year	- 45	8,647
Adjustments in respect of prior years	- 3,478	- 2,232
Total current tax	**- 3,523**	**6,415**
Deferred tax		
Origination and reversal of temporary differences	2,952	10,358
Adjustments in respect of prior years	-	-
Total deferred tax	**2,952**	**10,358**
Total	**- 571**	**16,773**

Note 10 - Cash and balances with central banks

The majority of this amount is cash deposited at the Dutch Central Bank of which a part is the mandatory reserve deposit that amount to EUR 52.2 million (2015: EUR 46.7 million) which is not available for use in the Group's day-to-day operations.

Note 11 - Amounts due from banks

A breakdown of this caption is as follows:

	2016	2015
Call money and cash at banks	1,356	3,239
Cash collateral derivative financial instruments	26,164	19,606
Balance as at 31 December	**27,520**	**22,845**

Note 12 - Investments in and loans to subsidiaries

Movements in investments in Group companies are as follows:

	2016	2015
Balance as at 1 January	**2,690,746**	**2,454,659**
Capital contributions	17,736	115,525
Revaluations	3,403	12,556
Dividend received	- 369,535	- 329,631
Result for the year	366,947	421,401
Direct changes in equity	2,286	- 25
Exchange rate differences	- 19,060	16,261
Balance as at 31 December	**2,692,523**	**2,690,746**

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 fair value changes in cash flow hedges.

The maturity analysis on the loans is as follows:

	2016	2015
Three months or less	1,835,970	1,872,454
Longer than three months, less than a year	3,294,555	3,113,665
Longer than a year, less than five years	7,351,003	6,359,223
Longer than five years	1,570	1,635
Balance as at 31 December	**12,483,098**	**11,346,977**

Note 13 - Investments in and loans to jointly controlled entities

The investment relates to a jointly controlled entity in the United Arab Emirates.
Movements are as follows:

	2016	2015
Balance as at 1 January	**11,297**	**39,555**
Transfer of equity interest to subsidiaries	-	- 32,929
Share of results	1,635	3,573
Exchange rate differences	422	1,098
Balance as at 31 December	**13,354**	**11,297**

The loans relate to jointly controlled entities of the Company (United Arab Emirates) and of the Group (France).

The maturity analysis on the loans is as follows:

	2016	2015
Three months or less	14,250	10,500
Longer than three months, less than a year	42,000	36,750
Longer than a year, less than five years	68,750	55,550
Balance as at 31 December	**125,000**	**102,800**

The company has entered into loan commitments of EUR 162 million (2015: EUR 141 million) of which EUR 125 million has been drawn at year-end 2016 (2015: EUR 103 million). There are no other material contingent liabilities of the jointly controlled entities.

Note 14 - Financial assets held-to-maturity

This caption includes investments in bonds resulting from securitisation programmes concluded by the Group. The following securitisation transactions were initiated by the Group and outstanding per 31 December 2016:

Programme	Originator	Special purpose company	Currency	Total transaction size
Bumper DE*	LeasePlan Deutschland GmbH	Bumper DE S.A.	EUR	714,286
Bumper France	LeasePlan France S.A.S.	Bumper France FCT	EUR	799,215
Bumper 6	LeasePlan Nederland N.V.	Bumper 6 (NL) Finance B.V.	EUR	715,000
Bumper NL	LeasePlan Nederland N.V.	Bumper NL B.V.	EUR	333,000
Bumper 7	LeasePlan Deutschland GmbH	Bumper 7 S.A.	EUR	720,500

** Fully redeemed and unwound in 2016*

These transactions involve the sale of future lease instalment receivables and related residual value receivables originated by various LeasePlan subsidiaries to special purpose companies. Debt securities were issued by most of these special purpose companies to finance these transactions. The special purpose companies are responsible for making interest and principal payments to the noteholders. The noteholders do not have recourse on the Company or other Group companies in case of non-performance or default by the special purpose companies. The Group has deposited cash collateral for these securitisation transactions, reference is made to note 13 of the consolidated financial statements of the Company. The higher rated notes are sold to external investors and the other (non-rated) notes are bought by the Company.

The Bumper notes bought by the Company are as follows:

	2016	2015
Bumper DE*	-	214,286
Bumper 7	135,416	-
Total	**135,416**	**214,286**

** Fully redeemed and unwound in 2016*

Bumper DE

The Bumper DE transaction is a private transaction and uses a securitisation structure under German law common for operating and finance lease securitisations and closed on 9 April 2014. As per 31 December 2015 future discounted cash flows amounting to EUR 714.3 million were transferred from LeasePlan Deutschland GmbH (the "originator") to Bumper DE S.A., a special purpose limited liability company incorporated under the laws of Luxembourg. With this transaction Bumper DE S.A. concluded an asset backed securitisation warehousing facility with one bank. The volume of this facility is EUR 500 million and the full amount was drawn in August 2015. The revolving period, keeping the financing volume stable, lasted until April 2016.

Bumper DE S.A. issued A-notes for an amount of EUR 500.0 million which were bought by one bank and B-notes for an amount of EUR 214.3 million, which were bought by the Company. Bumper DE S.A. is no longer included in the consolidated financial statements of the Company.

In July 2016 the A and B notes were completely redeemed. Thereafter, the Bumper DE transaction was unwound.

Bumper France
The Bumper France transaction was completed in March 2013 whereby EUR 799 million of future lease instalment receivables and associated residual value receivables originated by LeasePlan France S.A.S. (the "originator") were sold to Bumper France FCT, a limited liability company specially incorporated for the purpose of a securitisation transaction under the laws of France. Debt securities were issued by Bumper France FCT in USD and EUR to finance this transaction. To hedge the currency risk arising from purchasing EUR receivables and issuing USD A-notes Bumper France FCT concluded a currency swap. The title to the underlying objects is retained by the originator.

The notes issued under this securitisation transaction have a final legal term of nine years and an initial revolving period of one year, which was subsequently extended on a yearly basis currently until June 2017. Bumper France FCT is a limited liability company and is included in the consolidated financial statements of the Company. The debt securities issued in March 2013 are divided into A-notes (USD 733.1 million), and B-notes (EUR 231.8 million). The A-notes were sold to an external investor, the B-notes are held by the Group. The interest payable on the notes on a monthly basis is equal to one month Libor plus a mark-up for the USD notes and a fixed rate for the EUR notes. The B-notes are subordinated to the A-notes. Bumper France FCT is included in the consolidated financial statements of the Company.

Bumper 6
The Bumper 6 transaction was completed in November 2014 whereby EUR 715 million of future lease instalment receivables and associated residual value receivables originated by LeasePlan Nederland N.V. (the "originator") were sold to Bumper 6 (NL) Finance B.V., a special purpose company specially incorporated for the purpose of securitisation transactions under the laws of the Netherlands. Debt securities issued by Bumper 6 (NL) Finance B.V. and a subordinated loan received from the Company are used to finance this transaction. The title to the underlying objects is retained by the originator.

The notes issued under this securitisation transaction have a final legal term of 15 years and a revolving period of one year. During this revolving period Bumper 6 (NL) Finance B.V. can use available funds to purchase new receivables.

The debt securities issued in November 2014 are divided into A-notes (EUR 501 million), B-notes (EUR 36 million) and a subordinated loan of EUR 178 million. The notes are listed on Euronext Amsterdam. The transaction is assessed by Standard and Poor's, Moody's and DBRS, resulting in an AAA-rating (S&P and DBRS), and an Aaa-rating (Moody's) for the A-notes. The B-notes are rated AAA (S&P), Aa1 (Moody's), and AA high (DBRS).

The A-notes and B-notes were sold to external investors. The interest payable on the notes on a monthly basis is equal to one-month Euribor plus a mark-up. The B-notes are subordinated to the A-notes. The subordinated loan provided by the Company to Bumper 6 (NL) Finance B.V. is subordinated to the A-notes and the B-notes. Bumper 6 (NL) Finance B.V. is included in the consolidated financial statements of the Company.

Bumper NL
The Bumper NL transaction is a private transaction and uses a securitisation structure under Dutch law common for operating lease securitisations and closed December 2014. Bumper NL B.V. entered into a master hire purchase agreement with LeasePlan Nederland N.V. (the "originator"). Based on this agreement Bumper NL B.V. can buy future discounted cash flows of lease receivables and residual values from the originator. As per 31 December 2014 future discounted cash flows amounting to EUR 333 million were transferred from the originator to Bumper NL B.V. With this transaction Bumper NL B.V. concluded an asset backed securitisation warehousing facility with one bank. The volume of this facility is EUR 249.8 million and was fully drawn since 31 December 2014. The revolving period, keeping the financing volume stable, lasted till December 2016. The committed facility is rated AAA by DBRS.

Bumper NL B.V. is a special purpose limited liability company incorporated under Dutch law for this transaction and is included in the consolidated financial statements of the Company.

Bumper 7
The Bumper 7 transaction was completed on 28 April 2016 whereby EUR 720.5 million lease receivables and residual values originated by LeasePlan Deutschland GmbH were sold to Bumper 7 S.A., which is a special purpose limited liability company incorporated under the laws of Luxembourg.

The notes issued on the closing date are divided into Class A notes (EUR 500 million) and Class B notes (EUR 49.1 million). The Class A notes have been assigned a credit rating of AAA by Standard & Poor's (S&P), Aaa by Moody's and AAA by DBRS. The Class B notes have been assigned a credit rating of AA by S&P, Aa2 by Moody's and AA (high) by DBRS.

Note 15 - Intangible assets

	Software licences	Customer relationship	Customer contract	Total
Cost	3,667	-	-	3,667
Accumulated amortisation and impairment	- 2,958	-	-	- 2,958
Carrying amount as at 1 January 2015	**709**	**-**	**-**	**709**
Carrying amount as at 1 January 2015	**709**	**-**	**-**	**709**
Purchases	721	-	-	721
Acquisition of subsidiary	-	3,659	13,104	16,763
Amortisation	- 533	- 366	- 3,621	- 4,520
Carrying amount as at 31 December 2015	**897**	**3,293**	**9,483**	**13,673**
Cost	4,388	3,659	13,104	21,151
Accumulated amortisation and impairment	- 3,491	- 366	- 3,621	- 7,478
Carrying amount as at 31 December 2015	**897**	**3,293**	**9,483**	**13,673**
Purchases	44	-	-	44
Amortisation	- 504	- 366	- 3,373	- 4,243
Carrying amount as at 31 December 2016	**437**	**2,927**	**6,110**	**9,474**
Cost	4,432	3,659	13,104	21,195
Accumulated amortisation and impairment	- 3,995	- 732	- 6,994	- 11,721
Carrying amount as at 31 December 2016	**437**	**2,927**	**6,110**	**9,474**

The purchased software relates to a banking system for LeasePlan Bank. The prior year increases in customer relationship and customer contracts relate to the acquisition of LPD Holding A.S. (Turkey). Reference is made to note 7 of the consolidated financial statements.

Note 16 - Other assets

Besides derivative financial instruments this caption includes a corporate income tax receivable from fiscal authorities and Group companies forming part of the fiscal unity. The Company settles corporate income tax due or receivable on taxable income with its Group companies forming part of the fiscal unity as if these Group companies were responsible for their tax filings on a stand-alone basis.

The other assets are carried at fair value and are made up as follows:

	2016	2015
Derivative financial instruments	191,985	158,936
Tax receivables	1,274	8,372
Accounts receivable from group companies	326,834	122,743
Loans to other third parties	30,116	12,473
Other	13,390	8,657
Balance as at 31 December	**563,599**	**311,181**

Derivative financial instruments are carried at fair value and are made up as follows:

	2016			2015		
	Notional amounts	Fair value		Notional amounts	Fair value	
		Assets	Liabilities		Assets	Liabilities
Fair value hedge						
Interest rate swaps	4,898,053	76,870	10,981	4,032,309	78,002	15,953
Currency swaps	44,297	-	337	85,948	3,343	1,053
Cash flow hedge						
Interest rate swaps	1,595,000	204	7,432	1,805,000	-	12,178
Total derivatives in hedge	**6,537,350**	**77,074**	**18,750**	**5,923,257**	**81,345**	**29,184**
Interest rate swaps	15,576,662	26,363	44,682	15,364,293	32,085	74,140
Currency swaps/ currency forwards	3,483,522	88,548	23,686	3,544,514	45,506	20,256
Total derivatives not in hedge	**19,060,184**	**114,911**	**68,368**	**18,908,807**	**77,591**	**94,396**
Total	**25,597,534**	**191,985**	**87,118**	**24,832,064**	**158,936**	**123,580**

The fair value is based on the price including accrued interest (dirty price).

The unrealised gains/(losses) on financial instruments recognised in the income statement breaks down as follows:

	2016	2015
Derivatives not in hedges	14,532	9,157
Hedge ineffectiveness cash flow hedges	28	40
Derivatives fair value hedging instruments	8,062	- 31,786
Financial liabilities fair value hedged items	- 3,350	31,776
Hedge ineffectiveness fair value hedges	**4,712**	**- 10**
Unrealised gains/losses on financial instruments	**19,272**	**9,187**

Note 17 - Amounts due to banks

This caption includes amounts owed to credit institutions under government supervision.

The maturity of these loans is as follows:

	2016	2015
Three months or less	13,536	8,872
Longer than three months, less than a year	10,496	9,852
Longer than a year, less than five years	1,086,388	289,232
Longer than five years	12,044	11,380
Balance as at 31 December	**1,122,464**	**319,336**

Amounts due to banks include no outstanding balance (2015: nil) which is non-euro currency denominated as at 31 December. The related interest rate ranges from - 0.4% to 1.1% (2015: from - 0.1% to 2.3%).

In May 2016 the Company concluded a term loan with three banks amounting to EUR 1,050 million. At 31 December 2016 this term loan was fully drawn.

Note 18 - Funds entrusted

The maturity analysis of funds entrusted is as follows:

	2016	2015
Three months or less	3,800,834	3,003,439
Longer than three months, less than a year	1,103,359	1,146,671
Longer than a year, less than five years	484,116	846,965
Balance as at 31 December	**5,388,309**	**4,997,075**

This caption mainly includes savings deposits raised by LeasePlan Bank amounting to EUR 5.386 billion (2015: EUR 4.994 billion) of which 48.8% (2015: 51.0%) is deposited for a fixed term. LeasePlan Bank is the brand name under which savings deposits are raised by LeasePlan Corporation N.V. which holds a banking licence in the Netherlands. As of September 2015 LeasePlan Bank is also operating on the German banking market with a cross border offering from the Netherlands.

The average interest rates on the outstanding balances of the savings deposits in original maturity terms are as follows:

	2016	2015
On demand	0.75%	1.10%
A year or less	1.10%	1.60%
Longer than a year, less than or equal to two years	2.00%	2.05%
Longer than two years	n/a	2.93%

The interest rate of the on demand accounts is set on a monthly basis.

The funds entrusted include an outstanding balance of EUR 2.3 million (2015: EUR 1.6 million) which is non-euro currency denominated as at 31 December. The remainder of the funds entrusted is denominated in euro.

Note 19 - Debt securities issued

This caption includes negotiable, interest-bearing securities.

	2016	2015
Bonds and notes	7,174,951	6,293,359
Bonds and notes - fair value adjustment on hedged risk	49,166	46,142
Balance as at 31 December	**7,224,117**	**6,339,501**

The average interest rates applicable to the outstanding balances can be summarised as follows:

	2016	2015
Bonds and notes	1.6%	1.9%
Average interest rate	**1.6%**	**1.9%**

The maturity analysis of the debt securities issued is as follows:

	2016	2015
Three months or less	131,362	49,992
Longer than three months, less than a year	1,563,069	796,825
Longer than a year, less than five years	5,227,659	5,109,661
Longer than five years	302,027	383,023
Balance as at 31 December	**7,224,117**	**6,339,501**

The debt securities include an outstanding balance of EUR 3.1 billion (2015: EUR 3.1 billion) which is non-euro currency denominated as at 31 December. The remainder of the debt securities is denominated in euro.

Note 20 - Provisions

The provision relates to subsidiaries with a negative net asset value based on Group accounting standards. Reference is made to note 12.

Note 21 - Other liabilities

	2016	2015
Loans from Group companies	821,888	1,291,349
Accounts payable to Group companies	67,082	60,122
Derivative financial instruments	87,118	123,581
Other accruals and deferred income	83,999	80,482
Corporate income tax payable	24,865	28,145
Balance as at 31 December	**1,084,952**	**1,583,679**

Other accruals and deferred income mainly includes accrued interest payable.

For derivative financial instruments reference is made to the table in note 16.

The maturity analysis of the loans from Group companies is as follows:

	2016	2015
Three months or less	89,050	67,095
Longer than three months, less than a year	5,123	58,410
Longer than a year, less than five years	727,715	1,165,844
Balance as at 31 December	**821,888**	**1,291,349**

Note 22 - Shareholders' equity

Share capital

As at 31 December 2016, the authorised capital amounted to EUR 250 million (2015: 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 2016 and 2015.

The movement in shareholders' equity is as follows:

			Reserves				
	Share capital	**Share premium**	**Legal reserves**	**Other reserves**	**Retained earnings**	**Profit for the year**	**Share-holders' equity**
Balance as at 1 January 2015	**71,586**	**506,398**	**440,810**	**- 13,178**	**1,465,339**	**371,971**	**2,842,926**
Net result						442,475	442,475
Other comprehensive income				16,279			16,279
Post-employment plans in associates					- 216		- 216
Total comprehensive income	**-**	**-**	**-**	**16,279**	**- 216**	**442,475**	**458,538**
Transfer from/to			- 22,890		22,890		-
Appropriation of result					371,971	- 371,971	-
Dividend					- 230,000		- 230,000
Balance as at 31 December 2015	**71,586**	**506,398**	**417,920**	**3,101**	**1,629,984**	**442,475**	**3,071,464**
Net result						425,466	425,466
Other comprehensive income				- 12,826			- 12,826
Post-employment plans in associates					398		398
Total comprehensive income	**-**	**-**	**-**	**- 12,826**	**398**	**425,466**	**413,038**
Transfer from/to			66,324		- 66,324		-
Appropriation of result					442,475	- 442,475	-
Dividend					- 408,800		- 408,800
Balance as at 31 December 2016	**71,586**	**506,398**	**484,244**	**- 9,725**	**1,597,733**	**425,466**	**3,075,702**

The share premium includes the amount paid in excess of the nominal value of the share capital.

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.

The other comprehensive income comprises the translation reserve, the hedging reserve, the post-employment benefit reserve and the share of other comprehensive income in investments accounted for using the equity method. The translation reserve comprises all exchange rate differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the Company as of 1 January 2004.
No translation differences related to discontinued operations are recycled to the income statement (2015: nil). The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred and that prove to be highly effective in relation to the hedged risk. The movement in cash flow hedges is disclosed in the consolidated statement of comprehensive income. The post-employment benefit reserve comprises the actuarial gains and losses recognised on defined benefit post-employment plans.
The legal reserves and other comprehensive income are non-distributable reserves of the Company pursuant to the provisions of Part 9, Book 2, of the Dutch Civil Code.

There are no statutory reserves prescribed in the Articles of Association of the Company.

Note 23 - Commitments

Loan commitments have been concluded with investments accounted for using the equity method amounting to EUR 162 million (2015: EUR 141 million) of which EUR 125 million (2015: EUR 103 million) is drawn (reference is made to note 13).

Note 24 - 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 2016 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 1.8 billion (2015: EUR 2.2 billion).

Note 25 - Distribution of profit

Provisions of the articles of association on profit appropriation

Article 31

1. The Managing Board shall in respect of distributable profits make a proposal for distribution of dividend and the allocation to the general reserve. Such 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 in order to be added to the reserves or for such other purposes within the Company's objects 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 taken into account.
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 taken into account.
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

A final dividend of EUR 112 million for the year, bringing the total dividend for the year to EUR 255.3 million, is proposed for the general meeting of shareholders on 22 March 2017. The remainder of the net result 2016 amounting to EUR 170.2 million will be added to the general reserves (retained earnings).

Note 26 - Subsequent events

No material events occurred after 31 December 2016, that require disclosure in accordance with IFRS, nor events affecting the financial position of the Group as at 31 December 2016 or the result for the period ended 31 December 2016.

Almere, 22 March 2017

Managing Board
Tex Gunning, CEO and Chairman
Guus Stoelinga, CFRO
Marco van Kalleveen, COO
Daniëlle Pos
Yolanda Paulissen

Supervisory Board
Jos Streppel, Chairman
Steven van Schilfgaarde, Vice-Chairman
Manjit Dale
Stefan Orlowski
Herta von Stiegel
Ada van der Veer – Vergeer
Eric-Jan Vink

List of principal consolidated participating interests

Pursuant to Article 379, Part 9, Book 2, of the Dutch Civil Code a full list of Group companies and investments accounted for using the equity method complying with the relevant statutory requirements has been filed with the Chamber of Commerce of Gooi-, Eem- en Flevoland. Unless stated otherwise, the percentage interest is 100% or nearly 100%.

All holdings are in the ordinary share capital of the undertaking concerned and are unchanged from 2015. Reference is made to note 07 of the consolidated financial statements. In addition, Travelcard Nederland B.V. was sold in 2016 and is therefore no longer part of the list below.

Principal subsidiaries, which are fully included in the consolidated financial statements, are:
LeasePlan Australia Limited, Australia
LeasePlan Brasil Ltda., Brazil
LeasePlan Česká republika s.r.o., Czech Republic
LeasePlan Danmark A/S, Denmark
LeasePlan Deutschland GmbH, Germany
LeasePlan Finland Oy, Finland
LeasePlan Fleet Management N.V., Belgium
LeasePlan Fleet Management (Polská) Sp. z.o.o., Poland
LeasePlan Fleet Management Services Ireland Limited, Ireland
LeasePlan France S.A.S., France
LeasePlan Hellas S.A., Greece
LeasePlan Hungária Gépjárműpark Kezelö és Finanszírozó Zártkörű Részvénytársaság, Hungary
LeasePlan India Private Limited, India
LeasePlan Italia S.p.A., Italy
LeasePlan Luxembourg S.A., Luxembourg
LeasePlan México S.A. de C.V., Mexico
LeasePlan Nederland N.V., the Netherlands
LeasePlan New Zealand Limited, New Zealand
LeasePlan Norge A/S, Norway
LeasePlan Österreich Fuhrparkmanagement GmbH, Austria
LeasePlan Portugal Comércio e Aluguer de Automóveis e Equipamentos Unipessoal Lda., Portugal
LeasePlan Romania S.R.L., Romania
LeasePlan Rus LLC, Russia
LeasePlan (Schweiz) AG, Switzerland
LeasePlan Servicios S.A., Spain
LeasePlan Slovakia s.r.o., Slovakia
LeasePlan Sverige AB, Sweden
LeasePlan Otomotive Servis ve Ticaret A.Ş. Turkey
LeasePlan UK Limited, United Kingdom
LeasePlan USA, Inc., USA
Euro Insurances DAC, Ireland
LeasePlan Finance N.V., the Netherlands
LeasePlan Information Services Limited., Ireland
LeasePlan International B.V., the Netherlands
LeasePlan Supply Services AG, Switzerland
Mobility Mixx B.V., the Netherlands

Special purpose companies with no shareholding by the Group are:
Bumper France FCT, France
Bumper 7 (DE) S.A., Luxembourg
Bumper 6 (NL) Finance B.V., the Netherlands
Bumper NL B.V., the Netherlands

Principal investments accounted for using the equity method in the consolidated financial statements are:
LeasePlan Emirates Fleet Management – LeasePlan Emirates LLC, United Arab Emirates (49%)
Overlease S.r.L., Italy (51%)
PLease S.C.S., France (99.3%)
Flottenmanagement GmbH, Austria (49%)
Terberg Leasing B.V., the Netherlands (24%)

The net equity accounting treatment is based on whether the company has significant influence or joint control. In the situations where the Group has a majority shareholding in the companies listed above, these companies still qualify as jointly controlled entities as the Group has contractually agreed to sharing of control whereby the strategic and operating decisions relating to the company require the unanimous consent of the parties sharing control.

Pursuant to the provisions of Article 403 f, Part 9, Book 2, of the Dutch Civil Code, a declaration of joint and several liability with respect to the financial obligations of the majority of the participating interests in the Netherlands is filed. Such declaration is filed for the following participating interests.

AALH Participaties B.V.
Accident Management Services B.V.
Firenta B.V.
Lease Beheer N.V.
Lease Beheer Holding B.V.
Lease Beheer Vastgoed B.V.
LeasePlan Finance N.V.
LeasePlan International B.V.
LeasePlan Nederland N.V.
LPC Auto Lease B.V.
Mobility Mixx B.V.
Transport Plan B.V.

Independent auditor's report

KPMG

Independent auditor's report

To: the Annual General Meeting of Shareholders and the Supervisory Board of LeasePlan Corporation N.V.

Report on the accompanying financial statements 2016

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 2016, and of its result and its cash flows for 2016 in accordance with the International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and in accordance with the Part 9 of Book 2 of the Netherlands Civil Code;
- the accompanying company financial statements give a true and fair view of the financial position of LeasePlan Corporation N.V. as at 31 December 2016, and of its result for 2016 in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

What we have audited

We have audited the financial statements for the year 2016 of LeasePlan Corporation N.V., Amsterdam ('LeasePlan' or 'the Company') as set out on pages 65 to 201. The financial statements include the consolidated financial statements and the company financial statements.

The consolidated financial statements comprise:

1. the consolidated balance sheet as at 31 December 2016;
2. the following consolidated statements for 2016: the income statement, the statements of 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 parent company financial statements comprise:

1. the company balance sheet as at 31 December 2016;
2. the company income statement for 2016; and
3. the notes comprising a summary of the accounting policies and other explanatory information.

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.

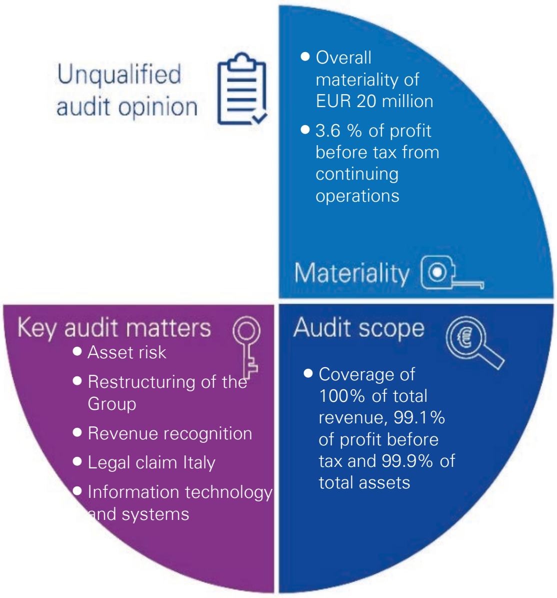
KPMG

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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audit approach

Summary



Materiality

Based on our professional judgment we determined the materiality for the financial statements as a whole at EUR 20 million. The materiality is determined with reference to the profit before tax from continuing operations (3.6 %). We consider profit before tax from continuing operations as the most appropriate benchmark based on our assessment of the general information needs of users of financial statements. We believe that profit before tax from continuing operations is a relevant metric for the assessment of the financial performance of LeasePlan. Given the relatively high balance sheet total and gross profit, we have not used these alternative benchmarks in determining materiality. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

We agreed with the Audit Committee of the Supervisory Board that misstatements identified during the audit in excess of EUR 1 million 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 Corporation N.V. is the head of an international group of entities engaged in fleet and vehicle management services, mainly through operating lease and is active in 32 countries. LeasePlan has a banking license in the Netherlands and operates a retail savings bank, LeasePlan Bank in the Netherlands and in Germany. LeasePlan is supervised by the Dutch Central Bank and the Authority Financial Markets.

The insurance activities of LeasePlan are centralised in its subsidiary Euro Insurances DAC in Ireland, supervised by the Irish Central Bank. LeasePlan is structured along the segments: Europe, the Rest of the World and Group activities, each comprising of multiple entities and operating in different jurisdictions.

Prior to accepting our appointment as auditors of LeasePlan effective 2016, we completed all the necessary steps to become fully independent of LeasePlan. For that purpose we for example ceased all existing tax and advisory engagements. After being appointed we developed a comprehensive plan to ensure an effective transition from the predecessor auditor. Our transition activities included, but were not limited to, obtaining an initial understanding of the company and its business, its strategy and business risks, the IT landscape and the financial reporting and internal controls framework. We assessed the opening balances and selection and consistent application of the accounting policies by discussing the audit with the predecessor auditor and reviewing their audit file. Furthermore, we attended closing meetings related to the 2015 audit. We also attended the Supervisory Board meeting on 7 March 2016 where the 2015 audit report and financial statements were discussed. The foregoing steps were undertaken to assist us in performing our risk assessment procedures and served as a basis for preparing our Audit Plan. We discussed and agreed our Audit Plan with the Audit Committee and the Managing Board of LeasePlan on 14 September 2016 and have provided status updates and key findings from our audit process on a quarterly basis.

We ensured that our audit teams both at group and at component levels have the required competencies and skills needed for the audit. We added specialists to our team in the area of leasing, banking, insurance, financial instruments, IT, regulatory, valuation, tax and employee benefits.

We organised global conference calls with all components before the start of the audit. On 17 and 18 November 2016, we hosted a global audit planning meeting for all partners and senior managers involved in the audit at group level and the significant components of the group. Purpose of this meeting was to discuss and agree our global audit risk assessment and our global audit approach. Both the head of internal audit and senior finance management of LeasePlan attended the meeting and provided an overview of evolving issues and reporting requirements. Furthermore, we have performed quarterly review engagements on the condensed consolidated interim financial information of LeasePlan which strengthened our understanding of the Group.

We performed a full scope audit of all significant components. In addition at the request of the Supervisory Board we also performed a full scope audit of the non-significant fully-owned components. This means that a full scope audit for consolidation purposes is performed for all countries, where the company is active. This resulted in a coverage of 100% of total revenues, 99.1% of profit before tax and 99.9% of total assets.
Group entities located in the Netherlands are audited by KPMG Accountants N.V. Group entities located abroad are audited by component auditors from KPMG Member firms. We issued detailed instructions to all component auditors, prescribing the scope of the work to be performed, covering significant areas including the relevant risks of material misstatement and reporting requirements to be reported to us.

Hard close audit procedures were performed on the November 2016 financial reporting packages for all group entities, followed by year-end audit procedures. All resulting reports of the component auditors have been assessed by the group engagement team and observations have been discussed with group management. We visited components in the Netherlands, Belgium, Italy, Ireland and the United Kingdom where we attended the year-end closing meetings and performed a review of the audit files. For other significant components we held conference calls, performed remote file reviews and/or held physical meetings with the auditors of components. At these visits, meetings and calls, the planning, risk assessment, procedures performed, findings and observations reported to the group auditor were discussed in more detail and any further work deemed necessary by the group audit team was then performed.

We have determined component materiality levels, which range from EUR 700 thousand to EUR 9 million, considering the size and financial statement risk profile of the LeasePlan entities and the aggregation risk.

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 head office in Almere, where central functions such as financial reporting & controlling, tax, risk management and strategic finance are located. The items audited directly 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 a prospective depreciation adjustment on the carrying value of the vehicles leased out under operating lease, provision of cars in stock, goodwill impairment testing, management investment plan, incurred but not reported credit risk provision and recoverability of deferred tax assets, provisions for tax exposures and corporate income tax for the Dutch fiscal unity.

We liaised with the group's internal audit department which performs on a rotational basis audits at corporate level and at LeasePlan entity level. Observations of the internal audit department are periodically discussed with us and their findings are shared with the component auditors.

By performing the procedures mentioned above at component level, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence on the group's financial information to provide an opinion on the 2016 financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of the most significance in our audit of the financial statements. We have communicated the key audit matters to the Audit Committee of 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.

Change of ownership and restructuring provision

Description

On 21 March 2016, LP Group B.V., which represents a consortium of investors (for details we refer to general note 1), acquired all the shares and took control over LeasePlan. A new leadership team was appointed who developed a new strategic plan - "Power of One LeasePlan" - for the coming years and embarked on a significant restructuring process. The evolving uncertainties and continuing heightened pressure on and incentives for management and staff to meet the latest requirements during a period of change increases the inherent risk of accounting errors and managing of the financial statements.

LeasePlan incurred restructuring expenses for an amount of EUR 93.6 million including restructuring provisions for employee related payments and obligations of EUR 44.7 million at year-end. Due to the significance to the financial statements as a whole, we consider the impact of the change of ownership on the control environment resulting in increased inherent risk of accounting errors and management bias as a key audit matter.

Also refer to note 2 and note 29 to the consolidated financial statements.

Our response

Our audit procedures included, amongst others, discussions with management to understand the strategic and organisational changes and the impact on the activities of LeasePlan. We assessed the consequences on the control environment and tested key financial reporting controls where appropriate. In performing our audit procedures we paid specific attention to the potential of management bias especially with respect to the recognition (cut-off) and measurement of assets and liabilities at year-end and instructed our component auditors accordingly.

The restructuring provisions mainly consist of provisions and contractual obligations for payments to redundant staff and to a lesser extent provisions for onerous contracts. We have tested the appropriateness of the recognition and measurement of these provisions.

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Change of ownership and restructuring provision

For example with respect to the provision for staff redundancies we obtained audit evidence that management had a formal restructuring plan in place and raised a valid expectation to those affected that it will carry out the plan. We have tested the valuation of the provision by performing detailed sample tests against individually agreed redundancy packages as well as obtaining evidence of subsequent confirmation of the actual agreements and/or payments made after year-end. We also assessed the adequacy of the disclosure in the notes to the consolidated financial statements.

Our observation

Overall we assess the risk of misstatement due to the ongoing organisational changes as sufficiently mitigated. In addition, we assessed that management determined the restructuring provisioning in a balanced manner and concur with the disclosure 2 in the financial statements.

Estimation uncertainty with respect to the valuation of residual values included in the vehicles leased out under operating lease contracts (Residual value risk)

Description

LeasePlan's portfolio of vehicles leased out under operating lease contracts amounts to EUR 15.8 billion as at 31 December 2016. These vehicles are measured at cost less straight-line depreciation over the expected lease term taking into consideration their estimated residual value. IAS 16, Property, Plant and Equipment, requires management to assess the residual value and the useful life of an asset at least each financial year-end. Changes should be accounted for as a change in accounting estimate thereby impacting prospective depreciation expenses and the valuation of the operating lease contracts.

LeasePlan's Asset Risk committee is responsible for determining policies and the risk appetite in the asset risk domain, while the Asset Risk Management department is responsible for the monitoring of the implementation of the policies and the actual performance of the LeasePlan entities against the asset risk appetite. On a quarterly basis all LeasePlan entities assess the estimated residual value exposures in the existing operating lease portfolios by comparing contracted residual values to the latest expectations of market prices, by means of a so-called 'fleet risk assessment-tool'.

Certain aspects of this assessment require significant judgement and expertise - such as technological developments- and certain assumptions are dependent on local markets - such as tax regulations - and/or macro-economic developments.

Due to the significance of the operating lease portfolio and the related estimation uncertainty and degree of judgement with respect to the estimated residual value, we consider the valuation of the vehicles leased out under operating leases a key audit matter.
For more information, reference is made to general note 3 E and H, note E of the financial risk management paragraph, specific note 19 to the consolidated financial statements.

Our response

Our audit approach included obtaining an understanding of the asset risk management framework as designed and implemented both at group and LeasePlan entity level.
In relation to the fleet risk assessment, we performed audit procedures both at group level and at LeasePlan entity level, which can be summarised as follows:

- At group level we tested the general IT and relevant controls of the fleet risk assessment system, analysed the main developments and trends in the fleet risk assessment.
- In addition we assessed that management actions and compensating elements as well as other risk bearing elements of the product (i.e. maintenance, tyre replacement and repair), are included in the exposure, but excluded from the assessment of additional depreciation charges at group level.

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Estimation uncertainty with respect to the valuation of residual values included in the vehicles leased out under operating lease contracts (Residual value risk)
• At LeasePlan entity level we reconciled the data used in the fleet risk assessments to underlying source systems and assessed the reasonableness of the valuation assumptions used as included in the fleet risk assessment system by comparing these on a sample basis to actual market information and local market developments. Furthermore we have tested the contracted residual values as included in the existing lease portfolio, by comparing these to recent actual sales results of terminated contracts. This procedure was performed to assess the appropriateness of the contractual values as a basis for the depreciation of the vehicles.
Our observation Overall we assess the assumptions used by management and related estimates resulted in a mildly cautious valuation of the vehicles leased out under operating leases and concur with the related disclosures in the financial statements.

Revenue recognition lease contracts
Description Lease Plan's core business is managing the cycle of a fleet of vehicles from purchasing to leasing and car remarketing. Within this framework 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 as revenue. 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 revenue 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, a portion of the positive result from the lease contract will be shared with the client. Consequently we assess the accounting of revenue and cost of revenue as complex and judgemental and have therefore addressed revenue recognition as key audit matter. For more information, reference is made to note 3 to the consolidated financial statements.
Our response Our audit approach included testing of internal controls around the various revenue streams as well as substantive audit procedures to ensure the correct recording of revenue from lease contracts. Our procedures focused on the adequacy and consistency of the accounting policies applied. In this respect we paid special attention to the accurate and complete recording of volume related bonuses around year-end (cut-off) and the revenue recognition over the term of the contract for closed calculation contracts in relation to repair, maintenance and tyre (RMT) services. We specifically challenged management estimates in relation to the estimated margins for RMT services both at group and LeasePlan entity level. We also tested on a sample basis the cut-off results and related accruals on terminated contracts for both open and closed calculation contracts with underlying criteria.

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Revenue recognition lease contracts
Our observation Overall we assessed that management determined the revenue recognition of service elements on lease contracts to be mildly cautious. In our reporting to the Managing and Supervisory Board we have shared our recommendations for further improvement in documentation and refinement in the periodic assessment of margins realised in relation to RMT services.

Estimation uncertainty related to litigation of LeasePlan Italy reported as contingent liability
Description The recognition and measurement of provisions and the measurement and disclosure of contingent liabilities in respect of litigation and claims (together 'legal matters') require significant judgement. In 2016, we paid special attention to the evolving litigation for LeasePlan Italy in respect of the possible infringement of the EU competition law by the biggest car leasing companies in Italy as disclosed in note 35 contingent liabilities of the financial statements. Due to the significance of this matter and the difficulty in assessing the recognition and/ or measurement of the amounts from any resulting obligation either as provision or as a contingent liability, we consider this a key audit matter.
Our response Based on the available facts and circumstances we considered management's assessment of the recognition and measurement of any obligations in respect of the Italian litigation. For that purpose we obtained and read the litigation documents, including lawyer's letters and interviewed Lease Plan's legal counsel. We also discussed the status of the legal case with the external Dutch and Italian lawyers and with local LeasePlan management. With these procedures we have challenged management's assessment that it is more likely than not that LeasePlan Italy will be fined for this matter as well as management's assessment that they are not able to make a reliable estimate of the resulting liability. We also assessed the disclosures on litigation provisions and contingent liabilities.
Our observation We assessed the accounting treatment of the litigation for LeasePlan Italy as a contingent liability and related disclosure in note 35 of the financial statements as appropriate.

Information technology and systems
Description The Group is vitally dependent on its IT-infrastructure for the reliability and continuity of its operations and financial reporting. In 2016 the Group has evaluated its current IT Landscape and IT Organisation with this so called "IT State of Affairs". The current application landscape is divers and complex. Centralisation benefits realised at LeasePlan Information Services are low and limited to infrastructure level and group applications. LeasePlan is in progress to roll out of various new IT systems and IT governance and processes to reduce complexity, and with the aim to increase the efficiency and effectiveness of the IT-infrastructure and the reliability and continuity of the IT processing. Due to the complexity of IT and the diverse landscape we have identified the effectiveness of IT management as part of the general IT controls as a key audit matter.
Our response The IT environment within LeasePlan is divided between LeasePlan Information Services (LPIS), LeasePlan Bank and local LeasePlan entities that manage and host relevant systems locally.

Information technology and systems
Because of the importance of the IT environment for the audit of the financial statements we performed a Shared Service Centre Audit at LPIS 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 2016 financial statements. We assessed and 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 examined the framework of governance over the Group's IT organisations and the IT general controls, access to programs and data, program changes and IT operations, including compensating controls where required.
Our observation We identified both centrally and locally exceptions with respect to user access and change management. The combination of the tests of controls and substantive tests performed however provided sufficient evidence to enable us to rely on the IT systems for the purpose of our audit. In our reporting to the Managing and Supervisory Board we provided recommendations for improvements to the IT controls.

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:

- the report of the Managing Board;
- other information pursuant to Part 9 of Book 2 of the Netherlands Civil Code;
- the Report on corporate governance; and
- the Report of the Supervisory Board.

Based on the below 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 Netherlands Civil Code.

We have read the other information. Based on our knowledge and understanding obtained during our audit of the financial statements or otherwise, we have considered whether the other information is materially misstated.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Netherlands Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of our procedures performed during our audit of the financial statements.

The Managing Board is responsible for the preparation of the other information, including the report of the Managing Board in accordance with Part 9 of Book 2 of the Netherlands Civil Code and other Information pursuant to Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the resolution at the Annual General Meeting of Shareholders as auditor of LeasePlan on 21 September 2015 for the audit of the financial statements for the year 2016.

Responsibilities for the financial statements

Responsibilities of the Managing Board and 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 in accordance with the Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, the Managing Board is responsible for such internal controls as they deem is necessary for 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 Group’s ability to continue as a going concern. Based on the financial reporting framework 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 Group 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 Group’s ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the Group’s financial reporting process.

Our responsibilities for the audit of financial statements

Our objective is to plan and perform the audit 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 have detected all material errors and fraud during the audit.
Misstatements can arise from fraud or error and are considered material if, individually or in 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.

For a further description of our responsibilities in respect of the audit, we refer to the appendix to our auditor’s report on the 2016 financial statements of LeasePlan Corporation N.V.

Amstelveen, 22 March 2017

KPMG Accountants N.V.

D. Korf RA

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Appendix to our auditor’s report on the 2016 financial statements of LeasePlan Corporation N.V.

In addition to what is included in our auditor’s report we have further set out in this appendix our responsibilities in respect of the audit of the 2016 financial statements.

We have exercised professional judgment and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control;
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Concluding on the appropriateness of management’s use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause a company to cease to continue as a going concern;
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements . We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

LeasePlan

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