Annual Report 2021

financial solutions partner

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Management **Report**

Chairman's **foreword**

2021 has been yet another significant year for DLL, as we navigated through a sometimes-challenging market environment and sought to provide continued support to the many valued partners and customers across our entire global network. After a difficult 2020, it was promising to see the first early signs of economic reawakening, but the long reach of COVID-19 could still be felt in many of our key markets. Towards the end of the year, the Omicron variant triggered a surge in new infections that had a dampening effect on reemergence efforts.

At DLL, we continue to place the health and safety of our workforce, customers and suppliers as our top priority, adhering to local health and safety guidelines in each of the markets where we operate. Yet these unprecedented and sometimes difficult times continue to place a significant burden on so many, including family members, friends, professional colleagues and customers. My thoughts remain with everyone who has been impacted by this pandemic, whether on a personal or professional level, and I send them wishes of continued strength as we strive to overcome these challenges.

For DLL, these moments of adversity have also helped us realize the strong and enabling role that we can play in making a positive difference for all our stakeholders. Consistent with our partnership approach, which has been a core value of DLL for more than 50 years, we have worked closely with our customers to find solutions that could help overcome obstacles and realize our mutual ambitions.

To that point, our global vendor finance business continued to grow in 2021, with new business volume of EUR 28.2 billion (2020: EUR 25.9 billion). This is an increase of more than 9.8 percent over the prior year when excluding currency movements. On a promising note, this result is also 5.2 percent above our pre-pandemic new business volumes in 2019 (2019: EUR 26.8 billion). This strong commercial performance was realized despite supply chain disruptions and the emergence of product shortages in certain industry sectors, which could potentially delay the ability of our partners to close business.

At the same time, our portfolio grew to EUR 37.4 billion (2020: EUR 34.9 billion). Excluding currency movements, growth was an impressive 3 percent. We also continued to diversify our funding base and liquidity risks by completing three securitization transactions in the U.S. market that totaled more than USD 3.0 billion, making DLL the largest equipment Asset Backed Securities (ABS) issuer in the U.S. in 2021. These offerings created significant investor interest, reflecting the strong financial performance that our business model continues to deliver.

DLL entered the 2021 business year with the intention of resuming the positive trajectory of growth and financial performance that was disrupted by COVID-19. To that end, our full-year results demonstrate that we were successful in realizing this ambition. DLL recorded net profit of EUR 586 million (2020: EUR 180 million), an increase of 226 percent from the prior year. This exceptional result was significantly impacted by positive movement in our risk costs, as macroeconomic conditions improved and allowed DLL to reverse earlier recognized loan loss provision as expected credit losses did not materialize. The underlying financial performance of the portfolio also continued to trend positively, with net income totaling EUR 1.545 billion (2020: EUR 1.497 billion), which represented 3 percent growth over the prior year when adjusted for currency movements.

These positive financial results were further validated by the overwhelmingly positive feedback of our primary customers – the manufacturers, dealers and distributors who partner with DLL. More than 6,000 partner contacts responded to our relationship surveys in 2021 and provided us with invaluable feedback and insights. Our composite Global Net Promoter Score (NPS®)*, which reflects our activities in vendor finance, commercial (inventory) finance and our joint venture with AGCO, improved for the third consecutive year to +53 (2020: +48).

Of equal importance was the positive feedback we received from our global workforce. In 2021, we conducted a Global Employee Engagement Survey, which was sent to more than 5,000 employees worldwide and had a strong 74 percent response rate. On the question "How likely are you to recommend DLL as a top place to work to others?" (Scale of 0 – "not likely at all" to 10 – "very likely"), the average score was 8.1 (2020: 8.5).

Although we saw some softening in this score, as it returned to a level recorded in pre-pandemic 2019, it was still a strong result, placing DLL on par with other high-performing organizations. Most telling was the feedback we received from our workforce on what they considered to be the most favorable aspects of working for DLL:

- 93 percent agreed with the statement, "I have flexibility regarding the work location and schedule that I need."
- 87 percent agreed with the statement, "My manager supports my efforts to balance by work and personal life."
- 86 percent agreed with the statement, "DLL has a great corporate culture."

Although very proud of these results, we are not slowing our efforts to further improve our workplace experience and remain committed to ensuring that DLL is a global employer of choice. This aspiration is evident in our efforts to realize Great Place to Work® certification across our global office network. To date, 16 DLL office locations, more than 45 percent of our network, have earned this prestigious certification, with our people and culture regularly cited as special and differentiating factors for DLL.

Shining a spotlight on "Sustainable Growth"

I also want to take a moment to touch on the theme for this year's Annual Report, Sustainable Growth. When most people hear the word "sustainability," their mind immediately leaps to environmental issues such as climate change and energy transition. And while those are very relevant and important strategic priorities for DLL, we also use a much broader definition of the word… one that applies to all aspects of our business.

At its core, the concept of sustainability is how systems remain diverse and productive so that they not only endure over time but also prosper. The spirit of that definition can be found throughout DLL.

* Net Promoter, Net Promoter System, Net Promoter Score, NPS and the NPS-related emoticons are registered trademarks of Bain & Company, Inc., Fred Reichheld and Satmetrix Systems, Inc.

It is evident in our approach to the relationships we have with our manufacturer partners as well as their distribution agents and customers, where we seek mutually beneficial and long-term collaborations. It can be seen in the development of our portfolio, where we take steps to ensure an appropriate balance of both risk and reward, that provides stable and predictable returns over time.

It can also be found in our effort to create forward-looking changes to our business model via an ambitious digital transformation program and our continued investments in developing a highly skilled and adaptive global workforce. And of course, the concept can be found in the positive impact that we want to make in the wider environment and the communities where we operate.

You can find more details in this report on how DLL is further embracing these concepts with our customers and workforce. I hope you take a moment to review these brief contributions from our team and feel the inspiration and energy that is fueling some truly transformative changes at DLL!

Homecoming

In closing, I want to note my own very special homecoming and return to DLL, a company that I first joined in 1990 and where I spent the majority of my most formative professional years, including assignments across Europe and in North America. I left this exceptional company in 2018 to take on a leadership role with another Rabobank Group subsidiary, but my heart and mind never strayed too far from DLL. It is with great pride that I assume this new professional challenge, steering the company on a renewed trajectory of growth, transformation, innovation and success.

Even better, I am not on this journey alone, but accompanied by more than 5,000 talented, intelligent and passionate members of the DLL family! I am very proud of the hard work and dedication exhibited by our global workforce in supporting our customers, and the efforts they continue to make to ensure that both DLL and our customers are positioned for continued success in 2022 and beyond.

Carlo van Kemenade
Chief Executive Officer and Chairman of the Executive Board

A message from our CEO and Chairman regarding Russia-Ukraine

At the time of this Annual Report's publication, we were shocked and saddened to witness the events occurring in Ukraine and the humanitarian crisis that has followed.
Our hearts and thoughts remain with the people of Ukraine and with our DLL colleagues and customers who have close family and friends living in the region who are impacted by this horrific situation.

Like many other companies, DLL has an office and staff located in Russia, albeit a relatively small operation that is less than 1 percent of our total global portfolio. In March 2022, DLL made the decision to permanently cease all new business activities in Russia and shift our focus to the run-down of our local business. We will continue to implement all required sanctions and are ready to process other measures as they are announced.

We are also closely monitoring the increasing number of cyber-attacks that are occurring in many countries around the world. To date, we are not aware of any specific attacks on DLL systems. However, we continue to raise awareness with all members of our workforce, asking them to remain extra vigilant and understand their key role in identifying and protecting DLL from potential external security threats.

Further, in an effort to provide aid to this humanitarian crisis, DLL has made a donation to The Netherlands Red Cross to support their relief efforts for anyone located in war-torn parts of the country, as well as those who have fled to nearby countries and are now considered refugees. We have also encouraged the members of our global workforce to volunteer and have been touched by the efforts of many employees across our global network who have dedicated their time to provide support to the refugees arriving in their countries. (Of note, DLL provides each employee with the opportunity to take 2 days each year – with pay – to contribute their time to volunteering activities of their choice.)

Who we are

DLL is a global asset finance company for equipment and technology assets and is operating in more than 30 countries worldwide. In the Netherlands, we have a banking license, which is passported to several other European Union (EU) countries and DLL is under regulatory supervision by the Dutch Central Bank and European Central Bank. Founded in 1969 and headquartered in Eindhoven, the Netherlands, DLL provides specialized asset-based financial solutions in nine distinct industry verticals:

- Agriculture
- Food
- Healthcare
- Clean technology
- Construction
- Transportation
- Industrial equipment
- Office equipment
- Technology

Assets refer to the products supplied by our customers (manufacturers, distributors, dealers and resellers) to their customers (the end-users).

We partner with equipment manufacturers, dealers and distributors, as well as end-customers on a direct basis to enable businesses to more easily access equipment, technology and software. DLL also delivers insights and advice to partners and customers that drive smarter and more economical methods of use.

For over 50 years, our customers have benefited from DLL's expertise in the industries we serve and our commitment to evolving with them in times of both prosperity and adversity.

DLL delivers specialized knowledge and expertise to each of these nine industry verticals through our global business units (GBUs) that set the commercial strategy and handle all aspects of relationship and program management on a global scale. In addition to GBUs that focus on each major industry sector, we also consider our long-standing joint venture with AGCO Corporation ("AGCO Finance") as a GBU. This designation is based on the overall size and scope of the relationship, which dates back to 1990. AGCO Finance has a portfolio of EUR 9.6 billion as of the close of 2021 and is active in more than 20 countries.

DLL also manages its commercial (inventory) finance activities as a GBU, given its strategic importance and the integral role it plays in the distribution channels of our various vendor partners.

We have the following defined GBUs within DLL:

- Construction, Transportation and Industrial (CT&I)
- Food and Agriculture (F&A)
- Healthcare and Clean Technology (HC-CT)
- Technology Solutions (TS)
- Office Equipment (OE)
- AGCO Finance (AGCO)
- Commercial Finance (CF)
- Advanced Solutions (AS)

Across these GBUs and throughout the company, our team combines customer focus with deep industry knowledge to deliver sustainable solutions for the complete asset life cycle, including the previously noted commercial (inventory) finance, as well as retail finance and used equipment finance. We believe that DLL is one of the few companies capable of providing true "end-to-end" support for a vendor partner, helping them closely manage their installed base of assets, retain customers and identify upgrade and trade-in opportunities.

Our vision

DLL believes in partnering with its customers to develop innovative and sustainable financial solutions that deliver meaningful value to the world.

We do this by:

Agriculture & food

We contribute to feeding the world by making mechanization and technology more attainable to the agricultural and food processing sectors to enhance productivity.

Construction, transportation & industrial

We connect communities to schools and hospitals by providing equipment to help modernize infrastructure and public services. We also support the manufacturing and industrial sectors, enabling the efficient and timely flow of products from factory to storefront.

Technology

We bring people together by delivering technologies that help connect and educate the world, improving communication and enhancing collaboration.

Office equipment

We enable the real economy by providing businesses with the tools they need to communicate and share ideas, increasing their overall productivity.

Clean technology

We help the environment by enabling the use of alternative energy sources, energy-efficient lighting and waste management solutions that support a more sustainable future.

Healthcare

We improve longevity and well-being by increasing availability and access to medical devices and services that improve medical outcomes and care for the world's population.

Mission

"Partnering for a better world" starts with creating amazing customer experiences that enable businesses to easily access equipment and technology, and then we deliver insights and advice that drive smarter methods of use.

Our Executive Board

The DLL Executive Board continues to have joint responsibility for delivering sound and balanced long-term and short-term strategies to meet the needs of all DLL stakeholders, including customers, shareholders, employees, regulators and the communities in which the company operates.

Bill Stephenson, Chief Executive Officer (CEO) and Chairman of the Executive Board, retired from DLL effective December 31, 2021. He did so after a 35-year journey with DLL and its predecessor companies in the USA.

Carlo van Kemenade

Chief Executive Officer (CEO) and Chairman of the Executive Board

Carlo van Kemenade was appointed Chief Executive Officer and Chairman of the Executive Board of DLL in February 2022. He is responsible for implementing the company's strategic plans, which enable DLL to deliver integral financial solutions to manufacturers and distribution partners in more than 30 countries around the world.

In addition to his role as Chairman of the Executive Board, Van Kemenade has the following portfolio of responsibilities:
- Human Resources
- Communications & Corporate Secretary
- Internal Audit
- Compliance
- Group Strategy
- Sustainability
- Innovation

Tom Meredith

Chief Commercial Officer (CCO)

Tom Meredith was appointed Chief Commercial Officer and a member of the Executive Board of DLL in January 2017. He is responsible for the company's commercial strategy and global business activities in our nine industry verticals.

Meredith has the following portfolio of responsibilities within DLL:
- Management of DLL's GBUs
- Global Marketing
- Commercial Strategic Initiatives
- Digital Transformation
- Asset Management

He also currently serves as Chairman of the Managing Board of Mahindra Finance USA LLC.

Marc Dierckx

Chief Financial Officer (CFO)

As DLL's Chief Financial Officer and member of the Executive Board appointed in January 2017, Dierckx is responsible for the company's financial, treasury and performance management functions. In the period between Bill Stephenson's retirement on December 31, 2021, and the start of Carlo van Kemenade as the new CEO, effective February 14, 2022, Marc Dierckx served as the acting CEO and Chairman of the Executive Board alongside his current responsibilities as CFO for DLL.

Dierckx has the following portfolio of responsibilities within DLL:
- Finance
- Control
- Data Management
- Procurement
- Treasury
- Tax

Currently Dierckx is also Chairman of the Supervisory Board of Cargobull Finance Holding B.V. and a Member of the AGCO Finance Global Board.

Mike Janse

Chief Operating Officer (COO)

Mike Janse was appointed Chief Operating Officer and member of the Executive Board of DLL in May 2018. In this capacity, he is responsible for the company's country organizations.

Janse has the following portfolio of responsibilities within DLL:
- Regional/Country Management of DLL's global network
- Global Operational Excellence
- IT

He is also a member of the AGCO Finance Global Board.

Yke Hoefsmit

Chief Risk Officer (CRO)

Yke Hoefsmit was appointed Chief Risk Officer and member of the Executive Board of DLL on February 26, 2021. In this capacity, she is responsible for the company's global Risk organization.

Hoefsmit has the following portfolio of responsibilities within DLL:
- Credit Risk
- Asset Risk
- Collections & Recovery
- Integrated Risk Management
- Risk Analytics
- Legal
- Supervisory Relations/Regulatory Adherence

From left to right
Marc Dierckx, Mike Janse, Yke Hoefsmit, Tom Meredith, Carlo van Kemenade

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Historic overview

1969

De Lage Landen was founded in the south of the Netherlands.

1972

As a result of the merger between Raiffeisenbank and Boerenleenbank, the new Rabobank was established.

1979

De Lage Landen celebrated its 10-year anniversary.

1980

Development of the Operational Lease emerged as an investment incentive via the Dutch government. The first operational leases were in the form of car leasing.

Car leasing was introduced in cooperation with Lease Plan Nederland. **1982**

1982

New numerical credit-scoring system was implemented resulting in low level of arrears and a sound balance between income and expenditures, good information and selective credit scoring system contributing to effective credit assessments.

1985

In January 1985, De Lage Landen Translease was created, specializing in operational leasing of cars.

Belgium **1987**

Germany **1988**

U.K. **1989**

A new corporate identity was launched with De Lage Landen blue. **1989**

First Operational Lease Contract for Real Estate was finalized.

1990

France **1990**

Italy **1991**

Ireland **1992**

Spain **1995**

Service Lease was introduced for commercial vehicles sold in collaboration with Rabobank.

1995

Plans for acquisition of Agricredit Acceptance Corporation (AAC) became a joint venture between AGCO and De Lage Landen in North America. **1996**

Poland **1996**

Switzerland, Finland, Sweden **1997**

A new logo was launched: De Lage Landen, Partners in Finance. **1997**

The joint venture Agricredit do Brasil was formed. **1998**

Brasil & U.S. **1998**

Denmark **1999**

Tokai Financial Services was acquired by De Lage Landen FS, opening indirect sales channels throughout the U.S.

1999

A joint venture was established with Schmitz Cargobull AG. **2000**

Canada **2000**

Austria **2001**

A joint venture was established with Philips Medical Capital in the U.S. **2002**

Mexico, Australia, New Zealand **2002**

Singapore **2003**

2004

Telia | FINANCE

De Lage Landen acquired Telia Finance Sweden.

Norway **2004**

South Korea **2005**

De Lage Landen acquired Athlon Car lease, an international car leasing company. **2006**

China*, Argentina, Russia **2006**

Freo was launched for online consumer finance in the Netherlands. **2007**

2008

The first E-Docs digital signature transaction was booked.

Hungary, Portugal **2008**

With the introduction of Leaseloket.nl, online leasing became available in the Netherlands. **2010**

Mahindra Finance USA became a joint venture between De Lage Landen and Mahindra & Mahindra Financial Services Ltd., with front offices in Houston, Texas, and back offices in Des Moines, Iowa. **2011**

Chile, Turkey **2012**

India* **2013**

DLL began Micro Leasing projects in Rwanda and Kenya.

2014

The new DLL brand was launched. **2014**

DLL sold mobility entity Athlon to Daimler AG. **2016**

DLL transferred the Dutch Financial Solutions business line to Rabobank. **2017**

DLL celebrated its 50th anniversary on May 29

2019

2020

DLL workforce began working from home due to COVID-19 pandemic

< Expansions to countries

* DLL is in the process of leaving this country

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Facts & figures 2021

New business **Volume***

28.2
EUR billions

* excluding currency impact

Member Engagement Score

8.1

on scale of 1 to 10

Lease and **loan portfolio***

36.6
EUR billions

* excluding currency impact

Volunteering in 2021

34%

Unique member participation rate
(= 1,630 unique members)

Initiatives
11,970 hours

Employees

5,375

> 40 nationalities

Total **net income**

1,545
EUR millions

+3.2%

Net profit for 2021

586
EUR millions

+226%

Key figures

In millions of euros	2021	2020
Financial position and solvency on December 31		
Total assets	41,588	38,625
Total equity	4,054	4,180
Non-controlling interest	498	472
Common Equity Tier 1 Capital (CET1)	2,990	3,552
Risk-weighted assets	20,101	19,784
CET1 ratio	14.9%	18.0%
Profit and loss account		
Total net income	1,545	1,497
Total operating expenses	(843)	(776)
Credit losses and other impairments	83	(479)
Profit before tax	785	242
Profit for the year	586	180
Portfolio *(in billions of euros)*		
Total portfolio	37.4	34.9
Employee data		
Number of full-time employees (FTEs) average	5,375	5,294

The **Great Place To Work®** certification to DLL offices in **16 countries**

Net Promoter Score

(NPS® recommendations)

+53

What we do

Vendor finance has been DLL's core business for more than five decades and the foundation on which the company was built. Vendor finance is a highly specialized business model that delivers significant value to our vendor partners in manufacturing; their distribution agents, whether dealer, distributor or reseller; and of course, their customers, the ultimate end-users of the equipment.

DLL delivers a strong and unique service to our vendor partners, which enables them to offer highly specialized and smart financing solutions to their customers. This facilitates the sales of the equipment and other ancillary products and services and helps them grow their market share and margins while developing new business models.

Our products become an integral part of the overall sales process and operation of our vendor partners. Such integration requires a true partnership focus that, in many instances, results in DLL being entrusted with not only our vendors' business and their customers, but also their name and brand. In that respect, DLL offers a variety of private-label programs and co-branded programs that allow our vendors to offer their customers a seamless one-stop shopping experience for equipment, maintenance, parts service and finance, all leveraging the value of their brand.

Vendor finance

Vendor finance provides asset-based financing programs to manufacturers, distributors, dealers and resellers at their respective points of sale. Our vendor partners are constantly working to develop the most competitive and impactful propositions for their customers. To help them achieve their goals, we offer "end-to-end" financial solutions covering the full technical life cycle of their equipment. Our solutions are applicable to both new and pre-owned assets. These can be customized to better conform with and support vendor partners' sales objectives, processes and distribution channels.

When it comes to developing equipment finance options for their end-user customers, manufacturers have several options. Some large manufacturers decide to establish their own finance capability in-house, so that they can integrate their financial products with their sales delivery. Although there can be benefits to this type of approach (traditionally known as a "captive finance" program), it is not without its challenges. Firstly, it requires the manufacturer to make significant investments to build the required infrastructure. Secondly, because it is not typically a core competency of the manufacturer, they must also hire additional resources and subject matter experts. In many cases, they must leverage their own balance sheet to finance their portfolio of leased equipment assets.

As a result, many manufacturers choose an alternative route of selecting a partner who can provide "captive-like" financial solutions on a third-party basis. This type of business is typically referred to as vendor finance and is at the heart of DLL's successful business model. The form of cooperation between the vendor partner and DLL can range from formal joint ventures, where a separate legal entity is established to provide finance programs with both the manufacturer and DLL holding an ownership stake, to private-label equipment finance programs offered by DLL using the name of the manufacturer toward end-users.

Another variation is "quasi private-label" or "co-branded" programs that leverage the name and brand of the manufacturer but also make clear that the finance program is being offered and administered through a third-party company such as DLL.

By partnering with DLL, our vendor partners, whether manufacturers, dealers, distributors or resellers, can focus on their core business of producing and/or selling and servicing their products and leave the financing programs, including administration, to an expert. They can put all their effort into optimizing their equipment sales and driving customer adoption of related services and further enhancing the relationship that the vendor partner will have with their customer.

Examples of such services are maintenance, parts and supplies, insurance and warranty. We can help our vendor partners by bundling these services in the related financing packages. We can also provide financing for software licenses and other technology solutions. Through this, the end-user customer gets access to a wider variety of value-added services and options, as well as gaining a clearer understanding of the total cost of use for the equipment. Through our multiyear lease and finance agreements, our vendor partners can engage with their customers for longer periods, thereby increasing customer retention.

There is more to vendor finance solutions than simply providing capital and financial terms to customers seeking equipment from our vendor partners. We go beyond the commoditized administrative services of credit underwriting, billing and collection to create long-term, sustainable, mutually beneficial engagement with all the manufacturers, dealers, distributors and resellers that we support. We seek to become an integral part of the vendor partner's overall business strategy and financial plans. It is not about simply supporting the first sale, but about managing a multiyear relationship and developing a strategy that will help the vendor partner achieve their goals over the long term in an efficient and sustainable way.

As a result, some of our most successful relationships have rich histories, many lasting more than 30 years. These long-term success stories are the best testament to the true value of vendor finance.

Value of vendor finance

There are many benefits available to our vendor partners and their end-user customers:

For the vendor partner

- **Lead generation**: attract and close sales with new prospects and retain existing customers with targeted promotions, repeat business and special financing offers.
- **Increased sales**: low-cost monthly or quarterly payment quotations can minimize focus on up-front sales value and encourage customers to also acquire additional options and services.
- **Preserved margins**: minimize negotiations and price-cutting by focusing on affordable monthly or quarterly payments for end-users rather than the up-front sales value of the equipment.
- **Balance sheet management/capital conservation**: by using inventory finance and floor-planning solutions from DLL, manufacturers can place more units into dealer inventory (without carrying the credit risk themselves). Furthermore, dealers can secure products without having to tie up their own critical cash and bank lines.
- **Increased overall lifetime value**: most maintenance and service plans are sold on an annual basis and require both effort and cost to renew each year. By bundling these plans in a multiyear leasing offer, they can be locked in for the full duration of a lease or finance contract (on average three to five years or longer).
- **Customer retention**: multiyear lease agreements lock in customers for longer periods. At or near the end of the initial lease term, and with help from DLL, the vendor partner can offer its customers attractive lease upgrade options, raising the potential to sell the next generation of technology to their customer.
- **Installed base management**: better understand how the equipment is being used and performs and identify the optimal moments for preventive maintenance and when to proactively offer the customer new technology that will raise productivity and/or limit costs.
- **Secondary market control**: off-lease equipment can be targeted for remanufacturing or refurbishment, so that it can be sold again, extending the life of the product and building new revenue streams.

For end-user customers

- **Capital conservation**: by using leasing/financing solutions, customers can preserve their working capital for more profitable deployment in other parts of their business.
- **Little impact to bank/credit lines**: by leasing through a third-party program, the customer can normally avoid tying up valuable and sometimes limited bank lines.
- **Easy budgeting**: leasing and financing programs are typically offered on a fixed-rate basis, delivering predictable periodic payments that a customer can easily budget for and increasing overall visibility toward usage costs.
- **Reduced risk of obsolescence**: by leasing equipment rather than buying outright, the customer can always guard against the equipment becoming outdated and exercise options to upgrade to the newest technologies.
- **Equipment disposal**: retiring old equipment can be a costly and difficult process for customers, particularly when environmental rules and other regulations come into play. With many leasing programs, the customer normally has the option to return the equipment at the end of the contract period, leaving proper disposal or recycling in the hands of the vendor partner and/or financing company.
- **Little impact on ratios**: since some of our products enable off-balance-sheet financing, financial ratios of our end-users are not impacted.

It has always been DLL's company priority to create an amazing experience for its customers and ensure that its product and service offerings continue to be aligned with customer needs and market developments. Today, the market is evolving rapidly. Businesses want the flexibility to pay for their equipment and technology as they use it, rather than owning the assets outright.

DLL's Advanced Solutions global business unit was established in 2019 to lead DLL's innovative approach around usage-based consumption products (sometimes referred to as Pay-Per-Use or "PPU"), and is also focused on further expanding our customer-direct business models.

Distribution channels vendor finance

We offer multiple products and services to give our vendor partners the necessary solutions for each segment of their distribution channels and facilitate sales to their end-user customers. Vendor finance serves the following distribution channels:

- **Direct distribution**: the manufacturer sells directly through its own sales force to an end-user.
- **Indirect distribution**: the manufacturer accesses a network of authorized dealers and distributors to sell its products to the end-users.
- **Independent distribution**: dealers act as stand-alone entities offering (in many cases) multiple brands of products and services, requiring financial solutions to support sales to the end-user customers.

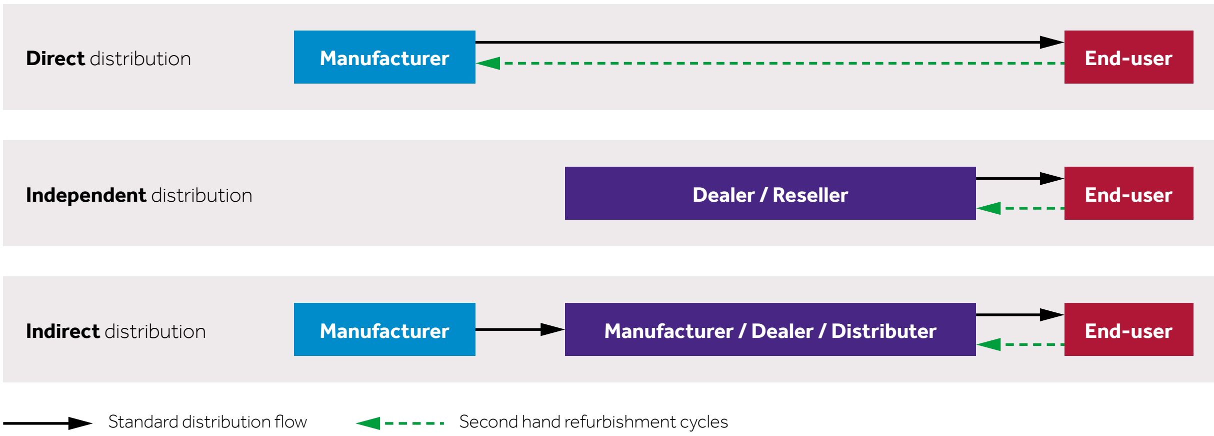
Whatever approach our vendor partners choose, DLL can support a variety of different distribution models aimed at making our vendor partners more competitive and effective in their markets.

We are one of the few companies able to provide true end-to-end support for a vendor partner across their entire value chain, starting with our commercial (inventory) finance products that help manufacturers get more units of equipment out of the production factory and into the sales inventory, lots and showrooms of their distribution partners.

Once an asset is available for sale, DLL provides a full array of retail finance solutions that help the vendor partner get the equipment into the hands of their end-user customers as quickly and efficiently as possible. The product support that DLL provides to its vendor partners does not end there. We continue to provide the vendor partner with reports and tools that enhance their visibility and understanding of their entire installed base of leased assets. We also give them consultative support at the right time for upgrades and trade-ins and so on. Upon end of lease, customers will have various options, which include extending, acquiring or returning the asset. When a product does come off-lease and is returned, DLL will work with the vendor to develop refurbishing and remarketing programs, used equipment sales programs or other environmentally friendly disposition methods.

Using this approach, we have developed a powerful business model whereby DLL not only supports the strategic objectives of its vendor partners, but also has the potential to generate income on a single asset at three distinct points in its life cycle: inventory finance, retail finance and used equipment sale or finance. This is a significant contributor to our financial performance and success.

Vendor finance distribution channels



Primary solutions
To service the full distribution channel(s) of our vendor partners, DLL provides solutions that create value and support their growth ambitions. Our solutions include:

- **Commercial finance**: comprises a suite of asset-based financing solutions that support both manufacturers and their distribution partners. Our commercial finance products enable dealers and resellers to maintain healthy inventory levels without tying up critical cash and bank lines. This, in turn, helps manufacturers place more units into dealer inventory, with the bonus of not having to carry the credit risk on their balance sheets.

- **Retail finance**: spans a variety of products including loans, financial leases, fair market value leases and pay-per-use agreements. All these products are designed for use at the point of sale, enhancing our partners' ability to place equipment with their end-user customers. In turn, these products allow end-user customers to easily acquire and use the equipment they need to operate their businesses. The prevalence of one financial product type over another can vary across the industries and geographies within which DLL operates, depending on the established local practices and preferences of the end-user customers. Retail finance represents the majority of DLL's portfolio.

- **Used equipment finance**: DLL offers many of the same financial products for used, refurbished and remanufactured assets as we do for new equipment. By providing financing for equipment that is returned when lease contracts expire, we can support manufacturers and dealers wishing to remarket their used equipment to end-users. This ensures the sustainable reuse of equipment and creates second- and third-life revenue streams.

These financing models enable us to construct unique, highly relevant and added-value propositions for our vendor partners and their end-user customers. They also address the increasing market demands for convenience, flexibility and one-stop-shopping. As such, we expect a positive long-term outlook in the vendor finance market and have confidence in its ability to generate sustainable growth and long-term profitability.

Our value **proposition**

DLL's value proposition consists of five distinct competencies: partnership; industry specialization; asset and risk management expertise; global capabilities and footprint; and people and culture. These competencies set DLL apart from our competition and enable us to deliver an amazing customer experience and provide the solutions that our vendor partners need to support and boost their business. We will continue to build our business and strategy on this strong foundation.

Our partnership focus

We only enter partnerships when we know that we can offer sustainable win-win solutions for both our vendor partner and DLL. Overall, success for us is linked to our ability to build long-term relationships with our vendor partners based on shared goals. We support our vendor partners through the complete economic cycle, as well as other issues and events that influence their specific equipment markets.

We seek to become an integral part of our vendor partners' overall business strategy and financial plans. It is not about simply supporting the first sale, but also about managing a long-term relationship and developing a strategy that will help the vendor partner grow their market share and profitability in an efficient and sustainable way.

As part of our value proposition, we provide a variety of services and programs to support our vendor partners, from prospecting and targeting the right customers to time and territory management for their sales teams, so they can improve their sales effectiveness. We even help them develop tactics for retaining and developing their top performers.

These consultative services help make DLL indispensable to the vendor partner's long-term success and act as a key differentiating factor that protects our relationships from competitive overtures.

Our unwavering focus on the success of our partners was further validated by the continued positive feedback that we received in our annual Global Partner Loyalty Survey. Our composite Global Net Promoter Score (NPS®)*, which reflects our activities in vendor finance, commercial (inventory) finance and our joint venture with AGCO, was an exceptionally strong +53, which was an improvement from last year (2020: +48). This was the third consecutive year that DLL has maintained or improved on this important measure of customer loyalty. Our partners also continue to cite our partnership focus and the behavior, knowledge and skills of our people as some of the main reasons they do business with DLL.

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Our industry specialization

We are very proud of the in-depth knowledge we have acquired in each of our equipment markets. This knowledge has been built on decades of accumulated experience, and we truly have a keen awareness of the markets in which our vendor partners operate. Only when you truly understand your partners and their markets it is possible to optimize sales and create differentiated solutions. We are a dedicated vendor finance company with a clear focus on a select number of industries: Agriculture, Food, Healthcare, Clean technology, Construction, Transportation, Industrial equipment, Office equipment, and Technology. So, whether our vendor partners are manufacturing and selling milking robots for a dairy farm or MRI scanners for deployment at a diagnostic imaging center, we speak a language they understand.

Over the years, we have sought to develop a high degree of expertise in these markets, acquiring an understanding of the distribution process, the sales process and the equipment itself. In many cases, we have recruited salespeople from the "hardware side" who had successful careers selling the equipment or managing a team of salespeople for a vendor partner. This gives them instant credibility with DLL's clients and allows them to "talk shop," framing our financial offerings in the right business context in a way that the vendor partner can easily understand.

When successfully implemented, this integrated selling approach creates significant value for both the vendor partner and DLL. It truly is win-win. The vendor partner has a team of well-trained, highly effective salespeople who generate more revenue and profits by offering leasing and other financial products.

Our asset and risk management expertise

With our focus on the business of asset-based financial solutions, we have the knowledge and experience to create new value for our vendor partners and can turn potential risks into healthy, sustainable rewards. We use our asset management expertise and understanding of the assets to make advanced risk decisions, generating a higher level of added value for our vendor partners and their customers.

Our efforts to understand the equipment we finance, to understand the application of the equipment in a normal business or production environment and finally, to understand the secondary markets for that equipment have played a significant role in differentiating DLL from many of our competitors. This also allows us to create a higher level of added value and generate positive returns by successfully managing asset risks, future end-of-lease income, commercial (inventory) finance offerings, asset insurance products and more.

Our credit underwriting capabilities provide a great example of this. We do not rely solely on a basic review of the end-user customer's balance sheet and income statement. Rather, we have expanded our capabilities to include behavioral underwriting, which involves looking more deeply into elements such as asset utilization and essential use to truly understand whether a piece of equipment is mission critical to keeping an end-user customer and their business afloat. We believe this layered and nuanced approach has allowed us to sometimes delve more deeply into the market and support our vendor partners (and their customers) when other sources would not provide capital.

Thanks to our digital transformation, we are achieving high automated decision rates and faster credit decisions, which are primary selling points in many of our key markets. By combining advanced monitoring tools and predictive risk models with the strong experience and knowledge of our Risk team, DLL has been able to continue improving the experience for our vendor partners and their end-user customers.

Our global capabilities and footprint

DLL has been recognized by our vendors as a global vendor finance company with capabilities of delivering a consistent service and experience in over 30 countries across the globe. By combining our global footprint with experienced local teams, we provide a consistent service across the globe.

We support our core vendor partners in both their mature markets as well as their emerging growth markets. Our ability to deliver global solutions has helped us successfully establish new partnerships with leading manufacturers, expand our business into new markets and shield our existing partnerships from competitive overtures. Going forward, we continue to evaluate the midterm needs of our vendor partners as a significant factor when considering expansion into new markets.

Our Global Account Management approach provides our vendor partners with a single point of contact that helps manage their portfolio and global business activity. We follow this up with regular business reviews and strategic planning sessions to ensure that we are steering the business in a responsible and sustainable way. Our vendor partners have consistently told us that they regard this as a strength. It makes them feel they are dealing with "one company," even though they may be working with DLL in multiple countries.

Although we strive for standardization where possible, we also subscribe to the view of "think global, act local," not only ensuring that the standard principles of the program are delivered to each country, but also providing ample scope for adjustments to accommodate local market practices and culture.

We have a healthy spread of business activity across several regions, countries and industrial sectors, which provides an additional layer of resilience to our business model. This has played a significant role in how DLL has performed over the past decade.

Our people

Our members continue to be our most important asset and one of the unique elements that set DLL apart from our competition. We have a high-quality and engaged member base, who consistently deliver our value proposition to our customers. This is a message that we hear in the surveys and focus groups that we periodically conduct with our vendor partners and end-user customers.

Our relationship model depends on our people making this connection. DLL members show great passion and commitment to the goal of servicing both our vendor partners and end-user customers. A strong entrepreneurial spirit and focus on innovation allow us to create solutions to help our vendor partners win in changing market conditions, complements this approach. Therefore, we continue to make investments towards the personal and professional development of our members, so that DLL continues to be viewed as an employer of choice in the many countries in which we operate.

We also continue to facilitate member engagement by recognizing our members in a variety of ways, including global reward programs. Our "Winners Circle" program recognizes our top commercial performers globally, while our "Customer Champions" program recognizes DLL members who deliver superior service to both our internal and external customers.

Interview

Stand by the customer in good times and bad times

The global business unit Food and Agriculture (GBU F&A) has the longest history and most long-standing partnerships at DLL. We asked Rod Versteegh, Global Head GBU F&A, and James Ferguson, Global New Business Development Manager and Strategic Marketing, how DLL still creates and maintains sustainable relationships.

"We have five relationships that are over 20 years of age and nine that are over 10 years of age. As they developed, we have stood beside them as their partner," says James. In that period, those relationships have ridden global issues like the 2008 financial crisis, the COVID-19 crisis, supply chain disruption and the impacts of climate change, not to mention local, regional and sector developments.

Rod illustrates the trends affecting GBU F&A partners and customers. "Succession is a major challenge in production agriculture, with the next generation sometimes not interested in pursuing a life in farming. This causes some small family farms to transfer to more commercial large farms. When younger family farmers do take over, they're likely to embrace technology to make their operations more efficient, for instance, adopting precision agriculture or robotized milking to improve yields and relieve labor shortages."

Commodity prices and weather are always unpredictable factors in agriculture, and in 2021 rising prices for feed, fertilizer and seed inputs added to those uncertainties. "We're seeing farmers taking solar panel and wind farms on their land to diversify income flows, with the added benefit that they can power their own operations more sustainably and support the energy transition in surrounding communities," adds Rod.

What's the secret of long-standing relationships?

"Many factors differentiate DLL from the competition – our global network, industry and asset knowledge, and digital ease of doing business – but it's people and service that really make the difference," says Rod. Put simply: People want to do business with people where a relationship has been built over

"Many factors differentiate DLL from the competition but it's **people and service that really make the difference**."

Rod Versteegh
Global Head GBU Food and Agriculture

time and on a foundation of credibility and trust. We continue to see that these elements are far more important than other factors, including price.

"Like in a marriage, both DLL and the customer work on their relationships," adds James. "That's how you stay together as partners. We pay regular attention to each other, actively listening and trying to understand each other's needs, so that we can find mutually beneficial solutions."

Turbulent times

Supply chain disruption was an issue for many industries in 2021, and F&A was no exception. The demand for farm equipment was still there, but manufacturers and dealers found themselves without inventory to meet it.

"There's no standard answer," says James, "but it's our job to stand by the customer in hard times, refocus our efforts and ask 'what can we do to help?' That means having empathy and listening and bringing the customer problem back to DLL so that Risk, Operations and Legal also properly understand the situation."

The GBU F&A team always looks for ways to work together as a group within DLL to find positive solutions for the customer. "How can we do more with asset life cycle management to reuse equipment, extend credit approval terms or be flexible in our offering to help customers with problems. By taking a holistic approach, we are able to deliver better solutions."

Long-standing customers go through their own major changes too (for instance, buyouts or changes of ownership). Rod: "At those turbulent times, DLL

"By taking a holistic approach, we are able to deliver **better solutions**."

James Ferguson
Global New Business Development Manager and Strategic Marketing

represents a constant – a strong finance partner who'll keep on doing the core business while the customer manages change."

Constant review

DLL's program managers and vendors constantly review the performance of their finance programs, challenging their validity over time and asking what can be done better. That could mean making hard decisions if a program is not working. "But more often it means refocusing on elements of the relationship, sitting with the customer and suggesting how to do some things differently, which can bring a very positive outcome," says James.

Partnering for sustainability

Like parent company Rabobank, DLL has sustainability at the heart of its strategy. Since food and agriculture are in the front line when it comes to emissions reduction, sustainability is top of mind with F&A vendors, partners and customers too. GBU F&A conducts an annual sustainability survey with clients, and program managers regularly talk to clients about their sustainability opportunities and challenges. These vary, depending on the type of client and their own context.

"For instance, a customer that was recently acquired by a private equity partner was expected to compile an Environmental, Social and Governance (ESG) report for the first time. At their request, we supported this reporting, with the help of DLL's sustainability department," says Rod.

On the other hand, many vendors and partners are looking for financial solutions and innovations to reduce their greenhouse gas (GHG) emissions. "We're financing anaerobic digesters, which convert farm waste into a sustainable power source, and exploring financing of wind and solar on farms," says Rod. This demand comes from long-standing DLL customers and also through referrals from Rabo Agri Finance in the U.S. when their clients need equipment financing solutions.

"We are financing an electrification program for community transport vehicles with a partner in the Golf and Turf sector, where we have a relationship going back over 10 years," adds James. And in the food segment, DLL F&A's biggest global program is with a manufacturer of food packaging that is recyclable and portable without refrigeration. Rod: "We're supporting this vendor partner to bring food products sustainably to all parts of the world."

Future-proofing

While sustainability is key to future-proofing business, it's also important to help customers understand developments outside their own particular field, for instance, trends in finance or logistics. Rod: "We often invite RaboResearch economists to support and educate our members so that they are better placed to support our partners and to be able to signal issues not yet on their radar. And we participate in industry panels. Bringing people together from different industries can give them fresh perspectives on the same issue they're all facing, be it logistics, labor or sustainability."

New technologies and financing models

The New Business Development team is also constantly anticipating and responding to change. Younger generations of farmers are embracing newer technologies and financing models. James: "Service-related products and pay-per-use are opportunities for our customers and DLL to differentiate themselves from the competition by offering bespoke or new products to win new business and maintain the relationship."

Last but not least, innovation is key to maintaining customer relationships and developing new ones. There are various F&A innovation ideas in development with different long-term timelines, like virtual reality customer onboarding, asset chain finance and a subscription finance product for data. "It may be speculative, but you need to plan for 2030 and beyond," says James. "And keep asking, 'how can you do things today that will impact tomorrow?'" ■

Proof points

The NPS®* score of GBU F&A went up from 45 in 2019 to 50 in 2021.

"We and DLL have been in partnership for nearly 20 years. This relationship has evolved over the years, and we are now working with more than 90 dealers that have delivered a 600 percent increase in business compared to when we started."
(Vendor partner in farm equipment)

In 2021, GBU F&A signed more than 10 new relationships, ranging from grain silo equipment to packaging and ag tech. Two of these are related specifically to Rabobank clients, and DLL is actively working with Rabo Agri Finance in the U.S. to roll these out.

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Partnering **for a better world**

While we had to manage through a continuing period of uncertainty due to the COVID-19 pandemic, DLL stood by its partnership promise and worked closely with our partners and customers to determine the best path forward during these challenging times. Our DLL strategy and theme "Partnering for a better world" remained strong in 2021.

The DLL strategy outlines our strategic priorities and ambitions and has four primary focus areas that are built on a strong foundation.
This foundation includes:

- DLL's core competencies:
  - Partnership
  - Industry specialization
  - Global footprint
  - Asset and risk knowledge
  - People

- Foundational elements:
  - Financial stability
  - Reliable IT infrastructure
  - Solid internal controls
  - Regulatory compliance

The four primary focus areas that represent our key strategic objectives and priorities are:

- Maximizing our customer value
- Becoming a global employer of choice
- Accelerating our digital transformation
- Driving innovation of products and services

Our accomplishments in 2021 supported the key objectives and priorities in the **Partnering for a better world** strategy.

A strong foundation

Highlights 2021
To achieve our strategic ambitions, DLL needs to safeguard its strong foundation while continuing to make investments to enhance the speed, quality and productivity of our business operations. To that point, many projects are focused on maintaining and enhancing our IT infrastructure so that our members have access to the best tools and services, whether working in an office or from a remote location.

To enable and optimize communications with our employees, particularly as more and more are working remotely from home, a modern SharePoint–based intranet called "MyDLL" was launched in

June 2021. MyDLL is now the place to go to for the latest company news and for communication and interaction. It is responsive to mobile devices and embedded in our digital Microsoft workplace.

DLL's Coronavirus Crisis Management Team (with a global representation from our Executive Board, Human Resources, IT, Facilities, Communications and Risk departments) stayed in place to closely monitor the conditions in each country where DLL operates. Similar to our approach in 2020, a variety of preventive measures were deployed at our offices around the world to protect the health and safety of our employees and customers.

With regard to solid internal controls and regulatory compliance, a new Risk Strategy was introduced. A special Risk Structure Alignment project resulted in a closer cooperation between Compliance, Legal and Risk, formalized in a CLR Management Team. This Management Team aims to align on policies and procedures, regulatory adherence, the risk control framework and joint advice towards the business.

Following the new Risk Mission "Valued Risk Partner, Sustainable Customer Growth," a lot of effort was put into the global and local optimization of the targeted "Three Lines of Responsibility," whereby the first line takes decisions on risk and manages the overall balance of risk and reward; the second line provides risk and compliance governance, challenges and advises on risk-taking and monitors the risk profile; and the third line provides independent assurance, advice and insights via periodic assessment.

Our Compliance Function continued to provide training, policies and standards focused on Privacy, Data Protection, Financial Economic Crime (Customer Due Diligence, Anti-Money Laundering, Counter Terrorist Financing and Sanctions), Conduct and Ethics. In 2021, a new Global Activities Tool for Ethics (GATE) was introduced and a special campaign was initiated to raise employee awareness on the important role they plan in reporting any witnessed acts of misconduct and/or unethical behaviors. To support this process, DLL has a trusted network portal ("SpeakUp") that provides our employees with different options and channels to make reports in a safe and anonymous way and without fear of retaliation.

Maximize our **customer value**

Maximize our customer value

Highlights 2021

To retain and grow our customer base and provide incremental value to our partners and their end-user customers, we continued to optimize our customer experience and look for ways to increase the speed and ease of doing business with DLL.

Our ambitious strategy requires us to attract new customers to DLL as well as to attain a significant amount of growth from our existing customer base. In 2021, we continued to optimize the use of our Customer Relationship Management (CRM) system in key markets. Data gleaned from CRM will enable us to enhance sales effectiveness and targeted marketing efforts with our partners, which will ultimately lead to sales growth, increased customer retention and sales-force effectiveness.

In our ambition to make financing a driver for our customers' selling process to increase conversion and enhance their end-users' experience, we are continuously learning from customer feedback and modifying our offerings to maintain an exceptional client experience. This past year, we put more focus on elevating the customer experience by creating a Customer Engagement Model (CEM), where we categorized partners based on their needs and expectations of a financial services provider.

After extensive customer research, including numerous in-depth partner interviews, we grouped our partners into distinct segments and identified the products and services of highest value to each segment, as well as the level of support required. The CEM will also redefine our Go-To-Market strategy, based on reimagined customer journeys that reduce friction at key points in our service delivery, accelerate the shift to digital channels and enable scalable global solutions. Our clear ambition is to continue driving competitive advantages through automation of our core processes, further reducing the overall cycle time associated with key service moments including credit approval, electronic documentation, electronic signature and contract activation and funding.

Become a **global employer of choice**

Become a global employer of choice

Highlights 2021

To be recognized as a global Great Place To Work®, DLL focuses on building a change-capable organization, where the engagement, development and well-being of our global workforce is paramount.

With the pandemic continuing, we had varying levels of preventive measures in place at our offices around the world. These safety precautions were designed to govern and limit business travel, office visitations and attendance at large meetings and gatherings, as well as comply with local public health and safety guidelines. A majority of our DLL staff still worked from home in 2021, sometimes having to combine work with home schooling children. Therefore, we revisited our Remote and Flexible Working Policy to enable more flexible work schedules and we continued to put effort in our Choose Wellbeing site to support, educate and empower members in embracing their overall well-being with resources and programs focused on four focus areas: Health, Connections, Lifestyle and Finances.

We also continued our special Member Allowance Program, which was designed to alleviate some of the additional costs associated with the extended period of working from home. The financial assistance provided by this program allowed members to address increased expenses for things like high-speed internet and electricity or to further upgrade and improve their home office environment.

The ambition to drive diversity and inclusion in our company remains strong. With a diverse group of ambassadors, attention was paid to International Women's Day and World Day for Cultural Diversity for Dialogue and Development to help spread intercultural awareness. Additionally, the company offered "Lunch & Learn" sessions to create more awareness around topics of Diversity, Equity and Inclusion. Members were encouraged to become an "Ally for Inclusion" and take a training to get more familiar with these concepts and learn more about topics such as unconscious bias and the power of diverse teams and our commitment to a harassment-free work environment.

We also asked our members to give back to the communities in which DLL is present. In October 2021, we organized our annual Global Volunteer Weeks with the goal of "Moving for a better world." As part of this campaign, we asked our workforce to support volunteerism across our entire global network. In total, our workforce contributed more than 3,000 hours during the Global Volunteer Weeks campaign to complete individual acts of charity and volunteerism for good causes surrounding our office locations.

In 2021, our overall Member Engagement Score was 8.1 (2020: 8.5). This is the average score (on a scale of 0-10) that members gave to the statement "How likely are you to recommend DLL as a great place to work?" Although we saw some softening in this score, it remains a strong result that places DLL on par with other high-performing organizations. We were also proud to earn The Great Place To Work® certification, which was awarded to DLL offices in 16 countries.

Accelerate our **digital transformation**

Accelerate our digital transformation

Highlights 2021

It is DLL's digital ambition to deliver an amazing customer experience for our customers and employees and to enable that experience from any location and at any time. We embrace technology and continuously evaluate how it can further improve the customer experience and enhance our business model. That focus is combined with transformative innovation concepts, Agile methodologies and a customer-centric approach to development projects. In 2021, a Digital Academy was established to provide customer-facing members of our workforce with additional training on becoming better equipped for a successful Digital Transformation.

In order to make financing a driver for our customers' selling process, DLL continues to develop two primary ways of going to market in the digital world: "DLL On Demand" and "DLL Anywhere."

Our prototype for "DLL On Demand" is a simple and smart self-service solution, which will grant our partners 24/7 access to DLL products and services through a single platform, accessible via our customers' choice of device. The aim is to provide speed and simplicity at the point of sale by making sure all of our standard business offerings can be conducted on one seamless platform. In 2021, we began soft-launching this experience in Brazil and Nordics and shared portal prototypes with partners in North America. New features, continuous enhancements (based on user feedback) and further partner and regional rollouts, including Europe and ANZ, are expected in 2022.

Throughout the COVID-19 pandemic, with traditional face-to-face demo and sales options prohibited or limited, many of our vendor partners have increased the offering of their equipment and related products and services online. Therefore, they are requiring an easier checkout experience for their customers that can provide fast and simple options to own, lease or rent equipment. The "DLL Anywhere" solution is being designed to realize these needs for our partners, ensuring the checkout experience is powered by DLL and making it easier for the customer to understand in one click what financing options are available to them.

Drive innovation of products and services

Highlights 2021

DLL's investment strategy has dedicated a portion of funds to be allocated toward ideas and to empower our employees to help us create a culture of innovation that encourages creative thinking.

In 2021, DLL worked on an "Innovation Sandbox," which will form the framework for testing new products, services and business models in a safeguarded and separate environment. An Innovation Sandbox team has been formed with subject matter experts from various departments such as Compliance, Legal, Risk, Procurement and IT. The Sandbox will operate within very clearly defined boundaries, based on rules of engagement for evaluating new opportunities within our risk appetite, but also with the objective of accelerating our prototyping and pilot-testing capabilities. The aim of the program is to ensure viable ideas are quickly identified, vetted and tested so that they can be brought to market and benefit our customers.

Given the impact and the potential of data science and its implications to financial services, DLL continued building on its Artificial Intelligence (AI) Lab. In 2021, an AI solution, called the "Cognitive Agent," was launched in multiple countries. The Cognitive Agent solution uses machine learning techniques in a fully automated AI–based solution for credit scoring. It is built upon a powerful advanced algorithm to identify relationships between variables, which translates into better decision models by providing consistency and efficiency. Within the Americas Region, 90 percent of all new credit applications now flow through the Cognitive Agent.

The AI Lab also built two new models intended to drive further efficiency in our risk management and collection activities and further enhance interactions with our customers. The first model was designed to better identify customers most likely to not pay their contracted payment obligation within net 30 days of due date. A second model was used to predict which customers would most likely self-cure their delinquency status without the need for a collection call, thus increasing overall call efficiency and customer satisfaction.

Interview

Keeping our **members engaged and our culture alive**

As DLL's digital transformation gathers pace, it's not just a question of adding digital technology. It's about changing mindsets, behaviors and skills. Catherine Meyers and Jarek Skowronski, respectively General Manager Benelux and General Manager Asia, describe how members and managers have demonstrated their capacity to change during the pandemic and look forward to the change journey towards the new digital business model.

DLL is committed to developing a highly adaptive workforce that can thrive in a complex and fast-changing market. This ambition will be realized by facilitating learning and development for members and managers and by amplifying a company culture that focuses on member well-being. As both managers point out, the outbreak of the pandemic was a rapid learning experience for all concerned. It changed how members organize their work-life balance and how managers monitor the productivity and performance of their teams. With responsibility for some 400 DLL staff across Singapore, Hong Kong, South Korea and India, Jarek notes that the pre-pandemic management style in the region was seeing everyone in the office with all activities closely monitored. "The fact that both productivity and member happiness rose when we were working from home has debunked that myth. It's become clear that members enjoy having flexibility to manage their own agendas and freedom to organize their work-life balance better. Now managers need to evaluate members based on output and quality rather than hours and visibility."

Permanent focus on member well-being

Naturally, DLL introduced many global and local initiatives to keep people connected virtually and to promote well-being. These included a weekly well-being newsletter with tips about work-life balance

"Now managers need to **evaluate members based on output and quality** rather than visibility."

Jarek Skowronski
General Manager Asia

and staying healthy, "No Meeting Wednesdays" to give people a breather from constant virtual meetings and, when necessary, additional days off (known as "COVID Recharge Days") for quality time with family and loved ones. The local True Energy teams, which have always been a feature of DLL, continued to focus on social aspects and well-being in 2021, such as virtual lunches, coffee breaks or informal digital dinner parties. In India, members even organized a cricket tournament to keep everyone's spirits up.

Culture of interconnections

The lockdown restrictions in parts of Asia have been stricter and lasted longer than in Europe. At the time of writing, in Singapore you could still only see five people at a time. Compare that to the Benelux region, where COVID health and safety measures were being relaxed and offices were scheduled to reopen fully by end of March 2022.
Hybrid working will be a particularly welcome development for those who joined DLL during the pandemic, believes Catherine. "We have a very distinctive culture where people thrive on personal contact and interconnections. We work hard and we have fun together. Pre-pandemic that meant lunch with colleagues, enjoying the informal contact moments in the office, doing community-involvement activities together and celebrating successes. People who joined us during the pandemic have never actually met their colleagues in real life and have missed out on those personal connections, which is why we're keen to amplify that culture."

Catherine is heading up an engagement working group comprising a diverse collection of DLL workforce members from across the global network that will focus on culture and advise the Executive Board about keeping culture alive and thriving in this fast-changing environment.

Even at a distance, culture is something members feel and see in the way of working, adds Jarek. Does your manager make time for you? Do they really understand your needs? Can you openly express your concerns? "Since the pandemic, my meetings are more frequent but often shorter.

"We had to change fast. But **now we do have choices**."

Catherine Meyers
General Manager Benelux

Some members like a 10-minute remote check-in each morning, a kind of virtual chat at the watercooler or coffee machine." Incidentally, this sometimes gives more touchpoints and interactions between managers and members than in the office and more than the performance management cycle formally requires.

Supporting members and managers to adapt

As DLL transforms the way it delivers services, the nature of work will also evolve," says Catherine. Automation and artificial intelligence, for instance, will take over some repetitive and predictable tasks, freeing up members to bring more value-add to the customer experience. Some jobs may change entirely while others – whose content we cannot even imagine at this stage – will be created. "We must engage all members on this change journey as soon as we can, helping them to continuously adapt their skills and stay connected."

In spring 2022, two new management and leadership development programs will be launched. They are designed to help all levels of management to lead the change and address their personal adaptation challenges. In addition, all DLL members will have access to numerous online learning courses to support the development of new skills and competencies as DLL's business becomes increasingly digital.

"The COVID crisis was forced on us," says Catherine. "We had to change overnight. But now we do have choices." She cites the shift to hybrid working in Benelux as an example of how DLL engages members in the change process. Each team nominated an ambassador to voice their interests and concerns in what is a huge shift in people's working lives: moving from 100% working in the office pre-pandemic to 100% working from home for almost two years, to a new balance between work and home starting now. We provide guidance and let the teams define what that new balance looks like. Looking ahead, we have a clear vision of where we want to go with the digital transformation and, once again, we'll help our people adapt and move with us through these changes." ■

Financial performance & **strategic outlook**

Financial performance

DLL's performance recovered strongly after the challenging year of 2020. Our new business volume increased to a record high level, also driving further growth of our portfolio. Furthermore, the improvement in the macroeconomic environment has resulted in the reversal of credit impairments recognized earlier, thereby increasing our net profit significantly.

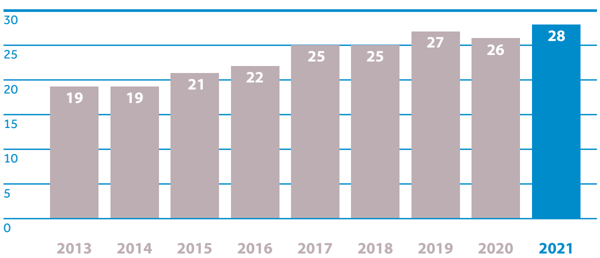
Our net profit for 2021 amounted to EUR 586 million (2020: EUR 180 million), an increase of 226 percent. The Return on Assets (ROA) amounted to 1.4 percent (2020: 0.5 percent).

Despite the challenging situation still faced by a lot of countries due to COVID-19 and governmental measures, we financed EUR 28.2 billion (2020: EUR 25.9 billion) of new assets, including EUR 13.1 billion (2020: EUR 11.7 billion) of short-term commercial finance. Adjusted for currency movements, our financed volumes increased by 10 percent (2020: decrease of 1 percent). The strongest growth was visible in the sectors least impacted by COVID-19, such as F&A. Furthermore, our CT&I business unit realized strong growth following favorable market developments.

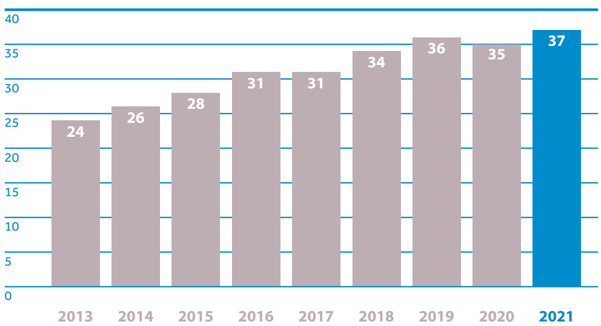
Our portfolio, including leases and loans, increased by 6.9 percent (2020: decrease of 3.4 percent) to EUR 37.4 billion. Part of that growth was caused by movements in foreign exchange (FX) rates, as excluding currency effects, the portfolio increased by 3.0 percent. The portfolio movements mirror the developments in new business, as our F&A and CT&I portfolios realized growth, while other business units were impacted by challenging market conditions.

The main drivers behind the increase in net profit are incremental portfolio growth, positive currency movements, a goodwill impairment recognized in 2020 and net releases from our provisions for expected credit losses. The provisions for expected credit losses decreased significantly during 2021, from EUR 609 million in 2020 to EUR 425 million at the end of 2021. Much of the impact on the expected credit losses is related to changes to the forward-looking information that had a positive effect on IFRS 9 Stage 1 and 2 credit impairment allowances. The macroeconomic scenarios applied in 2021 were much more positive than those expected and applied in 2020, which were mainly driven by the impact of COVID-19 and the high uncertainty on macroeconomic environment. During 2021 after a successful vaccination campaign in the various countries in which DLL is active, government financial support packages came largely to an end. DLL foresees that going forward only limited COVID-19 related defaults will occur.

Financing new assets
in billions of euros



Lease and loan portfolio
in billions of euros



Our funding policy is such that we have limited risk appetite related to foreign currency, liquidity or interest rate risks, all defined in our Risk Appetite Statement. Interest rate and foreign currency derivatives are used to mitigate these risks. Most of our portfolio is funded by facilities obtained from our shareholder Rabobank. In locations where it is more efficient to obtain funding locally, we engage in funding partnerships with high-profile local banks. During 2021, we launched three new securitizations (2020: none). Furthermore, we are stimulating circular business for small and medium-sized enterprises (SMEs) through funding obtained from the European Investment Bank (EIB). Through this facility from the EIB, our customers can benefit from a favorable interest rate. During the year, the funding via the EIB increased from EUR 799 million in 2020 to EUR 982 million at the end of 2021. Finally, during 2021 DLL paid a dividend of EUR 750 million to its shareholder, Coöperatieve Rabobank U.A. (2020: no dividend payment).

DLL's net income is directly linked to the portfolio. The total net income increased by EUR 48 million (3 percent) compared to last year. Net interest income, which makes up the most of our net income, increased by 2 percent, mainly as a result of the growth of the portfolio. Other elements contributing to the increase in net income were the increase in net operating lease income, the increase in fee and other income and favorable second-hand equipment prices that resulted in high end-of-lease income. Operating expenses increased with EUR 51 million, mainly caused by an increase in personnel cost. Furthermore in 2020, goodwill of EUR 70 million was impaired. Due to the significant decrease in the provisions for expected credit losses, the credit gains amounted to EUR 83 million (2020: EUR 393 million loss). Overall, profit before tax increased to EUR 785 million (2020: EUR 242 million), leading to a significantly increased net profit of EUR 586 million (2020: EUR 180 million).

Of our net profit of EUR 586 million (2020: EUR 180 million), EUR 92 million (2020: EUR 40 million) is attributable to the partners in our joint ventures. The remaining EUR 494 million (2020: EUR 140 million) is expected to be added to our retained earnings. Our Common Equity Tier I ratio as of year-end amounts to circa 15 percent (2020: circa 18 percent).

Outlook on 2022

DLL's strategy, set in 2019, focuses on four priorities:
1. Maximizing customer value;
2. Becoming a global employer of choice;
3. Accelerating our digital transformation; and
4. Driving innovation of products and services

The priorities are supported by a strong foundation, which ensures robust and controlled systems and processes. In 2022, we will continue to execute upon the earlier implemented measures. Following the stabilization of financial markets, we have reactivated our U.S. ABS platforms and successfully structured 3 transactions for up to USD 3 billion in 2021. Also in 2022, we plan to be a frequent issuer in the market, diversifying our funding sources. We expect to have sufficient funding available throughout 2022. The run-down of our operations in China and India is going in accordance to plan and we expect to be able to leave these countries in the coming years.

The ongoing war in Ukraine will impact DLL in two ways, as the outlook for certain sectors and regions outside Ukraine will deteriorate, while also DLL's operations in Russia will be significantly negatively impacted. At this moment, it is not yet possible to reliably quantify the impact of both developments on DLL's financial position. However, DLL is adequately capitalized for both events. DLL is continuously monitoring developments, to ensure we stay compliant to all sanctions and take into consideration the overall safety and well-being of our Russian colleagues.

We will further develop our sustainability agenda for the coming years via our newly formed Sustainability & Climate Committee, chaired by our CEO. The Committee will define ambitions for making sustainability and climate an integrated part of DLL's business and risk strategy and steer and oversee realization of these ambitions. To do so, the Committee tasked four working groups to draft an implementation plan detailing how DLL will meet the regulatory requirements as well as the commitments made by DLL and its shareholder. The four work streams cover the following topics: ESG policies; Sustainable Finance, Financed Emissions and Sustainability Reporting,

With COVID-19 pandemic coming to a, hopefully, final phase also our way of working can transition. We have redesigned our offices across the world to enable a way of working that fits the new reality. In most of our countries the balance of working from home or working in the office will shift compared to the pre COVID-19 period. DLL will do its utmost to facilitate these processes. At the end of 2020, we expected that credit losses would increase significantly as a consequence of measures taken to mitigate the impact of COVID-19. During 2021, we concluded that credit losses did not increase as expected. Also for 2022, we expect limited credit losses due to customers impacted by COVID-19, where the main impact is expected in sectors that suffered for a long period from lockdowns. At year-end 2021, DLL has adequate provisioning for these risks.

Later in 2022, we will review our strategy, as the world has changed a lot since 2019. COVID-19, war in Ukraine, regulatory developments (e.g., climate, Capital Requirements Regulation (CRR3)) as well as disruptions in the supply chains of our vendors all have its impact on DLL. Our new strategy should take into account these developments and ensure that DLL will continue to be successful in the coming years.

Sustainability

As part of the Paris agreement, the Intergovernmental Panel on Climate Change (IPCC), the authority on climate science, was asked to examine what a 1.5 degree Celsius (°C) temperature rise would mean for the planet. The report was released in August 2021 and found a vast difference between the damage done by 1.5 °C and 2 °C of warming of Earth. An increase of 1.5 °C would still result in rising sea levels, an increase in heatwaves, droughts, floods, fiercer storms and other forms of extreme weather, but these would be far less than the extremes associated with a rise of 2 °C.

The Intergovernmental panel on Climate Change (IPCC) also concluded that there is still a chance to stay within the 1.5 °C threshold. But this requires concerted efforts for governments as well as the business community. Furthermore, climate and the environment were also mentioned again three times in the top five business concerns at the latest World Economic Forum. In short, the (business) world is alarmed again and sees that urgent action is needed in the area of sustainability and climate.

DLL is conscious of its own responsibility towards the challenges the world is facing, such as climate change but also loss of biodiversity, pressure on resources and livelihood crisis, as well as inequalities and social unrest in the world and the consequences of the ongoing pandemic COVID-19 that is still impacting the entire world as well as the business community. We view current developments as a trigger to look at sustainability from a new – and more urgent – perspective.

In the light of current developments, there will be an increase in demand for energy-efficient solutions, as well as an accelerated transition towards renewable energy sources. Scarcity of resources on the one hand and waste on the other hand call for a more circular economy and offer circular business opportunities. Social challenges such as human- and labor-rights violations call for corporate responsibility. At the same time, society and regulators are demanding more transparency and responsible business practices. The world changes, the market moves, customer demands change. We believe that banks and financial services providers like DLL can play a leading and pioneering role.

Partnering for a better world

In 2021 we assessed external trends and sustainability ambitions of our peers, vendor partners and own member base, which provided good input for our sustainability strategy.

DLL aims to proactively work with our partners to accelerate their climate, energy and circular commitments as we truly Partner for a better world. DLL is taking actions to do business more sustainably: We are integrating sustainability into our business strategy with business models that promote carbon neutrality, circularity and pay-per-use financing solutions, while adhering to regulations and high ethical standards. In 2021, we improved the governance over these topics, with the establishment of a DLL Sustainability & Climate Committee (with Executive Board member representation) which is now effectively functioning. The DLL Sustainability & Climate Committee is responsible for steering DLL sustainability & Climate ambitions and alignment with Rabobank and acts as an advisory and decision board. The Committee is established as a part of DLL's overall governance to define ambitions for making sustainability & climate an integrated part of DLL's business and risk strategy and steer and oversee realization of these ambitions. In order to ensure a balanced discussion, advice and decision making processes, the composition of the Committee is a reflection of the Business, Risk and Finance, including Chief Executive Officer (chair), Chief Risk Officer (vice chair), Chief Commercial Officer (CCO), Senior Chief Operating Officer representative, Senior Chief Financial Officer representative, Head of Corporate Strategy Management, Head of Institute of Risk Management (IRM), Head of Sustainability and additionally without voting rights DLL Climate Risk Consultant and DLL Sustainable Development Consultant. Additionally, DLL CCO is a member in Rabobank's Sustainable Development Goals (SDG) Banking Committee to assure group alignment and an effective group strategy on sustainability and climate-related topics.

Assuring a sustainable foundation while optimizing our performance

We ensure a strong foundation by adhering to high ethical and environmental standards in doing business and assessing the environmental impact of our endeavors.

Sustainability regulations

Corporate and financial institutions in Europe face many new regulations in relation to sustainability. In 2021, KPMG have assisted DLL in the execution of an impact analysis that underlined the urgency and importance of sustainability regulatory adherence, and DLL started to upgrade the level of related expertise. Focus included, among others, Corporate Sustainability Reporting Directive (CSRD), EU Taxonomy, European Banking Authority (EBA)/ European Central Bank (ECB) Guide on Climate-related and Environmental risks, Environmental, Social, Governance (ESG) elements in Loan Origination and Monitoring (LOaM) and Sustainability Commitments such as Paris Accord, Dutch Climate Commitment and Net-Zero Banking Alliance (NZBA) to measure and report financed emissions related to the portfolio and set reduction targets and actions to comply with these targets. On the latter, first actions have been undertaken to start measuring scope 3 greenhouse gas (GHG) emissions, including workshops about Partnership for Carbon Accounting Financials (PCAF) methodology and calculation methods for leasing, as well as a pilot calculation of emissions of DLL's Technology Solutions business unit's asset classes, and a high-level calculation of DLL tractor portfolio.

Ensure our **strong foundation** while optimizing our performance

Core competencies:

Our partnership | Our industry specialization | Our global footprint | Our asset and risk knowledge | Our people and culture

- Financial stability
- Reliable IT infrastructure
- Solid internal controls
- Regulatory compliance

We assure adherence to climate and sustainability regulations, not only by being compliant but also by engaging in dialogue with our stakeholders, including our partners and customers on future sustainable investments and business activities.

Climate risk

Banks in Europe face new guidelines and recommendations on dealing with climate, environmental and other Environmental, Social, Governance (ESG) risks. The central banks and the ECB have expressed concerns on the future financial stability caused by climate change. The ECB guide and the EBA recommendations are setting supervisory expectations for climate risk management and integration of sustainability in day-to-day operations (sustainable finance frameworks, risk management, governance, reporting etc.). We developed a plan of approach to identify climate risks and mitigants and meet upcoming disclosure requirements. This includes a climate risk assessment for DLL's global vendor partners. Climate risk management is being addressed in the risk chapter of this annual report.

Environmental, social and governance risk and business principles

DLL adheres to ethical standards in the way we do business and operates in line with legislation and regulatory demands. We feed an ethically sound company culture, by offering the entire member base the possibility to learn about sustainability and ethical business behavior, with our sustainability Learning & Development offering on the Learner Home, Sustainability Knowledge Hub and MyDLL environment, as well as our DLL Code of Conduct training, a mandatory all members e-learning that also includes ESG components.

In 2021 our new Environmental, Social, Governance (ESG) Risk policy was approved, which provides a global framework and principles to identify, manage and monitor ESG risk related to the business relations of DLL. The ESG Risk assessment is effective in Global Vendor and Third-Party due diligence processes. And ESG Risk will be fully integrated in the Customer Due Diligence (CDD) Risk model. We seek to avoid the direct financing of certain assets and markets where we see a negative impact on society. The policy covers topics such as controversial weapons, environmental, animal welfare, human and labor rights and includes an expansion of the ESG Risk assessment on end-user, local vendor and dealer level. In case of potential issues the RepRisk tool and database helps us to conduct in-depth ESG risk research on companies including an ESG Risk rating. The ESG Risk assessment is applied on DLL's business relations on a risk-based approach. Additionally, DLL's Business Principles Committee (BPC) met frequently over the course of last year and is functioning effectively also addressing ESG-related topics and advising the Executive Board on DLL's ethical course as well as promoting ethical behavior in the entire organization.

Reducing our CO_2 footprint and being carbon neutral

On a quarterly basis we monitor our global scope 1 and 2 emissions (DLL's internal carbon footprint). Measurement includes business flight, car kilometers and electricity, gas and paper consumption in our offices. Our commitment is to reduce our global CO_2 emissions per full-time employee (FTE full-time equivalent) by 20 percent by 2023 compared to 2018. In line with these targets DLL is also committed to The Climate Group's global EP100 initiative to reduce our energy usage by 50 percent in 2030 from 2013. In 2021, DLL achieved a 62 percent decrease per FTE (total:1067 kg CO_2/FTE) compared to 2018. This result is mainly explained by very limited business travel and the work-from-home due to the COVID-19 pandemic. To become carbon neutral, DLL compensates its remaining global footprint by buying internationally traded carbon credits in clean tech projects. DLL also commits to reduce its energy usage, via enhanced energy-saving measurements to all DLL office buildings and incentive schemes to encourage employee use of electric vehicles and other forms of transportation. Another incentive scheme coupled to our business operations is our support of the "Trees for Tomorrow" initiative, where we plant a tree for every four leases completed using electronic documentation and eSignature rather than traditional paper documentation. For scope 3 see the paragraph Sustainability regulations.

Maximize our **customer value**

Maximize our customer value

Businesses become increasingly mindful of the impact they have on the environment. DLL supports our partners in their endeavors to adopt sustainable business practices. Sustainability presents a business opportunity for our clients, and we want to support them. This is, for instance, the case in the rise of the renewable energy, and circular and usage business models. DLL maximizes customer value by offering these sustainable business solutions to our partners.

DLL supports its partners in their endeavors to adopt sustainable business practices. We create sustainable business solutions that drive a low carbon footprint and promote a circular economy. We engage our main vendor partners to conduct sustainability maturity assessments. Based on the assessment insights, DLL provides our partners with in-depth knowledge and advice on identified opportunities, such as the demand for usage-based models, as well as end-of-life solutions including environment-friendly equipment refurbishment, reuse and recycling and/or disposal services to ensure the raw materials of disposed products get back into the supply chain. We provide end-to-end financial solutions for the complete asset life cycle. This creates second- and third-life revenue streams, driving the transition to a circular economy. Furthermore, we provide our customers with access to the latest technologies, enabling them to operate more efficiently and to support the implementation of sustainable business practices.

Energy efficiency and renewable energy

Our Sustainability Strategy includes a focus on the transition to energy efficiency and renewable energy sources. We help clients to reduce their carbon footprint through innovative solutions and to enable the energy transition. Through our dedicated Clean Technology business unit, DLL is proactively driving this transition to renewable energy, carbon neutrality and energy-generating asset types, by providing solutions that can be applied in all sectors (from Farming to Construction and from Transportation to Health). Our Clean Technology scope includes energy efficiency, renewable energy products and other areas such as combined heat and power, recycling and energy storage. In 2021, Clean Tech Leasing new business volume (NBV) has been EUR 76.5 million. Additionally, Clean Tech Commercial NBV has been EUR 47.8 million, which is 179 percent of the volume compared to the same period last year. This growth is driven by the increased focus on Commercial Finance for Solar Business.

Circular and usage models

As an asset based financing company, DLL can also play an important role in the transition to circular and usage business models. The 2021 Circularity Gap report found that our world is only 8.6 percent circular. This means that we waste more than 90 percent of all materials in use, while we continue to extract from the Earth. There is lot of opportunity to extend the life of products and reduce pressure on the planet's limited resources, stopping waste at the end of product use while capturing the economic value of materials and transitioning to usage models over ownership. DLL provides our customers with pay-per-use financing solutions and usage-based concepts that encourage equipment refurbishment, reuse and recycling. We provide end-to-end financial solutions for the complete asset life cycle. This creates second- and third-life revenue streams, driving the transition to a circular economy. We explore circular business opportunities with several vendor partners.
In economically uncertain times, we see a clear interest in smarter use of equipment, driving our Used Equipment Finance solutions. The total share of Used Equipment Finance percentage of NBV was: Australia and New Zealand 14.2 percent, Europe 7.6 percent, North America 10.5 percent.

Sharing and building knowledge

DLL believes sharing knowledge is crucial to enhance the overall industry standard and together accelerate on the green agenda.
In 2021, we published several white papers, such as "The Impact of Sustainability on the Food Packaging Chain," a Healthy Buildings publications (on heating, ventilation and air conditioning (HVAC), energy efficiency and emergence of "as-a-service" (aaS models)), and the white paper "Pathways to Sustainable Business Models" combined with related webinars.

The latter is bundling several aspects of investing in sustainability – the regulatory environment, trends and drivers, and possible financial solutions that facilitate climate mitigation activities – and maps four business cases that illustrate how companies can contribute to climate mitigation. The cases show the various opportunities that DLL's vendor partners and customers are taking to achieve a low carbon economy or help facilitate the transition. Additionally, DLL organized other webinars such as "Circular Electronics – Product aaS in a Circular Economy." Finally, AGCO Finance also published the white papers "Farming for a Better Future" and "Climate Change Mitigation in Agriculture: Why Should Farmers Care?" and we support AGCO's Climate Journey Campaign.

Furthermore, we also participate in industry networks on net-zero and circular business development. For example, we continued to join the Platform for Accelerating the Circular Economy (PACE). At this year's World Economic Forum 2021, the outcomes of a collaborative PACE project "Finance and Policy for Sustainable Agriculture" was presented, presenting insight on climate-smart and regenerative food system based on three principles of Circular Economy: design out waste and pollution, keep products/materials in use and regenerate natural systems. Another active engagement is with the Capital Equipment Coalition (CEC) North America.

Additionally, we presented and joined panel discussions about sustainable business developments at several industry events, like Leaseurope Industry Leaders Live, Business Solves of the U.S. Chamber of Commerce Foundation, the World Circular Economy Forum (WCEF) side event Measuring Circularity for Capital Equipment and the Greenbiz Circularity 21 event on reverse logistics strategy to facilitate refurbishment and reuse.

Drive **innovation** of products & services

Drive sustainable innovations

DLL can act as a first mover with the introduction of innovative and distinctive financial solutions for circular opportunities as well as the energy transition.

Sustainable innovations and new markets

The environmental difficulties the world is facing are undeniably challenging, and DLL is committed to contribute to a sustainable future by providing financing options that drive a low carbon footprint and promote a circular economy. DLL is exploring and entering new energy transition markets, such as electrification in the Construction, Transportation & Industrial sectors and electromobility. DLL wants to take its responsibility to stimulate electric vehicles adoption and alternative business models such as micromobility. DLL provides solutions for the increasing demand for electromobility and sustainable concepts within smart cities because of the benefits of cleaner air. The joint Rabobank/DLL e-mobility project team continued to develop sustainable fleet financing solutions and electrification of the transportation market, including municipal buses. Transformational growth for Construction, Transportation & Industrial business is specifically targeted with these technologies, with a key focus on sustainability, including electrification and "last mile delivery." Likewise, our Commercial Finance business unit is collaborating with vendor partners in their shift towards electrification and identifying where DLL can best support with innovative solutions (electrified vehicles and other asset types supporting the energy transition, such as expanding stock financing of solar panels into more countries). Based on Rabobank's new European Energy Transition commercial strategy, DLL's Global Equipment Finance team initiated joint client prospecting.

New products

Our Advanced Solutions business unit is developing a new Green Lease proposition as a sustainable finance offering for Rabobank clients recognizing their investments in the green assets; the product is going through approvals, aiming to deliver the first minimum viable products early 2022. And our Technology Solutions business unit is currently investigating a carbon offset program with Rabobank to offset the carbon generated by devices (laptops, tablets and phones) while in use during the life of the lease.

Funding for new sectors
In collaboration with the European Investment Bank (EIB), DLL accelerates climate-smart and circular business. Together with the EIB, DLL will increase the financing of projects focused on the transition to a carbon-free economy, including installation of solar panels, replacement of self-propelled agricultural tractors and substitution of diesel-fueled forklifts with electric equipment. In 2021, DLL and EIB have signed new lending agreements that will make available up to EUR 370 million in new lending to circularity and/or climate-conscious small and medium-sized enterprises (SMEs) in the Benelux. AGCO Finance also launched a specific EUR 50 million Climate Journey Fund.

Become a **global employer of choice**

Societal impact

Current and future DLL members want to work for a transparent and socially responsible company. A strong sustainability program, coupled with an inspiring community involvement program, improves our ability to attract, retain and develop top talent. Our members play a critical role in delivering our value proposition to our customers. That is why we offer our members inspiring social impact programs.

Community involvement
Even though the COVID-19 pandemic hampered the possibility to volunteer for social causes, DLL did continue to boost its global volunteering and charitable giving programs. The need among disadvantaged groups in society remains and is even more pressing than ever. We support communities by charitable donations and by offering expertise and man/woman power through our corporate volunteering program. Through our Community Involvement Portal, in 2021, a total of 1,630 unique members, which is 34 percent of the DLL total member base, found an initiative to support with their expertise, time or donation (11,970 hours).

DLL also supported good community causes with equipment donations, such as the donation of laptops to Hope for Haiti. These laptops will be used by doctors treating patients in remote locations in Haiti. A refurbished ultrasound device was donated to the FOR-Bangladesh foundation to be used in public clinics for reconstructive and plastic surgery to treat deformities in children, chemical burns or mutilations.

Business network for social impact
In the Netherlands, we organized the 18th edition of the Corporate Social Responsibility Matchmaking 040 dinner (MO040 dinner). Twenty-five companies and civil society organizations participated in this year's online version (adapted to the COVID-19 situation), exploring potential cooperation not through one-off financial contributions but through expertise or product development. In addition to the successful MO040 dinners, DLL continues to be a driving force in the related Impact040 network, a business community for social impact, with a focus on inclusion and uniting people, participation and poverty reduction.

Pro-bono advisory services in emerging markets
Our ambitions to create an impact in the lives of people in disadvantaged situations applies to our home countries as well as to emerging markets in Africa. In collaboration with Rabo Foundation and Rabo Partnership, we offer advisory services to local stakeholders for the future of rural financing and farming in developing countries and emerging markets. Examples of achievements include the development of new scorecard models and tools, process optimizations as well as ESG assessments of local microfinance institutions (MFIs), ranging from Africa to Latin American countries.

Interview

Steering for a **healthy risk-reward** balance

"Compliance, Legal and Risk (CLR) substantially contributes to the four pillars underpinning DLL's strategy", believes Chief Risk Officer Yke Hoefsmit, as well as safeguarding DLL's solid foundation as a bank. Following her appointment as CRO in March 2021, a top priority was to realign the Risk organization structure and DLL's compliance culture with the changing regulatory environment, and better enable CLR to support DLL's sustainable growth ambitions.

"To support the growth ambition of DLL, we set about revisiting our strategy and strengthening the Risk function," Yke recalls. "We talked to a wide variety of internal and external stakeholders, which incidentally helped me get to know the DLL members and the business." Consequently, in September a new Management Team (MT) structure was introduced and our new CLR Value Proposition was launched with the CLR mission "Valued Partner, Sustainable Customer Growth."

We transferred from Risk MT to a CLR MT with a seat at the table for Legal and Compliance. "While Compliance still reports functionally to the CEO, it's important that we make an impact together." Yke is proud of the range of skills in the new top team and the outside-in perspective the team brings. "The diversity of the team, which reflects a wider range of functional disciplines, professional expertise and nationalities, also reflects the diversity of our business."

From "License to operate" to "partnering with the business"

Compliance, Legal and Risk help to safeguard the company's license to operate, says Yke. "But there is more. We want to raise the awareness on the full spectrum of risks both financial and non-financial and especially focusing on climate risk and transition risk for our vendors."

Chief Risk Officers have been introduced for the global business units (CRO GBUs) to further embed this more integrated approach to risk within each of our targeted industry sectors and ensure closer collaboration with the business. "Being a valued partner in developing the GBU strategy and contributing to innovative markets, products, and solutions, enables us to proactively guide on risk appetite and better service our partners and customers," confirms Yke.

"It's important that we **make an impact together**."

Yke Hoefsmit
Chief Risk Officer

"With this strengthened Risk organization, DLL is better equipped to cope with uncertain macro-economic times and potential adverse events," commented Yke. "This is further complimented by our good quality portfolio, which possesses strong geographical and industry spread, plus a well-diversified end-user credit risk and asset risk base. In addition, there is a Risk Control Framework and strong monitoring framework in place, that allows for early identification of distressed debtors."

"To conclude, for us as an Executive Board, the spotlight on sustainable growth means a healthy risk-reward balance as well as sustainability in the context of the much-needed climate transition. And we are building our strategy and team(s) around this ambition." ■

The CLR Value Proposition in practice

The new CLR mission "Valued Partner, Sustainable Customer Growth" is expressed in practical action terms for the four strategic pillars.

Maximizing our customer value
We deliver prompt and professional solutions
We can support the growth organization by delivering prompt and professional CLR solutions. As we emerge from the pandemic and market conditions quickly evolve, we will need to continue to assess and fine-tune our risk-reward balance to support our partners and their customers.

Accelerating our digital transformation
We proactively support our digital journey
Our underwriters are always looking for faster responses to applications that are not approved by automated credit scoring models. We are actively steering towards more empowered employees and higher automated decision-making levels in our business.

Becoming a global employer of choice
We accelerate development of our members
We are working to introduce more cross-functional learning paths. The aim is to stimulate interaction and understanding between risk and sales by training people to work in different departments and leave silo thinking behind.

Driving innovation of products and services
We innovate together
We believe that risk can play a more proactive role in innovation by signaling the opportunities as well as the risks. The new CRO GBU roles are closer to the business, so that they can be involved in innovation at an earlier stage and again, provide prompt solutions to quickly move ideas forward to minimum viable products (MVPs).

Risk management and compliance

Without taking risks, DLL will not achieve its strategic objectives, and risk is therefore an inherent component of DLL's business activities. The effective identification, assessment, management, monitoring and reporting of risks is critical for DLL to generate an appropriate risk and reward return and achieve its strategic and financial objectives.

DLL uses the industry-standard three lines of defense model, referred to as the "three lines of responsibility," to articulate accountabilities and responsibilities for managing risk. This model supports the embedding of effective risk management throughout the organization. All DLL members share ownership of the way risk is managed, working together to make sure business activities and policies are consistent with risk appetite.

At DLL, risk management activities are executed as part of daily business management to support informed decision-making and to add value to DLL. The mission of the entire risk organization is to enable DLL to achieve its strategic goals within its risk appetite and ensure that risk is viewed as the responsibility of every member. DLL's risk strategy aims to protect our profit, balance sheet and reputation by establishing risk parameters within which the business should operate.

The Risk Management function provides requirements, monitors the execution and independently reports on developments impacting the risk profile of DLL, protecting the financial stability and continuity of DLL by providing risk governance, challenge and advice on risk-taking, monitoring its risk profile and ensuring that risk management activities are executed effectively and efficiently in line with legislation and best market practices.

DLL operates in a decentralized manner with countries, regions, certain group functions, joint ventures and subsidiaries responsible for developing and implementing effective risk management processes within their entities. The methods and procedures applied by these entities strengthen the effectiveness of risk management at Group level in accordance with the risk policies set by the Executive Board.

DLL operates under a single risk management framework, which ensures the governance, capabilities and methods are in place to identify and escalate emerging risks and to make decisions based on a conscious and careful risk-return tradeoff in line with the risk strategy that should remain within risk appetite. The framework ensures that DLL's material risks are appropriately controlled and managed. In addition, there is a process to identify and manage strategic risks, which are those that could have a significant impact on DLL's ability to meet its strategic objectives. Both strategic and emerging risks are reported to the Executive Board on a regular basis alongside reporting on material risks.

Risk appetite, supported by a robust set of principles, policies and practices, defines the levels of tolerance for a variety of risks and provides a structured approach to risk-taking within agreed boundaries.

A strong risk culture, starting with the tone-at-the-top, is an essential and overarching theme. This culture is relevant to all aspects of risk and is a major determinant of the ability to achieve business goals while staying within the established risk appetite. DLL is committed to the continual development of its risk culture.

Risk developments

2020 was an unprecedented year due to the emergence of and global response to COVID-19. During 2021, DLL continued to manage and mitigate the impact of the pandemic as much as possible.

The anticipated impact of the COVID-19 crisis on non-performing loans (NPL) figures and provision utilization in 2021 did not materialize. Monitoring activities implemented in 2020 have delivered quality improvements within the DLL portfolio in both absolute and relative NPL as well as delinquency levels with the Collections & Recovery plan "Accelerate & Deliver," helping in particular to mitigate the effects of the pandemic.

At the outset of the pandemic, DLL was able to quickly adapt to the new reality and continued delivering services to our customers, mainly through digital channels. We maintained this service level during 2021 while our members continued to work virtually, mostly from their home offices.

DLL continues to monitor and prepare for the ongoing and longer-term effects of the pandemic. During the 2021 Strategic Risk assessment, COVID-19 exacerbated macroeconomic developments. Supply chain disruption and product shortages were assessed as the highest risks to the achievement of DLL's strategy, however the COVID-19-specific impact is seen to be receding.

DLL has commenced an exercise to review and develop our disaster management processes to reflect lessons learned during the initial COVID-19 period. Several activities performed during the crisis are to be embedded in the regular Business Continuity Management processes, while all plans have been reviewed to ensure alignment with current practices and the longer-term operating model.

DLL continued to use stress testing and scenario analysis as important risk management tools for strategic decisions and capital planning and have carried out several stress tests during 2021. These stress tests indicate that DLL is adequately capitalized, also in terms of stress. Furthermore, we performed our regular firm-wide internal stress test and have commenced a Climate Risk stress-testing exercise. Stress-testing is executed in parallel to base case plans such as Capital Planning and is used to challenge those plans.

DLL has implemented an approach to identify vulnerable sectors and made changes in its IFRS 9 staging framework, such that an accurate classification and provisioning takes place for these vulnerable sectors. Increased monitoring takes place for the DLL-identified vulnerable sectors.

Cybersecurity has been a key focus for DLL during 2021 due to the increased prevalence and impact of cybersecurity threats and incidents globally, alongside our digital transformation strategy and current remote working model. DLL continues to develop internal awareness among staff by improving our overall security environment and expanding Second Line of Responsibility (2LOR) technology and security expertise.

Throughout 2021, we continued to strengthen our 2LOR functions and overall risk management framework. The following are some of the main developments:

- Through the Risk Structure Alignment Project, we have concluded an effort to reshape our Risk function organizational and operating design under the umbrella of the Compliance, Legal and Risk (CLR) structure. The aim of the project is to:
  - Invest in further professionalizing our Risk organization.
  - Align and cooperate closely with the business, following the structure with the global business units (GBUs).
  - Organize countervailing power at the appropriate levels that mirrors the seniority of the business.
  - Use the local knowledge (proximity) and apply synergy in the region, where possible.
  - Strengthen the targeted three lines of responsibility (LOR) throughout DLL.

- Investing in our Risk organization enables us to better deliver prompt and professional risk solutions and manage expectations, which in turn will be beneficial to our clients.

- A collaborative and coordinated CLR operating model has been implemented, with a combined CLR management team and execution plan. Since September 2021, the Legal function primarily reports to the DLL Chief Risk Officer (CRO), whereas Compliance primarily reports to the DLL Chief Executive Officer (CEO).
- Establishment of a dedicated Regulatory Change and Adherence function, within CLR, focused on developing a robust and sustainable regulatory change management process aligned with Rabobank.
- Continuing to mature our Risk & Control Framework (RCF), including improvements in our incident review processes and the establishment of centers of expertise for quality assurance activity.
- Development and implementation of the infrastructure required to align DLL with core climate and ESG regulatory expectations, notably the ECB Guidelines, via a dedicated Climate team within Risk.
- Expansion of the DLL Loan Review program to locations outside the U.S. region, with a full global rollout plan in 2022.

Risk governance

Three lines of responsibility
Every DLL member is involved in addressing and managing risks daily. DLL's organization is built along the lines of the "three lines of defense" model, within DLL referred to as the "three lines of responsibility" and fully aligned with Rabobank, to provide clarity on the responsibilities of the internal control functions: the risk management, compliance and internal audit function in addition to the business.

- The first line of responsibility: The business takes, owns and manages the risks and returns that it incurs in conducting its activities.
- The second line of responsibility: the Risk, Compliance and Legal functions, including regional representatives, are responsible for providing risk and compliance governance and framework, challenging and advising the risk-taking and monitoring the risk profile within which the business should operate.
- The third line of responsibility: Internal Audit provides independent assurance, advice and insights on the quality and effectiveness of internal control, risk management, compliance and governance of DLL.

Risk governance structures, roles & responsibilities
The Executive Board has overall accountability and responsibility for setting the organization's strategy, objectives, risk appetite and aspired culture.
It establishes a governance structure and processes to best manage the risks involved in accomplishing DLL's objectives.

The Supervisory Board is responsible for the supervision of the Executive Board's execution of risk profile, risk policies and risk management activities and implementation of the risk culture.

DLL's CRO is a member of the Executive Board and is responsible for overseeing the development and implementation of DLL's Risk function.

The role of the Risk function is to provide risk governance, challenge and advice on risk-taking and to monitor the risk profile. It also defines parameters for taking up risks within which it must operate and delivers a robust risk management framework to identify, assess and manage the risks the business incurs in its activities. In carrying out its duties, the Risk Management function maintains its balance between independence from the business lines while closely cooperating with the business.

The Risk function conducts strategic group-wide risk management, with regional/entity management and subsidiary boards having appropriate input to the business-specific local/regional application. The Risk function ensures that an adequate framework and authorities are available to the entities and that these entities understand the central reporting obligations they have. This enables a consolidated and aggregated view of the risks for DLL.

DLL has established different risk committees to monitor and to enforce DLL's risk management framework and risk appetite. Global risk committees with a delegated authority from the Executive Board are chaired by CRO or other representatives of Risk.

- The Global Risk Committee (GRC) is the primary second line of responsibility risk committee of DLL Group. The main task is to oversee the risk profile of DLL by reviewing and challenging the risk appetite, defining the risk strategy, ensuring the risk framework remains up to date as required by law and external and internal regulations and actively monitoring the risk performance against appetite and strategy.
- The Regulatory Oversight Committee (ROC) monitors and oversees changes of the global regulatory environment affecting DLL Group. The committee is responsible for the regulatory tracking, internal allocation, high-level monitoring of the implementation and embedding of these changes.
- The Global Credit Committee (GCC) decides on Individual Transactions and Reviews, Loan Strategy Reports (LSRs) and reviews that cannot be handled locally or within the authority of Chief Operations Officer or Chief Commercial Officer Risk.

DLL is also represented at all relevant Rabobank risk committees, facilitating engagement, alignment and transparency between entities.

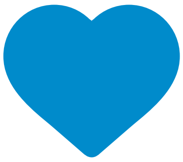
Risk culture

A sound risk culture is the basis for good risk management. DLL expects all members to contribute to a sound risk culture focusing on long-term relationships with, and in the best interest of, our customers. To support excellent customer focus, this includes putting the long-term interests of customers first, being transparent on the risks involved in products/services and not enabling economic and financial crime or corruption. DLL expects its members to contribute to sustainable developments, be socially aware and take the initiative to improve things at DLL while acting within risk appetite.

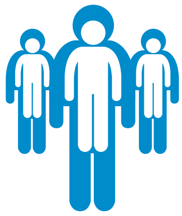
DLL continues to be a collaborative, high-performing global organization with a strong network that delivers our global value proposition locally and takes ownership to be the best partner for our customer.

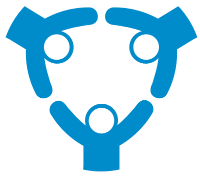
Within DLL, employees are called members because every individual's membership is needed to ensure DLL's continued success. All members collaborated to determine which core principles are most important in the workplace. These principles have become known as the DLL Values.

DLL Values


Everything I do, I do with passion


You can count on me


Developing starts with me


Together we make things happen

DLL aims to create a work environment where each individual feels respected, trusted, empowered and connected with fellow members as well as with DLL's strategy. In this way, members can get the best out of DLL, and DLL can get the best out of each member.

Through this culture, DLL strives to improve the links between individuals and the organization. Together, a high-performing networked organization can be built, where all members understand what is expected from them and how they can contribute. This results in increasing the joy of being part of DLL, a company of which we can be proud and where all are respected and everyone's merit is recognized.

Risk management activities actively keep risks within the established risk appetite and support assessment of potential consequences of choices, careful consideration of risk and/return trade-offs and appropriate measures based on up-to date risk analyses.

To maintain this prudent risk profile, robust risk management is required both in terms of the quantity and quality of the second line of responsibility and in the priority given to risk management by the first line of responsibility. Members play a vital role in DLL's ability to achieve its ambitions. All members must be aware of the risks for which they are responsible and manage them accordingly. Also, a strong risk culture, starting with the tone at the top, is an essential and overarching theme. This culture is relevant to all aspects of risk and is a major determinant of the ability to achieve business goals while staying within the established risk appetite. DLL is committed to the continual development of its risk culture.

Risk strategy

General principles

DLL's mission "Partnering for a better world" emphasizes our dedication to enabling our customers to achieve their ambitions.

The business strategy gives important direction regarding the amount and nature of accepted and intended risks for the various parts of the company, defining priorities, objectives and targets, including a capital strategy.

To sustain the principles of its business strategy, DLL avoids risks that can potentially affect the fulfillment of its goals. DLL wants to continue to service its customers and members; ensuring long-term continuity includes certain minimum reward requirements.

DLL's Risk Value Proposition is presented below, with our mission being: "Valued Risk Partner, Sustainable Customer Growth." Risk is, and will deliver, much more than the strong foundation of safeguarding our bank. Risk, together with Sales, will contribute towards healthy and controlled growth:

- Maximize our customer value: We deliver prompt and professional risk solutions.
- Employer of choice:
  We accelerate the development of our members.
- Accelerate digital transformation:
  We proactively support our digital journey.
- Drive innovation of products and services:
  We innovate together.

DLL Risk Value Proposition

The Foundation of DLL's Risk Strategy, safeguarding our bank, consists of the following three pillars:

1) Protect profit and profit growth

Maintaining a continued profit level is an important source of capital. To continue to service our customers, members, vendors and society in the long run, profitability must be predictable, consistent and sufficient to maintain a strong capital base and reputation. We make transparent choices related to where capital and resources can be used most efficiently or appropriately with respect to sectors.

2) Maintain a solid balance sheet

Sound balance sheet ratios are essential to ensure continuity in servicing our customers under sustainable and favorable conditions. This entails a stable funding capability, strong liquidity buffers and ample solvency.

Capital adequacy ratios

A strong solvency ratio engenders trust with customers, rating agencies and external commentators. It also acts as a buffer in the event of unexpected losses. DLL's aim is maintaining a solid Common Equity Tier 1 (CET1) ratio well above regulatory requirements. Accordingly, DLL will be able to finance its growth from a solvency perspective through increased retained earnings.

Funding

Rabobank, as shareholder, will remain DLL's primary funder, but DLL's aim will be to continue to diversify the funding base by expanding cost-effective options such as securitization platforms. Efforts will continue to attract additional European Investment Bank (EIB) funding where possible. Other opportunities will be evaluated where they can provide cost-effective funding diversification. DLL attracts limited customer deposits, focusing more so on other professional funding sources. Local funding will be sought where deemed more efficient than group funding.

Liquidity

DLL manages its overall liquidity positions. However, DLL is waived from having regulatory liquidity requirements, which are managed at Rabobank. However, DLL is responsible for managing regulatory liquidity ratios (such as Liquidity Coverage Ratio) in certain territories where the DLL subsidiary is solo supervised. This situation is likely to remain unaltered through 2022.

3) Protect identity and reputation

DLL protects the fundamental trust that its stakeholders have in DLL. To that end, it seeks to avoid losses that create unease with its stakeholders. Also, DLL does not want to receive negative press regarding its core values.

These three foundational elements are closely interrelated and fully dependent on maintaining sound governance and a strong risk culture throughout the organization. DLL can only deliver long-term, optimal customer value if it has a solid financial position. This results in low funding costs and supports the Group's profitability and reputation. In turn, maintaining a solid financial position requires healthy profitability and a sound reputation. Finally, reputation plays an important role in achieving satisfactory profit levels.

Strategic risk assessment

Risk management activities support the realization of the strategy and objectives of DLL. The expected rewards of new strategic initiatives must be balanced against the related risks. Internal and external developments are closely monitored to identify risks that may impact the realization of DLL's strategic objectives.

DLL prepares an annual risk assessment of the strategic risks faced by the organization, taking the strategic objectives, current global footprint, market situation, organizational structure and culture into account.

An integrated overview of these risks, developments and mitigating measures are discussed periodically by the Group Risk Committee and the Executive Board.

Strategic top risk	The risk
Macroeconomic developments	Economic and geopolitical conditions change, creating potential supply chain disruptions and downstream product shortages, reduced growth opportunities, changes in customer demand and needs, loss of business, increasing debt levels and inflation.
Regulatory environment	DLL is unable to accurately and in a timely fashion fulfill existing and increasing new regulatory requirements or governmental stimulus both locally and globally.
Operational resilience	DLL internal operational processes and controls are not sufficiently robust and agile enough to operate efficiently and effectively and to prevent failures or are volume sensitive and unable to handle increased throughput.
Third-party management	Due to the rapid growth and reliance on vendors, dealers, outsourced partners, external cloud-based applications and (intragroup) suppliers, DLL has insufficient control over the third-party performance and data.
Workforce of the future	DLL is unable to attract, train, develop and retain human resources with the right competencies.
Cybersecurity	Cyberattacks are executed by external actors (e.g., by means of hacking, phishing, business email scams, espionage, denial of service attacks and ransomware).
Digitalization	DLL's Digital Solutions or their time to market do not meet the needs of our customers.
Climate change	These risks include both physical risks due to changing weather patterns and extreme weather events and the transition risk associated with the transition to a lower-carbon global economy.
Disruptive innovation	DLL fails to capitalize on recognizing and quickly embracing significant trends in innovation within our industry, affecting the viability of our current business model and strategic initiatives, creating vulnerabilities in the way we conduct business and increasing exposure to smaller but more innovative competitors.

Climate risk
Climate change poses both risks and opportunities to DLL's business model and is a key priority for DLL and the Risk function. DLL's Energy Transition initiative focuses on exploring and understanding the strategic impact of climate transition risk and transforming this into viable business opportunities, products and services for DLL.

Climate risk has been identified as a strategic risk for DLL. Given the pervasive, multi-dimensional nature of climate risk, we do not view it as a stand-alone risk category but a driver of existing risk categories in our risk taxonomy: Credit, Market, Liquidity, Strategic, Operations, Compliance and Reputation risks. Each of these risk categories may be influenced by physical and transition climate risks.

Our Climate Risk program encompasses governance, business strategy, risk management and capability development, with a longer-term goal of disclosure on climate risk-related relevant metrics. Climate risk has not yet been structurally embedded in our risk framework; however, during 2021, we have continued to work towards its incorporation into all components of the framework in a manner that will support the business with strategic decisions, in addition to to steering and taking risk mitigations. The 2022 Risk Appetite Statement includes qualitative language on climate risk, which will be further fine-tuned over time in line with developing insights alongside a broader effort to establish Climate Risk within our risk management framework.

A medium-term roadmap to identify and quantify DLL's climate risk exposure considering the European Central Bank (ECB) Guide on climate-related and environmental risks was developed in early 2021, supported at Executive Board. The dedicated Climate Risk team has commenced delivery of this roadmap, working to develop and implement the infrastructure required to align DLL with core regulatory expectations.
– A first analysis of physical risk in the DLL asset portfolio has been completed.
– A first analysis of transition risk is underway, which will lead to a baseline heatmap in 2022.
– DLL will take part in ECB Climate Risk stress testing, considering the effect of climate risks on its portfolio.

Based on our current insights, available information and the identified risk mitigants in place to manage physical risk and transition risk, we believe that climate changes do not have a material impact on our expected credit losses as of December 2021, or on the residual values of assets embedded in our finance and operating leases.

DLL is wholly aligned with Rabobank and engaged in wider Group initiatives to leverage and develop capabilities and firm-wide expertise on this topic.

Material risk management

To deliver our risk strategy, we must understand the risks we face. DLL's risk management framework is designed to mitigate the risks DLL is facing in day-to-day business. DLL maintains effective processes to identify, assess, manage, monitor and report risks. Our risk identification efforts result in granular risks that are specific for time and context.

Material risks
DLL has classified risks into risk types to which it is, or could be, exposed.

This risk-type classification provides clear definitions, a consistent terminology and compatible methodologies, including risk limits and risk controls, and promotes a common understanding of risk management throughout DLL.

The DLL risk management framework recognizes the economic substance of all risk exposures and consists of multiple policies and standards that provide specific requirements to cover the material risks.

Risk appetite
The Risk Appetite Statement (RAS) defines the levels and types of material risks DLL is willing to accept to achieve its business objectives. The RAS starts with a summary of the Business Strategy followed by the articulation of the Risk Strategy.

The Risk Strategy includes the risk management priorities that need to be delivered to ensure realization of the Business Strategy and serves as a starting point for the more specific risk appetite statement per material risk type. The four strategic objectives (see Risk Strategy) define the high-level parameters of the risk appetite within which DLL will operate.

The RAS articulates our overall maximum level of risk exposure and is used in all business activities to assess the desired risk profile against the risk-reward profile of a given activity. The RAS includes qualitative statements as well as quantitative measures expressed relative to earnings, capital, risk measures, liquidity and other relevant measures as appropriate.

The DLL RAS limits are further specified in entity-specific risk appetite statements depending on materiality and governance structure.

The RAS is supported by Key Risk Indicators (KRIs) and Risk Indicators (RIs) that ensure the actual risk profile is managed within the desired risk profile. KRIs directly monitor the risk profile associated with the risk appetite while RIs support additional monitoring of the risk appetite. For every KRI/RI, an Early Warning Limit (EWL) and/or Risk Appetite Limit (RAL) is determined to manage the risk profile within the desired risk appetite.

Risk type	Risk Appetite Statement	Examples of Key Risk Indicators to support DLL RAS
Business risk	We have not developed explicit risk appetite statements regarding business risk because it is primarily captured in an aggregated, integrated and comprehensive way in DLL's business strategy. The Group Finance and Control and Group Risk departments deal with the challenge and "management" of this risk. The main reason is that the underlying risks are managed and mitigated through a structured program of scenario and sensitivity analyses to determine business risk. DLL's Strategic Risks are considered in the selection of scenarios and sensitivities.	- Common Equity Tier 1 Ratio (CET1 ratio) - Total return on invested capital (ROIC)
Credit risk	DLL will maintain a credit portfolio with a manageable risk profile to limit the impact of bad debt costs on the profitability and reputation of the company.	- Non-performing loans - Coverage ratio non-performing loans - Loan impairment charges concentration limits
Balance sheet risk	Liquidity risk: DLL aims for an optimally diversified funding portfolio (in tenors and funding sources) that supports its customers' activities and a balanced liquidity mismatch within its risk appetite. DLL must apply a "matched-funding" principle, except for a maximum mismatch of 10 percent.	- Consolidated DLL liquidity position
	FX translation risk: DLL aims for a limited FX translation risk impact of exchange rate movements on the DLL CET1 ratio.	- FX basis point impact CET1 ratio
	Interest rate risk: DLL must apply a "matched-funding" policy within approved limits to maintain DLL's exposure to interest rate risk, within DLL's risk appetite.	- Earnings at risk - Modified duration of equity
Asset risk	DLL wants to minimize residual value impairments on leased assets. The general guidance at DLL is to have a varied and diversified portfolio to mitigate the risks inherent in an asset-based financing environment and provide a sufficient level of income for assuming this risk. Continued success in asset-based financing activities may result in increased asset risk concentrations that are acknowledged and accepted.	- Residual value concentration - Inventory aging
Operational risk	DLL will not tolerate aggregate operational risk losses exceeding a predefined threshold, nor is it acceptable to incur estimated losses exceeding this threshold under likely scenarios from its annual scenario program.	- Net ORM loss amount - Number of individual risks with an actual residual medium high- and high-risk rating - Customer due diligence

The 2022 Risk Appetite Statement includes qualitative language on climate risk, which will be further fine-tuned over time in line with developing insights alongside a broader effort to embed climate risk within our risk management framework.

Risk appetite is reviewed and updated annually or more frequently following internal or external events with material impact. Frequent assessments are performed to determine whether DLL remains within the set risk appetite. Regular monitoring and reporting of the KRIs is essential to measure and manage the DLL risk profile against the risk appetite limit. A risk report is prepared quarterly on the Key Risk Indicators to measure the risk appetite on DLL Group level, including the assessment of the risk profile against the risk appetite limit. The breach management process in combination with appropriate governance ensures a timely and adequate response. Any limit breaches require risk committee approval and mitigating actions to be taken. Reporting on the risk appetite performance also includes a forward-looking outlook of the expected development of risk performance.

The purpose of risk monitoring is to keep track of risks that occur and the effectiveness of mitigating actions.

Risk profile and appetite performance

In pursuit of the right balance between (accepted) risk and reward, we generally operate within the risk appetite. Apart from one Key Risk Indicator, we have operated within our risk appetite throughout 2021.

- The macroeconomic scenarios applied, combining COVID-19 with a global financial crisis with significant impact on unemployment rates, resulting in a limit excess of the loan impairment losses based on Adverse Stress Test in the first two quarters of 2021. The models used the unemployment rate as a significant metric, while the limit was still based on the prior year's mid-year stress test. In Q3, the new mid-year stress test resulted in significant lower loan impairment losses and no longer a limit excess.
- Three Risk Indicators breached appetite levels during 2021, with one in breach at year-end. The year-end breach is a cumulative annual figure and, as such, is reset at the beginning of 2022. We are aware of these risks and the underlying drivers for the risk appetite breaches. We actively monitor these risks and manage these risks down to previously agreed acceptance levels or consciously accept the higher risk profile for a given period. The following sections provide further details on the RAS performance per material risk type.

Business risk

We are susceptible to the risk of losses due to changes in the competitive environment or events that damage the franchise or operating economics of the business. Specifically, this is the risk of loss due to decreasing volumes, decreasing (commercial) margins and/or increasing (operating) costs. This material risk type could arise from our failure to execute our strategy, our failure to position the bank strategically or our ineffective response to material negative plan deviations caused by external factors.

We have not developed explicit risk appetite statements regarding business risk, as this is primarily captured in an aggregated, integrated and comprehensive way in our Strategic Plan. The Finance and Control department has the primary responsibility of the challenge and "management" of this risk. The main reason is that the underlying risks are managed and mitigated through a structured program of scenario and sensitivity analyses to analyze business risk. Our selection of scenarios and sensitivities takes our Strategic Risks into consideration. Furthermore, the medium-term planning (MTP) and budget process is a key element of business risk management.

DLL actively manages capital requirements through DLL's risk strategy, risk appetite and balance sheet management to ensure sufficient capital is held to cover contingent capital needs and to meet regulatory requirements. DLL has developed internal capital models to meet the minimum regulatory capital requirements. A prudent approach is applied to all capital requirement models, considering model uncertainty.

Stress tests are conducted regularly to determine whether DLL has sufficient financial resources to resist adverse economic scenarios. Core risks are mitigated by DLL's diversified business (both in terms of geographies and industries), as well as by additional vendor support in the form of loss pools and recourse, which lessen both credit and asset risk.

Risk profile performance

DLL stayed within all Business Risk Key Risk Indicator appetite levels during 2021.

Forward-looking

The ongoing COVID-19 crisis, together with uncertainties surrounding global trade extensions, may impact DLL's financial performance.
DLL continues to monitor and respond to the effects of the pandemic and the impact it is having on society, our business model, customers and employees. We are also monitoring potential supply chain disruptions and downstream product shortages that could impact our future new business growth and portfolio development. The challenges in the field of capital, liquidity and funding are significant, primarily due to new regulations as well as the adverse environmental conditions caused by the pandemic. Focus on the core portfolio, and an even more active balance sheet optimization, are considered necessary.

Credit risk

DLL pursues a solid risk/return profile at an acceptable cost. DLL wants to achieve this over a long period of time. This allows DLL to maintain long-term relationships and to service our clients through economic cycles, including adverse economic times. Our current credit policy will remain in place, and we will continue to focus on the following goals within DLL's credit risk strategy:

- Maintain a credit portfolio within the risk capacity of the company: To limit the impact of bad debt costs on the profitability and reputation of the company, DLL defines a risk appetite that includes early warning levels and risk appetite limits for Key Risk Indicators regarding credit risk.
- Solid risk/reward ratios: To assure a solid risk/return profile, DLL defines return targets, considering operational, capital, funding and risk costs.
- An efficient credit process: DLL pursues a high-quality and efficient credit process. This includes selecting the right business opportunities, with great risk consciousness employed in the front office, efficient processing of credit requests and efficient decision-making.

Credit risk management focuses on making balanced decisions on credit applications based on careful assessments to ensure that credit losses from the resulting portfolio are within agreed boundaries. DLL seeks to control credit risk by building a diversified portfolio from a market segment and geographical perspective and by closely monitoring payment performance. Furthermore, back testing on our risk models is performed to adjust our risk-taking on the actual risk in the portfolio.

Risk profile performance

During 2021, the credit risk quality of DLL's portfolio showed a material improvement as customers were able to adjust debt-service capabilities. Reflecting this, the NPL ratio improved considerably and remained inside appetite.

The anticipated impact of the COVID-19 crisis on NPL numbers in 2021 did not materialize. DLL sees a relatively high but decreasing NPL level on the portfolio restructured under COVID-19 guidance; however, this only has limited impact on the overall NPL level. At Group level, DLL maintained its NPL ratio under its Early Warning Limit. The Collections & Recovery plan "Accelerate & Deliver" (originally intended to make certain that all countries are compliant with the corporate guidance received) also helped to mitigate the effects of the pandemic.

Monitoring activities implemented in 2020 have delivered quality improvements within the DLL portfolio in both absolute and relative NPL as well as delinquency levels. The total amount of the rescheduled contracts portfolio amounted at year-end to circa EUR 1.67 billion (2020: EUR 2.7 billion), while the NPL ratio for the COVID-19 restructured portfolio ended at 6.5 percent (2020: 7.3 percent). The NPL of the total portfolio ended at 1.95 percent (2020: 3.1 percent).

Due to the improvement in economic conditions and outlook, DLL was able to release loan loss provisions, and the total loan impairment charges were well within DLL's risk appetite.

DLL has implemented an approach to identify vulnerable sectors and made changes in the IFRS 9 staging framework such that an accurate classification and provisioning takes place for these vulnerable sectors. Increased monitoring takes place for the DLL-identified vulnerable sectors: (i) the COVID-19 restructured portfolio; (ii) the moratorium portfolios; (iii) specific industries; and (iv) other COVID-19–impacted situations. DLL is continuously evaluating and reviewing the vulnerable sectors approach to manage change and maintain adherence.

DLL is confident that we have a robust first- and second-line governance framework in place that allows us to ensure that we remain in control and manage credit risks appropriately.

Forward-looking
A combination of the new EBA Definition of Default and requirements on customers to resume COVID-19 support (re)payments may impact NPL levels in 2022, however the NPL ratio is expected to remain within the risk appetite limits in 2022. There will be a focus on strong reduction of NPL inflow, increased early cure and early recovery of defaulted debtors, which should serve to limit the impact. The Collections & Recovery plan "Accelerate & Deliver 2" was launched early 2022.

Asset risk
DLL has authorized a strategy to take end-of-term investment positions, Residual Value (RV), in certain assets being financed to meet customer needs and provide additional sources of income. This approach introduces an additional risk (asset risk) that is separate and distinct from traditional "loan" financing.

As a leasing company, DLL accepts asset risk as a normal course of business and seeks to earn a reward for that risk. Asset risk is the current and prospective risk that DLL will not achieve a satisfactory return for the residual positions that it takes on its financed equipment. Assumption of this risk is overseen by the Asset Management & Remarketing Product Overlay (AMR PO) department and governed by the Global Asset Management and Remarketing Policy and in conjunction with the Global Asset Management Committee.

Decades of experience with its assets, geographic and equipment diversification, industry experts and strong governance all serve as strong mitigants. Limits have been set in the Risk Appetite Statement to both manage asset risk in relation to residual value concentrations and to ensure inventory levels and aging remains at an acceptable level. DLL monitors its asset risk through annual vendor program approvals, inventory reviews and a biannual overall portfolio review for any potential residual value impairments.

Since the start of the COVID-19 pandemic, DLL has assessed the impact of COVID-19 on the key factors that could impact asset risk: customer behavior, inventory levels and equipment values across countries. Monitoring and reporting on key areas that may be impacted because of the pandemic are conducted regularly and distributed to stakeholders across the business. During 2021, inventory has trended downward and improved drastically from 2020, a testament to the efforts of local remarketing teams effectively managing both end of lease and defaulted assets. Local remarketing teams closely monitor asset types in more distressed segments (e.g., transportation) or those that show more difficulty in remarketing (e.g., large construction). The use of additional remarketing channels is a resource that can be utilized to help reduce aging.

Risk profile performance and forward-looking
Over 2021, DLL operated within the defined risk appetite for asset risk, and there is currently no reason to revise the risk appetite or to amend the risk appetite framework for asset risk in 2022.

Balance sheet risk
DLL's balance sheet risk management focuses on interest rate, liquidity and foreign exchange (FX) risks. DLL's balance sheet risk strategy is set in line with two key themes of DLL's risk strategy: the protection of profit and profit growth while maintaining a solid balance sheet.

DLL applies a matched funding policy, both in terms of liquidity and interest rate risk based on the currency and maturity profile, to reduce its balance sheet risk exposures within its risk appetite. DLL centralizes all significant balance sheet risks at DLL Group Treasury. The balance sheet risk appetite is translated into a set of internal limits for the key underlying risk indicators defining the maximum level of risk DLL is willing to take.

DLL's liquidity position is consolidated within the Rabobank position, and ratios are managed by Rabobank Treasury on a Group level. DLL's risk appetite related to balance sheet risk is limited, as it is Rabobank's policy to centralize funding and liquidity risks as much as possible. DLL received a waiver from De Nederlandsche Bank (DNB)/ Dutch Central Bank for traditional regulatory liquidity indicators (such as Liquidity Coverage Ratio and Net Stable Funding Ratio) on a stand-alone basis. DLL aims for an optimally diversified funding portfolio (in tenors and funding sources) that supports its customers' activities and a balanced liquidity mismatch within its risk appetite. Concentration in funding sources increases liquidity risk, therefore DLL continues to look at ways to diversify its funding base.

DLL aims to achieve stable earnings from the margin charged to cover credit, asset management and processing, and therefore DLL has limited appetite for interest rate risk. Interest rate exposures are mitigated based on their expected maturity terms (or repricing if shorter). DLL has a policy for the mitigation of interest risk exposures through transacting money market and derivative instruments with Rabobank (when possible).

DLL's foreign exchange framework is designed: 1) to maintain DLL's ability to accept a structural exposure to foreign exchange risk with the aim of maintaining a more stable CET1 ratio. DLL selectively manages its Foreign Exchange (FX) translation risk regarding its CET1 ratio by deliberately taking positions and/or hedges to reduce this risk on a foreign currency basis. With the ratio hedge approach, DLL aims for a limited FX translation risk impact of exchange rate movements on the DLL CET1 ratio; 2) to reduce an entity's FX translation risk within limits set. DLL will always have some FX translation risk, as DLL has subsidiaries in over 30 countries, and all non-Eurozone subsidiaries will have FX profit and loss results.

Risk profile performance

DLL was able to stay within its risk appetite limits for balance sheet risk over 2021. There was one early-warning-level excess: i.e., by simulating FX returns the impact of FX translation risk on DLL's CET1 ratio is calculated. However, following a dividend payment to DLL's main shareholder, the CET1 ratio decreased. This resulted in minor excess of the early warning level on FX translation risk.

Forward-looking

In 2022, activities will continue to further improve and strengthen DLL's balance sheet risk reporting by implementing a new risk management tool for Interest Rate Risks for Banking Book (IRRBB) calculations. Furthermore, DLL aims to close securitization transactions, which will continue to be a part of DLL's long-term growth strategy to diversify DLL's funding base and liquidity risk. DLL's early warning limit on FX translation risk has been adjusted to allow for the impact because of the change in the CET1 ratio, whereas DLL's CET1 is expected to increase when adding net profit over 2021 to retained earnings. However, as a result of newly implemented Definition of Default DLL needs to redevelop its PD and LGD models. Until those redevelopments are completed, DLL will have an add-on to its RWA, for first time in 2022. Also with this add-on, DLLs capital ratios will be above the regulatory minimum requirements.

Operational risk

Operational risk involves the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events. Operational risks are an inherent part of day-to-day business activities and can never be fully mitigated. Exposure to operational risk is an inevitable part of DLL's business activities.

Operational risk may arise from a failure to manage operations, systems, transactions and assets appropriately. This can take the form of human error, an inability to deliver change adequately or on time, the non-availability of technology services or the loss of customer data. Fraud and theft – as well as the threat of cyberattacks – are sources of operational risk, as is the impact of natural and man-made disasters. Operational risk can also arise from a failure to account for changes in law or regulations or to take appropriate measures to protect assets.

DLL's Operational Risk Policy and Standards define a global and uniform approach to operational risk. Operational risks are actively managed and controlled via our Risk and Control Framework (RCF), which assists DLL to stay within the boundaries defined by DLL's risk appetite.

The Risk and Control Framework sets mandatory requirements for risk and control activities, enabling us to manage operational risks efficiently and effectively using a forward-looking and integrated approach. Quarterly regional In Control meetings are in place to manage and steer operational risks. Through this structure, we manage our current existing operational risks as well as identify and prepare for new emerging risks.

Risk and control assessments are used across all entities and support functions to identify and assess material operational and conduct risks and key controls. Risk assessments are refreshed at least annually to ensure they remain relevant and capture any emerging risks and ensure risks are reassessed. The process is designed to confirm that risks are effectively managed in line with risk appetite. Controls are tested at the appropriate frequency to verify that they remain fit-for-purpose and operate effectively to reduce identified risks.

Risk profile performance

DLL was able to stay within its KRI risk appetite limits for operational risk, both quantitatively and qualitatively over 2021.

Forward-looking

In 2022, activities will continue to further strengthen our RCF and Operational Resilience with focus on IT, Cyber Risk, Business Continuity Management and Business Process Mapping.

Controlling External and Internal Fraud Risk

Within DLL, fraud risk is part of the broader concept of Operational Risk Management (ORM). DLL has a fraud policy implemented. To manage fraud risks within DLL Group, our fraud risk management is based on three pillars: Prevention, Detection and Response, as illustrated:

Executive Board Oversight, Internal Audit Committee and 2LOD Monitoring

Prevention	Detection	Response
Fraud & misconduct risk assessment	Hot lines & whistle-blower mechanisms	Internal investigations (local, group, FEC*)
Code of conduct	Auditing & monitoring	Enforceability & accountability protocols
Fraud awareness & classroom training	Proactive forensic data analysis	Disclosure protocols
Employee & 3rd party due dilligence	Dealer reviews	Remedial actions
Process-specific fraud risk controls (RCF)		

* Financial Economic Crime

The framework assists DLL in prevention, detection, and adequate response actions when faced with fraud risks as well as with fraud instances.

DLL finances roughly EUR 35 billion worth of assets used all over the world, with an average ticket size below EUR 50 thousand, so by all means runs a small ticket business. Despite all controls in place to detect and prevent external fraud, with over 1.4 million contracts, more than 7,500 vendors and over 50,000 dealers. Fraud risk is inherent to DLL's business model, it is no surprise that external fraud occurs in (acquiring) financing or with the asset itself. Trends and developments are monitored, evaluated and reported upon. When deemed necessary, actions are taken to strengthen the control environment to ensure that the fraud risk is within DLL's risk appetite, while keeping in mind that there is a tradeoff between cost of controls and benefits given DLL's small ticket business. Hence, we consider the residual risk involved to be acceptable.

To further improve oversight and coordination across Corporate Functions, a Fraud committee meeting is held on a monthly basis where reported fraud cases are discussed (e.g., cases reported, status, decisions made, and lessons learned), trending is signaled and mitigating actions are determined. The committee consists of Head of Legal, Head of Compliance, Head of Internal Audit, and Head of Integrated Risk Management.

DLL learns from incidents and further mitigates external and internal fraud risk to the extent possible by taking additional measures to raise awareness and enhance both early detection and mitigation. As part of our RCF framework, controls are implemented in first and second line, mandatory and non-mandatory trainings are provided on risk and fraud related topics to all members, external and internal frauds are being reported, with incident learning reports prepared, and lessons learned are being shared to raise awareness. On a quarterly and year to date basis, fraud risk indicators are monitored against DLL's RAS, both on a DLL Group and country/regional level. A focus group has been established to enable sharing of good practices between regions.

Compliance

Introduction
DLL is a credit institution headquartered in the Netherlands, and therefore bound by Dutch and European laws and regulations. Where there is a local legal requirement that prevents local compliance with (parts of) this Policy and/or there is a higher standard that must be applied locally, these local stricter rules prevail. Compliance considers applicable principles, guidelines and other regulatory requirements (e.g., Wft (Dutch Financial Supervision Act), Wwft (Dutch Anti-Money Laundering and Anti-Terrorist Financing Act), Basel Committee on Banking Supervision (BCBS), Capital Requirements Directive IV (CRD IV), European Banking Authority (EBA), General Data Protection Regulation (GDPR)).

DLL is firmly committed to conducting business with integrity and in compliance with the letter and the spirit of the law and other generally accepted rules and standards of business conduct of the countries and communities in which we operate.

Acting responsibly and professionally will enable us to build a rock-solid company and contribute to the welfare and prosperity of our customers and the society we live in, and thus help us in "Partnering for a better world." As a minimum requirement, being compliant with relevant laws and regulations is always of the utmost importance and is expected by our customers and society.

The mission of the Compliance Function is to contribute to the trust that stakeholders and society in general have in DLL by promoting the integrity of all aspects of DLL and its members, especially through embedding good conduct, acting as a second line of responsibility and partnering with the business.

Compliance risk is defined as: the risk of impairment of DLL's integrity due to unlawful, unethical or inappropriate conduct. Such conduct can damage the rights and interest of our customers as well as the reputation of DLL, leading to legal or regulatory sanctions and/or financial loss.

Unlawful, unethical or inappropriate conduct in the definition of compliance risk involves the failure to comply with DLL's internal standards, rules or codes as well as applicable laws and regulations or external codes applicable to the activities of DLL. In addition, it includes acting beyond the boundaries of what is considered morally or socially acceptable according to universal standards or acting with a lack of dignity and respect towards our stakeholders, even in the case that such conduct is not formally prohibited.

Within DLL, the compliance risks have been divided into 11 compliance themes: money laundering, terrorism financing, breach of sanctions, internal and external fraud, conflicts of interest, treating customers fairly, corruption, market inefficiency and misconduct, competition, breach of data privacy and recordkeeping.

To obtain insight into the extent to which the risks mentioned above manifest themselves in DLL's day-to-day activities, a detailed description of these risks and how they may occur and be mitigated is documented and assessed as part of compliance risk management by, for example, conducting the Systematic Integrity Risk Analysis.

Compliance Function
As part of the second line of responsibility, the Compliance Function acts as a partner to the business in enabling DLL to achieve its strategic goals in a compliant manner. The Compliance Function supports management in its responsibility to become and remain compliant with the external and internal rules related to the compliance themes specified before. The Compliance Function also aims to maximize adherence to the Code of Conduct in the context of compliance risk.

The Compliance Function helps DLL and its members, customers and business partners to "do the right thing" following principles such as:

- Compliance starts at the top.
- Management is the "owner" of compliance.
- Compliance requires each employee to behave in a compliant manner.
- An effective Compliance Function exists at all levels.
- Adherence to the global Code of Conduct and compliance policies is necessary.

The Compliance Function has a global mandate, and none of DLL's activities or entities, nor the activities of branches, subsidiaries, joint ventures or outsourced activities, are excluded from Compliance's scope of review or inquiry.

Independence

The Compliance Function must be able to perform its responsibilities without undue influence and based on its own initiative and professional judgment. The Compliance Function should be independent from the business and administrative or control functions, therefore Compliance Officers are not authorized to assume commercial or operational activities in their area of control.

The Compliance Function consists of the Head of Group Compliance (HGC), Corporate Compliance staff, Regional Chief Compliance Officers, Country Compliance Officers and staff reporting to them. The HGC reports primarily to DLL's Chief Executive Officer (CEO) and is accountable to the Executive Board and the Supervisory Board of DLL, having an escalation line to both. The HGC also reports secondarily to the Rabobank Chief Compliance Officer. The HGC meets with the chair of the Supervisory Board periodically, but at least twice a year.

To safeguard the independent position of the Compliance Function, the Regional Chief Compliance Officers have a primary reporting line to the Regional Managers and a secondary reporting line to the HGC. The Country Compliance Officers have a primary reporting line to the Country Managers and a secondary reporting line to Regional Chief Compliance Officers.

Compliance activities

AML

In terms of Wwft Compliance, DLL introduced the CARE Program early in 2018 with the purpose to further implement Dutch Anti-Money Laundering (AML)/Combating the Financing of Terrorism (CTF) requirements globally. In 2020, the CARE program successfully transferred its deliverables and responsibilities to the first line, and further progress in the business-as-usual processes and remaining projects is being monitored by a newly established Customer Due Diligence, Anti-Money Laundering, Terrorist Financing and Sanctions (CAMS) Committee and the DLL Executive Board.

The framework for CAMS is largely in place. Focus in 2021 was on quality of the customer files, data remediation and transaction monitoring. In addition to this, a new training and awareness program has been launched. Furthermore, we have continued to invest in our Ultimate Beneficial Owner (UBO) implementation in the U.S. and Canada and progressed in the rollout of our Customer Due Diligence (CDD) system (ROCK), in which new and existing clients are being risk rated and (re)screened for the latest Sanctions, Political Exposed Persons (PEP) and other watchlists.

Privacy

At Corporate level, the Compliance Function has established and operates a three-pronged approach to privacy and data protection across DLL – oversight via a Privacy Committee, a Global Privacy Office and a Global Privacy Program.

In 2021, DLL continued the Global Privacy Program started in 2020 managed by the Global Privacy Office (among other things). The program will deliver better knowledge and understanding about obligations to data subjects (our members and customers), a risk-based approach when processing personal data and a solid foundation of policies, standards, procedures and guidelines for the business. The program is expected to become business as usual in 2022.

Conduct

Over the course of 2021, the Compliance Function updated the compliance policy framework in the conduct area (e.g., Fair Competition) in line with the Rabobank policy framework. A Compliance

Culture Survey has been rolled out through the organization with insightful results that will be taken forward in 2022 together with continued attentions for implementation, training and awareness and advisory services regarding the policies, standards and procedures.

Training and awareness regarding the updated Code of Conduct and annual attestation regarding Gift and Entertainment, Conflicts of Interest and Outside Business Activities have been provided to all DLL members and is actively monitored by improved tooling.

Responsibilities of the Compliance Function

The Compliance Target Operating Model defines the specific requirements for the Compliance framework of the Compliance Function in more detail. The Target Operating Model is one of the building blocks of an effective approach to manage Compliance Risk and links with documents such as the Compliance Charter, policies and procedures, reports and plans.

Compliance reporting

Based on DLL's midterm plan, annual plan and a compliance risk analysis, a Group Annual compliance plan and regional and local plans are prepared. These plans reflect local and global compliance initiatives within DLL. This plan is approved by the DLL Executive Board and the Supervisory Board. The Global Compliance Plan is reflected as well in the country and regional compliance plans. On a quarterly basis, Group Compliance updates the Executive and Supervisory Board on the progress made on execution of the annual plan as well as other relevant matters.

The plans are based on DLL's midterm and annual plan, compliance risk analysis, information from the compliance network and an ongoing overview of relevant compliance topics aligned with DLL's activities. They include the plans for policy and procedures setting, awareness, consultancy activities and monitoring.

In case of matters of high importance, such as major incidents, the HGC will ensure that the Executive Board (and through the CEO the Chair of the Supervisory Board) are informed immediately. The same applies for Rabobank Compliance and, when appropriate, the regulator.

The DLL Compliance Monitoring Framework sets forth a consistent risk-based approach to the monitoring activities of DLL with respect to compliance-related processes, controls and the reporting of the results of such activities. Compliance Monitoring is an integral part of the DLL Compliance Program.

Global Code of Conduct & policies

Members on all levels are responsible for meeting compliance requirements as stated in the Global Code of Conduct and the compliance policies, standards and procedures that can be found in the Policy House Portal. Management is held accountable at a higher level for such adherence, for themselves and those under their direction, and must set an example to the members in their actions and behavior.

DLL strives for an open and encouraging culture, where employees can report alleged violations of the Global Code of Conduct or suspicions regarding incidents affecting the integrity of DLL. Furthermore, DLL has implemented a Speak Up mechanism. This provides employees the possibility to use an alternative channel (next to their standard hierarchical reporting line) for reporting suspected irregularities.

Policies

Global compliance policies have been drafted and implemented within DLL. DLL's management is responsible for implementation of the policies and monitoring of adherence to the policies. Main policies are implemented in the field of financial and economic crime to provide global principles to ensure that DLL engages in relationships with reputable business partners and customers and mitigates potential corruption, anti-money laundering and fraud risk and to ensure compliance with sanctions regulations. Related to conduct, policies have been implemented to ensure that DLL and its members avoid conflicts of interest; treat customers fairly, handle customer information and other (personal) data confidentially and with due care; set guidelines for disclosure and transparency and prevention of insider trading activities by DLL members; and offer DLL members (external) channels to report suspected irregularities.

Interview

NEO X: **disrupting how we do business in Brazil**

The global pandemic in 2020 triggered many companies to fast-track their digital strategies. Given that 80 percent of business-to-business (B2B) sales interactions are expected to occur through digital channels by 2025, DLL is gearing up fast to do things differently. Mariane Vasquez, Head of Operations for DLL Brazil and responsible for Digital in Latin America, describes how the NEO X digital platform is disrupting the business model in Brazil, making it easier for dealers and end-customers to do business with DLL.

With over 50 percent of Brazilians doing their banking via an app or portal, it's only natural that DLL's dealers are looking for digital financial solutions too. DLL Brazil already responded with the NEO platform in 2018. Via their mobile device or an online portal, dealers can access NEO for all the services they require: from entering a credit application to checking an invoice or taking part in a training session. "Digital adoption levels by our partners are high in Brazil," says Mariane. "For instance, more than 90 percent of the deals in the agriculture sector were entered through NEO last year."

Launched in October 2021, NEO X is the next generation, inspired once again by rapid digitization and changing dealer demand, says Mariane.

"NEO X is actually a disruptive way of doing business: We've now enabled dealers to give their end-customers access to the credit platform," says Mariane. "The end-customer enters their credit application and receives their credit decision almost immediately, with everything touchless for the dealer, from application to booking. NEO X answers the dealer's need for simple, standardized solutions for low-ticket deals."

From weeks to minutes

Saving time and costs are key drivers on these deals. "In the conventional workflow, turnaround times from credit application to booking can run up to 45 days. The first contract that was closed in NEO X took 15 minutes," relates Mariane.

The previous long process was due partly to a country-specific requirement that customers must sign a central bank consent form, wait for a credit decision from the dealer and sign and register their contracts with a notary manually. Given the sheer size of Brazil, that can sometimes take weeks. "Using NEO X, end-customers can generate the contract electronically, sign it digitally and register it digitally with the notary as well, providing a fast and seamless customer journey."

"The first contract that was closed in NEO X took **15 minutes**."

Mariane Vasquez
Head of Operations for DLL Brazil

Working in partnership

In line with DLL's shift to agile working processes, NEO X was co-created with representatives from Credit, Risk, Legal, IT and Operations. "The involvement of our Compliance, Legal and Risk (CLR) colleagues kept us aware of fraud or authorization issues," explained Mariane. "The commercial insights the team gained and the decision-making authority they brought kept things moving. We also worked closely with our colleagues in the DLL AI Lab on artificial intelligence and machine learning solutions and are continuing this cooperation for future developments in automated credit decisions."

The NEO X team also partnered with vendors and dealers to test the first prototype. "And after the platform launched, we called the first customers to understand how they experienced this customer journey."

The fact that many dealers and end-customers opt for the simplicity and efficiency of digital solutions changes the relationship with the customer but enhances proximity, believes Mariane. "The relationship with our partners and their loyalty and proximity are key to our distinctive market offering. To keep feeding our backlog of ideas, the members from different areas have initiated a customer experience group and launched an initiative called #EuLigo, which means 'I call I care.' They're committed to calling customers who've responded to our annual relationship survey and digging deeper into their feedback to make the customer journey even more seamless."

Putting digital transformation into practice

Available 24/7 to partners and customers anywhere in the country, NEO and NEO X are leading best-practice examples of how DLL is making digital transformation happen. The teams in Brazil are creating connections that matter, both with other members and with customers, and are anticipating the customer need to self-serve and provide premium digital experiences enriched by human interactions.

Mariane's teams are also busy exploring other new business models. "Some partners are already using our APIs (application programming interfaces) to integrate the DLL quotation tool into their own systems. And we're implementing an Innovation Lab (DLL Lab Experience) as a space to stimulate members to come up with fresh ideas together. After all, the NEO brand stems from the Greek word for 'new.'"

Remuneration

DLL seeks to hire the best talent in each local market and therefore aims to provide a remuneration package that is market competitive and in line with responsibilities and performance. Furthermore, the remuneration policy is aimed at reinforcing the desired behaviors in line with our core values, global alignment, cooperation and personal development.

Remuneration policy
Within the framework of our parent's vision on remuneration and Rabobank Group Remuneration Policy, we have our own global DLL remuneration policy. This policy is designed to promote fair and consistent employee compensation based on an effective job classification system. While the Global Remuneration Policy (GRP) applies to all DLL entities worldwide, minor differences may apply per country. This relates to the application of local legislation, national collective labor agreements or local labor market practices. Furthermore, the salary and incentive levels are country specific, aligned with local labor markets. In all countries we have implemented a remuneration package that consists of fixed and variable remuneration components and various fringe benefits. In many countries, we have implemented a pension scheme.

The remuneration packages for the Executive Board are subject to review and approval by the Supervisory Board.

Rabobank Group Remuneration Policy
The principles and guidelines of Rabobank's vision on remuneration are detailed in the Rabobank Group Remuneration Policy. The requirements under external legislation and regulations are also enshrined in this policy, including the Dutch Financial Undertakings Remuneration Policy Act (Wbfo), the Regulations on Restrained Remuneration Policies, the Capital Requirements Directive IV (CRD IV) and the Dutch Banking Code. The Rabobank Group Remuneration Policy applies to the Rabobank Group as a whole, including DLL. Consequently, we follow this policy consistently. The policy supports solid and effective risk management processes and discourages employees from taking undesirable risks. It also encourages employees to consider the longer-term impact in the interests of both Rabobank Group and its clients.

Variable remuneration
In 2021, EUR 69 million (2020: EUR 45 million) of the total remuneration was variable for all DLL entities. The risk-controlling measures below apply to employees with variable remuneration. The variable remuneration is capped for all roles in all countries, and DLL does not grant guaranteed variable remuneration. The annual performance appraisal and remuneration cycle support acting in the interest of our long-term continuity and financial strength.

Wherever variable remuneration applies, a maximum is imposed. In the Netherlands, variable remuneration is capped to 20 percent of an employee's fixed income. Outside of the Netherlands, the level of the fixed income, variable pay and benefits are based on the local market of the respective country. Variable remuneration is typically awarded based on a balanced mix of qualitative and quantitative objectives and cannot be higher than 100 percent of an employee's fixed salary. DLL's performance objectives are focused on achieving results, bringing our core values into practice and contributing to the personal development of employees. DLL's objectives do not contain targets that encourage behavior that is not in the best interest of our vendor partners and/or their end-user customers.

Ex-ante test

On an annual basis, the Executive Board of DLL and in its turn the Managing Board of Rabobank validate whether payment of the proposed variable remuneration is justified, based on Rabobank Group's qualifying capital and solvency ratio. This "ex-ante" test centers on the question of whether DLL and/or Rabobank can make the payments without any resulting financial problems. Subsequently, the test is submitted for approval to the Supervisory Boards of both DLL and the Rabobank Group.

Claw back

In exceptional circumstances, the Managing Board of Rabobank can withdraw an awarded variable remuneration with retroactive effect. This is referred to as "claw back." Rabobank Group is authorized to reclaim all or a portion of variable remuneration from both employees and former employees in any of the cases as laid down in the Rabobank Group Remuneration Policy. In 2021, no claw back was applied to any variable remuneration.

In addition to the measures mentioned above, the following general prohibitions also apply:

- Personal hedging strategies are not permitted under any circumstances whatsoever.
- A variable remuneration must reflect the quality of an employee's performance. We do not reward employees for failure or misconduct.

Identified Staff

Employees who can have a significant impact on DLL's risk profile are designated as "Identified Staff." In 2021, 55 roles within DLL were determined to be Identified Staff (excluding Supervisory Board members). In general, these members are not eligible for variable remuneration. In exceptional cases where they are eligible, their incentive is governed by the principles laid down in the Rabobank Group Remuneration Policy. As is the case for all other employees, Identified Staff must meet a proper balance of performance objectives. Identified Staff are specifically subject to performance measurements at DLL Group, business unit and individual levels.

Supervisory Board

Fee structure

During 2021, the Supervisory Board consisted of four members. From these four members, two external Supervisory Board members receive direct compensation from DLL based on board responsibilities. The other two Supervisory Board members are employed by Rabobank where the fee of the Supervisory Board activities is included in the remuneration received from Rabobank in their capacity as Rabobank employees. The total amount of remuneration for the external Supervisory Board members in 2021 was EUR 209,000 (2020: EUR 216,000).

Executive Board

Remuneration package

The primary remuneration package for the members of the Executive Board consists of fixed pay and pension entitlements. Additionally, Executive Board members receive fringe benefits in line with market practice. Executive Board members were no longer eligible for variable remuneration as of 2016.

Pension

In the Netherlands, the Rabobank pension scheme applies to members of the Executive Board and qualifies as a collective defined contribution scheme. As of January 1, 2021, the maximum income on which the Executive Board may accrue pension is EUR 106,086. Any income exceeding this amount is not pensionable. In line with local practice and to compensate for the pension cap, the members of the Executive Board receive an individual supplemental retirement allowance.

In the U.S., the members of the Executive Board do not participate in a pension scheme but are eligible for the DLL 401K match. Additionally, they receive fixed compensation from the Supplemental Executive Retirement Plan.

Fringe benefits
Members of the Executive Board are eligible for a package of fringe benefits in line with market standards.

Severance payments
DLL complies with all existing laws and regulations concerning severance payment levels, meaning that Executive Board members would receive a maximum of one year's salary. One Executive Board member received a severance payment in 2021 (2020: none).

Executive Board remuneration
In 2021, the remuneration of members of the Executive Board totaled EUR 5,308,000 (2020: EUR 3,954,000). One former member of the Executive Board is the only individual who received total remuneration above EUR 1 million (2020: one member).

In total, there were 122 Deferred Remuneration Notes (DRNs) outstanding with the members of the Executive Board at year-end 2021 (2020: 3,263 DRNs) related to variable remuneration granted prior to 2016. Refer to note 2.4 of the consolidated financial statements for more information on DRNs.

Corporate **governance**

Corporate structure

DLL
DLL is structured as a matrix organization, consisting of global business units, regional organizations and group functions. The majority of DLL's group functions are located at our headquarters in Eindhoven, the Netherlands, which provides direction, coordination and support to the regional organizations and business units. Group functions are responsible for ensuring a strong foundation of DLL's business, including financial stability, a reliable IT infrastructure, solid internal controls and regulatory compliance. This responsibility includes defining the borders of the playing field and setting and monitoring DLL's risk control framework.

The foundation of our organizational group structure is captured in our corporate governance framework, which supports us in achieving our objectives. De Lage Landen International B.V. is DLL's holding company and has a banking license established under the laws of the Netherlands. The company is located and has its statutory seat in Eindhoven. DLL has subsidiaries and branch offices in more than 30 countries on most continents.

Since DLL has a Dutch banking license, our governance includes a Supervisory Board, as required by the Dutch Financial Supervision Act.

Shareholder Rabobank
DLL is a wholly owned subsidiary of Coöperatieve Rabobank U.A. (Rabobank), a Dutch bank headquartered in Utrecht. Rabobank has issued a so-called 403-statement in respect of DLL and certain of its Dutch subsidiaries, assuming liability for the debts arising from legal transactions of these entities. DLL's financial information is fully consolidated into Rabobank's consolidated financial statements. Certain key decisions and decisions not in the ordinary course of business are subject to the approval of Rabobank in its position as shareholder.

Management structure

DLL has a two-tier board structure consisting of an Executive Board and a Supervisory Board. Several subsidiaries have supervisory boards in place, with mainly DLL executive or senior managers being members of such boards.

Executive Board
Through our governance framework and group management structure, the Executive Board oversees the strategic and other important decisions and actions to be taken throughout our organization.

The Executive Board is responsible for strategy setting and steering and managing the company, in line with the articles of association and the Executive Board Charter. The Executive Board consists of five members who are appointed and dismissed by the general meeting of shareholders. As a collective board, the Executive Board is responsible for creating and maintaining a sound balance of the long- and short-term interests of all stakeholders in the company, including customers, shareholders, employees, regulators and the communities in which we operate. In doing so, the Executive Board takes into consideration that environmental, social and governance risk factors may drive DLL's prudential, operational and reputational risks.

Certain strategic and key actions or decisions to be taken require formal approval by the Executive Board. For more information about the Executive Board members, see Chapter Who we are of this Management Report.

The roles and responsibilities of the Executive Board are set out in more detail in the "Charter Executive Board DLL International," as approved by the Supervisory Board.

Supervisory Board

Our Supervisory Board oversees the management by the Executive Board and the general conduct of business. The Supervisory Board also monitors compliance with the law, the articles of association and other relevant rules and regulations. In doing so, the Supervisory Board takes into consideration that environmental, social and governance risk factors may drive DLL International's prudential, operational and reputational risks.

Key decisions of the Executive Board, including decisions on the strategy, annual plans and related budgets, are subject to approval by the Supervisory Board.

The Supervisory Board consists of four members who are appointed and dismissed by the general meeting of shareholders. The composition of the Supervisory Board reflects the fact that we are a subsidiary of Rabobank: two of its members are shareholder representatives.

The roles and responsibilities of the Supervisory Board are set out in the Charter Supervisory Board DLL International as approved by DLL's shareholder. The Supervisory Board report includes more information about the (members of the) Supervisory Board and its supervision in 2021.

Global committees

DLL has several (permanent) global committees in place, with membership of executive and/or senior DLL managers.

The following committees have received their mandate from the Executive Board and – with a few exceptions – are chaired by an Executive Board member. The following describes the main responsibilities of the global committees, with the function that is the committee's chair in parentheses:

- **Leadership Development Committee (CEO)**

The Leadership Development Committee is mandated to make decisions around key positions in the areas of succession planning, appointments, terminations and remuneration for Identified Staff and other key positions within DLL, subject to regulatory approvals where required. Furthermore, it reviews and approves requests for international expatriate assignments of DLL employees.
The Committee also approves Global Leadership Development Programs, Policies and Practices, International Trainee Programs and all exceptions to the Group Remuneration Policy, based on an advice of the DLL Monitoring Committee and subject to final Supervisory Board and/or Rabobank approval in certain cases.

- **Business Principles Committee (CEO)**

The Business Principles Committee (BPC) is authorized to address all (potential) ethical dilemmas in dealing with DLL business partners, customers and members when there is no clear previously defined policy and may refer matters for further discussion and decision-making to other bodies within DLL. This implies final decision-making on such matters, unless there is a deemed material impact on DLL in which event the case is submitted with a recommendation by the BPC for a decision by the DLL Executive Board.

The BPC functions as DLL's ethics committee and advises the Executive Board on "what DLL stands for." It acts as a sounding board to test company policies and decisions against internal and external standards of (business) behavior. The committee monitors ethical trends and developments in society.

- **DLL Sustainability & Climate Committee (CEO)**

The DLL Sustainability & Climate Committee is responsible for steering DLL sustainability and climate ambitions in alignment with the shareholder and acts as an advisory and a decision board.
The Committee is established as a part of DLL's overall governance to define ambitions for making sustainability and climate an integrated part of DLL's business and risk strategy and steer and oversee realization of these ambitions.

- **Internal Audit Committee (CEO)**

The Internal Audit Committee assists the Executive Board in the oversight of integrity of the company's financial statements; the effectiveness of governance, risk management and control processes; compliance with legal and regulatory requirements and the Global Code of Conduct; and the performance of our internal audit function and the optimization of collaboration between internal audit and external audit with the aim of providing assurance at optimal costs.

– Global Risk Committee (CRO)

The Global Risk Committee is the risk management committee that establishes and amends the risk management framework and the risk management policies and risk limits for DLL within its authority. It oversees the implementation of the risk management framework and is the ultimate arbiter on the assessment of risks and acts as the guardian of the risks taken by DLL. Furthermore, it conducts or authorizes any investigations into any matter within its scope of responsibilities.

– Global Credit Committee (CRO)

The Global Credit Committee is the highest credit authority within DLL for credit requests subject to the credit application process. For requests exceeding our maximum approval authority, the committee will formulate a positive recommendation for approval to DLL's shareholder Rabobank. The committee decides on all credit elements presented and may give instructions in the context of credit risk management and strategic direction in the client relationship development as far as this relates to the credit appetite and pricing (risk/reward). Going forward the ROC will be a subcommittee of the GRC, with the Head of Supervisory Relations, Regulatory Change & Adherence chairing.

– Proactive Portfolio Management Committee (CRO)

The mandate of the Proactive Portfolio Management (PPM) Committee is to bring all countries to a high-quality level of portfolio management and ensure that (self-)monitoring and control are in place to identify and mitigate risk. The PPM Committee is responsible for governing and overseeing group-wide PPM activities.

– Loan Loss Provisioning Committee (CRO)

The Loan Loss Provisioning Committee (LLPC) is mandated to approve the adequate aggregate level of Expected Credit Loss (hereafter ECL) provisions for DLL. To that end, the LLPC is mandated to: approve deviations from the provisioning model estimates and so-called stage 3 aggregated individual provisioning based on certain considerations; conclude upon the level of ECL required for DLL Group; and/or provide strategic recommendations to the Executive Board.

– Asset and Liability Committee (CFO)

The Asset and Liability Committee is a risk management committee and has the responsibility to support the Executive Board in optimizing Asset and Liability Management (ALM) risks within the risk appetite statement set by the GRC and in line with our strategic direction; it is the forum for group-wide ALM issues. Furthermore, it is accountable for active optimization of funding and liquidity risks, interest rate risks, FX translation risks and treasury investments; it reviews the balance sheet in order to balance risk and returns tradeoffs; and it is the accountable body for evaluation of all systems for ALM and Funds Transfer Pricing mechanism. It evaluates other potential drivers of earnings volatility and optimization and defines hedging strategies against relevant risks.

– Data Governance Board (CFO)

The Data Governance Board (DGB) exercises group-wide authority and control over the management of data, with the following goals:

- Define, approve and communicate data strategies, data policies, data standards, data architecture, procedures and metrics.
- Track and enforce regulatory compliance and conformance to data policies, standards, architecture and procedures.
- Initiate, track and oversee the delivery of data management projects and services.
- Manage the resolution of data-related issues.
- Understand and promote the value of data assets.

– Finance Governance Committee (CFO)

The main responsibilities of the Finance Governance Committee are: (1) to set and recommend for approval policies and instructions for Accounting, Reporting, Financial Control, Tax, Procurement and Supplier Management, Business Travel and Expense and Treasury-related matters; (2) to review and provide sign-off on matters within the area of responsibility of DLL Finance for which the Executive Board needs to provide approval; and (3) to review and approve independent external audit-related matters.

- **Pricing Review Committee (CFO)**
The Pricing Review Committee (PRC) ensures that the Global Pricing Guidelines and Procedures are fully adhered to and agrees upon ongoing refinements and improvements thereto. It focuses on the pricing of large-ticket deals and provides governance mechanisms, particularly for those deals that are below agreed profitability hurdle rates.

- **Compliance Anti-Money Laundering & Sanctions Committee (COO)**
The Compliance Anti-Money Laundering & Sanctions (CAMS) Committee is established for oversight on group-wide CAMS activities and to take necessary action when deemed necessary. The CAMS Committee oversees the execution of DLL's CAMS policies and standards. In this capacity the CAMS committee is authorized to issue binding directions. Its responsibilities include overseeing a properly functioning CAMS risk control framework and compliance with relevant legal and regulatory requirements and overseeing the execution of remediation plans to address CAMS-related deficiencies identified by the organization itself, regulators, Internal Audit, or other stakeholders.

- **Global Privacy Committee (COO)**
The Global Privacy Committee is mandated to oversee the implementation and maintenance of the DLL privacy and data protection risk management framework, enabling DLL to process personal data in a lawful, ethical manner, taking the interests of the different stakeholders into account.

- **COO Governance Committee (COO)**
The mandate of the COO Governance Committee includes among other things: defining the blueprints for regional and country governance in line with DLL organizational principles, providing sign-off on behalf of the COO Domain on requested deviations from organizational blueprints on a country or regional level, and providing sign-off on behalf of the COO Domain for new country entries or exiting countries.

- **Investment Management Review Committee (COO)**
The Investment Management Review Committee (IMRC) manages all aspects of DLL's Investment Portfolio, including responsibility for the total balance of the corresponding Investment Fund and authority to take any appropriate actions to ensure that investments are aligned with and contribute to achieving DLL's strategic objectives.

- **Monitoring Committee (Head of HR)**
The main task of the Monitoring Committee is advising the Executive Board about the design and execution of DLL remuneration policies within the framework of the Rabobank Group Remuneration Policy. The committee monitors if (the execution of) these policies (is) are compliant with the Remuneration Policy. The committee advises about all (proposed) exceptions to the Remuneration Policy.

- **Speak Up Committee (Head of Compliance)**
The Speak Up Committee is a committee mandated to conduct a review to assess if a reported suspected irregularity falls into the scope of the Group Global Speak Up Policy. In addition, the Committee may perform or assign further investigations of the suspected irregularity. The Committee may appoint investigators from inside or outside the DLL organization, considering the specific expertise that might be necessary for investigations.

Conduct and integrity

We consider good corporate governance to be more than a solid corporate governance framework with a clear organizational structure and being in control through a well-structured risk and control framework. Good governance should also be reflected in soft elements. These can be found in our values and culture and in the integrity, conduct and tone of voice of members throughout the company, starting from the top. Wherever in the world we are doing business, our members speak in the same tone of voice and conduct themselves in the same way when doing business. This is a result of DLL being a truly global network organization. Throughout our functional domains and business units as well as the country organizations, our members are closely connected, working with the same mindset and according to the same values.

Banker's oath
The Dutch banking community, including DLL, considers it important that all those who work in the Dutch banking sector perform their work carefully and with integrity. The banker's oath is a promise to do so in relation to customers, society and other stakeholders. In the banker's oath, our Supervisory Board, Executive Board and members declare, among other things, that they are aware of their role in society and that they put the interests of the client first when performing their assigned work.

By taking the banker's oath, all members working in the Netherlands confirm that they uphold the Code of Conduct for the banking sector. The banker's oath is not without consequences: To promote the adherence of rules, disciplinary law is applicable to certain members. By taking the banker's oath, a member submits herself or himself to this disciplinary law.

Regulatory framework and supervision

De Lage Landen International B.V., DLL's holding company, holds a Dutch banking license pursuant to the Dutch Financial Supervision Act (Wet op het financieel toezicht) and is supervised by the European Central Bank, the Dutch Central Bank and the Dutch Authority for the Financial Markets. We use our banking license for passporting it to branches in Germany, Italy, Portugal and Spain, where a license is required to offer certain leasing and/or loan products. These branches fall under the supervision of both the Dutch Central Bank as well as the respective local supervisory authority. Furthermore, several of our entities have local licenses that may be required for the offering of financial products in their respective countries. Depending on the type of license required, the relevant local supervisory authorities supervise these entities.

As a Dutch bank, we are subject to the European (e.g., Capital Requirements Regulation and Directive) and Dutch regulatory framework that is applicable to credit institutions. The Dutch Financial Supervision Act and the Decree on Prudential Rules for Financial Undertakings (Besluit prudentiële regels Wft), which stipulates the provisions of Part 3 (Prudential supervision of financial undertakings) of the Financial Supervision Act, define the (regulatory) basis for operating as a Dutch bank. Furthermore, the Guidelines on internal governance of the European Banking Authority (EBA) are incorporated in our governance framework.

As a Dutch bank being part of Rabobank, we adhere to the Dutch Banking Code on major parts and take the relevant areas into account in our governance framework. However, DLL is not required to comply on an individual basis with the Dutch Banking Code.

Furthermore, since DLL's shares are not traded on a public (regulated) market or similar system, we are not required to comply with the Dutch Corporate Governance Code 2016. However, we do take the principles of this code into account in our governance framework.

Diversity, Equity and Inclusion

DLL's commitment to Diversity, Equity and Inclusion (DE&I) extends above and beyond ethical and performance issues, and instead is held as a strategic priority. Despite our workforce operating almost entirely remote over the past two years, our commitment across the globe to diversifying our organization has never been stronger.

The Executive Inclusion Council provides guidance and strategic counsel to the Global Chief Diversity Officer relating to the adoption and execution of DLL's Diversity, Equity and Inclusion (DE&I) strategy and objectives. The Council is made up of senior leaders, with a mix of representation across identity, gender and regional presence who act as visible champions in support of the company's DE&I goals. The Council approves the DE&I strategy and objectives each year and approves edits to the Global Diversity & Inclusion Policy.

Gender distribution at DLL
DLL currently has more than 5,100 members within the organization (excluding contractors), of which 46 percent are female. This represents a slight increase from 2020. It is important to note that in many countries we are limited in the demographic

individual information we can collect (ethnicity, age or national origin). Despite the focus and tremendous effort, only 1.0 percent progress was made in 2021, versus our goal for 5 percent progress in the short term.

The current gender distribution shows that women tend to be more prevalent in lower grades. Those roles are mainly supporting staff roles and tend not to be roles with net profit accountability. We have relatively few female representations in our middle management roles. The trend gets stronger when looking at senior management roles. At the end of 2021, females in middle management made up 38 percent and females in senior management made up 23 percent.

DE&I key focus areas

The Executive Inclusion Council is committed to our DE&I focus areas (below), which will help realize our strategic ambition to become a global employer of choice and drive diversity and inclusion.

- **Amplify voices** – Attract, hire, support and elevate underrepresented members to learn and benefit from diverse perspectives and stimulate new ideas.
- **Enhance awareness** – Develop and deliver diversity awareness trainings that explain the dimensions of diversity and equip us with methods to combat unconscious bias.
- **Create allyship** – Encourage members to actively promote and advance a culture of inclusion and equity through positive and conscious efforts that benefit all members.
- **Build inclusive leaders** – Equip leaders with the tools to recognize unconscious bias, understand born advantages and build diverse, innovative and inclusive teams.
- **Grow the business** – Ensure our business activities are inclusive and represent a broad base of dealers and customers, including DLL's own procurement of inclusive products and services.
- **Structure recruitment & selection** – Ensure a diverse range of candidates are considered, with practices and policies in place to reduce bias, both conscious and unconscious.
- **Enable talent management** – Design learning programs that will assist in the development of a broader and more diverse pool of skilled and experienced members.
- **Strengthen our communities** – Support the communities where DLL operates through community outreach, volunteerism and corporate social responsibility initiatives.

Initiatives in 2021

In 2021, DLL launched several initiatives to further improve diversity and inclusion. This included the creation of a SharePoint site, with Member Resource Groups focused on Ethnicity and LGBTQIA, as well as a DE&I Ambassadors Group.

Our Executive Inclusion Council (EIC) continued its momentum reviewing metrics and addressing barriers that hinder our progress.

On the Management Team level, we continued to drive awareness and on-boarding for our Allies for Inclusion Certification Program. To date, there are 2,706 members of our global workforce now certified, which represents roughly 50 percent of our global employee population, and includes 81 percent of DLL people managers.

In addition, two global DE&I Ambassador Summits were held (February and June 2021). These events enhanced best practices sharing, and connections between DE&I Ambassadors globally.

Executive and Supervisory Boards

Our Executive Board consists of one female and four male members, representing three different nationalities.

The Supervisory Board consists of four members, two of whom are external (and not shareholder representatives of Rabobank). The Supervisory Board membership is composed of one female and three male members, representing two different nationalities.

Executive Board **responsibility statements**

The Executive Board of De Lage Landen International B.V. (DLL) hereby declares that:

- The financial statements give a true and fair view of the assets, liabilities, financial position and profit of DLL and the companies included in the consolidation;
- The management report gives a true and fair view of the state of affairs as at the reporting date and of the course of affairs during the financial year at DLL and its consolidated entities whose information is included in its financial statements; and
- The management report describes the principal risks that DLL faces.

C.G.M. van Kemenade, *Chairman (as from February 14, 2022)*
M.M.A. Dierckx, CFO
M. Janse, COO
T.L. Meredith, CCO
Y.E. Hoefsmit, CRO *(as from February 26, 2021)*

Eindhoven, April 19, 2022

Report of the **Supervisory Board**

General

In an improving, albeit still challenging market environment, the underlying performance of DLL's business remained strong. However, supply chain disruptions and product shortages in certain industry sectors were beginning to impact equipment availability and delaying the activation of lease contracts. Risk costs improved significantly due to more favorable economic conditions and ended the year as income. The Supervisory Board was impressed with the way DLL emerged from the crisis, evidencing the resilience of DLL's business model and reflecting the high level of member engagement despite continued difficult working conditions.

In August, Bill Stephenson, CEO and chair of the Executive Board announced his retirement from DLL, effective end of year 2021. In 2008, Stephenson was first appointed to the Executive Board of DLL as CCO for Vendor Finance. He was subsequently appointed as CEO and Chairman of the Executive Board in 2014. Stephenson played an integral role on DLL's path towards global market leadership within the vendor finance and equipment leasing industry. The Supervisory Board wants to express its gratitude for Stephenson's commitment and dedication to the company over a long period of time and underlines the inspiring way he guided DLL through the COVID-19 crisis.

The Supervisory Board is pleased with the appointment of Carlo van Kemenade as DLL's new CEO and chair of the Executive Board. Van Kemenade has returned to DLL after spending the past four years with Obvion, one of the largest mortgage providers in the Netherlands and a wholly owned subsidiary of Rabobank. Van Kemenade started his career with DLL in 1990 and was appointed Chief Operating Officer and Member of the Executive Board of DLL in 2013. He is a successful and transformative leader, and the Supervisory Board is looking forward to him bringing his high energy, passion and vision back to DLL.

Composition and members of the Supervisory Board

The Supervisory Board consists of four members. The Supervisory Board has two external members, both bringing specific knowledge and (international) experience to the table, which supports DLL in achieving its ambitions for the future and adds to the diversity of the Board. In 2020, the composition of the Supervisory Board was unchanged.

The members of the Supervisory Board are:
- Berry Marttin, Chairman (member of the Rabobank Managing Board)
- Bart Leurs (member of the Rabobank Managing Board)
- Ron De Feo (external member)
- Annelies Bouma (external member)

According to the rotation schedule, Annelies Bouma's first term on the Supervisory Board has ended on March 29, 2022. Meanwhile she has been re-appointed as member of the Supervisory Board for a second term of four years.

Roles and responsibilities of the Supervisory Board

The Supervisory Board monitors, challenges and advises the Executive Board on the company's general direction and a broad variety of financial, risk, regulatory, compliance, IT and HR topics. The Supervisory Board does not have subcommittees. The full Board performs the roles and responsibilities of a Risk, Audit, Nomination and Remuneration Committee according to applicable governance regulations. The roles and responsibilities of the Supervisory Board are described in more detail in DLL's Supervisory Board Charter. An updated version of this charter was approved in December 2021.

Supervisory Board meetings

The Supervisory Board has at least four regular meetings per year. These meetings are attended by the members of the Executive Board. In 2021, the Supervisory Board had five formal meetings. One of these meetings was specifically dedicated to the Independent Auditor's Report on the financial statements 2020 and DLL's Annual Report 2020. The financial statements for 2020 were discussed and approved at the Supervisory Board meeting of April 23, 2021. Because of the continued impact of the COVID-19 pandemic, in 2021 again all meetings were conducted in a virtual setting.

Additionally, the Supervisory Board had regular informal meetings. At these meetings, updates were presented on commercial and financial developments, member well-being, the risk profile of DLL's portfolio and measures taken by the Executive Board to address the consequences of the pandemic.

At the formal meetings of the Supervisory Board, the commercial, financial and operational performance of DLL and organizational and IT developments were discussed, as well as the level of customer and employee satisfaction. Discussions were based on the quarterly reports prepared by the Executive Board. Risk, compliance and audit aspects were reviewed in depth, with DLL's heads of Group Compliance and Internal Audit attending to provide background and explanation where needed.

DLL's strategy "Partnering for a better world" continued to serve as the central reference point in the Board's supervision. The strategy includes four focus areas centering around Maximizing customer value, Becoming an employer of choice, Accelerating digital transformation and Driving innovation and builds on a strong foundation of financial stability, solid internal controls and regulatory compliance. The strategy fits in with Rabobank's mission of "Growing a better world together." The Board further approved the Annual Plan and related budget for 2022.

The Supervisory Board monitored major projects on the basis of quarterly project updates. This included among others the activities throughout the company related to a new definition of default based on European Banking Authority guidelines, DLL's digital transformation initiatives and the development of a new Target Operating Model for DLL's operation in the USA. The Supervisory Board monitored the development of DLL's portfolio and capital against the requirements set by DLL's shareholder and its strategy, as well as the regulatory capital requirements.

Quarterly updates on DLL's main risk indicators were provided to the Supervisory Board. DLL's large credit exposures and the development of DLL's (credit) impairments were reported to the Supervisory Board on a quarterly basis as well. New regulation impacting DLL's risk position was shared with the Supervisory Board when relevant.

The DLL Risk Appetite Statement defines the type and level of risk, both financial and non-financial, that DLL is willing to accept relative to achieving its objectives. The Supervisory Board approved a revised DLL Risk Appetite Statement for 2022. This Statement is cascaded to DLL entities, countries and regions in accordance with DLL's governance structure. DLL is in the process of integrating climate risk – physical risk and transition risk – into risk appetite-setting and risk management.

The Supervisory Board took note of the Top Risk Report 2021, prepared by DLL Group Risk as a part of the annual Risk Control Self-Assessment Cycle. This report addresses the main risks DLL is facing in realizing its strategic objectives. The progress of mitigating actions is being monitored on a quarterly basis by the Global Risk Committee. The Supervisory Board is updated on progress made through the Risk section of the quarterly Executive Board Report.

With respect to Compliance, the Supervisory Board was informed on a regular basis about the progress made in further upgrading DLL's Compliance Function and the compliance framework. The results of the annual Systematic Integrity Risk Assessment on inherent and residual compliance risks have been shared with the Supervisory Board, as well as mitigating controls and considerations in this respect. The improvement programs that are being implemented will further reduce the residual risk. The Supervisory Board approved the Compliance Plan for 2022.

The Supervisory Board was informed about relevant developments in DLL's internal audit function. The results of the audits performed, the trends in audit findings and the progress in resolving such audit findings was reported on a quarterly basis. The Supervisory Board approved the Internal Audit Plan for 2022.

The Supervisory Board continued to pay attention to succession planning and diversity on the level of the Executive Board and senior management.

As of Q1 2022, the regular quarterly meetings will be extended, especially to allow for more extensive discussions on risk management and regulatory compliance, commensurate with their ever-growing importance and the increasing regulatory scrutiny.

External independent auditor
The Independent Auditor's Report on financial statements 2020 was extensively discussed with a focus on key audit observations, the control environment and areas for further improvement of the internal control framework.

The Supervisory Board approved PricewaterhouseCoopers' (PwC) engagement as independent auditor for the year ending December 31, 2021, discussed the resulting Audit Plan 2021 with the PwC team and approved this Plan.

The Chairman of the Supervisory Board has one-on-one meetings with PwC.

Performance and development
The Chairman of the Supervisory Board has primary responsibility for the Supervisory Board's learning program. The aim of the program is to maintain and, where necessary, improve the required expertise of the Supervisory Board members. This includes being aware of the social role of financial institutions and of the interests of various stakeholders. The learning program aims to cover relevant developments in the company, corporate governance in general and the financial sector, the duty of care towards the client, integrity, risk management, financial reporting and audits.
In 2021, specific attention was paid to Digital Transformation, Privacy and Data Protection and Succession Management.

Proposal to the general meeting of shareholders and conclusion
In accordance with the relevant provisions of DLL's Articles of Association, the Supervisory Board reviewed the Annual Report 2021 and the financial statements of DLL as well as other relevant associated information. The Supervisory Board discussed these documents with the Executive Board and the external independent auditor PwC and took note of the unqualified opinion expressed in the Independent Auditor's Report issued by PwC on the 2021 financial statements.

The Supervisory Board proposes to the general meeting of shareholders of DLL to adopt the financial statements of 2021.

B.J. Marttin
B. Leurs
A.E. Bouma
R. De Feo

Utrecht, April 19, 2022

Financial Statements 2021

Consolidated financial statements

Contents

Primary financial statements

Consolidated statement of **financial position**

in millions of euros	Notes	2021*	2020*
Assets			
Cash and cash equivalents	3.6	305	416
Accounts receivable and other short-term assets	4.2	614	593
Derivatives	3.4	38	18
Due from banks	3.5	2,879	2,201
Due from customers	1.1	34,726	32,331
Fixed assets under operating lease	1.2	2,684	2,647
Goodwill and other intangible assets	4.1	5	6
Current tax receivables	2.6	89	102
Deferred tax assets	2.6	96	134
Other assets	4.2	152	177
Total assets		**41,588**	**38,625**
Liabilities			
Short-term loans and overdrafts	3.2	6,495	5,834
Accounts payable and other short-term liabilities	4.3	638	666
Issued debt securities	3.3	2,613	1,231
Provisions	4.4	107	98
Derivatives	3.4	54	113
Long-term borrowings	3.2	26,796	25,593
Current tax payables	2.6	54	86
Deferred tax liabilities	2.6	269	355
Other liabilities	4.3	508	469
Total liabilities		**37,534**	**34,445**
Equity			
Share capital and share premium	3.1	1,233	1,233
Retained earnings	3.1	2,282	2,535
Foreign currency translation reserve	3.1	41	(60)
Total equity attributable to equity holders of the parent		**3,556**	**3,708**
Non-controlling interest		498	472
Total equity		**4,054**	**4,180**
Total liabilities and equity		**41,588**	**38,625**

* As on December 31

Consolidated statement of **profit or loss**

for the year ended December 31

in millions of euros	Notes	2021	2020
Interest revenue	2.1	1,552	1,670
Interest expense	2.1	(438)	(586)
Net interest income	2.1	**1,114**	**1,084**
Revenue from operating leases		846	843
Depreciation and other operating lease expenses		(659)	(664)
Net operating lease income		**187**	**179**
(Losses)/gains from financial instruments	2.2	(8)	23
Fee and other income	2.3	281	229
Fee expenses		(29)	(18)
Total net income		**1,545**	**1,497**
Staff expenses	2.4	(544)	(519)
Other operating expenses	2.5	(299)	(273)
Total operating expenses		**(843)**	**(792)**
Impairment of goodwill	4.1	-	(70)
Credit gains/(losses) and other impairments	1.3	83	(393)
Profit before tax		**785**	**242**
Income tax expense	2.6	(199)	(62)
Profit for the year		**586**	**180**
Profit for the year attributable to:			
Shareholders of the parent		494	140
Non-controlling Interest		92	40

Consolidated statement of **other comprehensive income**

for the year ended December 31

in millions of euros	Notes	2021	2020
Profit for the year		**586**	**180**
Other comprehensive income/(expense) not to be reclassified to profit or loss in subsequent years			
Employee benefit			
Remeasurement of post-employment benefit reserve, before tax		3	(2)
Income tax effect	2.6	-	-
		3	(2)
Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent years			
Foreign currency translation differences			
Income/(losses) during the year		118	(174)
		118	(174)
Other comprehensive income/(expense) for the year, net of tax		121	(176)
Total comprehensive income for the year, net of tax		**707**	**4**
Total comprehensive income/(expense) attributable to:			
Shareholders of the parent		598	(2)
Non-controlling interest		109	6

Consolidated statement of **changes in equity**

		Attributable to equity holders of the parent					
in millions of euros	Notes	Share capital and share premium*	Retained earnings*	Foreign currency translation reserve*	Total	Non-controlling interest	Total equity
Balance on January 1, 2020		1,233	2,399	80	3,712	470	4,182
Profit for the year		-	140	-	140	40	180
Other comprehensive expense		-	(2)	(140)	(142)	(34)	(176)
Remeasurement of post-employment benefit reserve, net of tax		-	(2)	-	(2)	-	(2)
Fair value changes of derivatives designated for net investment hedging, net of tax		-	-	130	130	4	134
Exchange differences on translation of foreign operations		-	-	(270)	(270)	(38)	(308)
Total comprehensive income		**-**	**138**	**(140)**	**(2)**	**6**	**4**
Dividends	3.1	-	-	-	-	(2)	(2)
Issue of share capital		-	-	-	-	(2)	(2)
Other		-	(2)	-	(2)	-	(2)
Balance on December 31, 2020		**1,233**	**2,535**	**(60)**	**3,708**	**472**	**4,180**
Balance on January 1, 2021		1,233	2,535	(60)	3,708	472	4,180
Profit for the year		-	494	-	494	92	586
Other comprehensive income		-	3	101	104	17	121
Remeasurement of post-employment benefit reserve, net of tax		-	3	-	3	-	3
Fair value changes of derivatives designated for net investment hedging, net of tax		-	-	(94)	(94)	(1)	(95)
Exchange differences on translation of foreign operations		-	-	195	195	18	213
Total comprehensive income		**-**	**497**	**101**	**598**	**109**	**707**
Dividends	3.1	-	(750)	-	(750)	(83)	(833)
Issue of share capital		-	-	-	-	-	-
Balance on December 31, 2021		**1,233**	**2,282**	**41**	**3,556**	**498**	**4,054**

* Refer to note 3.1.

Consolidated statement of **cash flows**

for the year ended December 31

in millions of euros	Notes	2021	2020
Cash flows from operating activities			
Profit before tax		**785**	**242**
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of fixed assets under operating lease	1.2	658	657
Impairment of fixed assets under operating lease	1.2	1	7
(Gain)/loss on disposal of fixed assets under operating lease		(10)	27
Depreciation of fixed assets for own use	4.2	24	22
Amortization and impairment of intangible assets	4.1	3	74
Net foreign exchange differences	2.2	15	(10)
Unrealized gains and losses from financial instruments		(4)	(2)
Movements in provisions	4.4	10	10
Credit (gain)/losses and other impairments	1.3	(83)	393
Interest income	2.1	(1,552)	(1,670)
Interest expenses	2.1	438	586
		285	**336**
Net change in assets and liabilities:			
Due from customers		(1,108)	(863)
Purchase of fixed assets under operating lease	1.2	(972)	(971)
Proceeds from sale of fixed assets under operating lease		345	314
Due from banks		(678)	233
Short-term loans from banks and overdrafts		661	(828)
Other assets		105	224
Other liabilities		10	15
		(1,352)	**(1,540)**
Interest received		1,537	1,692
Interest paid		(436)	(595)
Income tax paid		(292)	(116)
Other		10	(13)
Net cash flows from operating activities		**(533)**	**(572)**
Cash flows from investing activities			
Purchase of fixed assets for own use	4.2	(13)	(23)
Proceeds from sale of fixed assets for own use		2	1
Purchase of intangible assets	4.1	(3)	(4)
Net cash flows from investing activities		**(14)**	**(26)**
Cash flows from financing activities			
Drawdowns of long-term Rabobank borrowings		(11,027)	(22,595)
Repayments of long-term Rabobank borrowings		11,504	24,378
(Drawdowns)/repayments of other long-term borrowings		(429)	181
Issue of debt securities		2,543	-
Repayments of debt securities		(1,318)	(1,380)
Equity contributions received*		-	2
Dividends paid		(833)	(2)
Net cash flows from financing activities		**440**	**584**
Net decrease in cash and cash equivalents		(107)	(14)
Net exchange differences		(4)	7
Cash and cash equivalents on January 1		416	423
Cash and cash equivalents on December 31	3.6	**305**	**416**

* Pro-rata contributions in capital of subsidiaries from respective holders of non-controlling interest (no change in ownership)

Notes to the **consolidated financial statements**

Introduction

i. Corporate information

These consolidated financial statements of De Lage Landen International B.V. (the Company) and its subsidiaries (collectively DLL or the Group) for the year ended December 31, 2021, were authorized for issue in accordance with a resolution of the Executive Board (EB) on April 19, 2022.

DLL is a privately held limited liability company (in Dutch besloten vennootschap met beperkte aansprakelijkheid) incorporated and domiciled in Eindhoven, the Netherlands (Chamber of Commerce number 17056223). The registered office is located at Vestdijk 51, 5611 CA, Eindhoven. DLL is a wholly owned subsidiary of Coöperatieve Rabobank U.A. (Rabobank), a Dutch cooperative bank with statutory seat in Amsterdam, the Netherlands. Rabobank is the parent and the ultimate controlling party of DLL. Information on other related party relationships is provided in note 4.5.

DLL offers customers various financial solution products, mainly being leasing and lending, with presence in over 30 countries all across the world.

DLL has had a banking license in the Netherlands since 1988 and is regulated by the European Central Bank and the Dutch Central Bank (De Nederlandsche Bank or DNB). This license is passported to four European countries: Germany, Italy, Spain and Portugal.

Pursuant to Section 403 of Book 2 of the Dutch Civil Code, Coöperatieve Rabobank U.A. has assumed liability for the debts arising from the legal transactions of the following DLL entities, that are part of the consolidation:
- De Lage Landen America Holdings B.V.
- De Lage Landen Corporate Finance B.V.
- De Lage Landen International B.V.
- De Lage Landen Vendorlease B.V.

ii. Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the applicable articles of Book 2 of the Dutch Civil Code.

All figures are presented in euros with values rounded to the nearest million, except when indicated otherwise.

The EB considers it appropriate to adopt the going concern basis of accounting in preparing these financial statements based on a financial forecast analysis and the equity position that supports the going concern assumption. The EB assessed the liquidity, solvency and expected profitability of the company going forward, as well as the regulatory capital requirements and concluded that the company is expected to meet all of its obligations in the next 12 months. This assessment is not impacted by the ongoing COVID-19 pandemic nor the subsequent events related to the Russia/Ukraine conflict.

New and amended standards issued by the International Accounting Standards Board (IASB) and adopted by the European Union that apply in the current financial year

Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

In August 2020, the IASB issued amendments that complement those issued in 2019 (Phase 1) and focus on the effects of the interest rate benchmark reform on a company's financial statements that arise when, for example, an interest rate benchmark used to calculate interest in a financial asset is replaced with an alternative benchmark rate. Phase 2 amendments address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships. In Phase 2, the IASB amended requirements in IFRS 9 Financial instruments, IAS 39 Financial instruments: Recognition and Measurement, IFRS 7 Financial instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Lease relating to i) changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities ii) hedge accounting and iii) disclosures.

These Phase 2 amendments apply only to changes required by the interest rate benchmark reform to financial instruments and hedging relationships. The amendments are effective for annual periods beginning on or after January 1, 2021, with a possibility of earlier application. DLL did not early-adopt these amendments.

Amendments to IFRS 4 Insurance Contracts

Amendments have been made to IFRS 4 regarding the deferral of IFRS 9. The amendments to IFRS 4 permit entities that predominantly undertake insurance activities the option to defer the effective date of IFRS 9 until January 1, 2023. The effect of such a deferral is that the entities concerned may continue to report under IAS 39 Financial Instruments:

Recognition and Measurement. IAS 28 Investments in Associates and Joint Ventures requires an entity to apply uniform accounting policies when using the equity method. Nevertheless, for annual periods beginning before January 1, 2023, an entity is permitted, but not required, to retain the relevant accounting policies applied by the associate or joint venture as follows:

a) the entity applies IFRS 9, but the associate or joint venture applies the temporary exemption from IFRS 9; or
a) the entity applies the temporary exemption from IFRS 9, but the associate or joint venture applies IFRS 9.

These amendments are effective for annual periods beginning on or after January 1, 2021. DLL RE Designated Activity Company (DAC), a subsidiary that undertakes reinsurance activities, has chosen to use the option to defer the effective date of IFRS 9 and therefore continues to apply IAS 39.

Amendments to IFRS 16 Leases: COVID-19-Related Rent Concessions beyond June 30, 2021

In May 2020, the IASB issued COVID-19-Related Rent Concessions, which amended IFRS 16 Leases. The amendments permit lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The amendment does not affect lessors. In March 2021, the IASB proposed an amendment to IFRS 16 to extend the availability of the practical expedient in paragraph 46A so that it applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022, provided the other conditions for applying the practical expedient are met. As a lessee, DLL has not obtained any lease concessions due to COVID-19. As such, this amendment does not affect profit

New and amended standards issued by IASB and adopted by the European Union that do not yet apply in the current financial year

Other amendments to IFRS

Amendments have been made to IFRS 3, IAS 16, IAS 37 and the Annual Improvements 2018-2020, which will be effective for annual periods beginning on or after January 1, 2022. Although these new requirements are currently being analyzed and their impact is not yet known, DLL does not expect the implementation of these amendments to affect profit or equity.

New standards issued by IASB but not yet endorsed by the European Union

IFRS 17 Insurance Contracts

The IASB issued IFRS 17 Insurance Contracts with an effective date of annual periods beginning on or after January 1, 2023. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information provides a basis for users of financial statements to assess the effect that insurance contracts have on an entity's financial position, financial performance and cash flows. The standard will affect DLL RE insurance activity. DLL is currently assessing the impact on its financial statements.

Other amendments to IFRS

Minor amendments have been made to IAS 1, IAS 8 and IAS 12, which will be effective for annual periods beginning on or after January 1, 2023. The amendments relate to the classification of liabilities as current or non-current; the disclosure of accounting policies, the definition of accounting estimates; and deferred tax related to assets and liabilities arising from a single transaction. Although these new requirements are currently being analyzed and their impact is not yet known, DLL does not expect the implementation of these amendments to affect profit or equity.

Basis of preparation cash flow statement

Cash and cash equivalents include cash, cash in transit and deposits at banks. The cash flow statement is prepared using the indirect method and provides details of the source of the cash and cash equivalents that became available during the year as well as their application during the year. The net pre-tax cash flow from operating activities is adjusted for non-cash items in the statement of profit or loss and for non-cash changes in items in the statement of financial position. The consolidated statement of cash flows presents separately the cash flows from operating, investing and financing activities. Cash flows from operating activities include net changes in balances due from customers and fixed assets under operating lease. Investment activities include acquisitions and disposals of subsidiaries and investments in property, plant and equipment for own use. Financing activities include drawdowns and repayments of funding through Rabobank and other banks, debt securities and dividends paid. The difference between the net change presented in the statement of cash flows and the change in cash and cash equivalents included in the statement of financial position is due to exchange differences.

The policies applied are the same as the previous financial year with the exception of the policies stated in ii. Basis of preparation.

iii. Basis of consolidation

These consolidated financial statements comprise the financial statements of the Group and its subsidiaries as on December 31, 2021. The Group structure on December 31, 2021, is presented in note 4.7.

The financial statements comply with IFRS as adopted by the European Union (EU).

Subsidiaries are entities under control of the Group. Control is achieved when and only when the Group has:
- power over the subsidiary (an ability to direct the activities of the subsidiary that significantly affect its returns);
- exposure, or rights, to variable returns from its involvement with the subsidiary; and
- the ability to use its power over the subsidiary to affect its returns.

The acquisition method of accounting (recognizing net identifiable assets and goodwill) is used by the Group to account for business combinations.

The Group consolidates a subsidiary from the date it obtains control. The Group reassesses whether or not it controls an investee if there are changes to one or more of the three elements of control. Non-controlling interests in the results or equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of financial position.

Profit or loss and total comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interest, even if this results in the non-controlling interest having a deficit balance.

Investments in associates represent interests held in various entities where DLL exhibits significant influence. This is generally the case where the group holds 20% to 50% of the voting rights. Share of profit from associates is included in fee and other income within the statement of profit or loss. Investments in associates are accounted for using the equity method of accounting.

When necessary, adjustments are made to the financial information of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between Group companies are eliminated in full on consolidation.

From the date the Group loses control over a subsidiary, the Group ceases to consolidate it. If the Group loses control over a subsidiary, it:

- Derecognizes
  - assets (including goodwill) and liabilities of the subsidiary
  - carrying amount of any non-controlling interest
  - cumulative translation differences recorded in equity; and
- Recognizes
  - fair value of the consideration received
  - fair value of any investment retained
  - any surplus or deficit in profit or loss
  - parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

iv. Key judgments and estimates

The tables that follow summarize the key judgments made and key estimates used in the preparation of these consolidated financial statements..

Key judgments	Notes
Classification of leases and loans to customers	1.1
Consolidation of special-purpose vehicles	3.3

Key estimates	Notes
Residual value reassessment	1.2
Allowance for credit losses	1.3
Fair value of derivatives	3.4

Accounting implications of the COVID-19 pandemic

General

The COVID-19 pandemic affected DLL's portfolio in 2020, and continued to do so in 2021. The lock-down measures to contain the virus that were taken by governments across the world resulted in lower economic activity in the markets in which DLL is active. The credit exposure of the portfolio was negatively affected in terms of credit quality, which led to high exposure inflow in stage 2 in 2020.

During 2021, after a successful vaccination campaign in the various countries in which DLL is active, government financial support packages came largely to an end.
DLL foresees that going forward only limited COVID-related defaults will occur, limited to sectors that where particularly affected and/or still to an extent subject to government measures. This has led to an increase in the credit quality of leases and loans to customers in 2021.

Recommendations ECB, EBA and ESMA

DLL adheres to the view of the European Banking Authority (EBA) that the application of public or private moratoria aimed at addressing the adverse impact of the COVID-19 pandemic should not in itself be deemed an automatic trigger to conclude that a significant increase in credit risk has occurred. DLL also applies the European Central Bank (ECB), EBA and European Securities and Markets Authority (ESMA) recommendations regarding the identification and classification of non-performing loans. Loans and leases can be renegotiated without diminishing the financial position of the lender or lessee. In other words, the net present value of cash flows of the loan or lease remains the same after modification. In this case, if the obligor remains likely to meet his obligations under the renegotiated contract, there is no need to classify the exposure as defaulted.

DLL's relief measures
DLL provided a range of relief measures to support clients negatively impacted by COVID-19. In certain countries where DLL is active, the government has imposed mandatory general payment moratoria. However, DLL also offered relief measures that do not fall under such a general payment moratorium but that allow clients to temporarily postpone principal repayment and/or interest payments.

Both the governmental moratoria and the additional relief measures offered by DLL have in common that they allow customers to postpone lease and loan payments for 3 months, or longer when required by local law. These delayed payments are subsequently paid by extending the lease or by increasing the future monthly payments.

Refer to note 1.3 for the impact of COVID-19 on credit impairments.

v. Events occurring after reported period

Events after the reporting date that relate to conditions that existed at the end of the reporting period have been reflected in these financial statements.

DLL is impacted by the Russian invasion of Ukraine and resulting sanctions against Russian individuals and companies. This is expected to impact DLL in two ways, the outlook for certain sectors and regions outside Ukraine has deteriorated and DLL's operations in Russia will also be significantly negatively impacted.

DLL has four subsidiaries in Russia with a portfolio amounting to an exposure of EUR 281 million on December 31, 2021. In March 2022, DLL made the decision to permanently cease all new business activities in Russia and shift the focus to the run-down of the local business.

At this moment, it is not yet possible to reliably quantify the impact of these developments on DLL's financial position given the inherent high uncertainty about the future developments of the Russia – Ukraine conflict and its potential financial impact. However, DLL is adequately capitalized for both events.

Like all other European banks, DLL implements sanctions, focuses on managing its portfolio and supports impacted clients to the best of its abilities. DLL is continuously monitoring developments, to ensure we stay compliant with all sanctions and take into consideration the overall safety and well-being of our Russian colleagues.

Portfolios

1.1 Due from customers

DLL's portfolio comprises asset-based financing that includes finance leases and loans. The table below shows the composition of DLL's portfolio.

in millions of euros	2021*	2020*
Finance lease receivables	16,777	16,369
Loans to customers	18,374	16,571
	35,151	**32,940**
Allowance for impairment finance lease receivables	(254)	(357)
Allowance for impairment loans to customers	(171)	(252)
	(609)	**(369)**
Total due from customers	**34,726**	**32,331**

* As on December 31

The table below displays an analysis of amounts due from customers by underlying asset type.

in millions of euros	2021*	2020*
Technology solutions	6,015	5,969
Construction, transportation and industrial equipment	8,582	8,615
Food and agricultural equipment	15,716	14,142
Healthcare and clean tech	3,860	3,551
Other	553	54
Total due from customers	**34,726**	**32,331**

* As on December 31

Fair value of amounts due from customers
On December 31, 2021, the fair value of amounts due from customers was EUR 35,079 million (2020: EUR 32,828 million). The fair value was estimated using a discounted cash flow model where the discount rate is determined by a market-related credit risk spread (Level 2) over cost of funds and the relevant market interest rate extrapolated from a market yield curve. The credit spreads are based on those charged by DLL to customers on new leases and loans provided.

Since the inputs for this model are observable market inputs that are adjusted as necessary, these fair value measurements are fully classified as Level 2 within the fair value hierarchy as described in note 4.9.

Fair value changes of portfolios hedged
DLL applies a macro fair value hedge accounting model for the interest rate risk in the fixed-rate EUR and USD finance lease receivables and loans to customer portfolios. The difference between amortized cost and fair value (basis adjustment) for assets that have been designated for macro fair value hedge accounting is included in amounts due from customers and amounted to positive EUR 36 million as on December 31, 2021 (2020: EUR 111 million).

Amounts due from customers pledged

DLL enters into securitization transactions in the ordinary course of its business. As part of those transactions, finance lease, operating lease and loan receivables were pledged as collateral for notes issued by the Group (asset-backed securities). As of December 31, 2021, EUR 3,236 million (2020: EUR 1,991 million) of assets have been pledged in various funding transactions. During 2021, DLL conducted three new securitization transactions in the U.S.. The net movement in pledged assets also contains the regular redemption in securitized assets, which are detailed in note 3.3.

Unguaranteed residual value

The value of unguaranteed residual values included in the carrying amount of finance lease receivables on December 31, 2021, was EUR 2,487 million (2020: EUR 2,269 million).

Residual value reassessment

Residual values in finance lease contracts are included in the carrying amount of the finance lease receivable. Unguaranteed residual values are influenced by asset market prices and are therefore subject to management estimation, requiring assumptions to be made. Residual values are reassessed regularly in line with the methodology applied to operating leases as described in note 1.2.

Investment in finance leases

The table below summarizes outstanding gross investment in finance lease receivables as well as unearned finance income, all net of impairment.

in millions of euros	2021*	2020*
Less than 1 year	6,241	5,825
More than 1 year, less than 5 years	10,921	10,947
More than 5 years	649	560
Gross investment in leases	**17,811**	**17,332**
Unearned finance income	(1,288)	(1,320)
Net investment in leases	**16,523**	**16,012**

* As on December 31

The table below summarizes the aging profile of DLL's net investment in finance leases.

in millions of euros	2021*	2020*
Less than 1 year	6,171	5,751
More than 1, less than 5 years	9,833	9,816
More than 5 years	519	445
Net investment in leases	**16,523**	**16,012**

* As on December 31

Key judgment: Classification of a finance lease, operational lease and loans to customer

An arrangement contains a lease if its fulfilment is dependent upon the right to use the asset. Leases that transfer substantially all the risks and rewards of ownership of such assets are classified as finance leases (others are classified as operating leases). Determination of transfer of substantially all the risks and rewards of ownership is subjective in nature and involves significant judgment. Contracts where the end-user has legal ownership of the asset and DLL provides financing are considered to be loans. The vast majority of DLL's lease portfolio is classified as finance lease, given that the vendor and/or end-customer bears substantially all of the risks and rewards associated with the underlying assets. DLL does not retain significant risks and rewards from these arrangements. Transactions where DLL retains risks and rewards are classified as operating lease. Refer to note 1.2.

Accounting policy for amounts due from customers

A. Finance leases

- Underlying assets are derecognized and a finance lease receivable is recognized. These receivables equate to contractual lease payments and any unguaranteed residual value (i.e., gross investment in leases) discounted to present value (i.e., net investment in leases).
- The net investment in finance leases is presented net of allowance for impairment. Refer also to note 1.3 Credit risk management for further guidance relating to allowance for impairments.
- The difference between the gross investment in leases and the net investment in leases is recognized as unearned finance income.
- Lease income is determined using the rate implicit in the lease. This is the rate that discounts the net investment in the lease to the sum of the fair value of underlying assets and initial direct costs incurred.
- If there has been a reduction in the estimated unguaranteed residual value, the income allocation over the lease term is revised and any reduction in respect to amounts accrued is recognized immediately in the statement of profit or loss.

B. Loans to customers

- Loans to customers are non-derivative financial assets (classified as loans and receivables) with fixed or definable payments not listed on an active market.
- Measurement is initially at fair value, including transaction costs.
- Subsequently, balances are carried at amortized cost less impairment allowance.
- Interest revenue on loans to customers is calculated using the Effective Interest Rate (EIR) in the loan. Refer also to note 4.9.

1.2 Fixed assets under operating lease

DLL's other core product is operating lease contracts provided to lessees. A typical tenor of an operating lease contract is between three and five years. The below table presents a reconciliation of the carrying amount of the assets under operating lease at the beginning and end of the year comprising a wide range of assets such as trucks, forklifts, tractors and copiers.

in millions of euros	2021	2020
Cost	4,153	4,359
Accumulated depreciation and impairment	(1,506)	(1,443)
Carrying amount on January 1	**2,647**	**2,916**
Purchases	972	971
Transfer to inventories	(120)	(104)
Disposals	(335)	(341)
Depreciation	(658)	(657)
Impairment	(1)	(7)
Other	23	30
Net exchange differences	156	(161)
Cost	4,351	4,153
Accumulated depreciation and impairment	(1,667)	(1,506)
Carrying amount on December 31	**2,684**	**2,647**

Refer to note 1.1 for key judgment in respect to classification of leases.

The table below summarizes future minimum lease payments under operating leases where DLL acts as a lessor.

in millions of euros	2021*	2020*
Less than 1 year	676	384
More than 1 year, less than 5 years	910	1,172
More than 5 years	27	32
Total minimum lease payments	**1,613**	**1,588**

* As on December 31

Assets under operating lease pledged
As on December 31, 2021, DLL pledged EUR 546 million (2020: EUR 385 million) of assets under operating lease as collateral under term financing received from banks in the U.S.. Refer to note 3.2.

Key estimate: residual value reassessment
Residual values of assets under operating lease form a significant part of the carrying amount of those assets, are determined at inception date of the contract and adjusted during the contract period if needed. Consequently residual values are influenced by actual and future asset market prices and are therefore subject to management estimation at inception date of the contract and during the contract period. Residual values are at least reassessed on an annual basis, or more often when necessary, by the Global Asset Management department using local market information (e.g., sales prices) by type of leased assets. Reassessments are based on a combination of realization of assets sold, expert knowledge and judgment of local markets.

Accounting policy for operating leases
DLL as a lessor
- DLL as a lessor presents the assets subject to operating leases in the balance sheet as fixed assets.
- The leased asset is carried at cost less any accumulated depreciation and impairment losses.
- Operating lease installments are recognized as revenue on a straight-line basis over the lease term.

Determining the carrying amount of a leased asset
- The cost of the asset comprises the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for operation, such that future benefits can be derived from it.
- These assets are depreciated over their expected useful lives on a straight-line basis to the expected residual value. Expected useful lives for equipment are approximately between 5 and 20 years, respectively.
- Expected useful lives and residual values are reassessed annually (see above) with any changes being accounted for prospectively over the remaining lease term unless the total asset is considered to be impaired following this change in useful life and/or expected residual value.

Credit losses on assets under operating lease
Credit losses on assets under operating lease may arise from payment delinquency of lessees. The delinquency of lessees is considered to be an indication of impairment for the leased asset. If such indication exists, an impairment test is carried out to determine whether the carrying amount exceeds the recoverable amount of the operating lease asset.

1.3 Credit risk management

Credit risk defined
Credit risk is the risk that DLL will incur a loss because its customers or counterparties fail to fulfill their obligations towards DLL. DLL aims to maintain a credit portfolio with a manageable risk profile in order to limit the impact of bad-debt costs on the profitability and reputation of the company. DLL manages credit risk through a process of ongoing identification, measurement and monitoring of risk exposures, subject to risk limits and other controls established by DLL's Risk Appetite Statement and its credit risk policy.

Information regarding credit risk associated with amounts outstanding from counterparties (including current accounts, derivatives and loans to Rabobank, other banks as well as accounts receivable, which are not linked to the lease portfolio) is disclosed in respective notes (refer to notes 3.4 - 3.6 and 4.2).

Credit risk policies, processes and governance
DLL pursues a credit risk policy aimed at maintaining a moderate credit risk profile. DLL has two levels of credit committees that manage credit risk:
- a Global Credit Committee (GCC) operating at a global level; and
- a Local Credit Committees (LCC) operating at country level.

Authority limits are granted to the GCC by DLL's EB, who in turn is granted authority by Rabobank. Decisions for exposures above GCC authority require an approval from Rabobank. Authority limits for LCCs and the Group Risk department within DLL are granted and reviewed annually by the Global Risk Committee (GRC) under authority of DLL's EB. Credit authorities are also delegated to professionals within a country and within the Group Risk department, which oversees global risk activities. These limits are also reviewed annually.

The credit committees or authorized professionals decide on, or recommend to the next higher-level authority, credit applications for new, amended or unchanged:
– exposure limits;
– credit protections such as collateral or enhancements required;
– credit quality classifications;
– specific impairment provisions for individual defaulted exposures as well as collective provisions; and,
– customer rating (i.e., probability of default (PD), loss given default (LGD) and exposure at default (EAD) calculations, resulting in an appropriate collectively determined impairment provision).

Within DLL, Compliance, Risk & Legal (CLR) is responsible for credit and other risk-related policies, maintains oversight on underwriting and provisioning models, supports countries on credit risk matters and coordinates interaction with Rabobank concerning credit risk.

Exposure limits
DLL manages credit risk by setting limits on the amount of risk it accepts for individual exposures to counterparties, such as: end-users (lessees or borrowers) and vendors and dealers (collectively "vendors"). The vast majority of counterparties are assigned a risk rating, which reflects the level of associated credit risk. As a rule, all counterparty limits and risk ratings are reviewed at least once a year. Where a counterparty is assigned a higher-risk rating (i.e., greater credit risk), it is reviewed on a more frequent basis. Credit committees may request more frequent reviews.

DLL has policies in place to restrict or prohibit certain counterparty types, assets or industries, limiting credit risk as well as other risk types (based on, for example, compliance and reputational risk).

Credit risk exposures
Maximum exposure to credit risk on amounts due from customers is reflected through their carrying amounts and for operating lease through book value of the underlying assets. The below tables summarize DLL's credit risk exposures in its finance lease, loans and operating lease portfolios.

	2021*		2020*	
in millions of euros	Maximum exposure	Collateral coverage (%)	Maximum exposure	Collateral coverage (%)
Due from customers	34,726	100.36%	32,331	99.20%
Fixed assets under operating lease	2,684	101.54%	2,647	100.10%
Total exposure	**37,410**	**100.44%**	**34,978**	**99.27%**

* As on December 31

Collateral and credit enhancements
DLL accepts collateral and other credit enhancements from end-users and third parties to manage the credit risk level. Material financing arrangements under finance leases and loans are secured by DLL's title to or a lien/pledge on the underlying assets. The fair values of those assets are determined by DLL's Global Asset Management department, which provides values based on, for example, the asset type, manufacturer, resale history, historic value depreciation, location and other factors.

These fair values are regularly reviewed by Global Asset Management Committees for each global business unit, which focuses on respective industries.

Other types of credit enhancements include:
– cash, which is received primarily in the form of security deposits from end-users;
– guarantees, which may be corporate and personal guarantees or guarantees from our vendors, as well as from third parties related to an end-user lessee;
– credit insurance obtained externally by DLL for selected portfolios; and,
– loss pools: funded and unfunded security provided by vendors for specifically defined risks and vendor programs.

Credit risk concentration
At group level, DLL manages whether concentration of credit risks is within DLL's risk appetite by monitoring its top 20 customers relative to exposure size (integral for finance lease, loans and operating lease exposures). The maximum exposure to top 20 customers on December 31, 2021, was EUR 1,258 million, comprising 4% of the total portfolio (2020: EUR 1,303 million, comprising 4% of the portfolio).

Apart from this, DLL further avoids significant concentrations by managing country limits, credit risk concentrations within countries as well as avoiding or limiting exposure to defined industries. These limits are included in the Local Risk Appetite Statements.

DLL's internal customer rating
In the financing approval process, DLL uses the Rabobank Risk Rating (RRR), which reflects the risk of failure or the PD of the customer over a period of one year. The table below shows the credit quality of the portfolio related balance sheet items after deduction of the impairment allowance. The quality categories are determined on the basis of the

internal RRR. The RRR consists of 21 performance ratings (R0-R20) and four default ratings (D1-D4). The performance ratings assess the probability of default within a period of one year. The rating is determined, in principle, on a cyclically neutral basis. D1-D4 ratings refer to default classifications. D1 represents 90 days past due (depending on local conditions, this may be extended to more than 90 days); D2 indicates high probability that the debtor is unable to pay; D3 indicates that the debtor's assets will most likely need to be liquidated due to default; and D4 indicates bankruptcy status. The default ratings make up the total impaired exposure. The "vulnerable" category consists of performance ratings that are not (yet) classified as impaired.

Credit risk exposure within quality categories of portfolio assets

The customer base of DLL mainly consists of small and medium-sized enterprises, which is also reflected in the table below that presents portfolio exposures, including operating leases, by underlying customer risk rating.

in millions of euros	Due from customers	FAOL*	Total exposure
December 31, 2021			
(Virtually) no risk	585	157	742
Adequate to good	33,479	2,470	35,949
Vulnerable	201	22	223
Defaulted	461	35	496
Total exposure	**34,726**	**2,684**	**37,410**
December 31, 2020			
(Virtually) no risk	650	128	778
Adequate to good	30,730	2,441	33,171
Vulnerable	213	20	233
Defaulted	738	58	796
Total exposure	**32,331**	**2,647**	**34,978**

* Fixed assets under operating lease

The following table shows the credit quality of the financial assets subject to impairment. The gross carrying amount of the financial assets, excluding operating leases, also represents the maximum exposure to credit risk on these assets.

		Non-credit impaired	Credit impaired	
	Subject to 12-month ECL*	Subject to lifetime ECL	Subject to lifetime ECL	Total gross exposure
Gross carrying amount in millions of euros	Stage 1	Stage 2	Stage 3	
December 31, 2021				
(Virtually) no risk	523	62	-	585
Adequate to good	29,330	4,149	-	33,479
Vulnerable	79	122	-	201
Defaulted	-	-	461	461
Total gross exposure	**29,932**	**4,333**	**461**	**34,726**

* Expected credit loss (ECL)

		Non-credit impaired	Credit impaired	
	Subject to 12-month ECL	Subject to lifetime ECL	Subject to lifetime ECL	Total gross exposure
Gross carrying amount in millions of euros	Stage 1	Stage 2	Stage 3	
December 31, 2020				
(Virtually) no risk	640	10	-	650
Adequate to good	24,547	6,183	-	30,730
Vulnerable	-	213	-	213
Defaulted	-	-	738	738
Total gross exposure	**25,187**	**6,406**	**738**	**32,331**

DLL also assesses credit quality of its portfolio within the following categories, which in turn drive the provisioning methodology:

– **Neither past due nor impaired (performing)** are current receivables within portfolios that are considered to be of good credit quality.
– **Past due but not impaired (performing)** are overdue balances for which no credit loss is anticipated.
– **Impaired (non-performing)** are receivables where DLL does not expect to recover all amounts due from customers. This category has low credit quality and includes all assets with default ratings.

The table below further analyzes credit quality of the portfolio (including aging analysis of past due but not impaired assets).

in millions of euros	Due from customers
As on December 31, 2021	
Neither past due nor impaired	32,818
Past due but not impaired	1,447
< 30 days	1,003
30 to 60 days	243
61 to 90 days	69
> 90 days	132
Impaired*	461
Total exposure	**34,726**
As on December 31, 2020	
Neither past due nor impaired	29,885
Past due but not impaired	1,708
< 30 days	1,079
30 to 60 days	416
61 to 90 days	69
> 90 days	144
Impaired*	738
Total exposure	**32,331**

* Impaired category illustrates the gross amount of receivables individually determined to be impaired, before deducting the impairment allowance.

Allowance for credit impairment

Impairment is the difference between contractual and expected cash flows of a financial asset (e.g., finance lease or loan), both discounted to present value using the original implicit rate/ effective interest rate. In the statements of financial position, DLL presents the allowance for impairment together with the gross balance of respective assets as their carrying amount. Given the number of uncertainties (such as: probability of default, loss given default and macroeconomic developments) involved in estimation of allowance for impairment, it is considered by management to be a key estimate in preparation of these financial statements.

IFRS 9 establishes three different stages for measuring and recognizing expected credit losses. DLL implemented these three-stage expected credit loss impairment models, which involve a significant degree of management judgment. The impairment methodology for balances due from customers results in the recognition of allowances measured at an amount equal to 12-month expected credit losses (stage 1); allowances measured at an amount equal to lifetime expected credit losses for financial assets for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets (stage 2); and financial assets that are credit impaired (stage 3).

Impairment methodology

After DLL enters into a lease contract or grants a loan, it conducts continued credit management, closely monitoring payment behavior and for larger and/or higher risk exposures, periodically assesses new financial and non-financial information. DLL's credit risk management procedures ascertain whether the customer complies with the agreements made and whether this is expected to continue in the future. If doubts arise on creditworthiness of a customer, DLL monitors the exposures more frequently and maintains them on a watch list.

At initial recognition, an allowance is formed for the amount of the expected credit losses from possible defaults in the coming 12 months ("12-month ECL"). If credit risk increased significantly since origination (but remains non-credit-impaired), an allowance will be required for the amount that equals the expected credit losses stemming from possible defaults during the expected lifetime of the financial asset ("lifetime ECL"). If the financial instrument becomes credit-impaired, the allowance will remain at the lifetime ECL, albeit with a PD of 100%. Financial instruments become credit-impaired when one or more events have occurred that had a detrimental impact on estimated future cash flows.

The total loan impairment allowance consists of three components:

- **Specific allowance for impaired exposures (IFRS 9 stage 3)** is determined for individually assessed impaired exposures. Thresholds for this allowance for impairment are country specific, and in some countries all defaults are assessed on an individual basis.
- **Collective allowance for impaired exposures (IFRS 9 stage 3)** is determined for impaired exposures that are not individually significant.
- **Allowance for non-credit-impaired exposures** is determined as a collective provision for the portion of the portfolio that is not impaired and has a credit risk that either has not increased significantly since origination (stage 1) or has increased significantly since origination (stage 2).

Specific and collective impairments are based on actual portfolio analysis, with considerations of asset/collateral recovery and expected collections to establish the estimated loss on defaulted positions.

An account is written off if and when the assets have been recovered, guarantees have been claimed, other collateral has been capitalized and it is clear that no more recoveries can be expected in the near future.

Credit risk models used for stage 1 and stage 2 for credit losses

Two fundamental drivers of the IFRS 9 impairments requirements are: a) the methodology for the measurement of 12-month and lifetime expected credit losses; and b) the criteria used to determine whether a 12-month ECL, lifetime ECL non-credit-impaired or lifetime ECL credit-impaired should be applied (also referred to as stage determination criteria).

a) Methodology to determine expected credit losses

In order to determine ECLs DLL utilizes point-in-time PD and LGD models for the majority of the portfolio in scope. Three macroeconomic scenarios (a baseline-downside, baseline and baseline-upside scenario for unemployment) are incorporated into these models and probability weighted in order to determine the expected credit losses.
DLL uses internal models to estimate PD and LGD parameters as key inputs to its provision calculations. Different modelling methodologies are applied for different portfolios, ranging from statistical models to expert-based models that take into account quantitative and qualitative risk drivers. These models are embedded in the credit approval and internal reporting processes. All models of DLL are regularly reviewed and validated, following the model governance framework of DLL, which includes a Model Risk Committee. Policies ensure controlled procedures surrounding review, (re)development, validation, approval and implementation of models.

b) Stage determination criteria

In order to allocate financial instruments in scope between the categories 12-month ECL (stage 1), lifetime ECL non-credit-impaired (stage 2) and lifetime ECL credit-impaired (stage 3), a framework of qualitative and quantitative factors has been developed. The criteria for allocating a financial instrument to stage 3 are fully aligned with the criteria for assigning a defaulted status, for example 90 days past-due status, or if a debtor is likely to become unable to pay its credit obligations without liquidation of collateral by DLL.
In order to allocate financial instruments between stages 1 and 2, DLL uses criteria such as days-past-due status, special asset management status and deterioration of the PD since origination.

For portfolios without individual PDs or with PDs that are not updated on a frequent basis such that an assessment of the change in PD is not possible, a collective assessment on groups of financial instruments with shared credit risk characteristics is made.

Composition of credit losses and other impairments

The following table presents the composition of credit losses and other impairments in profit or loss arising from allowance for impairments of due from customers.

in millions of euros	2021	2020
(Income)/charge for the year	(37)	431
Recoveries	(46)	(38)
Total credit (gains)/losses and other impairments	**(83)**	**393**

When compared with the 2020 financial statements, an amount of EUR 12 million (2020: EUR 16 million) has been presented as part of other operating expenses instead of credit losses and other impairments.

Composition of allowance for impairment

The following table presents movements in allowances of impairment as well as the composition of the allowance. A top-level adjustment of EUR 55 million (2020: EUR 58 million) to reflect the impact of governmental measures in certain vulnerable sectors and certain portfolios is reflected in the charge for the year. Refer to key estimates.

	Subject to 12-month ECL	Subject to lifetime ECL non-credit impaired	Subject to lifetime ECL credit impaired	Total
in millions of euros	Stage 1	Stage 2	Stage 3	2021
Balance on January 1	**169**	**172**	**268**	**609**
Charge for the year	(96)	(53)	29	(120)
Written off	-	-	(151)	(151)
Net exchange differences	1	-	7	8
Stage transfers and remeasurement	(7)	5	81	79
Balance on December 31	**67**	**124**	**234**	**425**

	Subject to 12-month ECL	Subject to lifetime ECL non-credit impaired	Subject to lifetime ECL credit impaired	Total
in millions of euros	Stage 1	Stage 2	Stage 3	2020
Balance on January 1	**80**	**77**	**212**	**369**
Charge for the year	104	79	36	219
Written off	-	-	(183)	(183)
Net exchange differences	(3)	-	(13)	(16)
Stage transfers and remeasurement	(12)	16	216	220
Balance on December 31	**169**	**172**	**268**	**609**

The following table presents an overview of the significant changes in the gross carrying amount of loans and advances to customers during the period that contributed to changes in the total impairment allowance. The amounts represented under Other changes mainly represent the change in staging and include the impact of the top-level adjustment on the ECL.

	Subject to 12-month ECL	Subject to lifetime ECL non-credit impaired	Subject to lifetime ECL credit impaired	Total
in millions of euros	Stage 1	Stage 2	Stage 3	2021
Balance on January 1	**25,187**	**6,406**	**738**	**32,331**
New loans and advances originated	16,994	95	48	17,137
Loans and advances that have been derecognized	(13,162)	(2,542)	(186)	(15,890)
Write-offs	-	-	(151)	(151)
Other changes	913	374	12	1,299
Balance on December 31	**29,932**	**4,333**	**461**	**34,726**

	Subject to 12-month ECL	Subject to lifetime ECL non-credit impaired	Subject to lifetime ECL credit impaired	Total
in millions of euros	Stage 1	Stage 2	Stage 3	2020
Balance on January 1	**28,652**	**4,305**	**674**	**33,631**
New loans and advances originated	16,600	-	-	16,600
Loans and advances that have been derecognized	(11,693)	(3,804)	(191)	(15,688)
Write-offs	-	-	(183)	(183)
Other changes	(8,372)	5,905	438	(2,029)
Balance on December 31	**25,187**	**6,406**	**738**	**32,331**

Judgments and estimates on model-based impairment allowances on financial assets
DLL applies the three-stage expected credit loss impairment model for measuring and recognizing expected credit losses, which involves a significant degree of management judgment. The impairment methodology results in the recognition of allowances measured at an amount equal to 12-month expected credit losses (stage 1); allowances measured at an amount equal to lifetime expected credit losses for financial assets for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets (stage 2); and financial assets that are credit-impaired (stage 3). We use estimates and management judgment in determining the expected credit loss in model-based impairment allowances for the following elements.

Significant increase in credit risk
Judgment is required to transfer assets from stage 1 to stage 2. To demonstrate the sensitivity of the ECL to the PD thresholds, an analysis was prepared, which assumed all assets were below the PD threshold and apportioned a 12-month ECL. On the same asset base, an analysis was made that assumed all assets were above the PD threshold and apportioned a lifetime ECL. These analyses resulted in ECLs of EUR 156 million and EUR 257 million respectively, compared to current ECL of EUR 188 million.

Forward-looking information and macroeconomic scenarios
Much of the impact on the expected credit losses resulting from the COVID-19 pandemic is related to changes to the forward-looking information. The macroeconomic scenarios applied in 2021 were very different to those applied in 2020. During 2021 after a successful vaccination campaign in the various countries in which DLL is active, government financial support packages came largely to an end. DLL foresees that going forward only limited COVID-related defaults will occur, limited to sectors that were particularly affected and/or still to an extent subject to government measures (the so-called vulnerable sectors). In 2020, the outlook was more uncertain, with vaccination campains only starting up, and virtually all sectors still subject to government measures with significant impact to the economy.
Estimating expected credit losses for each stage and assessing significant increases in credit risk uses information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions (forward looking information). DLL uses three, probability-weighted, macroeconomic scenarios (consisting of a baseline scenario, a baseline downside scenario and a baseline upside scenario) in its ECL models to determine the expected credit losses. The baseline macroeconomic scenario is considered the most likely at a 60% (December 31, 2020: 70%) likelihood, compared to 20% (December 31, 2020: 15%) likelihood for both the downside and the upside scenarios. The adjustments to the likelihood of the scenarios were made in 2021 to reflect increased uncertainty about future macroeconomic outcomes. This is fully attributed to the economic impact of the COVID-19 pandemic.

Baseline scenario: General
At the start of 2020, the COVID-19 pandemic was considered just a downside risk to global economic growth, but it quickly developed into an event that has dramatically changed the growth forecasts around the globe and resulted in a global recession in 2020. The subsequent improvement in 2021 reflects a (partial) bounce-back. The outlook for 2022 is positive, despite the expectation of some delayed defaults materializing.

Upside and downside scenario
We used the upside and downside scenario that is provided by the National Institute Global Econometric Model (NiGEM). The procedure for the formulation involves two steps:
1. Apply of the stochastic function of NiGEM to run 1,000 scenarios starting in the first quarter where the upside and downside scenarios may differ from the baseline and ending in the final quarter of the RaboResearch delivery. NiGEM uses historical residuals (randomly chosen) from the model equations to give shocks during the forecast period (Monte Carlo simulation). The result is the distribution of macroeconomic outcomes based on the historical variance of the world trade loss
2. Identify the two scenarios that represent the 20% upper scenarios and the 20% lower scenarios of the distribution.

An analysis on the sensitivity of key forward-looking macroeconomic inputs used in the ECL modelling process for stage 1 and stage 2 provisioning and the probability weights applied to the scenarios are presented below, where the weighted amount of EUR 188 million mentioned represents the ECL recognized on the balance sheet.

in millions of euros	ECL unweighted	Probability	Weighted ECL December 31, 2021	Weighted ECL December 31, 2020
Unemployment				
Upside	178	20%		
Baseline	188	60%	188	335
Downside	201	20%		

Measurement of expected credit losses

The PD, LGD and the EAD are used to estimate expected credit losses as inputs for the ECL models. When unexpected external developments or data quality issues are not sufficiently covered by these ECL models, an adjustment will be made based on judgments and estimates. The mentioned inputs also require estimates in the following way:

- PD: The probability of default is an estimate of the likelihood of default over a given time horizon.
- LGD: The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that DLL would expect to receive, including cash flows expected from collateral and other credit enhancements.
- EAD: The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after reporting date due to prepayment.

To demonstrate the sensitivity of the ECL for changes in these parameters, the table below shows the impact on the ECL in the baseline scenario resulting from changes in PD and LGD (collateral value).

in millions of euros	Impact on ECL per December 31, 2021	Impact on ECL per December 31, 2020
PD rating 1-notch deterioration (PD)	68	118
PD rating 1-notch improved (PD)	(39)	(78)
Collateral value down by 10% (LGD)	16	35
Collateral value up by 10% (LGD)	(16)	(31)

Key estimate: allowance for impairment

Determining a provision requires a significant degree of judgment, based on the evaluation of management of risks in the portfolio, the current and expected economic circumstances, customer payment trends, credit losses over the previous years, as well as developments in financial credits, industry sectors, business concentrations and geopolitics. Changes in judgment as well as further analyses may lead to changes in the magnitude of an impairment allowance over time.

Determining objective evidence for changes in creditworthiness and determining the magnitude of the recoverable amount form part of the processes that are surrounded by inherent uncertainty and that involve various assumptions and factors regarding the creditworthiness of the lessees/borrowers, expected future cash flows and the value of collateral.

The unusual circumstances due to the COVID-19 pandemic have led to model outcomes that required expert judgment and adjustments. During 2021 after a successful vaccination campaign in the various countries in which DLL is active, government financial support packages came largely to an end. DLL foresees that going forward only limited COVID-related defaults will occur, limited to sectors that where particularly affected and/or still to an extent subject to government measures. Next to that, management evaluated the provisions per country, to validate the provisions for expected credit losses.

Management determined a top-level adjustment of EUR 55 million (2020: EUR 58 million). This amount was determined by updating the Point in Time PD and LGD for the vulnerable sectors. Vulnerable sector exposures are considered to have a significant increase in credit risk and are placed in its entirety in stage 2 (recognizing a lifetime expected credit loss). Next to that, the expected losses given default were reassessed. After these adjustments, ECL per sector and country reflect the best estimate of management for the future credit risk cost in the portfolio.

Credit-related commitments

DLL has credit-related commitment risk arising through its ordinary business activities. DLL may, in a number of cases, provide customers with preset credit facilities from which customers can draw. Such obligations expose DLL to similar risks as leases/loans even though these unfunded commitments are not recognized on the balance sheet. These risks are mitigated by the same control process and policies. Refer to note 3.7 for DLL's liquidity risk management of credit-related commitments.

in millions of euros	2021*	2020*
Undrawn irrevocable credit facilities	6,547	5,375
Guarantees and other commitments	6	93
Total credit-related commitments	**6,553**	**5,468**

* As on December 31

Performance

2.1 Interest revenue and expense

in millions of euros	2021	2020
Interest revenue		
Interest income from amounts due from customers	1,527	1,642
Interest income from loans to Rabobank	12	6
Interest income from derivatives with Rabobank	1	18
Other interest income	12	4
	1,552	**1,670**
Interest expense		
Interest expense on borrowings from Rabobank	(275)	(319)
Interest expense on derivatives with Rabobank	(53)	(72)
Interest expense on other borrowings	(85)	(140)
Interest expense on debt securities issued	(25)	(53)
Interest expense on derivatives with other banks	-	(2)
	(438)	**(586)**
Net interest income	**1,114**	**1,084**

Accounting policy for interest revenue and expense

For financial instruments measured at amortized cost, interest-bearing financial assets classified as measured at fair value and derivatives carried at fair value through profit or loss, interest income and expense are recorded on an accrual basis using the effective interest rate (EIR) method (refer to note 4.9). The calculation takes into account all of the contractual terms of the financial instruments and are an integral part of the EIR, with the exception of future credit losses

Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the period in which they are incurred.

2.2 Gains/(losses) from financial instruments

in millions of euros	2021	2020
Gains from derivatives held for trading	23	2
Foreign exchange differences	(15)	10
(Losses)/gains from financial assets designated for macro fair value hedge accounting	(73)	16
Gains/(losses) on derivatives used to hedge the interest risk on the portfolio	57	(5)
Total (losses)/gains from financial instruments	**(8)**	**23**

Gains/(losses) from derivatives

Gains/(losses) from derivatives relate to derivative transactions that are undertaken by DLL for risk-mitigation purposes. DLL uses derivative financial instruments to mitigate interest rate risk as well as foreign exchange risk to which DLL is exposed. All derivative transactions are therefore undertaken for risk-mitigation purposes. IFRS 9 does not offer a solution for fair value hedge accounting for a portfolio hedge of interest rate risk. DLL opted to use the accounting policy choice of IFRS 9 to continue to apply the IAS 39 EU carve-out for such portfolio hedge accounting.

DLL applies a foreign net investment hedging model, which reduces the volatility of the gains/(losses) reflected in other comprehensive income. Refer to note 3.4.

Changes in the fair value of interest rate derivatives that are designated and qualify as fair value hedges are recorded in the profit or loss, together with the changes in the fair value of the effective part of the hedged items. The changes in fair value of the effective part of hedged items are included in gains/(losses) from financial assets designated for fair value hedge accounting. Refer to note 3.4.

All of the gains/(losses) from derivatives relate to derivatives transacted with Rabobank Group entities.

Foreign exchange differences

Please refer to note 4.9 for a description of accounting policies related to foreign currency translation.

2.3 Fee and other income

in millions of euros	2021	2020
Net early termination income	51	45
Other lease-related fee income	94	96
Insurance brokerage fee income	73	66
Other income	51	10
Net reinsurance income	12	12
Total fee and other income	**281**	**229**

Net early termination income
This is income arising from gains on lease contracts that were terminated earlier then the agreed contract period by the customer and for which penalties were charged.

Other lease-related fee income
Other lease-related fee income includes lease syndication fees, brokerage commissions and documentation fees. Syndication fees relate to income generated by syndicating lease contracts to third parties. Brokerage commissions are commissions received for originating a contract. Finally, documentation fees relate to the origination services that DLL has performed for its customers (i.e., the assessment of a customer's credit file), as well as processing fees for small contract changes.

Other income
Other income is related to various sources of income, including the result of assets sold end-of-lease.
The movement in other income is mainly related to the increased result on assets sold end-of-lease due to more favourable second-hand market conditions.

Insurance brokerage fee income
This is fee income that DLL receives for brokering insurance contracts for its customers with third-party insurers.

Net reinsurance income
Net reinsurance income is related to the reinsurance activities of DLL RE Designated Activity Company.
For further details on net reinsurance income and its treatment, refer to note 4.4.

Accounting policy for fee income
Fees earned for services that are provided over a period of time are accrued and recognized over that period. Fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party are recognized on completion of these activities. Fees or components of fees that are linked to a certain performance are recognized only after fulfilling the corresponding criteria.

Fees that are an integral part of corresponding financial instruments are recognized as interest income through an adjustment to the EIR; refer to note 4.9.

2.4 Staff expenses

in millions of euros	2021	2020
Short-term employee benefit	397	413
Wages and salaries	322	317
Social security costs	47	59
Temporary staff	28	37
Other short-term benefits	101	78
Pension – defined contribution plans	30	25
Pension – defined benefit plans	1	1
Other long-term employee benefits	15	2
Total staff expenses	**544**	**519**

The average number of FTEs (both internal and external) for DLL was 5,375 (2020: 5,294) of whom 877 (2020: 844) were employed in the Netherlands.

DLL's remuneration policy consists of fixed and variable remuneration components and various fringe benefits. According to DLL's remuneration policy, in the Netherlands on average, variable remuneration may not exceed 20% of the fixed income. Outside of the Netherlands, the fixed income, variable pay and benefits are based on the local market of the respective country. In no case is the variable income higher than 100% of base salary, in line with the Rabobank Group Remuneration Policy.

Short-term benefits include wages, paid annual leave, sick leave and parental leave that are expected to be paid within 12 months.

Long-term employee benefits include retirement benefits such as pensions, national pension plan contributions and post-employment life insurance. The pension plans are typically defined contribution plans, for which DLL is obliged to pay periodical contributions. Other long-term employee benefits are DLL's deferred bonus scheme (i.e., variable remuneration to Identified Staff) and medical insurance and expenses.

Identified Staff
For employees who have a material influence on the risk profile of DLL (Identified Staff), if variable remuneration is granted, it is partly deferred in line with EBA regulations (a minimum of 40%). The direct portion of variable remuneration (50%) is unconditional, whereas the deferred portion (50%) is conditional. Each year one-third part of the deferred variable remuneration becomes unconditional. The cash component of the direct portion is immediately paid after it has been awarded. The cash component of the deferred portion is awarded to employees only after vesting. The other 50% of the variable remuneration is awarded in the form of an underlying instrument, i.e. the Deferred Remuneration Note (DRN). The value of a DRN is linked directly to the price of a Rabobank Certificate (RC) as listed on Euronext Amsterdam.

The instrument component is converted into DRNs at the time of allocation on completion of the performance year. The number of DRNs is determined on the basis of the closing rates of the RCs as traded during the first five trading days of February of each year. This therefore represents both the instrument component of the direct and the deferred portion of the variable remuneration. The final number of DRNs relating to the deferred portion is established on vesting. The payment of the instrument component is subject to a one-year retention period. After the end of the retention period, the employee receives for each DRN (or a portion thereof) an amount in cash that corresponds with the value of the DRN at that moment.

The variable remuneration is accounted for in accordance with IAS 19 Employee benefits. The immediate portion of the variable remuneration is recognized in the performance year, whereas the deferred portion is recognized over a period of multiple years.

On December 31, 2021, a liability of EUR 49 thousand was recognized (2020: EUR 435 thousand) in respect to the instrument portion of the variable remuneration of the Identified Staff. No new variable compensation was awarded in 2021 (2020: nil).

The number of DRNs still outstanding is presented in the following table.

in thousands of DRNs	2021	2020
Opening balance on January 1	14	35
Awarded during the year	-	-
Paid in cash during the year	(13)	(20)
Changes from previous year	-	(1)
Closing balance on December 31	**1**	**14**

The estimated future variable remuneration payments are shown in the following table.

in thousands of euros	Year of payment					
As on December 31, 2021	2022	2023	2024	2025	2026	Total
Variable remuneration excluding DRNs	14	11	-	-	-	25
DRNs	24	14	11	-	-	49
Total	**38**	**25**	**11**	**-**	**-**	**74**
As on December 31, 2020	2021	2022	2023	2024	2025	Total
Variable remuneration excluding DRNs	25	14	10	-	-	49
DRNs	383	25	15	12	-	435
Total	**408**	**39**	**25**	**12**	**-**	**484**

Key management personnel
Key management personnel of DLL consist of the members of the EB and the Supervisory Board (SB). DLL does not provide any loans, advance payments or guarantees to members of the EB and the SB.

Compensation of the EB members.

in thousands of euros	2021	2020
Short-term employee benefits	3,892	3,840
Termination benefits	1,304	-
Post-employment benefits	112	114
Total EB compensation	**5,308**	**3,954**

Compensation for EB members consists of fixed pay and pension entitlements. They are also entitled to a package of fringe benefits. EB members are not eligible for variable remuneration as of 2016.

On December 31, 2021, a liability of EUR 3.5 thousand (2020: EUR 99 thousand) in instruments (DRNs) for EB members was recognized. At December 31, 2021, there were a total of 122 DRNs outstanding for the EB members (2020: 3.263 DRNs).

In the Netherlands, certain EB members participate in a collective defined contribution scheme. As of January 1, 2021, the maximum income on the basis of which the members of the EB can build up pension is EUR 106,086. Any income exceeding this amount is not pensionable.

One member (2020: one member) of the EB received a total compensation exceeding EUR 1 million in 2021.

Compensation of the SB members
The SB consists of four members. Two board members receive direct compensation from DLL based on their SB responsibilities. The other SB members are employed by Rabobank and are compensated in that capacity by Rabobank. They do not receive an extra compensation for their SB responsibilities. The total amount of remuneration for the SB in 2021 was EUR 209 thousand (2020: EUR 216 thousand).

DLL did pay EUR 1.3 million in termination benefits to key management personnel in 2021 (2020: nil).

2.5 Other operating expenses

in millions of euros	2021	2020
Administrative expenses	137	112
Administrative charges from parent company	66	50
Depreciation and amortization	27	26
IT-related cost	69	69
Total other expenses	**299**	**257**

The table below indicates the composition of amounts expensed regarding the independent auditor and its network, included in administration expenses.

in millions of euros	2021	2020
Audit of financial statements	7	7
Other audit services	2	1
Permitted tax services	1	1
Other permitted (non-audit) services	-	-
Total expenses	**10**	**9**

The fees listed above relate to the procedures performed for DLL and its consolidated group entities by PricewaterhouseCoopers Accountants N.V. (PwC) and other member firms in the global PwC network, including their tax services and advisory groups. The audit fees relate to the audits of group and local financial statements, regardless of whether the work was performed during the financial year. Next to the statutory audit of these financial statements our independent auditor, PricewaterhouseCoopers Accountants N.V., renders the following services to De Lage Landen International B.V. and its controlled entities: 1) review of the financial statements for one of its controlled entities; 2) audit and review procedures related to the (semi) annual financial reporting towards the parent company; 3) audit procedures in relation to the regulatory returns to be submitted to the regulators; 4) agreed-upon procedures on cost allocations within the group as well as a filling with the Single Resolution Board; and 5) assurance procedures in relation to information provided to the Dutch Central Bank in relation to the Deposit Guarantee Scheme.

The fees of PricewaterhouseCoopers Accountants N.V. for the aforementioned services amounted to EUR 2 million (2020: EUR 2 million).

Administrative expenses
Administrative expenses include costs of traveling, marketing and advertising, consultancy fees, recovery and collection, and the independent auditor's remuneration.

Administrative charges from parent
Rabobank recharges several costs and services that are directly attributable to DLL. These include certain central head office costs, but also the charges for bank taxes and resolution levies that all banks are required to pay. These are paid by Rabobank for all Rabobank group entities collectively and subsequently charged to various group entities, including DLL.

Depreciation and amortization
Depreciation and amortization expenses relate to usage of DLL-owned land, buildings and equipment, as well as the amortization of intangible assets. The amount for 2021 was EUR 27 million (2020: EUR 26 million).

IT-related costs
IT-related costs include hardware rent, software rent and maintenance costs, as well as costs of developing software and maintenance costs that do not meet the capitalization criteria in terms of IAS 38 Intangible Assets.

Accounting policy for other operating expenses
Expenses are recognized by DLL when the related goods or services have been received or rendered. Accruals are recognized for all such expenses that have been incurred but have not yet been invoiced.

2.6 Taxation

DLL's key operating entities in the Netherlands are part of the fiscal unity for Dutch corporate income tax purposes of Rabobank (including a number of other domestic subsidiaries). Under the fiscal unity, each participating legal entity is jointly and severally liable for the fiscal unity's corporate tax liabilities.

The following table summarizes the amounts of tax expenses recognized in profit or loss.

in millions of euros	2021	2020
Current tax charge for the year	260	169
Deferred tax (credit)/charge for the year	(72)	(109)
Origination and reversal of temporary differences	(69)	(107)
Effect of changes in tax rates	(3)	(2)
Adjustments for prior years	11	2
Tax charge for the year	**199**	**62**

Reconciliation of the total tax charge

The effective tax rate for 2021 was 25% and is equal to the statutory rate that would arise using the Dutch corporate tax rate. The effective tax rate is explained as follows.

in millions of euros	%	2021	%	2020
Operating profit before taxation		785		242
Applicable tax rate	25	196	25	61
Increase/(decrease) in taxes resulting from:				
Tax-exempt income	(1)	(11)	-	(1)
Tax rate differences	-	5	-	-
Non-deductible expenses	1	8	8	20
Recognition of previously unrecognized tax losses	-	(1)	-	(1)
Other permanent differences	-	4	1	3
Adjustments of previous years	1	10	1	2
Adjustments due to changes in tax rates	-	(3)	(1)	(2)
Other tax items	(1)	(9)	(8)	(20)
Total income tax	**25**	**199**	**26**	**62**

The other tax items mainly comprise investment allowances.

The Group's reconciliation of the total tax charge is based on the Dutch domestic tax rate, with a reconciling item in respect to tax rates applied by the Group companies in other jurisdictions. This reconciliation is based on an applicable tax rate that provides the most meaningful information to users. The statutory tax rate in the Netherlands is 25% (2020: 25%). There were no changes in the statutory tax rate in the Netherlands.

The following table shows a reconciliation of the tax expense and the accounting profit multiplied by the domestic tax rate.

in millions of euros	2021	2020
Profit before income tax	785	242
Tax-exempt income	(45)	(25)
Non-deductible expenses	34	87
Non-recognizable fiscal losses	17	10
Utilization of previously unrecognized tax losses	(2)	(2)
Local tax credits	(32)	(61)
Other	3	-
Taxable income	**760**	**251**
Tax calculated using applicable tax rates	193	62
Effect of changes in tax rates	(3)	(2)
Adjustments for prior years	10	2
Other adjustments	(1)	-
Tax expense for the year	**199**	**62**

The effect of changes in tax rate in 2021 is EUR (3) million (2020: EUR (2) million). DLL has uncertain tax positions in several countries. If outflow of cash is deemed probable, a current tax liability is recognized. Refer to note 4.4.

Deferred tax assets and liabilities are measured for all temporary differences using the liability method and are detailed as follows.

	Deferred tax assets		Profit or loss credit/(charge)		Other comprehensive income credit	
in millions of euros	2021*	2020*	2021	2020	2021	2020
Deferred tax assets						
Leases	45	40	152	269	-	-
Allowance for impairment	39	69	51	26	-	-
Provisions	3	7	(4)	1	-	-
Fixed assets for own use	-	-	-	-	-	-
Uncertain tax positions	(4)	(4)	-	-	-	-
Other	1	8	(8)	6	-	-
Net operating losses	12	14	(2)	(195)	-	-
Total deferred tax assets	**96**	**134**	**189**	**107**	**-**	**-**

* As on December 31

	Deferred tax liabilities		Profit or loss credit/(charge)		Other comprehensive income credit	
in millions of euros	2021*	2020*	2021	2020	2021	2020
Deferred tax liabilities						
Leases	(315)	(413)	(30)	(31)	-	-
Allowance for impairment	34	54	(88)	37	-	-
Fixed assets for own use	1	1	-	-	-	-
General reserves	-	-	-	-	-	-
Uncertain tax postions	1	1	-	1	-	-
Other	(11)	(14)	(4)	(6)	-	-
Net operating losses	21	16	5	1	-	-
Total deferred tax liabilities	**(269)**	**(355)**	**(117)**	**2**	**-**	**-**
Net deferred tax liabilities	**(173)**	**(221)**	**-**	**-**	**-**	**-**
Net deferred tax benefit	**-**	**-**	**72**	**109**	**-**	**-**

* As on December 31

Unrecognized deferred tax assets

No deferred tax asset of EUR 8 million (2020: EUR 5 million) has been recognized for unused tax losses, because there are no sufficient future taxable profits expected to utilize these tax losses. These carry-forward losses relate to various tax jurisdictions, and their term to maturity is above 3 years.

The movement in the net deferred tax liabilities

The movement in the net deferred tax liabilities can be summarized as follows.

in millions of euros	2021	2020
Net deferred tax liabilities on January 1	(221)	(359)
Profit or loss credit	72	109
Other comprehensive income credit	-	1
Net exchange differences	(17)	23
Other	(7)	5
Net deferred tax liabilities on December 31	**(173)**	**(221)**

Recognition of deferred tax assets

The Group is subject to corporate income tax in numerous jurisdictions. Estimation is required in determining the Group's deferred tax positions.

Deferred tax assets in a particular DLL entity are recognized for deductible temporary differences, unused tax losses and unused tax credits to the extent it is probable that taxable profits will be available in that entity against which the deferred tax asset can be utilized in the foreseeable future, as based on forecasts. Where an entity has a history of tax losses, no deferred tax asset is recognized until such time that there is certainty about future profitability of that entity.

Tax losses carried forward

The future taxable profits available to utilize deferred tax assets (including deductible temporary differences, unused tax losses and unused tax credits) are regularly reassessed for respective entities, and recognized deferred tax asset balances are adjusted when required.

The Group recognizes deferred tax assets for the tax value of losses and tax credits carried forward to the extent that the realization of the related tax benefit through future taxable profits is probable. The deferred tax assets for the tax value of losses and tax credits carried forward amount to EUR 34 million (2020: EUR 30 million) of which EUR 11 million is expected to be recovered within a year (2020: EUR 3 million).

Funding & Liquidity

3.1 Equity and capital management

Components of equity

Share capital and share premium

On December 31, 2021, DLL's authorized capital was EUR 454 million (2020: EUR 454 million), divided into 950 ordinary A shares and 50 ordinary B shares (2020: 950 A and 50 B). The nominal value of each share is EUR 454,000 (2020: EUR 454,000). EUR 98 million (2020: EUR 98 million) is issued and paid up, consisting of 215 ordinary shares A (A1-A215) and 2 ordinary shares B (B1 and B2). Additional paid-in capital (share premium) on the outstanding shares amounts to EUR 1,135 million (2020: EUR 1,135 million). For the years 2021 and 2020 there is no difference in shareholders' rights related to the class A and class B shares.

Retained earnings

Retained earnings represents DLL's undistributed cumulative net profits, where profit is appropriated upon decision of the shareholder. DLL's retained earnings also include cumulative actuarial gains/losses on remeasurement of DLL's defined benefit plans. Annual actuarial gains/ losses resulting from this remeasurement are not recyclable through profit or loss and are therefore recognized directly in retained earnings rather than as a separate reserve in equity. These movements are recorded as a component of other comprehensive income in the period in which they arise.

Foreign currency translation reserve (FCTR)

Exchange differences arising from translation of DLL's net investment in foreign operations and the associated fair value movements of the hedge instruments used in a hedge relationship are recognized as FCTR. Movements in FCTR are recorded as a component of other comprehensive income in the period in which they arise. The hedging reserve on December 31, 2021, amounts to EUR 97 million (2020: EUR 191 million) and the translation reserve on December 31, 2021, amounts to EUR (56) million (2020: EUR (251) million).

Dividends

In 2021, EUR 750 million was paid to the sole shareholder Coöperatieve Rabobank U.A. (2020: no dividend).

Capital management

DLL obtains its capital from its parent, Rabobank. DLL's EB is responsible for capital management of DLL and further ensures compliance with regulatory requirements imposed on DLL. Effective and efficient capital management is realized by a strong focus on capital allocation. The EB manages the local business and actual capital levels to ensure sufficient capital is held to meet local regulatory requirements as well.

Regulatory capital requirements

The relevant rules and regulations related to the capital adequacy process of EU banks are addressed in the Capital Requirements Regulation (CRR) and Capital Requirements Directive IV (CRD IV) comprehensive frameworks. These frameworks are the EU legal translation of the banking guidelines suggested by the Basel Committee – the so-called Basel III standards.

The CRR and the CRD IV define capital requirements for banks as the absolute minimum amount of capital required to cover the financial risks that a bank faces.

These rules, which became effective on January 1, 2014, are applied by DLL. DLL is under direct supervision of the European Central Bank.

DLL received waivers for certain reporting requirements as defined in CRR (such as the exemption for solo reporting). Due to the organizational structure of DLL, DLL must, on a subconsolidated basis, meet certain CRR requirements.

The table below presents DLL's regulatory capital and capital adequacy ratios.

in millions of euros	2021*	2020*
Common Equity Tier 1 capital (CET1)	2,990	3,552
Tier 1 capital (T1)	2,990	3,552
Total capital	3,046	3,613
Risk-weighted assets	20,101	19,784
CET1 ratio	14.88%	17.95%
T1 ratio	14.88%	17.95%
Total capital ratio	15.15%	18.26%

* As on December 31

Capital requirements in 2021 are managed actively by DLL following DLL's risk strategy, risk appetite and balance sheet management policy. Refer to note 1.3 for description of credit risk management and to note 3.7 for a description of market and liquidity risk management.

Regulatory capital buffers

The next table shows the minimum legal buffers based on CRR/CRD IV.

	CET1	Tier 1	Own funds
Minimum (required)	4.50%	6.00%	8.00%
Pillar 2	0.00%	0.00%	0.00%
Capital conservation buffer	2.50%	2.50%	2.50%
	7.00%	**8.50%**	**10.50%**
Countercyclical buffer	0.01%	0.01%	0.01%
Systemic buffer	0.00%	0.00%	0.00%
	0.01%	**0.01%**	**0.01%**

The total required Common Equity Tier 1 (CET1) capital ratio as of December 31, 2021, is therefore 7.01%. There is no specific Pillar 2 requirement or guidance issued by the regulator for DLL. As such the minimum requirements are the minimum capital requirements as referred to in European legislation. The actual capital ratios of DLL exceed these minimum capital ratios.

Also note that the following buffers for DLL equal 0% (reference is made to article 128 of the CRD; the combination of these buffers plus the capital conservation buffer is referred to as combined buffer requirement):
- The G-SII buffer
- The O-SII buffer
- The systemic risk buffer

Taking into account the minimum requirements, DLL sets its internal objectives to extend available capital beyond the minimum requirements of supervisors as a response to market expectations and developments in legislation and regulations.

No changes have been made to the objectives, policies and processes of the capital management from the previous years.

3.2 Short-term loans and long-term borrowings

in millions of euros	2021*	2020*
Short-term loans and overdrafts		
Short-term loans from Rabobank	6,454	5,786
Other short-term loans	41	48
	6,495	**5,834**
Long-term borrowings		
Long-term borrowings from Rabobank	24,422	23,059
Other long-term borrowings	2,374	2,534
	26,796	**25,593**
Total short-term loans and long-term borrowings	**33,291**	**31,427**

* As on December 31

When compared with the 2020 financial statements, an amount of EUR 14 million (2020: EUR 31 million) related to deposits taken has been presented as short-term instead of long-term.

Short-term loans and overdrafts represent balances that are to be repaid within 12 months of reporting date.

DLL receives the majority of its funding from its parent, Rabobank, through individually agreed long- and short-term loans, which are part of a long-term multi-currency facility with no end date. DLL acts within the limits of this facility amounted to EUR 34,750 million (2020: EUR 29,505 million).

For maturity analysis of loans drawn under this facility, refer to note 3.7. While these tranches are mainly fixed-tenor loans, the specific terms of these loans (currency, maturity and interest rate) are individually agreed upon.

Also included in the short-term borrowings from Rabobank as of December 31, 2021, is a USD denominated loan of EUR 1,234 million (2020: EUR 528 million short-term loans and EUR 349 million long-term borrowings). As the second leg of this loan-deposit structure, DLL issued EUR-denominated loans to Rabobank in the amount of EUR 1,202 million (2020: EUR 919 million), included in due from banks (refer to note 3.5). This structure relates to a loan-deposit structure between DLL and Rabobank that is used to mitigate DLL's foreign currency risk in respect of net investments in foreign subsidiaries. These loans and deposits are floating and fixed-rate transactions and carry interest rates of Euro Interbank Offered Rate (EURIBOR) and Secured Overnight Financing Rate (SOFR), plus funding spreads where duration exceeds one year and maturity is in 2022. These loans are pledged as collateral for the corresponding borrowings. While the principal amounts and terms of these loans match, they do not qualify for offsetting and are recorded gross in the consolidated statement of financial position.

Other long-term borrowings are received by DLL local entities in several countries and include the following main borrowings:
- A long-term funding program from the National Bank for Economic and Social Development (BNDES) in Brazil is aimed at supporting financing of local industry, with a total facility of EUR 852 million, a drawn amount of EUR 731 million (2020: EUR 733 million) and a maturity ranging from 1 to 10 years. The carrying amount as on December 31, 2021, was EUR 715 million (2020: EUR 717 million), an annually pre-fixed rate of 0% to 14.51% or post-fixed rate of 1.6% to 7.52% plus Brazilian Long-term Interest Rate (5.19% for the year ended December 31, 2021) (2020: 5.02%).
- Long-term borrowing from the European Investment Bank (EIB) was received for the purpose of supporting small and medium-sized borrowers with a total facility amount of EUR 982 million (2020: EUR 799 million) and a maturity ranging from 1 to 5 years. The carrying amount as on December 31, 2021 was EUR 982 million (2020: EUR 799 million), with interest rates ranging from 0.044% to 1.172% (2020: 0.044% to 2.141%).
- Long-term collateralized financing was received in the U.S. from multiple financial counterparties with a maturity ranging from 0 to 3 years. The carrying amount as on December 31, 2021, was EUR 432 million with interest rates ranging between (0.57)% and 1% (2020: EUR 543 million, (0.57)% to 2.21%). DLL pledged operating lease receivables in the U.S. as collateral for this financing and for the financing of debt securities (note 3.3) in the amount of EUR 546 million (2020: EUR 375 million), as well as finance receivables in the amount of EUR 3,107 million (2020: EUR 1,688 million); refer to note 1.1 and note 1.2.

Management monitors all contractual covenants regarding funding. In neither 2021 nor 2020 were there breaches of covenants that could give any lender a right to demand accelerated repayment of a respective borrowing.

For all short-term loans and overdrafts and long-term borrowings, expected maturities match respective contractual maturities. Contractual liquidity gap analysis as well as the principal and interest contractual cash flows of short-term loans and overdrafts and long-term borrowings are presented in note 3.7.

The fair value of long-term borrowings as on December 31, 2021, was EUR 26,670 million (2020: EUR 25,461 million). This fair value was estimated using a discounted cash flow model where the discount rate is determined based on observable yield curves at commonly quoted intervals. Since the inputs for this model are observable market inputs that are adjusted to the situation, these fair value measurements are classified as Level 2 within the fair value hierarchy as described in note 4.9. For short-term loans and overdrafts the carrying amount is deemed to reflect fair value.

Accounting policy for short-term loans and long-term borrowings

Recognition and measurement

Loans and borrowings are financial liabilities carried at amortized cost. These are recognized when DLL becomes a party to a respective contract and are initially recognized at fair value net of directly attributable capitalized transaction costs. After initial recognition, short-term loans and borrowings are measured at amortized cost using the effective interest rate (EIR) method. Refer to note 4.9 for a description of the EIR method.

In case of premature repayment of the borrowings by DLL, lenders (including Rabobank) may charge DLL prepayment penalties, where such penalties are provided by the contract. Such prepayment penalties are accounted for as an expense when charged within interest expenses.

Derecognition

Short-term and long-term loans and borrowings are derecognized when the obligations of DLL under the respective contract are discharged (for instance, by repayment of all amounts due) or canceled or expire. Where gains and losses arise on derecognition, they are recognized in profit or loss.

3.3 Issued debt securities

Issued debt securities represent asset-backed securities issued by DLL in the following securitization transactions.

in millions of euros	2021*	2020*
Securitization transactions:		
U.S. public finance securitizations	1	15
DLL 2017A	-	49
DLL 2018-1 LLC	15	123
DLL 2018-2 LLC	-	151
DLL UK Equipment Finance 2019 Plc	-	89
DLL 2019-1 LLC	86	178
DLL 2019-2 LLC	77	168
DLL 2019-3 LLC	175	458
DLLAA 2021-1 LLC	688	-
DLLAD 2021-1 LLC	755	-
DLLMT 2021-1 LLC	816	-
Total issued debt securities	**2,613**	**1,231**

* As on December 31

DLL attracts external funding through securitizations as part of its overall funding strategy. The fair value of issued debt securities on December 31, 2021, was EUR 2,521 million (2020: EUR 1,238 million). This fair value was estimated using a discounted cash flow model where the discount rate is determined by cost of funds of DLL and the relevant market interest rate extrapolated from a market yield curve. Since the inputs for this model are observable market inputs that are adjusted as needed, these fair value measurements are classified as Level 2 within the fair value hierarchy as described in note 4.9.

Key judgment: consolidation of special-purpose vehicles (SPV)

Control over an SPV is usually not evidenced by direct shareholding/voting rights, but rather by indirect factors that require significant judgment.

DLL decides whether the financial information of an SPV should be included in the consolidated financial statements on the basis of an assessment of its control over the SPV and its exposure to variable returns from its involvement. DLL takes a number of factors into consideration, including the activities carried out by the SPV, decision-making powers and the allocation of the benefits and risks (exposure to losses) associated with the activities of the SPV.

The securitization SPVs are deemed to be "auto-pilot" entities because their operations and cash flows are prescribed by the respective securitization documentation. DLL retains control over the operating activities related to the underlying (securitized) assets and retains most of the risks associated with these assets through the subordinated class B notes that it holds in each transaction. Accordingly, DLL concluded that it controls these SPVs and consolidates them in these financial statements.

Accounting policy for issued debt securities
Issued debt securities, issued as a part of the securitization transaction, are financial liabilities carried at amortized cost. Issued debt securities are initially recognized at fair value, net of directly attributable transaction costs. After initial recognition, issued debt securities are measured at amortized cost using the EIR method. Please refer to note 4.9 for a description of the EIR method.

3.4 Derivatives

DLL enters into the vast majority of derivative transactions with Rabobank, except for the countries where Rabobank does not have an office or where Rabobank does not have the capability to offer financial derivatives to DLL. In such cases, DLL enters into derivative transactions with locally present high-profile banks (at least rated AA- for long term): As of December 31, 2021, the fair value of these derivatives was EUR 0.1 million (2020: EUR (1) million). There is no collateral posted or received regarding derivatives.

DLL uses derivative financial instruments to mitigate interest rate risk as well as foreign exchange risk to which DLL is exposed. All derivative transactions are therefore undertaken for risk-mitigation purposes.

IFRS 9 does not offer a solution for fair value hedge accounting for a portfolio hedge of interest rate risk. DLL opted to use the accounting policy choice of IFRS 9 to continue to apply the IAS 39 EU carve-out for such portfolio hedge accounting.

Net investment hedges
DLL uses foreign forward-exchange contracts to hedge the currency translation risk of net investments in foreign operations. On December 31, 2021, forward contracts with a nominal amount of EUR 928 million (2020: EUR 854 million) were designated as net investment hedges. These resulted in exchange losses of EUR 94 million for the year (2020: gains EUR 130 million), which were recorded in equity. For the years ended December 31, 2021, and December 31, 2020, DLL reported no material ineffectiveness resulting from the net investment hedges.

Macro fair value hedges
DLL uses interest rate swaps to manage the interest rate risk of the assets with a fixed-rate nature in both local and foreign currencies, such as finance leases and loans. DLL has implemented a macro fair value hedging model for EUR and USD. This hedge accounting model is a model that comprises a portfolio of hedged items (finance lease receivables and loans) and a portfolio of hedging instruments (interest rate swaps). At each cash flow date, the model aims to designate an appropriate amount of hedged items to match the swap cash flow. The model performs two tests to determine effectiveness:

– Prospective test: Performed at the start of the month, it assesses the fair value movement of hedged items and hedging instruments due to a 1% parallel shift in interest rate curves.
– Retrospective test: Performed at the end of the month, it compares fair value movement over the period due to actual movement of interest rate curves.

The model runs the tests on a monthly basis and is effective if the results are within the effectiveness range as defined by IAS 39.

Since the inputs for this model are observable market inputs that are adjusted to the situation, these fair value measurements are classified as Level 2 within the fair value hierarchy as described in note 4.9. The ineffectiveness for the year ended December 31, 2021, was EUR (16) million (2020: EUR 11 million). The result on the hedging instrument amounted to EUR 57 million (2020: EUR (5) million), with the negative result from the hedged position to be allocated to the hedged risk, amounting to EUR (73) million (2020: EUR 16 million). Refer to note 2.2.

Key estimate: Fair value of derivatives
The fair value of derivatives is determined using valuation techniques and is based on discounted cash flow models using observable market inputs. Management therefore considers fair value of derivatives a key estimate.
The discounting curve applied depends on the currency of the underlying derivative, where an appropriate cross-currency base adjustment is applied for cross-currency derivatives. When measuring the fair value, counterparty credit risks as well as own credit risk are taken into account (Credit/Debit Valuation Adjustment, respectively). The main inputs of the estimated fair values are interest rate curves and currency rates. Sensitivity of the DLL exposures (including derivative exposures) to these variables is disclosed in note 3.7.

The estimation of the fair values of these derivatives is executed by DLL's Treasury that operates within DLL control framework, which ensures sufficient governance and control within the process. The resulting fair values are reviewed and signed off on appropriately by DLL Treasury and DLL management.

Accounting policy: Derivatives
Derivatives are recognized at trade date, being the date when DLL becomes a party to a derivative contract. These derivatives are classified as assets or liabilities measured at fair value through profit or loss (held for trading) or as held for hedging. If and when a hedge is designated in a hedging relationship, at time of inception, derivatives are designated as one of the following:
1) a hedge of the fair value of an asset, a group of assets or a liability in the statement of financial position (fair value hedge); or
2) a hedge of a net investment in a foreign operation (net investment hedge).

Hedge accounting is applied for derivatives designated in this manner, provided that certain criteria are met, including the following:
- formal documentation of the hedging instrument, the hedged item, the objective of the hedge, the hedging strategy, and the hedge relationship;
- documentation of the assessment and analysis of the source of hedge ineffectiveness and how the hedges ratio is determined (IFRS 9);
- effectiveness of 80% to 125% (IAS 39), in covering changes in the hedged item's fair value to the hedged risks during the entire reporting period;
- continuous effectiveness from the moment of the hedge's inception; and
- an economic relationship between the hedged item and hedging instrument (IFRS 9).

Changes in the fair value of derivatives that are designated as fair value hedges and are effective in terms of the hedged risks are recognized in the statement of income in Gains/(losses) from financial instruments, together with the corresponding changes in the fair values of the assets or liabilities hedged. As and when the hedge no longer meets the criteria for hedge accounting, the cumulative adjustment to the fair value of the hedged assets or liabilities is amortized through profit and loss over the relevant interest repricing period. Refer to note 2.2.

The hedging instruments used to hedge net investments in foreign operations are measured at fair value, with changes in the fair value (to the extent that they are effective) being recognized in other comprehensive income. Changes in the hedged equity instrument resulting from exchange-rate fluctuations are also recognized in other comprehensive income. Gains and losses accumulated in other comprehensive income are reclassified to profit or losses when the equity instrument is disposed of.

Interbank Offered Rate (IBOR) reform

DLL has met all regulatory targets in relation to the London Interbank Offered Rate (LIBOR) reform in 2021.

DLL transitioned all new USD LIBOR lending to SOFR based lending in the U.S. market during 2021 in line with the regulatory requirements to end LIBOR lending by year-end 2021. Legacy USD LIBOR loans can remain in place until mid-2023 and DLL has action plans in place to transition these legacy USD LIBOR loans before the end of June 2023.

In the U.K., DLL had a portfolio of customer contracts that were priced based on a GBP LIBOR derived reference rates. New lending in this short-term GBP portfolio was transitioned to a new DLL GBP variable rate in mid-2021. By year-end 2021, any legacy GBP LIBOR loans were transitioned from LIBOR to a Sterling Overnight Index Average (SONIA) reference rate or an alternative reference rate in line with regulatory requirements.

Overall, the IBOR reform will have limited impact on DLL.

Notionals and measure-at-fair-value derivatives

	2021*			2020*		
in millions of euros	Notional amounts	Fair value assets	Fair value liabilities	Notional amounts	Fair value assets	Fair value liabilities
Derivatives held for trading	2,539	33	(24)	1,421	13	(34)
Derivatives held for hedging	5,073	5	(30)	7,101	5	(79)
Total derivative financial assets/(liabilities)	**7,612**	**38**	**(54)**	**8,522**	**18**	**(113)**
Derivatives held for trading						
- Foreign exchange forwards**	137	2	-	192	3	-
- Cross-currency swaps	522	25	(13)	384	10	(20)
- Interest rate swaps	1,880	6	(11)	845	-	(14)
Total derivative held for trading	**2,539**	**33**	**(24)**	**1,421**	**13**	**(34)**
Derivatives designated as fair value hedge						
- Cross-currency swaps	-	-	-	-	-	-
- Interest rate swaps	4,152	3	(21)	6,244	-	(75)
Total derivatives designated as fair value hedge	**4,152**	**3**	**(21)**	**6,244**	**-**	**(75)**
Derivatives designated as foreign net investment hedge						
- Foreign exchange forwards**	921	2	(9)	857	5	(4)
Total derivatives designated as foreign net investment hedge	**921**	**2**	**(9)**	**857**	**5**	**(4)**
Total designated derivative financial instruments	**5,073**	**5**	**(30)**	**7,101**	**5**	**(79)**

* As on December 31

** Including non-deliverable forwards.

Maturity profile and average interest rate of hedging instruments in fair value hedges

		Remaining maturity		
in millions of euros	Notional amounts	Less than 1 year	1 to 5 years	Longer than 5 years
On December 31, 2021				
Hedging instrument-hedge of finance lease receivables and loans	4,152	46	2,298	1,808
Average fixed interest rate	0.24%	0.27%	0.22%	0.28%
On December 31, 2020				
Hedging instrument-hedge of finance lease receivables and loans	6,244	56	2,517	3,671
Average fixed interest rate	0.30%	0.37%	0.26%	0.32%

Designated hedging instruments in fair value hedges of interest rate risk

in millions of euros	Carrying amount derivative financial assets	Carrying amount derivative financial liability	Change in fair value used for calculating hedge ineffectiveness
On December 31, 2021			
Hedge of finance lease receivables and loans	1,055	3,096	51
Hedge of financial assets at fair value through OCI	-	-	-
Hedge of issued debt securities	-	-	-
On December 31, 2020			
Hedge of finance lease receivables and loans	68	6,176	(44)
Hedge of financial assets at fair value through OCI	-	-	-
Hedge of issued debt securities	-	-	-

Designated hedged items in fair value hedges of interest rate risk

in millions of euros	Carrying amount	Accumulated amount of fair value hedge adjusted on the hedged item included in the carrying amount of the hedged item	Change in fair value used for calculating hedge ineffectiveness	Accumulated amount for fair value hedge adjustments remaining for any hedged item that has ceased to be adjusted for hedging gain and losses
On December 31, 2021				
Finance lease receivables and loans	4,344	(13)	(58)	-
Financial assets at fair value through OCI	-	-	-	-
Issued debt securities	-	-	-	-
On December 31, 2020				
Finance lease receivables and loans	6,627	(38)	42	-
Financial assets at fair value through OCI	-	-	-	-
Issued debt securities	-	-	-	-

Hedge ineffectiveness of fair value hedges amounts to EUR (16) million (2020: EUR 11 million) and is included in the statement of income on line item Gains/(losses) on financial assets and liabilities at fair value through profit or loss.

Net investment hedges

DLL uses forward currency contracts to hedge a portion of the currency translation risk of net investments in foreign operations. For the changes in the value of the hedging instrument recognized in other comprehensive income and the amount reclassified from the net investment hedge reserve to profit or loss, reference is made to note 3.1: Capital management, reserves and retained earnings. Hedge ineffectiveness amounts to EUR (81) thousand (2020: EUR 126 thousand) and is included in the statement of income on line item Gains/(losses) on financial assets and liabilities at fair value through profit or loss.

2021	Remaining maturity per reporting date		
in millions of euros	Less than 1 year	1 to 5 years	More than 5 years
Maturities			
Notional amount of hedging instrument	2,162	-	-

		Carrying amount		Changes in the value of the hedging instrument recognized in other comprehensive income
in millions of euros	Notional amount	Assets	Liabilities	
Designed hedging instruments				
Foreign exchange derivatives	921	916	928	94
Foreign exchange loans	1,234	-	1,234	Included in foreign exchange derivatives

in millions of euros	Change in value used for calculating hedge ineffectiveness	Foreign currency translation reserve for continuing hedges	Remaining foreign currency translation reserve from hedging relationships for which hedge accounting is no longer applied
Designated hedged items			
Net investment	(195)	53	3

2020	Remaining maturity per reporting date		
in millions of euros	Less than 1 year	1 to 5 years	More than 5 years
Maturities			
Notional amount of hedging instrument	1,731	-	-

		Carrying amount		Changes in the value of the hedging instrument recognized in other comprehensive income
in millions of euros	Notional amount	Assets	Liabilities	
Designed hedging instruments				
Foreign exchange derivatives	857	855	854	(130)
Foreign exchange loans	877	-	877	Included in foreign exchange derivatives

in millions of euros	Change in value used for calculating hedge ineffectiveness	Foreign currency translation reserve for continuing hedges	Remaining foreign currency translation reserve from hedging relationships for which hedge accounting is no longer applied
Designated hedged items			
Net investment	270	249	3

3.5 Due from banks

in millions of euros	2021*	2020*
Loans to and receivables from Rabobank	2,756	2,143
Reverse repurchase agreements with Rabobank	5	29
Loans to and receivables from other banks	118	29
Total due from banks	**2,879**	**2,201**

* As on December 31

DLL issued EUR-denominated loans to Rabobank entities amounting to EUR 1,202 million (2020: EUR 919 million) that relate to a loan-deposit structure between DLL and Rabobank, which is used to mitigate foreign currency risk of DLL's net investments in foreign subsidiaries. These loans and deposits are floating and fixed-rate transactions carrying interest rates of EURIBOR and SOFR, plus funding spreads where the durations exceed one year. Under these loan-deposit structures, DLL has received USD-denominated short-term loans from Rabobank of EUR 1,234 million (2020: long-term borrowings of EUR 349 million and short-term loans of EUR 528 million) where the issued loans are pledged as collateral for these borrowings. These loans and deposits are floating and fixed-rate transactions that mature in 2022. The loans are designated in USD currency. They carry interest rates based on SOFR plus currency funding spreads. The EUR-designated deposits carry interest rates based on 1M EURIBOR plus EUR funding spreads. Refer to note 3.2.

While the principal amounts and terms of these loans match, they do not qualify for offsetting and are recorded gross in the consolidated statement of financial position.

The loans to and receivables from Rabobank relate to liquidity management and are short-term balances of both fixed and floating loans issued primarily in USD and EUR. These loans bear interest rates ranging between (0.5)% and 7.63% (2020: between (0.5)% and 2.1%).

Securities received under reverse repurchase agreements are listed bonds issued by the Brazilian government with a fair value of EUR 5 million (2020: EUR 29 million). For all due from banks, contractual maturities reflect their expected maturities. Contractual liquidity gap analysis as well as the principal and interest contractual cash flows of due from banks are presented in note 3.7.

The fair value of due from banks on December 31, 2021, was EUR 2,798 million (2020: EUR 2,218 million). This fair value was estimated using a discounted cash flow model where the discount rate is determined based on observable yield curves at commonly quoted intervals. Since the inputs for this model are observable market inputs that are adjusted as necessary, these fair value measurements are classified as Level 2 within the fair value hierarchy as described in note 4.9.

Accounting policy for due from banks
Due from banks are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognized at fair value and are subsequently measured at amortized cost using the EIR method, less allowance for impairment. Refer to note 4.9 for a description of the EIR method.

Securities purchased under agreements to resell at a specified future date are not recognized in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position as due from banks (reverse repurchase agreements), reflecting the transaction's economic substance as a loan by DLL. The difference between the purchase and resale prices is recorded in interest income and is accrued over the life of the agreement using EIR.

3.6 Cash and cash equivalents

in millions of euros	2021*	2020*
Current account Rabobank and its related entities	178	300
Current account other banks	127	116
Total cash and cash equivalents	**305**	**416**

* As on December 31

Cash and cash equivalents do not bear material credit risk, as cash is primarily maintained on the accounts of Rabobank (S&P A+ rating). Current accounts with other banks are held with banks holding A ratings or higher. Cash is usually held in the functional currency of the subsidiary that holds the account. All cash is directly available for use for DLL.

Accounting policy for cash and cash equivalents
Cash and cash equivalents as referred to in the statement of cash flows and statement of financial position comprise cash on hand, non-restricted current accounts with banks and amounts due from banks on demand or with an original maturity of three months or less. These cash and cash equivalents are held at amortized cost, which due to the short maturity approximates their fair value. These fair values are classified as Level 1 in the fair value hierarchy; refer to note 4.9 for further details.

3.7 Market and liquidity risk management

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates or equity prices. Also considered part of market risk is prepayment risk. The main financial instruments held by DLL that are affected by market risk include financial lease receivables, loans issued, high-quality bonds and investments held, borrowings, debt securities issued, cash and derivatives.

For risk management purposes, DLL also recognizes an exposure to market risk on its operating lease portfolio. DLL manages market risk collectively for all portfolio assets (including operating leases) as part of the same processes and risk governance that are in line with industry standards, as well as DLL's own risk strategy. DLL is not exposed to material risk on third-party equity instruments.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. DLL aims to achieve stable earnings from interest margins and not from exposure to uncertain or volatile interest rate risk position outcomes. This is achieved by a policy of mitigation of interest risk exposures through transacting money market and derivative instruments with mainly Rabobank and also some third-party banks. Additionally, DLL may incur financial loss because its customers and counterparties repay or request repayment earlier than expected. DLL manages prepayment risk as part of interest rate risk.

To manage the above risks, DLL applies a policy of match-funding, taking into account the equity that is deployed, to all asset-financing businesses from an interest rate perspective. Interest rate exposures on certain finance lease and loan portfolios are mitigated based on their expected maturity terms (or repricing if shorter) and for the remaining portfolio financial assets on contractual maturity terms (or repricing if shorter). DLL uses historic termination information to identify finance lease and loan portfolios with a consistent early termination pattern and calculates expected maturity terms using a minimum of three years' data. These expected maturity terms are approved by DLL's Asset and Liability Committee (ALCO) and are reviewed annually.

Where equity or short-term liquidity is used to fund assets, derivative transactions may be used to cover the longer-term interest rate risk with the approval of Group Treasury. DLL applies macro fair value hedge accounting for interest rate risk on its derivative portfolio.

Interest rate risk sensitivity analysis

DLL assesses interest rate risk sensitivity through monthly calculation of an Earnings at Risk (EatR) sensitivity analysis, which measures the short-term effects of adverse interest rate movements in terms of Net Interest Income. Five scenarios are tested (EatR interest rates up, EatR interest rates down, DNB interest rates down, curve steepening and curve flattening) and analyzed per currency.

The scenarios are analyzed for movement in the fixed-rate (five-year) and floating rate (one-month) over a one- and two-year time horizon, and the cumulative impact of each scenario is converted into euro. This is tracked both in aggregate and per scenario per currency.

DLL monitors all scenarios in the one-year time horizon, with a specific loss limit of EUR 10 million set for all scenarios that yield a negative result, excluding the DNB down scenario. This limit is monitored on a monthly basis and any breaches are reported to DLL's ALCO. There were no limit breaches in 2021 or 2020.

The monthly level of EatR is monitored by Group Treasury. Month on month there is some variation in terms of the total number. However, the level of EatR remains stable at a very small percentage of the total interest income (2021 0.4% vs 2020 0.4%). The EatR values on December 31, 2021, and December 31, 2020, are therefore representative of the entire respective years. DLL's total EatR for the down scenario on December 31, 2021, across currencies and aggregating the impact of both fixed and floating interest impacts, was EUR 4.31 million (2020: EUR 4.98 million), while the steepening scenario was EUR 4.06 million (2020: EUR 4.51 million).

Interest rate risk exposure

On a consolidated DLL level, interest rate risk is managed by calculation of a one-basis-point delta move (PV01) on the net interest rate gap. This interest rate gap is monitored monthly against an overall limit. Interest rate risk is also managed at country level using a similar gap analysis per time bucket and monitored by Group Treasury. On December 31, 2021, DLL's PV01 on the net interest rate gap was EUR 404.680 (2020: EUR (372.370)). The table below analyzes DLL's interest rate risk exposure by presenting carrying amounts of interest-bearing financial instruments and operating leases at the earlier of repricing or contractual maturity. For finance lease and loan receivables, DLL manages repricing risk with reference to expected maturity rather than contractual maturity. Derivatives are presented at their net notional position per interest rate type (refer to note 3.4 for gross notional positions).

in millions of euros	Carrying amount*	< 1 month	1 to 3 months	3 to 12 months	1 to 5 years	>5 years
As on December 31, 2021						
Interest-bearing assets						
Cash	305	305	-	-	-	-
Due from banks	2,879	1,446	352	222	848	11
Due from customers	34,726	7,083	1,662	7,356	17,464	1,161
Fixed assets under operating lease	2,684	55	281	695	1,617	36
	40,594	**8,889**	**2,295**	**8,273**	**19,929**	**1,208**
Interest-bearing liabilities						
Short-term loans and overdrafts	(6,495)	(5,814)	(595)	(86)	-	-
Issued debt securities	(2,613)	(16)	(227)	(809)	(1,561)	-
Long-term borrowings	(26,796)	(2,440)	(2,909)	(5,851)	(14,640)	(956)
	(35,904)	**(8,270)**	**(3,731)**	**(6,746)**	**(16,201)**	**(956)**
Derivatives						
Interest rate swap – net floating-rate notional	4,451	3,682	769	-	-	-
Interest rate swap – net fixed-rate notional	(4,451)	(166)	(283)	(1,176)	(2,749)	(77)
Foreign exchange derivative net	(12)	(6)	(6)	-	-	-
Derivative fair value adjustment	-	-	-	-	-	-
Cross-currency swap – net floating-rate notional	117	103	14	-	-	-
Cross-currency swap – net fixed-rate notional	(118)	(4)	(12)	(49)	(48)	(5)
	(13)	**3,609**	**482**	**(1,225)**	**(2,797)**	**(82)**
Net interest balance	**4,677**	**4,228**	**(954)**	**302**	**931**	**170**

* Except in the case of derivatives that are presented at notional value rather than carrying amount.

in millions of euros	Carrying amount*	< 1 month	1 to 3 months	3 to 12 months	1 to 5 years	>5 years
As on December 31, 2020						
Interest-bearing assets						
Cash	416	416	-	-	-	-
Due from banks	2,201	1,026	243	128	773	31
Due from customers	32,331	6,956	1,527	6,831	15,952	1,065
Fixed assets under operating lease	2,647	44	271	687	1,589	56
	37,595	**8,442**	**2,041**	**7,646**	**18,314**	**1,152**
Interest-bearing liabilities						
Short-term loans and overdrafts	(5,834)	(4,745)	(888)	(201)	-	-
Issued debt securities	(1,231)	(147)	(152)	(541)	(391)	-
Long-term borrowings	(25,593)	(3,958)	(3,007)	(5,384)	(12,422)	(822)
	(32,658)	**(8,850)**	**(4,047)**	**(6,126)**	**(12,813)**	**(822)**
Derivatives						
Interest rate swap – net floating-rate notional	6,717	5,309	1,408	-	-	-
Interest rate swap – net fixed-rate notional	(6,717)	(189)	(390)	(1,283)	(4,674)	(181)
Foreign exchange derivative net	2	2	-	-	-	-
Derivative fair value adjustment	-	-	-	-	-	-
Cross-currency swap – net floating-rate notional	193	174	19	-	-	-
Cross-currency swap – net fixed-rate notional	(195)	(9)	(17)	9	(165)	(13)
	-	**5,287**	**1,020**	**(1,274)**	**(4,839)**	**(194)**
Net interest balance	**4,937**	**4,879**	**(986)**	**246**	**662**	**136**

* Except in the case of derivatives that are presented at notional value rather than carrying amount.

Foreign exchange risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

DLL seeks to minimize its exposure to foreign exchange risk associated with its net investments in foreign operations. DLL's policy allows the use of foreign exchange derivatives (refer to note 3.4) and foreign currency debt in managing foreign exchange risk. DLL uses forward foreign exchange contracts to hedge the currency translation risk of material net investments in foreign operations. The only exception with an exposure above EUR 1 million is DLL's investment in Argentina; for that a decision was made by DLL's ALCO to not hedge these exposures due to high costs of doing so as well as inefficiencies of instruments used.

DLL also manages its forecasted net foreign currency exposures above EUR 5 million or currency equivalent by mitigating risk from such deemed material exposures at the beginning of each year through the use of derivatives. Other foreign currency earnings are managed as earned also through the use of derivatives.

DLL subsidiaries are not permitted to have open foreign currency risk positions. Where unavoidable, limits are in place and breaches are monitored by DLL's ALCO.

Foreign exchange risk sensitivity analysis

The table below indicates the currencies to which DLL had the largest exposures on December 31, 2021, on its monetary assets and liabilities and its forecasted cash flows. The analysis calculates the effect of a reasonably possible movement in currency rates against the euro (all other variables being held constant). These reasonably possible movements in currency rates were estimated based on the actual volatility of exchange rates in the past two years.

DLL uses a Foreign Net Investment (FNI) hedging model, which is applied for all major currencies. As of January 1, 2020, DLL has changed its FNI hedging model to ratio hedging, meaning DLL takes deliberately open positions on Foreign Exchange (FX) positions to mitigate the impact FX movements have on the CET1 ratio. That does, however, result in the potential volatility in the equity of DLL.

in millions of euros	Change in currency rate in %*	Effect on profit for the year	Effect on equity	Total effect
As on December 31, 2021				
USD	+/- 4%	44/(47)	(72)/77	(28)/30
BRL	+/- 9%	2/(2)	(8)/10	(6)/8
GBP	+/- 3%	4/(4)	(7)/7	(3)/3
AUD	+/- 4%	0/0	(5)/6	(5)/6
CAD	+/- 3%	4/(5)	(7)/8	(3)/3
As on December 31, 2020				
USD	+/- 3%	28/(30)	(55)/59	(27)/29
BRL	+/- 17%	12/(17)	(22)/31	(10)14
GBP	+/- 3%	2/(2)	(6)/6	(4)/4
AUD	+/- 3%	0/0	(3)/3	(3)/3
CAD	+/- 3%	3/(3)	(5)/6	(2)/3

* The percentage change represents a reasonable possible change over two years

Liquidity risk and funding

Liquidity risk is the risk that DLL will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that DLL might be unable to meet its payment obligations when they fall due under either normal or stress circumstances.

DLL applies a policy of matched funding for liquidity risk based on currency and maturity profiles of assets and liabilities. This matched-funding policy requires DLL to fund all its portfolio assets with matched-funded sources, including borrowings, DLL's own equity (less intangibles), non-controlling interests and other items such as deferred tax.

DLL has a waiver from DNB to meet regulatory liquidity requirements (such as the Net Stable Funding Ratio and Liquidity Coverage Ratio). Therefore all regulatory reporting in this respect is done by Rabobank.

The limit set for the unmatched liquidity gap is 10% of portfolio assets. This limit is cascaded down to country level, where a limit of 1% is applied to the local unmatched liquidity gap. Group Treasury monitors country-level adherence and manages overall usage of the 10% limit. DLL's ALCO reviews the 10% usage on a monthly basis, the trend in usage over a period of 13 months, as well as country-level breaches.

Calculation of the 10% limit usage is based on contractual maturity of assets and liabilities, except for certain finance lease portfolios where expected maturity terms are applied. DLL uses historic termination information to identify finance lease portfolios with a consistent early termination pattern and calculates expected maturity terms using a minimum of three years' data. These expected maturity terms are approved by DLL's ALCO and reviewed annually.
Usage of the 10% limit on December 31, 2021, was on a maximum of 1.46% during a monthly time bucket over the forward-looking maturity of the assets and liabilities (2020: 4.64%).

The current primary usage of the liquidity limit is the short-term commercial finance business, which is match-funded to expected maturity, but refinancing assumptions are calculated as utilizing the liquidity limit.

From a funding perspective, DLL aims to continue diversifying its funding base by expanding global securitization programs and attracting further funding from the multilateral development banks (MDBs), such as the BNDES in Brazil and EIB in Europe. In 2021, DLL executed three asset-backed securitization transactions in the U.S. and is investigating other similar opportunities for the future. Due to the uncertainty and potential negative impact of COVID-19 on financial markets, no new transactions had been conducted in 2021. DLL will continue to attract funding from MDBs and will work to grow such funding opportunities both in new territories and by increasing facilities in existing countries.

The table that follows reflects the carrying amounts of DLL's assets and liabilities at contractual maturities except for certain finance lease and loan portfolios where DLL uses expected maturity. Assets and liabilities with maturities under one year are considered current in nature.

in millions of euros	Carrying amount	< 1 month	1 to 3 months	3 to 12 months	1 to 5 years	> 5 years	No contractual maturity
As on December 31, 2021							
Assets							
Cash	305	305	-	-	-	-	-
Accounts receivable and other short-term assets	614	68	271	275	-	-	-
Derivatives	38	(5)	(6)	-	7	-	42
Due from banks	2,879	488	38	1,074	1,268	11	-
Due from customers	34,726	2,855	3,861	7,981	18,801	1,228	-
Fixed assets under operating lease	2,684	45	274	696	1,612	57	-
Goodwill and other intangible assets	5	-	-	-	-	-	5
Current tax receivable	89	-	-	-	-	-	89
Deferred tax asset	96	-	-	-	-	-	96
Other assets	152	-	-	-	-	-	152
	41,588	**3,756**	**4,438**	**10,026**	**21,688**	**1,296**	**384**
Liabilities							
Short-term loans and overdrafts	(6,495)	(2,376)	(1,695)	(2,424)	-	-	-
Accounts payable and other short-term liabilities	(638)	-	(638)	-	-	-	-
Issued debt securities	(2,613)	(21)	(225)	(806)	(1,561)	-	-
Provisions	(107)	-	-	-	-	-	(107)
Derivatives	(54)	-	1	3	3	-	(61)
Long-term borrowings	(26,796)	(740)	(1,727)	(7,091)	(16,199)	(1,039)	-
Current tax payable	(54)	-	-	-	-	-	(54)
Deferred tax liability	(269)	-	-	-	-	-	(269)
Other liabilities	(508)	-	-	-	-	-	(508)
	(37,534)	**(3,137)**	**(4,284)**	**(10,318)**	**(17,757)**	**(1,039)**	**(999)**
Net liquidity balance	**4,054**	**619**	**154**	**(292)**	**3,931**	**257**	**(615)**

in millions of euros	Carrying amount	< 1 month	1 to 3 months	3 to 12 months	1 to 5 years	> 5 years	No contractual maturity
As on December 31, 2020							
Assets							
Cash	416	416	-	-	-	-	-
Accounts receivable and other short-term assets	593	72	314	207	-	-	-
Derivatives	18	6	1	7	3	2	(1)
Due from banks	2,201	928	(47)	128	1,161	31	-
Due from customers	32,331	1,739	4,410	7,395	17,643	1,144	-
Fixed assets under operating lease	2,647	44	271	687	1,589	56	-
Goodwill and other intangible assets	6	-	-	-	-	-	6
Current tax receivable	102	-	-	-	-	-	102
Deferred tax asset	134	-	-	-	-	-	134
Other assets	177	-	-	-	-	-	177
	38,625	**3,205**	**4,949**	**8,424**	**20,396**	**1,233**	**418**
Liabilities							
Short-term loans and overdrafts	(5,834)	(2,618)	(2,204)	(1,012)	-	-	-
Accounts payable and other short-term liabilities	(666)	-	(666)	-	-	-	-
Issued debt securities	(1,231)	(44)	(172)	(604)	(411)	-	-
Provisions	(98)	-	-	-	-	-	(98)
Derivatives	(113)	(2)	(3)	(6)	(9)	-	(93)
Long-term borrowings	(25,593)	(1,208)	(1,375)	(7,005)	(15,107)	(898)	-
Current tax payable	(86)	-	-	-	-	-	(86)
Deferred tax liability	(355)	-	-	-	-	-	(355)
Other liabilities	(469)	-	-	-	-	-	(469)
	(34,445)	**(3,872)**	**(4,420)**	**(8,627)**	**(15,527)**	**(898)**	**(1,101)**
Net liquidity balance	**4,180**	**(667)**	**529**	**(203)**	**4,869**	**335**	**(683)**

The table below summarizes the maturity profile of undiscounted contractual cash flows of DLL's financial liabilities. Cash flows from gross-settled, non-trading derivatives are shown separately by their contractual maturity. Repayments subject to notice are treated as if notice was immediate.

in millions of euros	Total	On demand	< 3 months	3 to 12 months	1 to 5 years	> 5 years
As on December 31, 2021						
Undiscounted financial liabilities						
Short-term loans and overdrafts	(6,493)	(2,375)	(1,694)	(2,424)	-	-
Accounts payable*	(584)	-	(584)	-	-	-
Issued debt securities	(2,646)	(23)	(229)	(819)	(1,575)	-
Long-term borrowings	(27,527)	(766)	(1,777)	(7,317)	(16,610)	(1,057)
	(37,250)	**(3,164)**	**(4,284)**	**(10,560)**	**(18,185)**	**(1,057)**
Non-trading gross-settled derivatives						
Derivative assets						
Contractual amounts receivable	1,354	449	489	142	261	13
Contractual amounts payable	(1,356)	(452)	(496)	(145)	(251)	(12)
	(2)	**(3)**	**(7)**	**(3)**	**10**	**1**
Derivative liabilities						
Contractual amounts receivable	92	38	5	23	21	5
Contractual amounts payable	(102)	(39)	(7)	(30)	(22)	(4)
	(10)	**(1)**	**(2)**	**(7)**	**(1)**	**1**
	(37,262)	**(3,168)**	**(4,293)**	**(10,570)**	**(18,176)**	**(1,055)**

* The effects of discounting are immaterial, and therefore aggregated cash flows approximate carrying amount

in millions of euros	Total	On demand	< 3 months	3 to 12 months	1 to 5 years	> 5 years
As on December 31, 2020						
Undiscounted financial liabilities						
Short-term loans and overdrafts	(5,832)	(2,618)	(2,204)	(1,010)	-	-
Accounts payable*	(611)	-	(611)	-	-	-
Issued debt securities	(1,256)	(47)	(176)	(616)	(417)	-
Long-term borrowings	(26,317)	(1,234)	(1,429)	(7,238)	(15,501)	(915)
	(34,016)	**(3,899)**	**(4,420)**	**(8,864)**	**(15,918)**	**(915)**
Non-trading gross-settled derivatives						
Derivative assets						
Contractual amounts receivable	618	385	133	59	29	12
Contractual amounts payable	(596)	(379)	(132)	(51)	(24)	(10)
	22	**6**	**1**	**8**	**5**	**2**
Derivative liabilities						
Contractual amounts receivable	588	115	233	93	138	9
Contractual amounts payable	(653)	(121)	(241)	(113)	(167)	(11)
	(65)	**(6)**	**(8)**	**(20)**	**(29)**	**(2)**
	(34,059)	**(3,899)**	**(4,427)**	**(8,876)**	**(15,942)**	**(915)**

* The effects of discounting are immaterial, and therefore aggregated cash flows approximate carrying amount

Liquidity management of credit-related commitments

Undrawn loan commitments are assessed and managed by DLL at the earliest date they can be drawn down by customers. For DLL, this is largely on demand. For issued financial guarantee contracts, the maximum amount of the guarantee is managed at the earliest period in which the guarantee could be called, which is also on demand. Refer to note 1.3 for DLL's credit risk management of these credit-related commitments.

Other

4.1 Goodwill and other intangible assets

in millions of euros	Goodwill	Other	Total
Cost	71	160	231
Accumulated amortization and impairment	(71)	(154)	(225)
Carrying amount as on January 1, 2021	**-**	**6**	**6**
Purchases	-	3	3
Net exchange differences	-	(1)	(1)
Amortization	-	(3)	(3)
Closing balance	-	**5**	**5**
Cost	-	155	155
Accumulated amortization and impairment	-	(150)	(150)
Carrying amount as on December 31, 2021	**-**	**5**	**5**
Cost	71	159	230
Accumulated amortization and impairment	(1)	(153)	(154)
Carrying amount as on January 1, 2020	**70**	**6**	**76**
Purchases	-	4	4
Impairment	(70)	-	(70)
Net exchange differences	-	(4)	(4)
Closing balance	**-**	**6**	**6**
Cost	71	160	231
Accumulated amortization and impairment	(71)	(154)	(225)
Carrying amount as on December 31, 2020	**-**	**6**	**6**

Goodwill is allocated to the lowest identifiable cash-generating unit (CGU). During 2020, the goodwill of EUR 70 million attributable to the CGU in the Nordics was fully impaired. The CGU includes all of DLL's activities in Sweden, Norway, Finland and Denmark. The outlook for the future profitability of this subsidiary has deteriorated, which was caused by lower future net profits due to the lower portfolio (partly due to COVID-19), the shift to relatively lower-margin business and higher expected credit losses. These elements, in combination with the increase of future minimum required capital due to the Basel IV output floor implementation, gave an indication of potential impairment of the goodwill. The test to establish whether this potential impairment had occurred resulted in an impairment of goodwill of EUR 70 million.

Accounting policy for goodwill and other intangible assets

A. Goodwill

Consideration provided in a business combination in excess of the fair value of the identifiable net assets acquired is recognized as goodwill, subject to an assessment of its recoverability.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if there are indicators of impairment.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of DLL's CGUs, which are expected to benefit from the synergies of the combination. Each unit to which the goodwill is allocated represents the lowest level within DLL at which the goodwill is monitored for internal management purposes and is not larger than an operating segment in accordance with IFRS 8 Operating Segments. When subsidiaries are disposed, associated goodwill is written off against the net proceeds and included in the result from disposal that is recorded in the statement of profit or loss.

B. Other intangible assets

Other intangible assets comprise mainly purchased and self-developed software. Purchased software is recognized at cost when this can be reliably measured and it is probable that economic benefits will flow to DLL. Internally developed software is capitalized only if these are capable of being separated from DLL or arise from contractual or other legal rights. Internal development occurs in two phases: research (planning and investigation); and development (the application of this). DLL expenses research cost while it capitalizes development cost.

Following initial recognition, other intangible assets are amortized on a straight-line basis over their estimated useful lives and carried at cost less accumulated amortization and impairment losses. All other intangible assets are amortized over the definite useful economic life (ranging from 5 to 10 years and reviewed each year). Amortization of intangible assets is included in other operating expenses. Other intangible assets are tested for impairment upon indication of impairment. Impairment losses are recognized immediately in profit or loss. Changes in the expected useful life or the expected future benefit related to the asset are accounted for prospectively.

4.2 Accounts receivable and other assets

in millions of euros	2021*	2020*
Accounts receivable and other short-term assets		
Prepayments	68	72
VAT to be claimed	58	76
Inventory	54	85
Accounts receivable	159	153
Bond portfolio	275	207
	614	**593**
Other assets		
Fixed assets for own use	90	99
Investments in associates	24	24
Other	38	54
	152	**177**
Total other assets	**766**	**770**

* As on December 31

Inventory

Inventory represents assets for resale, which comprise equipment returned to DLL after related lease contracts have ended. These assets are remarketed by DLL in the short term.

Prepayments and Value Added Tax (VAT) represents non-interest-bearing assets that are settled on a short term.

Accounts receivable

Accounts receivable represents non-interest-bearing amounts due to DLL. Among others, these receivables relate to maintenance fees and commissions.

Accounts receivable typically have a maturity of 30-90 days. On December 31, 2021, there were no material accounts receivable aged beyond 90 days (2020: none). Furthermore, due to the short-term nature of these accounts receivable, their carrying amount is assumed to approximate their fair value.

Bond portfolio

The fair value bond portfolio comprises investments in U.S. money market funds, Dutch government bonds, Scandinavian government bonds and an Argentinian money market fund. The investments in bonds issued by the Dutch and Scandinavian governments amount to EUR 62 million (2020: EUR 91 million) that are held by DLL in Sweden for the purpose of compliance with local regulatory liquidity requirements. This portfolio is measured using quoted market prices as of the reporting date (Level 1). Revaluation of these assets measured at fair value is recognized in a reserve in equity (via other comprehensive income). Investments in U.S. money market funds amount to EUR 190 million (Level 1) (2020: EUR 114 million). These investments are held as part of securitization transactions issued. In 2021, DLL Argentina invested EUR 23 million of excess in cash in a local money market fund (2020: EUR 2 million). The funds invest in AAA-rated instruments. The risk on these bonds is deemed very low and, as a result, no loss allowance is in place.

Fixed assets for own use

Fixed assets for own use represent land and buildings as well as office, other equipment and right-of-use assets used by DLL. DLL did not realize any gains or losses from the disposal of these assets during 2021. The table that follows presents key movements in the fixed assets balances.

in millions of euros	Land and buildings	Equipment	Right-of-use assets	Total
Cost	83	82	59	224
Accumulated depreciation and impairment	(48)	(56)	(20)	(124)
Carrying amount at January 1, 2021	**35**	**26**	**39**	**100**
Disposals	-	(2)	-	(2)
Purchases	-	9	4	13
Depreciation	(4)	(8)	(12)	(24)
Net exchange differences	2	1	-	3
Cost	86	78	60	224
Accumulated depreciation	(53)	(52)	(29)	(134)
Total carrying amount at December 31, 2021	**33**	**26**	**31**	**90**
Cost	86	93	44	223
Accumulated depreciation and impairment	(47)	(61)	(11)	(119)
Carrying amount at January 1, 2020	**39**	**32**	**33**	**104**
Disposals	-	(1)	-	(1)
Purchases	-	4	19	23
Depreciation	(2)	(8)	(12)	(22)
Net exchange differences	(2)	(1)	(1)	(4)
Cost	83	82	59	224
Accumulated depreciation	(48)	(56)	(20)	(124)
Total carrying amount at December 31, 2020	**35**	**26**	**39**	**100**

Right-of-use assets

DLL has several lease contracts as a lessee, predominantly related to property used as offices and cars for employees. The consolidated statement of financial position shows the following amounts relating to leases.

in millions of euros	2021*	2020*
Property leases	25	33
Car leases	6	6
Total right-of-use assets	**31**	**39**
Total lease liabilities	**32**	**40**

* As on December 31

Additions to right-of-use assets during 2021 were EUR 4 million (2020: EUR 19 million). The consolidated statement of profit or loss shows the following amounts relating to right-of-use assets.

in millions of euros	2021	2020
Property leases	9	9
Car leases	3	3
Depreciation charge of right-of-use assets	**12**	**12**
Interest expense	1	1
Expense relating to short-term leases	-	-
Expense relating to low-value assets	-	-
Expense relating to variable lease payments not included in lease liabilities	-	-

The total cash outflow for leases in 2021 was EUR 14 million (2020: EUR 14 million).

Investments in associates

Investments in associates represent interests held in various European leasing entities where DLL exhibits significant influence but does not control the entity nor is entitled to significant economic benefits or risk associated with this ownership. The share of profit of associates attributable to DLL is included in other income.

Other assets

These mainly consist of capitalized commissions and non-lease receivables related to operating lease contracts (maintenance).

Accounting policy for accounts receivable

Accounts receivable are recognized for services performed by DLL or goods transferred for which DLL has not yet received payment for the revenues earned. They are carried at amortized cost, which approximates the nominal value due to its short-term nature.

Accounting policy for prepayments and VAT

Prepayments and VAT are carried at nominal value due to its short-term nature.

Accounting policy for inventory

Inventory is valued at the lower of cost and net realizable value. The cost is determined as the net book value of a respective asset when this asset is returned to DLL after the related lease contract has ended. The net realizable value is the estimated selling price in the ordinary course of remarketing, less estimated selling costs.

Accounting policy for bond portfolio and money market funds

Financial assets measured at fair value include government bonds that are held to meet liquidity requirements in a regulated subsidiary of DLL and money market funds held in the U.S. and Argentina.

Unrealized gains or losses are recognized in other comprehensive income and adjusted in the fair value reserve until such time that the investment is derecognized. When the investment is derecognized, the cumulative gain or loss is recognized in gains/(losses) from financial instruments in profit or loss. Interest earned while holding fair value financial assets is reported as interest income using the effective interest rate (EIR) method. Refer to note 4.9 for a description of the EIR method.

Accounting policy for fixed assets for own use

All items classified as fixed assets for own use in the statement of financial position are initially measured at cost. After initial recognition, these are carried at historical cost less accumulated depreciation. Subsequent costs are only capitalized when future economic benefits are increased, probable and can be measured reliably.

Depreciation is calculated on the straight-line basis over the estimated useful life to the estimated residual value, as follows.

Type of asset	Years
Land	Indefinite
Own buildings	40 years
Equipment	3 to 20 years

An item of fixed assets for own use is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognized.

The residual values, useful lives and method of depreciation are reviewed regularly and at least at each financial year-end. These are adjusted prospectively, if necessary.

Accounting policy for right-of-use assets
DLL as a lessee recognizes a right-of-use asset representing its right to use the underlying leased asset and a corresponding liability representing its obligation to make lease payments at the date at which the leased asset is available for use. Each lease payment is allocated between the lease liability and interest expense. The interest expenses are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use assets are depreciated over the lease term on a straight-line basis. The lease liability is measured at the present value of the lease payments. The lease payments comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- fixed payments less any lease incentives received;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the incremental borrowing rate is used, being the rate that DLL would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. DLL defines the incremental borrowing rate as the internal funding rate (FTP rate) plus an asset-specific premium.

The right-of-use asset is measured at an amount equal to the lease liability, adjusted by the lease payments made at or before the commencement date less any lease incentives received and any initial direct costs and restoration costs. Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. DLL recognizes the right-of-use assets as part of the line item Property and equipment and the lease liability as part of line item Other liabilities in the Consolidated statement of financial position.

Accounting policy for investments in associates
Investments in associates are accounted using the equity method of accounting.

4.3 Accounts payable and other liabilities

in millions of euros	2021*	2020*
Accounts payable and other short-term liabilities		
Accounts payable	515	553
Accrued expenses	69	58
VAT payable	54	55
	638	**666**
Other liabilities		
Deferred income	167	138
Net defined benefit plan liability	26	29
Lease liabilities	32	40
Other	283	262
	508	**469**
Total other liabilities	**1,146**	**1,135**

* As on December 31

Accounts payable
Accounts payable are non-interest-bearing short-term obligations due from DLL that and are normally settled on 60-day terms. Furthermore, due to the short-term nature of these accounts payable, their carrying amount approximates their fair value.

Net defined benefit plan liabilities
A defined benefit pension plan is a retirement plan that defines an amount of pension benefit an employee is entitled to receive on retirement, dependent on one or more factors such as age, years of service and salary.

DLL has two defined benefit pension plans in the U.K. and in Sweden.

in millions of euros	2021*	2020*
DLL U.K.		
Plan assets	11	10
Plan liabilities	(16)	(17)
Net defined benefit plan liability	(5)	(7)
DLL Sweden		
Net defined benefit plan liability	(21)	(22)
Total net defined benefit plan liabilities	**(26)**	**(29)**

* As on December 31

DLL U.K.
The defined benefit plan in the U.K. requires contributions to be made to a fund in which both DLL Leasing Limited and Rabobank London Branch participate. The fund is closed to new members and is therefore a runoff scheme with no active members and only deferred members and retired members on December 31, 2021. DLL has a constructive obligation to fund any deficits on the plan in relation to its (former) staff.

DLL Sweden
The defined benefit plan in Sweden is an unfunded plan. However, the fund administrator of DLL Sweden's defined benefit plan issues credit insurance against which employee pensions are secured. Employees will therefore receive their pensions regardless of the financial position of DLL Sweden.

In 2021, there were no material changes to underlying assumptions.

Both defined benefit plans demonstrated no material sensitivity to a reasonably possible change in the key underlying assumptions (discount rate, income increase, inflation rate and mortality) on December 31, 2021 (nor on December 31, 2020).

Valuation of net defined benefit liabilities
The value of a defined benefit pension liability is determined through a full actuarial valuation by a qualified independent actuary. This valuation, performed annually, involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. These assumptions are developed by a qualified independent actuary and validated by the management of DLL Sweden (for DLL Sweden pension plan) or the management of Rabobank London Branch (for the DLL U.K. pension plan).

Accounts payable and other liabilities
These mainly consist of wage tax and Social Security to be paid and accrued expenses related to external service providers and pensions.

Accounting policy for accounts payable
Accounts payable are recognized for services consumed by DLL or goods received for which DLL has not yet paid. They are carried at amortized cost, which approximates the nominal value due to its short-term nature.

Accounting policy for net defined benefit plan liabilities
- The cost of providing benefits is determined separately for each plan using the projected unit credit method.
- Plan assets (only applicable to DLL U.K.) are measured at fair value at balance sheet date.
- Remeasurements comprise actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability). Remeasurements are recognized immediately in the statement of financial position with a corresponding adjustment to equity through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.
- Net interest income/expense is calculated by applying the discount rate to the net defined benefit liability or asset and is recognized directly in profit or loss in other interest income/expense as appropriate.
- Service costs – comprise current service costs, past service costs, gains and losses on curtailments and non-routine settlements recognized directly in profit or loss in staff expenses.

4.4 Provisions

in millions of euros	2021*	2020*
Provision for restructuring	12	12
Provision for legal claims	13	7
	25	**19**
Insurance-related provisions	82	79
Total provisions	**107**	**98**

* As on December 31

Provision for restructuring
Provisions for restructuring consist of future payments relating to redundancy and other costs directly attributable to a reorganization program. The outflow is expected to occur next year. Staff are notified before any provision for restructuring is recognized.

Provision for tax and legal claims
Tax claims contain provisions related to potential interest and penalties on uncertain tax positions. This provision is based on the best possible estimates of the outcomes that take into account fiscal advice where available. Legal claims contain provisions related to legal claims against DLL. This provision is based on the best possible estimates of the outcomes that take into account legal advice received where available. The timing of the cash outflow of these provisions is uncertain because the outcome of the disputes and the time involved are complex to reasonably predict.

Changes in provisions (other than insurance provisions, which are presented separately in the table that follows) were.

in millions of euros	Provision for restructuring	Provision for legal claims	Total
As on January 1, 2021	12	7	19
Added	5	7	12
Released/ reclassified	(1)	(1)	(2)
Exchange rate differences	1	-	1
Utilized	(5)	-	(5)
As on December 31, 2021	**12**	**13**	**25**
As on January 1, 2020	6	10	16
Added	12	2	14
Released/ reclassified	(3)	(1)	(4)
Exchange rate differences	-	(2)	(2)
Utilized	(3)	(2)	(5)
As on December 31, 2020	**12**	**7**	**19**

Insurance-related provisions
Insurance-related provisions include unearned reinsurance premium reserve and loss reserves (outstanding loss reserve and reserve for incurred but not reported losses or incurred but not reported (IBNR) reserve). These reserves arise from reinsurance activities carried out by DLL through its subsidiary DLL RE Designated Activity Company in Ireland (DLL RE). These reinsurance activities are limited to providing reinsurance coverage to insurance companies related to insured property, personal accident and liability risks associated with assets that DLL finances to its customers.

DLL RE operates as a non-life reinsurance business, reinsuring programs underwritten by insurance companies insuring risks related to assets, leases and financing provided by DLL.

Insurance-related provisions comprised.

in millions of euros	2021*	2020*
Unearned premium reserve	64	61
Loss reserves	18	18
Total insurance-related provisions	**82**	**79**

* As on December 31

The analysis of the remaining maturity of the insurance-related provisions is included in the note 3.7.

Over 74% (2020: over 65%) of total premiums written are related to reinsurance of physical damage of motor vehicles (predominantly agricultural equipment).

Changes in insurance-related provisions are presented below.

in millions of euros	2021*	2020*
Unearned premium reserve		
Opening balance	61	54
Premiums written	31	32
Premiums earned	(21)	(21)
Commutation	(11)	-
Net exchange differences	4	(4)
Closing balance	**64**	**61**
Loss reserve		
Opening balance	18	20
Movement in provision	1	(1)
Net exchange differences	(1)	(1)
Closing balance	**18**	**18**

* As on December 31

The total amount of premiums written by DLL RE was EUR 31 million (2020: EUR 32 million) net of movements in unearned premium reserve and loss reserves as detailed above. The total amount of claims paid of EUR 8 million (2020: EUR 11 million) is included in other income.

Insurance risk management
The DLL RE business assumes risk of losses from persons or organizations that are directly exposed to an underlying loss. Insurance risk arises from this risk transfer due to inherent uncertainties about the occurrence, amount and timing of insurance liabilities. The four key components of insurance risk are underwriting, reinsurance, claims management and reserving. DLL RE manages the insurance risk through underwriting limits, approval procedures and limits for transactions that involve new products or that exceed those limits, pricing guidelines, centralized management of reinsurance and monitoring of emerging issues.

Underwriting risk is the key risk involved in DLL RE's reinsurance business. Underwriting risk is the risk that DLL RE does not receive premiums appropriate for the portfolio it reinsures. As part of its underwriting procedures, DLL RE undertakes careful and extensive analysis, taking external advice where necessary, before final approval by the DLL RE Risk committee or DLL RE Board.

DLL's underwriting strategy it to provide insurance products associated with DLL's existing business operations, adding value to the Group. Primary opportunities are set out in the DLL RE business plan, which outlines the classes of business to be written and respective territories. DLL RE currently does not retrocede any of its risks to third parties.

The principal assumptions underlying the DLL RE reserving policy are based on the probability that the expected future claims, in frequency and severity, shall be met by the claims liabilities provided. The provisions for outstanding claims and unexpired risks are established accordingly. DLL uses actuarial techniques for calculating loss reserves.

Accounting policy for provisions
Provisions other than insurance-related are recognized at nominal value when DLL has a legal or constructive obligation and future cash outflows associated with settlement of that obligation are probable and can be reliably estimated. Expense relating to provisions is recorded in the profit or loss. Provisions for legal claims and make-good obligations are recognized when the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Insurance-related provisions
Unearned premium reserve comprises the part of the gross reinsurance premiums written, which is to be allocated to the current financial period. The change in this reserve is taken to the statement of profit or loss as recognition of revenue over the period of risk.

Loss reserves include the outstanding claims provision and reserve for IBNR losses. The outstanding claims provision represents the estimated ultimate cost of settling all claims arising from events that have occurred up to the reporting date and have been identified by DLL. The IBNR reserve represents an estimate of loss and claims adjustment expenses associated with future likely claims activity based on historical actual results that establish a reliable pattern. This pattern is used to estimate IBNR amounts and the timing of those amounts for financial statements purposes.

4.5 Related party transactions

DLL identified the following related parties:

Parent company
The immediate and ultimate parent of DLL is Coöperatieve Rabobank U.A. (refer to i. Corporate Information for further details).

Companies under common control
These are all companies that are controlled by the Rabobank Group.

Associates
DLL has investments in other entities that it does not control but exercises significant influence over (associates). Refer to note 4.2 for further details.

Key management personnel
Key management personnel of DLL comprise members of DLL's EB and members of DLL's SB.

Defined benefit pension funds
DLL's post-employment benefit plans for its employees are administered through the following separate pension funds in the U.K. and Sweden, respectively:
- Rabobank London Branch Pension Fund
- PRI Pensionsgaranti

From time to time, DLL enters into transactions with its related parties. All related-party transactions were made at arm's length on normal commercial terms and conditions and at market rates. Information about such transactions and associated balances, income and expenses is disclosed in these financial statements as follows.

Related-party and type of transaction	Note
Rabobank and members of Rabobank Group	
Borrowings	3.2
Associated interest expenses	2.1
Derivatives	3.4
Associated gains and losses	2.2
Due from banks	3.5
Associated interest income	2.1
Issued debt securities	3.3
Cash and cash equivalents	3.6
Administrative cost from the parent	2.5
Net defined benefit liability	4.3
Associates	
Investment in associates	4.2
Share of profit or loss of associates	4.2
Key management personnel of DLL	
Short- and long-term benefits and other remuneration	2.4

4.6 Commitments and contingencies

Commitments
Financial guarantees and undrawn irrevocable credit facilities
To meet the financial needs of customers, DLL enters into various revocable and irrevocable commitments in the ordinary course of conducting its business.
These commitments include financial guarantees and commitments to provide financing to customers.
Even though these obligations are not recognized on the balance sheet, DLL is exposed to credit risk on these instruments and therefore includes them in its credit risk management process (refer to note 1.3). Given that these instruments can lead to a cash outflow, they are included in the liquidity management purposes framework of DLL (refer to note 3.7). The exposures to these instruments are disclosed in note 1.3.

DLL does not have any other material commitments from contractual arrangements or constructive obligations.

Contingencies
Legal claims
DLL is involved in various litigation, arbitration and regulatory proceedings, both in the Netherlands and in other jurisdictions in the ordinary course of its business. DLL has formal controls and policies for managing legal claims. Based on professional legal advice, DLL provides and/or discloses amounts in accordance with its accounting policies described below.

On December 31, 2021, DLL had no material unresolved legal claims and disputes (2020: none) where a negative outcome and a respective cash outflow was possible (the probability is higher than "remote" but lower than "probable"). For legal claims with a probable negative outcome leading to a probable cash outflow in the future, DLL recognized provisions on its statement of financial position; refer to note 4.4.

Accounting policy for contingencies

Where the probability of outflow is considered to be higher than remote but lower than probable, a contingent liability is disclosed. However, in the event DLL is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then DLL does not include detailed, case-specific disclosures.

Contingent liabilities disclosed by DLL are assessed continually to determine whether an outflow of funds is probable, in which case a provision is recognized in the financial statements of the period in which the change in probability occurs.

4.7 Group structure

The consolidated financial statements of DLL include the following key legal operating entities as on December 31, 2021. There were no changes to the group structure in the key operating entities compared to prior year.

Country of incorporation	Entity name	Principal activities	% equity interest December 31, 2021
Australia	De Lage Landen Pty Limited	Vendor financing	100
Brazil	Banco De Lage Landen Brasil S.A.	Vendor financing	78.6
Canada	De Lage Landen Commercial Finance Inc.	Vendor financing	100
Canada	De Lage Landen Financial Services Canada Inc.	Vendor financing	100
France	AGCO Finance S.A.S.	Vendor financing	51
Germany	De Lage Landen Leasing GmbH	Vendor financing	100
Ireland	DLL Ireland Designated Activity Company	Treasury entity	100
The Netherlands	De Lage Landen Vendorlease B.V.	Vendor financing	100
Sweden	De Lage Landen Finans AB	Vendor financing	100
United Kingdom	De Lage Landen Leasing Limited	Vendor financing	100
United States of America	De Lage Landen Financial Services, Inc.	Vendor financing	100
United States of America	DLL Finance LLC	Vendor financing	100
United States of America	AGCO Finance LLC	Vendor financing	51

Principal subsidiaries in which third parties have non-controlling interest (NCI) are listed below.

in millions of euros		2021*				2020*			
Group entity	Country	%	Dividends paid to NCI	NCI equity stake	Profit allocated to NCI	%	Dividends paid to NCI	NCI equity stake	Profit allocated to NCI
Individually material for the Group:									
AGCO Finance S.A.S.	France	49%	10	111	14	49%	-	107	9
AGCO Finance LLC	USA	49%	17	68	20	49%	-	59	13
De Lage Landen Participações Limitada	Brazil	21%	9	45	7	21%	-	47	6
AGCO Finance GmbH	Germany	49%	25	9	-	49%	-	33	1
AGCO Finance Canada, Ltd	Canada	49%	6	14	3	49%	-	15	2
Philips Medical Capital, LLC	USA	40%	7	29	6	40%	-	27	3
Cargobull Finance Holding B.V	The Netherlands	49%	-	76	3	49%	-	72	6
Mahindra Finance USA LLC	USA	49%	-	71	6	49%	-	59	6
Other individually immaterial non-controlling interest			9	75	33		2	53	(6)
Total			**83**	**498**	**92**		**2**	**472**	**40**

* As on December 31

Summarized financial information of subsidiaries that have material non-controlling interest is provided in the table that follows.

Summarized statement of financial position for AGCO Finance S.A.S..

in millions of euros	2021*	2020*
Assets		
Due from customers	1,779	1,681
Other assets	191	262
Total assets	**1,970**	**1,943**
Liabilities		
Borrowings	1,687	1,663
Other liabilities	57	62
Total liabilities	**1,744**	**1,725**
Net assets	**226**	**218**
Non-controlling interest share of net assets	**111**	**107**

* As on December 31

Summarized profit or loss and other comprehensive income for AGCO Finance S.A.S..

in millions of euros	2021	2020
Interest income from customers	46	45
Profit/(loss) for the year	29	19
Other comprehensive income	-	-
Profit allocated to non-controlling interest	**14**	**9**

Summarized statement of financial position for AGCO Finance LLC.

in millions of euros	2021*	2020*
Assets		
Due from customers	2,089	1,632
Other assets	318	302
Total assets	**2,407**	**1,934**
Liabilities		
Borrowings	2,147	1,710
Other liabilities	121	103
Total liabilities	**2,268**	**1,813**
Net assets	**139**	**121**
Non-controlling interest share of net assets	**68**	**59**

* As on December 31

Summarized profit or loss and other comprehensive income for AGCO Finance LLC.

in millions of euros	2021	2020
Interest income from customers	82	80
Profit for the year	41	26
Other comprehensive income	-	-
Profit allocated to non-controlling interest	**20**	**13**

Summarized statement of financial position for DLL Participações Limitada.

in millions of euros	2021*	2020*
Assets		
Due from customers	1,261	1,054
Other assets	23	50
Total assets	**1,284**	**1,104**
Liabilities		
Borrowings	1,036	891
Other liabilities	102	20
Total liabilities	**1,138**	**911**
Net assets	**146**	**193**
Non-controlling interest share of net assets	**45**	**47**

* As on December 31

Summarized profit or loss and other comprehensive income for DLL Participações Limitada.

in millions of euros	2021	2020
Interest income from customers	94	89
Profit for the year	21	22
Other comprehensive income	-	-
Profit allocated to non-controlling interest	**7**	**6**

Summarized statement of financial position for AGCO Finance GmbH.

in millions of euros	2021*	2020*
Assets		
Due from customers	70	159
Other assets	20	68
Total assets	**90**	**227**
Liabilities		
Borrowings	70	157
Other liabilities	1	2
Total liabilities	**71**	**159**
Net assets	**19**	**68**
Non-controlling interest share of net assets	**9**	**33**

* As on December 31

Summarized profit or loss and other comprehensive income for AGCO Finance GmbH.

in millions of euros	2021	2020
Interest income from customers	3	7
Profit for the year	1	2
Other comprehensive income	-	-
Profit allocated to non-controlling interest	**-**	**1**

Summarized statement of financial position for AGCO Finance Canada, Ltd.

in millions of euros	2021*	2020*
Assets		
Due from customers	470	391
Other assets	46	71
Total assets	**516**	**462**
Liabilities		
Borrowings	459	404
Other liabilities	29	27
Total liabilities	**488**	**431**
Net assets	**28**	**31**
Non-controlling interest share of net assets	**14**	**15**

* As on December 31

Summarized profit or loss and other comprehensive income for AGCO Finance Canada, Ltd.

in millions of euros	2021	2020
Interest income from customers	20	21
Profit for the year	6	5
Other comprehensive income	-	-
Profit allocated to non-controlling interest	**3**	**2**

Summarized statement of financial position for Philips Medical Capital, LLC.

in millions of euros	2021*	2020*
Assets		
Due from customers	453	428
Other assets	86	29
Total assets	**539**	**457**
Liabilities		
Borrowings	435	367
Other liabilities	32	22
Total liabilities	**467**	**389**
Net assets	**72**	**68**
Non-controlling interest share of net assets	**29**	**27**

* As on December 31

Summarized profit or loss and other comprehensive income for Philips Medical Capital, LLC.

in millions of euros	2021	2020
Interest income from customers	25	27
Profit for the year	15	8
Other comprehensive income	-	-
Profit allocated to non-controlling interest	**6**	**3**

Summarized statement of financial position for Cargobull Finance Holding B.V..

in millions of euros	2021*	2020*
Assets		
Due from customers	258	437
Other assets	174	185
Total assets	**432**	**622**
Liabilities		
Borrowings	265	462
Other liabilities	12	14
Total liabilities	**277**	**476**
Net assets	**155**	**146**
Non-controlling interest share of net assets	**76**	**72**

* As on December 31

Summarized profit or loss and other comprehensive income for Cargobull Finance Holding B.V..

in millions of euros	2021	2020
Interest income from customers	11	19
Profit for the year	7	12
Other comprehensive income	-	-
Profit allocated to non-controlling interest	**3**	**6**

Summarized statement of financial position for Mahindra Finance USA LLC.

in millions of euros	2021*	2020*
Assets		
Due from customers	929	823
Other assets	6	6
Total assets	**935**	**829**
Liabilities		
Borrowings	785	702
Other liabilities	6	7
Total liabilities	**791**	**709**
Net assets	**144**	**120**
Non-controlling interest share of net assets	**71**	**59**

* As on December 31

Summarized profit or loss and other comprehensive income for Mahindra Finance USA LLC.

in millions of euros	2021	2020
Interest income from customers	46	53
Profit for the year	13	12
Other comprehensive income	-	-
Profit allocated to non-controlling interest	**6**	**6**

4.8 Country-by-country reporting

DLL is active across over 30 countries, grouped in five main geographical areas. The country of domicile of DLL is the Netherlands. The table below includes specific information for each country, with allocation per country based on the location of the relevant subsidiary from which the transactions are initiated. The activities for all countries are lending and/or leasing, except for Ireland, where DLL's central Treasury and reinsurance activities are located. In the table, the guidance of and definitions from the Organisation for Economic Co-operation and Development (OECD)/G20 Base Erosion and Profit Shifting Project on country-by-country reporting are applied.

December 31, 2021 (in millions of euros)

Geographic location Country	Revenues	Average number of FTEs	Profit/(loss) before tax	Income taxes
The Netherlands				
The Netherlands	37.8	877	(74.0)	13.6
Rest of Europe				
Germany	99.7	343	47.0	(14.7)
France	73.1	149	54.1	(11.3)
Ireland	81.8	82	71.7	(4.6)
United Kingdom	88.9	283	56.2	(8.5)
Spain	36.4	131	8.9	(1.2)
Italy	71.4	163	35.7	(8.0)
Portugal	5.1	22	1.7	(0.2)
Austria	3.9	3	4.3	(1.1)
Switzerland	3.9	9	1.7	(0.4)
Sweden	32.5	169	12.5	(1.6)
Norway	24.2	49	8.7	(1.9)
Finland	5.9	15	1.5	(0.4)
Denmark	16.6	34	2.2	(0.5)
Russia	22.6	80	14.9	(0.6)
Poland	16.2	76	5.5	(1.5)
Hungary	6.0	33	2.4	(0.1)
Turkey	3.1	21	1.6	(0.4)
Belgium	14.9	52	8.3	(2.1)
North America				
United States	587.2	1,548	337.4	(85.7)
Canada	85.9	248	52.8	(13.5)
Latin America				
Brazil	58.7	214	61.8	(26.8)
Argentina	5.3	14	6.3	(1.9)
Mexico	16.8	79	4.2	(2.6)
Chile	9.8	34	4.7	(1.3)
Asia Pacific				
Australia	89.9	183	53.7	(16.1)
New Zealand	20.0	9	13.4	(3.7)
China	7.6	19	7.8	(0.3)
India	7.7	392	(26.7)	0.0
Singapore	3.1	19	0.9	0.0
South Korea	8.5	25	3.4	(0.8)
United Arab Emirates	0.2	0	0.0	0.0

December 31, 2020 (in millions of euros)

Geographic location Country	Revenues	Average number of FTEs	Profit/(loss) before tax	Income taxes
The Netherlands				
The Netherlands	53.0	844	(15.2)	(3.4)
Rest of Europe				
Germany	102.4	299	8.0	(2.8)
France	70.4	146	7.9	(3.1)
Ireland	117.6	79	97.0	(10.4)
United Kingdom	80.3	268	2.3	(0.9)
Spain	35.6	130	4.4	(1.2)
Italy	65.5	151	28.8	(0.9)
Portugal	4.6	20	0.7	(0.3)
Austria	3.4	3	(0.9)	0.2
Switzerland	4.2	9	1.5	0.2
Sweden	33.3	168	(66.1)	(0.3)
Norway	21.8	49	6.4	(1.4)
Finland	6.0	14	0.9	(0.1)
Denmark	19.4	30	2.9	(0.6)
Russia	24.0	78	15.3	(2.4)
Poland	18.8	79	6.3	(1.5)
Hungary	6.0	33	1.2	(0.2)
Turkey	3.5	21	1.7	(0.4)
Belgium	15.4	52	(3.1)	0.7
North America				
United States	534.8	1,513	105.2	(20.6)
Canada	75.6	246	16.1	(3.8)
Latin America				
Brazil	55.7	206	(3.5)	2.9
Argentina	2.3	15	0.7	(0.4)
Mexico	16.3	80	(5.8)	1.6
Chile	8.0	33	1.7	(0.5)
Asia Pacific				
Australia	70.8	170	31.4	(9.4)
New Zealand	16.5	8	8.8	(2.5)
China	6.2	27	1.9	(1.0)
India	13.8	483	(18.0)	1.5
Singapore	3.1	19	0.7	0.0
South Korea	7.6	25	3.0	(0.6)
United Arab Emirates	0.1	1	(0.3)	0.0

4.9 Other significant accounting policies

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The functional currency of DLL is the euro, which is also the presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognized in profit or loss. They are presented on a net basis within gains/(losses) from financial instruments, except for translation differences on assets and liabilities carried at fair value, which are reported as part of the respective fair value gain or loss.

Group companies

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.
- Income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (if this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, then income and expenses are translated at the dates of the transactions).
- All resulting exchange differences are recognized in other comprehensive income (within the foreign currency translation reserve (FCTR)).

When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Fair value measurement

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the item, or in the case of absence of a principal market, in the most advantageous market for the item.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. The levels are defined as follows, based on the lowest-level input significant to the measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest-level input that is significant to the fair value measurement is (in)directly observable
- Level 3 – Valuation techniques for which the lowest-level input that is significant to the fair value is unobservable

When fair values cannot be measured based on quoted prices in active markets, they are measured using valuation techniques including discounted cash flow models. Inputs to these models are taken from observable markets wherever possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

All fair values disclosed in these financial statements are recurring fair values, except when otherwise indicated.

Financial instruments recognition date

Financial assets and liabilities should be recognized either at trade date (the date that DLL committed itself to buy/sell a financial instrument) or settlement date (the date on which the instrument is actually delivered). All financial instruments that are measured at amortized cost are recognized by DLL at settlement date. Financial instruments that are measured at fair value are recognized at trade date.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the EIR, DLL estimates cash flows considering all contractual terms of the financial instrument (prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between the parties to the contract that are an integral part of the EIR, transaction costs and all other premiums and discounts.

Appendix

C1 – List of acronyms

AGCO	AGCO Finance
ALCO	Asset and Liability Committee
BNDES	National Bank of Economic and Social Development
CET1	Common Equity Tier 1
CGU	Cash Generating Unit
COVID-19	Coronavirus disease 2019
CRD IV	Capital Requirements Directive IV
CRR	Capital Requirements Regulation
DAC	Designated Activity Company
DLL	De Lage Landen International B.V.
DNB	De Nederlandsche Bank/Dutch Central Bank
DRN	Deferred Remuneration Note
EAD	Exposure at default
EatR	Earnings at Risk
EB	Executive Board
EBA	European Banking Authority
ECB	European Central Bank
ECL	Expected Credit Loss
EIR	Effective Interest Rate
ESMA	European Securities and Markets Authority
EU	European Union
EURIBOR	Euro Interbank Offered Rate
FCTR	Foreign Currency Translation Reserve
FNI	Foreign Net Investment
FTE	Full-Time Equivalent
FX	Foreign Exchange
GBU	Global Business Unit
GCC	Global Credit Committee
GRC	Global Risk Committee
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IBOR	Interbank Offered Rate
IFRS	International Financial Reporting Standards
LCC	Local Credit Committee
LGD	Loss given default
LIBOR	London Interbank Offered Rate
MDB	Multilateral Development Bank
NCI	Non-controlling interest
NiGEM	National Institute Global Econometric Model
OCI	Other Comprehensive Income
OECD	Organisation for Economic Co-operation and Development
PD	Probability of default
PwC	PricewaterhouseCoopers Accountants N.V.
RC	Rabobank Certificate
RRR	Rabobank Risk Rating
S&P	Standard & Poor’s
SB	Supervisory Board
SOFR	Secured Overnight Financing Rate
SONIA	Sterling Overnight Index Average
SPV	Special-purpose vehicle
SREP	Supervisory Review and Evaluation Process
VAT	Value Added Tax

Company financial statements

Contents

Company statement of **financial position**

(before profit appropriation) as on December 31

in millions of euros	Notes	2021*	2020*
Assets			
Cash and cash equivalents	2	110	235
Loans to banks	3	1,692	1,465
Loans to subsidiaries	4	1,585	1,357
Due from customers	5	4,592	4,365
Derivatives	7	8	5
Investments in subsidiaries	8	4,989	4,437
Investments in associates	9	24	24
Goodwill and other intangible assets	10	4	4
Tangible fixed assets	11	77	88
Other assets	12	394	769
Total assets		**13,475**	**12,749**
Liabilities			
Borrowings	13	9,613	8,672
Deposits from customers	14	14	32
Derivatives	7	1	2
Other liabilities	15	287	333
Provisions	16	4	2
Total liabilities		**9,919**	**9,041**
Equity			
Share capital	24	98	98
Share premium	24	1,135	1,135
Revaluation reserves	24	88	179
Legal and statutory reserves	24	(57)	(252)
Other reserves	24	1,798	2,408
Unappropriated result	24	494	140
Total equity		**3,556**	**3,708**
Total liabilities and equity		**13,475**	**12,749**

* As on December 31

Company statement of **profit or loss**

for the year ended December 31

in millions of euros	Notes	2021	2020
Interest revenue	17	152	140
Interest expenses	17	(36)	(39)
Fee income		20	22
Fee expenses		(12)	(9)
(Losses)/income from financial instruments		(15)	4
Other operating income	18	125	102
Total operating income		**234**	**220**
Result from subsidiaries		**540**	**115**
Staff expenses	19	(125)	(119)
Depreciation, amortization and impairment of tangible fixed and intangible assets	10/11	(20)	(22)
Other operating expenses	21	(127)	(103)
Credit (losses)/gains on due from customers	6	(13)	52
Total operating expenses		**(285)**	**(192)**
Profit before tax		**489**	**143**
Income tax (expense)/credit	20	5	(3)
Profit after tax		**494**	**140**

Notes to the **company financial statements**

1. General

These company financial statements are prepared for De Lage Landen International B.V. (DLL, Chamber of Commerce 17056223, seated in Eindhoven and incorporated and domiciled in the Netherlands) for the year ended December 31, 2021, pursuant to the provision in Part 9, Book 2, of the Dutch Civil Code. In these company financial statements DLL applied the accounting policies it used in its consolidated financial statements prepared under International Financial Reporting Standards (IFRS) as adopted by the European Union, pursuant to the provisions of Article 362, sub 8, Part 9, Book 2 of the Dutch Civil Code. In accordance with subsection 8 of section 362 of Book 2 of the Dutch Civil Code, the accounting policies in the company financial statements are the same as those used in preparing the consolidated financial statements of DLL. Reference is made to the accounting policies as set out in the relevant sections of the consolidated financial statements, with the exception regarding the measurement of interests held in group companies, as these are measured at net asset value and the measurement of loans from and to group companies, which are measured at amortized cost.

DLL is a wholly owned subsidiary of Coöperatieve Rabobank U.A. (Rabobank), a Dutch cooperative bank based in Amsterdam, the Netherlands. As such, DLL is part of the Rabobank Group.

Included in these company financial statements in the statement of financial position and the statement of profit or loss are the branches of DLL in Italy, Germany, Spain and Portugal.

DLL offers customers various financial solution products, mainly being leasing and lending.

DLL has had a banking license in the Netherlands since 1988 and is regulated by the European Central Bank and the Dutch Central Bank (De Nederlandsche Bank or DNB).

Pursuant to Section 403 of Book 2 of the Dutch Civil Code, Rabobank has assumed liability for the debts arising from the legal transactions of the following DLL entities:

- De Lage Landen America Holdings B.V.
- De Lage Landen Corporate Finance B.V.
- De Lage Landen International B.V.
- De Lage Landen Vendorlease B.V.

Basis of preparation

In these company financial statements DLL applied the accounting policies it used in its consolidated financial statements prepared under IFRS as adopted by the European Union.

The Executive Board considers it appropriate to adopt the going concern basis of accounting in preparing these financial statements based on a forecast analysis and the equity position that supports the going concern assumption.

The company financial statements provide comparative information for the year ended December 31, 2021, as required for financial statements prepared in full accordance with the provisions in Part 9, Book 2 of the Dutch Civil Code.

Risk exposure on financial instruments

DLL manages risks at various levels within the organization. At the highest level, the Executive Board (under the supervision of the Supervisory Board) determines the risk strategy it will pursue, the risk appetite, the policy framework, as well as the limits. The Supervisory Board regularly assesses the risks attached to the activities and portfolio of DLL. The Chief Risk Officer, as a member of the Executive Board, is responsible for the risk management policy within DLL. DLL considers risks at company level the same as risks at consolidated level. We therefore refer to Section 1.3 Credit risk management and 3.7 Market and liquidity risk management of the consolidated financial statements.

2. Cash and cash equivalents

The following table provides an overview of cash balances at Rabobank and its related entities as well as balances at other banks.

in millions of euros	2021*	2020*
Current account Rabobank and its related entities	9	47
Current account DLL group entities	100	187
Other banks	1	1
Total cash and cash equivalents	**110**	**235**

* As on December 31

Current accounts with DLL group entities represents intra-group treasury balances that are readily available.

3. Loans to banks

The following table provides an overview of movements of loans to banks.

in millions of euros	2021	2020
Opening balance	1,465	1,923
Loans issued	3,127	6,981
Loans repaid	(2,946)	(7,439)
Interest accrued	(5)	(3)
Interest received	5	3
Exchange differences	46	-
Closing balance	**1,692**	**1,465**

The maturity of these loans is as follows.

in millions of euros	2021*	2020*
Less than 3 months	350	919
More than 3 months, less than 1 year	852	-
More than 1 year, less than 5 years	-	-
More than 5 years	490	546
Total loans to banks	**1,692**	**1,465**

* As on December 31

DLL issued EUR-denominated loans and deposits to Rabobank entities in the amount of EUR 1,202 million (2020: EUR 919 million) that relate to a loan-deposit structure between DLL and Rabobank, which is used to mitigate foreign currency risk of DLL's net investments in foreign operations. These loans and deposits are fixed- and floating-rate transactions, carry interest rates of EURIBOR, mature in 2022 and have a fair value of EUR 1,202 million (2020: EUR 918 million).

As the second leg of this loan-deposit structure, DLL received USD-denominated short-term borrowings from Rabobank amounting to EUR 1,234 million (2020: long-term borrowings EUR 349 million), where the issued loans are pledged as collateral for these borrowings. Refer to note 13. The principal amounts and terms of these loans match, however they do not qualify for offsetting and are recorded gross in the statement of financial position.

DLL issued USD deferral deposits in the amount of EUR 490 million (2020: EUR 546 million). The deposits mature between 2028 and 2029, have a fair value of EUR 491 million (2020: EUR 555 million) and have an interest ranging between 1.28% and 1.58% (2020: 1.28% and 1.47%).

4. Loans to subsidiaries

The following table provides an overview of movements of loans to subsidiaries.

in millions of euros	2021	2020
Opening balance	1,357	1,415
Loans issued	2,299	1,579
Loans repaid	(2,071)	(1,637)
Interest accrued	5	8
Interest received	(5)	(8)
Closing balance	**1,585**	**1,357**

The maturity of these loans is as follows.

in millions of euros	2021*	2020*
Less than 3 months	150	228
More than 3 months, less than 1 year	180	70
More than 1 year, less than 5 years	1,147	999
More than 5 years	108	60
Total loans to subsidiaries	**1,585**	**1,357**

* As on December 31

The loans to subsidiaries have a fair value as on December 31, 2021, of EUR 1,496 million (2020: EUR 1,377 million).

In 2021, DLL issued a subordinated loan amounting to EUR 70 million to its subsidiary in Brazil, with an interest rate of 5.92% and a maturity of 10 years. The payment of any amounts of principal or interest due and payable under the Subordinated Loan is subordinated to DLL Brazil's other obligations of other present and future creditors of DLL Brazil whose claims are not similarly subordinated, except for obligations with respect to the Borrower's Common Equity Tier I Capital and Additional Tier I Capital.

5. Due from customers

DLL's main portfolio includes finance leases that provide asset-based financing to customers and loans to customers that represent commercial and other financing. These leases and loans are originated in the branches of DLL in Germany, Italy, Portugal and Spain. The balance on December 31 comprised the following.

in millions of euros	2021*	2020*
Finance lease receivables	2,386	2,293
Loans to customers	2,287	2,159
	4,673	**4,452**
Allowance for impairment**	(81)	(87)
Total due from customers	**4,592**	**4,365**

* As on December 31
** For a description of credit risk management policies and governance as well as policies for the allowance for impairment, refer to note 1.3 of the consolidated financial statements.

Unguaranteed residual value

The value of unguaranteed residual values on December 31, 2021, was EUR 311 million (2020: EUR 274 million).

Investment in finance leases

The table below summarizes outstanding gross investment in finance lease receivables as well as unearned finance income.

in millions of euros	2021*	2020*
Less than 1 year	877	889
More than 1 year, less than 5 years	1,460	1,401
More than 5 years	66	62
Gross investment in leases	**2,403**	**2,352**
Unearned finance income	(79)	(120)
Net investment in leases	**2,324**	**2,232**

* As on December 31

Fair value changes of finance receivable portfolios hedged

DLL applies a macro fair value hedge accounting model for the interest rate risk in the fixed-rate finance receivable portfolios. The fair value changes for assets that have been designated for macro fair value hedge accounting are included in due from customers and amounted to EUR (1) million as on December 31, 2021 (2020: EUR 13 million).

6. Composition of credit losses and other impairments

The following table presents the composition of credit losses and other impairments in profit or loss arising from allowance for credit impairments of due from customers.

in millions of euros	2021	2020
(Release)/charge for the year	14	(51)
Recoveries	(1)	(1)
Total credit losses/(gains)	**13**	**(52)**

7. Derivatives

The following table provides an overview of derivatives.

in millions of euros	2021*	2020*
Derivative assets at fair value through profit or loss		
Foreign exchange forwards (including non-deliverable forwards)	-	-
Interest rate swaps	-	-
Total derivative assets at fair value through profit or loss	**-**	**-**
Derivative assets designated as foreign net investment hedge		
Foreign exchange forwards (including non-deliverable forwards)	8	5
Total derivative assets designated as foreign net investment hedge	**8**	**5**
Total derivative assets	**8**	**5**
Derivative liabilities at fair value through profit or loss		
Foreign exchange forwards (including non-deliverable forwards)	-	-
Interest rate swaps	-	-
Total derivative liabilities at fair value through profit or loss	**-**	**-**
Derivative liabilities designated as foreign net investment hedge		
Foreign exchange forwards (including non-deliverable forwards)	(1)	(2)
Total derivative liabilities designated as foreign net investment hedge	**(1)**	**(2)**
Total derivative liabilities	**(1)**	**(2)**
Derivative notional amounts		
Foreign exchange forwards (including non-deliverable forwards)	683	620
Cross-currency swaps	6	8
Interest rate swaps	13	47
Total derivative notional amounts	**702**	**675**

* As on December 31

The Company's derivative portfolio is limited to intercompany derivatives with its subsidiary DLL Ireland DAC, which undertakes a group treasury function for DLL. These derivatives are mainly used to hedge the currency translation risk of net investments in foreign operations. DLL applies a foreign net investment hedging model, which reduces the volatility of the gains/(losses) reflected in the statement of profit or loss. The gains/(losses) from derivatives for the year ended December 31, 2021, were EUR (14) million (2020: EUR (1) million).

For more detailed information on the treatment of derivatives, please refer to note 3.4 of the consolidated financial statements.

8. Investments in subsidiaries

Investments in subsidiaries are valued at net asset value. A full list of subsidiaries and associates is presented in note 25. Movements in investments in subsidiaries are as follows.

in millions of euros	2021	2020
Opening balance	4,437	4,582
Investments	26	10
Disposals	-	-
Dividends	(206)	(7)
Result for the year	540	115
Exchange rate differences	195	(260)
Other	(3)	(3)
Closing balance	**4,989**	**4,437**

9. Investments in associates

A full list of associates is presented in note 25. Movements in investments in associates are as follows.

in millions of euros	2021	2020
Opening balance	24	24
Acquisitions and investments	-	-
Closing balance	**24**	**24**

10. Goodwill and other intangible assets

The following table provides a reconciliation of the carrying amount of goodwill and other intangible assets at the beginning and end of the period.

In millions of euros	Goodwill	Other	Total
Cost	-	145	145
Accumulated amortization and impairment	-	(141)	(141)
Net book value as on January 1, 2021	**-**	**4**	**4**
Purchases	-	2	2
Amortization	-	(2)	(2)
Net book value as on December 31, 2021	**-**	**4**	**4**
Cost	2	143	145
Accumulated amortization and impairment	-	(139)	(139)
Net book value as on January 1, 2020	**2**	**4**	**6**
Purchases	-	3	3
Disposals	-	(1)	(1)
Amortization	-	(2)	(2)
Impairment	(2)	-	(2)
Net book value as on December 31, 2020	**-**	**4**	**4**

11. Tangible fixed assets

Tangible fixed assets represent the following four categories: fixed assets under operating lease, land and buildings, equipment and right-of-use assets.
For information on the valuation, depreciation and expected useful lives of fixed assets under operating lease, please refer to note 1.2 of the consolidated financial statements.
For respective accounting policies for land and buildings, equipment and right-of-use assets, please refer to note 4.2 of the consolidated financial statements.

The table below presents changes in the carrying amount of total fixed assets.

in millions of euros	2021*	2020*
Fixed assets under operating lease	57	67
Land and buildings	9	10
Equipment	7	5
Tangible fixed assets	**73**	**82**
Right-of-use assets	4	6
Total tangible fixed assets	**77**	**88**

* As on December 31

The table below summarizes future minimum lease payments under non-cancelable operating leases for which DLL is acts as a lessor (fixed assets under operating leases).

in millions of euros	2021*	2020*
Less than 1 year	13	14
More than 1 year, less than 5 years	15	22
More than 5 years	-	-
Total minimum lease payment	**28**	**36**

* As on December 31

in millions of euros	FAOL*	Land and buildings	Equipment	Right-of-use assets	Total
Cost	99	39	17	9	164
Accumulated depreciation	(32)	(29)	(12)	(3)	(76)
Carrying amount as on January 1, 2021	**67**	**10**	**5**	**6**	**88**
Additions	8	-	4	-	12
Disposals	(5)	-	-	-	(5)
Depreciation charge	(13)	(1)	(2)	(2)	(18)
Cost	88	39	15	9	151
Accumulated depreciation	(31)	(30)	(8)	(5)	(74)
Carrying amount as on December 31, 2021	**57**	**9**	**7**	**4**	**77**
Cost	98	39	25	8	170
Accumulated depreciation	(29)	(28)	(18)	(2)	(77)
Carrying amount as on January 1, 2020	**69**	**11**	**7**	**6**	**93**
Additions	21	-	2	2	25
Disposals	(11)	-	(1)	-	(12)
Depreciation charge	(12)	(1)	(3)	(2)	(18)
Cost	99	39	17	9	164
Accumulated depreciation	(32)	(29)	(12)	(3)	(76)
Carrying amount as on December 31, 2020	**67**	**10**	**5**	**6**	**88**

* Fixed assets under operating lease

12. Other assets

The following table describes the composition of the other assets balance.

in millions of euros	2021*	2020*
Receivables group companies	261	607
Current tax receivables	47	62
Prepayments	34	37
Transitory assets	-	1
VAT to be claimed	18	21
Deferred tax assets	21	28
Other	13	13
Total other assets	**394**	**769**

* As on December 31

In general, other assets consist of current assets, with the exception of deferred tax assets that can have a settlement period of more than one year.

Deferred tax assets in DLL are recognized for deductible temporary differences, unused tax losses and unused tax credits. Recognition takes place, based on budgets and forecasts, to the extent it is probable that taxable profits will be available in that entity against which the deferred tax asset can be utilized in the foreseeable future. DLL does not have any unrecognized tax losses.

Receivables group companies include current accounts with subsidiaries that are repaid within 12 months of the reporting date. Subsidiaries in Germany and Ireland represent the entities with the major part of these current accounts.

13. Borrowings

The following table provides an overview of borrowings.

in millions of euros	2021*	2020*
Short-term loans and overdrafts		
Short-term loans from Rabobank	3,034	1,805
Other short-term loans	131	287
	3,165	**2,092**
Long-term borrowings		
Long-term borrowings from Rabobank	567	928
Long-term borrowings from the group companies	4,793	4,708
Other long-term borrowings	1,088	944
	6,448	**6,580**
Total borrowings	**9,613**	**8,672**

* As on December 31

Short-term loans and overdrafts represent primarily balances outstanding under overdraft facilities from Rabobank and other banks where DLL has current accounts.

Included in the short-term borrowings from Rabobank as on December 31, 2021, are also USD-denominated loans of EUR 1,234 million (2020: short-term loans EUR 528 million and long-term borrowings EUR 349 million). As the second leg of this loan-deposit structure, DLL issued EUR-denominated loans to Rabobank in the amount of EUR 1,202 million (2020: EUR 919 million), included in due from banks (refer to note 3). This structure relates to a loan-deposit structure between DLL and Rabobank that is used to mitigate DLL's foreign currency risk in respect to net investments in foreign subsidiaries. These loans and deposits are floating-rate transactions, mature in 2022 and carry interest rates of EURIBOR and SOFR, plus funding spreads where the duration exceeds one year.

These loans are pledged as collateral for the corresponding borrowings. While the principal amounts and terms of these loans match, they do not qualify for offsetting and are recorded gross in the statement of financial position. Interest rates on these borrowings are between 0.00%/0.27% (2020: 0.37%).

Long-term borrowings from the group companies include loans received by DLL from its subsidiary DLL Ireland DAC, which undertakes a group treasury function for DLL. Interest rates on these borrowings are between (0.69)% and 2.55% (2020: (0.69)% and 4.52%). The long-term borrowings from group companies have a fair value as on December 31, 2021, of EUR 4,797 million (2020: EUR 4,737 million).

Other long-term borrowings are long-term loans received by DLL from third parties and bear an interest rate between 0.00% and 4.55% (2020: 0.00%/4.55%). The other long-term borrowings have a fair value of EUR 1,084 million (2020: EUR 942 million).

The following table provides an overview of movements of long-term borrowings.

in millions of euros	2021	2020
Opening balance	**6,580**	**6,566**
Loans borrowed	4,136	10,630
Loans repaid	(4,407)	(10,524)
Interest paid	(24)	(27)
Interest accrued	24	27
Exchange-rate differences	139	(92)
Closing balance	**6,448**	**6,580**

The table below summarizes the aging of the total borrowings.

in millions of euros	2021*	2020*
Less than 1 year	3,980	3,119
More than 1 year, less than 5 years	2,783	2,514
More than 5 years	2,850	3,039
Total borrowing	**9,613**	**8,672**

* As on December 31

14. Deposits from customers

Deposits from customers mainly consist of 1-year interest-bearing deposits from retail customers.

15. Other liabilities

The following table provides an overview of the items comprising other liabilities.

in millions of euros	2021*	2020*
Payables to group companies	118	181
Accounts payable to suppliers	75	65
Accrued expenses	23	15
Staff-related expenses	20	16
Current tax liabilities	14	14
Deferred income	8	7
Lease liabilities	4	6
Other	25	29
Total other liabilities	**287**	**333**

* As on December 31

In general, other liabilities consist of current liabilities, with the exception of deferred tax liabilities, deferred income and lease liabilities that can have a settlement period of more than one year.

Payables to group companies include current accounts with subsidiaries that are repaid within 12 months of the reporting date.

16. Provisions

The following table presents the composition of the balance for provisions as on December 31. For a detailed description of accounting policies regarding the relevant provisions, please refer to note 4.4 of the consolidated financial statements.

in millions of euros	2021*	2020*
Provision for restructuring	1	2
Provision for tax claims	3	-
Total provisions	**4**	**2**

* As on December 31

Changes in provisions were as follows.

in millions of euros	Restructuring	Tax claims	Total
As on January 1, 2021	2	-	2
Additions	-	3	3
Released	(1)	-	(1)
As on December 31, 2021	1	3	4
As on January 1, 2020	3	-	3
Additions	1	-	1
Released	(2)	-	(2)
As on December 31, 2020	2	-	2

17. Interest revenue and expense

The following table provides an overview of interest revenue and expenses.

in millions of euros	2021	2020
Interest revenue		
Interest income from finance leases	87	87
Interest income from loans to customers	55	50
Interest income from loans to banks	2	3
Interest income from subsidiaries	8	-
	152	**140**
Interest expenses		
Interest expense on borrowings from Rabobank	-	(4)
Interest expense on other borrowings	(21)	(26)
Interest expense on loans from subsidiaries	(15)	(9)
	(36)	**(39)**
Net interest income	**116**	**101**

18. Other operating income

The following table provides an overview of other operating income.

in millions of euros	2021	2020
Administrative income from subsidiaries	100	78
Other operating income	25	24
Total other operating income	**125**	**102**

Administrative income from subsidiaries includes the central overhead and other costs that are recharged to DLL subsidiaries in accordance with the DLL transfer pricing policy. Other operating income is portfolio-related income such as, income operating lease, income commercial finance and result on lease assets sold.

19. Staff expenses

The following table provides an overview of staff expenses.

In millions of euros	2021	2020
Short-term employee benefits	87	86
Wages and salaries	62	58
Social Security costs	10	9
Temporary staff	15	19
Other short-term benefits	29	25
Pension-defined contribution plan expenses	8	8
Other long-term employee benefits	1	-
Total staff expenses	**125**	**119**

The average number of staff FTEs at DLL was 1,021 (2020: 963) of whom 664 (2020: 626) were employed in the Netherlands.

Key management personnel of DLL comprise members of the Executive Board and members of the Supervisory Board. For compensation of the Executive Board and the Supervisory Board, please refer to note 2.4 of the consolidated financial statements.

Neither DLL nor any of its group companies has granted any loans, guarantees or advances to the members of the Executive Board or Supervisory Board.

DLL participates in the Rabobank Pension Fund for its Dutch pension plan. The scheme is a collective defined contribution plan with a pensionable age of 68 and a target annual accrual percentage of 1,7. Each year DLL pays pension contributions to the Rabobank Pension Fund based on a fixed system that aims to achieve the target pension accrual for services provided during the year of service based on a conditional career-average plan with a conditional indexation. DLL complies with all its pension obligations by paying the annual pension premium and therefore has no financial liabilities with regard to underlying membership years and already-accrued pension rights. The Dutch pension plan qualifies as a defined contribution plan under IAS 19. DLL's obligation is limited to the premium payments owed, less previously made payments.

20. Income tax

The following table summarizes the amounts of tax (credit)/ expense recognized in profit or loss.

in millions of euros	2021	2020
Current tax credit for the year	(12)	(17)
Deferred tax charge/(credit) for the year	4	20
Origination and reversal of temporary differences	4	20
Effect of changes in tax rates	-	-
Adjustments for prior year	3	-
Tax charge/(credit) for the year	**(5)**	**3**

The following table shows a reconciliation of the tax (credit)/expense and the accounting profit multiplied by the domestic tax rate.

in millions of euros	2021	2020
Profit before income tax	**489**	**143**
Tax-exempt income	-	(1)
Non-deductible expenses	26	15
Local tax credits	(18)	(53)
Other	3	1
Taxable income	**500**	**105**
Tax calculated using applicable tax rates	(8)	(2)
Effect of changes in tax rates	3	-
Other adjustments	-	5
Tax expense/(credit) for the year	**(5)**	**3**

The taxable income is including results of all foreign subsidiaries, whereas the tax calculated using applicable rates is based on the results of the branches only.

21. Other operating expenses

The following table provides an overview of other operating expenses.

in millions of euros	2021	2020
Administration expenses	42	32
IT-related cost	41	40
Administrative charges Rabobank	44	28
Total other operating expenses	**127**	**100**

22. Independent auditor remuneration

Included in other operating expenses are amounts that DLL owed to its independent auditor PricewaterhouseCoopers Accountants N.V. For details on these fees and their composition, please refer to note 2.5 of the consolidated financial statements.

23. Commitments and contingencies

Legal claims

DLL operates in a regulatory and legal environment that has an element of litigation risk inherent in its operations. As a result, DLL is involved in various litigation, arbitration and regulatory proceedings, both in the Netherlands and in other jurisdictions, in the ordinary course of its business. DLL has formal controls and policies for managing legal claims. Based on professional legal advice, DLL provides and/or discloses amounts in accordance with its accounting policies described below.

On December 31, 2021, DLL had no material unresolved legal claims (2020: none) where a negative outcome and a respective cash outflow was possible (the probability is higher than "remote" but lower than "probable"). Legal claims contain provisions related to legal claims against DLL. This provision is based on the best possible estimates of the outcomes that take into account legal advice received where available. The timing of the cash outflow of these provisions is uncertain because the outcome of the disputes and the time involved are too complex to reasonably predict. For legal claims with a probable negative outcome leading to a probable cash outflow in the future, DLL recognized provisions on the statement of financial position.

Undrawn irrevocable credit facilities and guarantees issued

To meet the financial needs of customers, DLL enters into various revocable and irrevocable commitments in the ordinary course of conducting its business. These commitments include commitments to provide financing to customers. Even though these obligations are not recognized on the statement of financial position, DLL is exposed to credit risk on these instruments and therefore includes them in its credit risk management process (refer to note 1.3 of the consolidated financial statements). Given that these instruments can lead to a cash outflow, they are included in the liquidity management purposes framework of DLL (refer to note 3.7 of the consolidated financial statements). There are guarantees issued amounted to EUR 6 million (2020: EUR 6 million) and no irrevocable facilities as per December 31, 2021, for De Lage Landen International B.V. (2020: none).

Master Guarantee Agreement

In 2016, DLL and Rabobank signed a master guarantee agreement (Master Guarantee Agreement) under which DLL may agree to guarantee specific obligations of any Group entity owed towards Rabobank. The only obligations presently subject to the Master Guarantee Agreement are the obligations of the Group's treasury function, DLL Ireland DAC and De Lage Landen Finansal Kiralama A.S. (DLL Turkey) under a loan facility agreement with Rabobank, and a current account facility agreement between DLL Ireland DAC and Rabobank. The maximum amount of the loan facility agreement of De Lage Landen International B.V. at year-end 2021 is EUR 18,734 million (2020: EUR 16,147 million).

Fiscal unity

DLL is part of the fiscal unity for Dutch corporate income tax purposes of Rabobank (including a number of other domestic subsidiaries). Under the fiscal unity, each participating legal entity is jointly and severally liable for the fiscal unity's corporate tax liabilities.

No other material contingencies exist.

24. Shareholders' Equity

Share capital and share premium
On December 31, 2021, DLL's authorized capital was EUR 454 million (2020: EUR 454 million), divided into 950 ordinary A shares and 50 ordinary B shares (2020: 950 A and 50 B). The nominal value of each share is EUR 454,000. EUR 98 million (2020: EUR 98 million) is issued and paid up, consisting of 215 ordinary shares A (A1-A215) and 2 ordinary shares B (B1 and B2). Additional paid-in capital (share premium) on the outstanding shares amounts to EUR 1,135 million (2020: EUR 1,135 million). For the years 2021 and 2020, there is no difference in shareholders' rights related to the class A and class B shares.

The share premium includes the amount paid in excess of the nominal value of the share capital.

Legal reserves are non-distributable reserves relating to requirements to establish reserves for specific purposes either by the Articles of Association of the Company, Part 9, Book 2, of the Dutch Civil Code and/or by local law. The legal reserves relate to minimum reserves to be maintained for the non-distributable share in cumulated profits of subsidiaries and investments accounted for using the net asset value method.

Since the results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency, all resulting exchange differences are recognized in legal and statutory reserves, which is the sole item comprising the legal reserve. The following table provides an overview of the movements of the legal reserves.

in millions of euros	2021	2020
Opening balance	**(252)**	**18**
Exchange differences on translation of foreign operations, net of tax	195	(270)
Closing balance	**(57)**	**(252)**

There are no statutory reserves prescribed in the Articles of Association of the Company.

DLL uses a Foreign Net Investment hedging model to hedge the CET1 ratio. The hedge effectiveness is tested by comparing the changes in fair value of the hedged items against the changes in fair value of the hedge instruments, both prospectively and retrospectively. The model runs the tests on a monthly basis and is effective if the results are within the effectiveness range as defined. In 2021, the hedge relations were highly effective within the effectiveness range set based on IFRS 9 regulations. In 2021, an amount of EUR 94 million (2020: EUR (130 million)) in the revaluation reserves was accounted for due to changes in the fair value of financial instruments used as net investment hedges. This revaluation is tax exempted. Please refer to note 3.4 of the consolidated financial statements.

The Company appropriates prior-year profits into other reserves if no resolution is adopted on the distribution. On a proposal by the Executive Board, the General Meeting of Shareholders allocates the profits of the year and declares distributions from the profits or distributions from the reserves to the shareholders, subject to the Executive Board's approval. The Executive Board proposes to the General Meeting of Shareholders to add the profit for the year ended December 31, 2021, to the other reserves. This proposal is not reflected in the statement of financial position.

The table on the next page presents the composition of shareholders' equity and a reconciliation of opening and closing balances for the years ended December 31, 2021, and 2020.

in millions of euros	Share capital	Share premium	Revaluation reserves	Legal and statutory reserves	Other reserves	Unappro-priated results	Total equity
Balance on January 1, 2020	**98**	**1,135**	**51**	**18**	**2,153**	**257**	**3,712**
Appropriation of results	-	-	-	-	257	(257)	-
Profit for the year	-	-	-	-	-	140	140
Remeasurement of post-employment benefit reserve, net of tax	-	-	(2)	-	-	-	(2)
Fair value changes of derivatives designated for net investment hedging, net of tax	-	-	130	-	-	-	130
Exchange differences on translation of foreign operations, net of tax	-	-	-	(270)	-	-	(270)
Total amount recognized in equity	**-**	**-**	**128**	**(270)**	**-**	**140**	**(2)**
Dividends	-	-	-	-	(2)	-	(2)
Balance on December 31, 2020	**98**	**1,135**	**179**	**(252)**	**2,408**	**140**	**3,708**
Balance on January 1, 2021	**98**	**1,135**	**179**	**(252)**	**2,408**	**140**	**3,708**
Appropriation of results	-	-	-	-	140	(140)	-
Profit for the year	-	-	-	-	-	494	494
Remeasurement of post-employment benefit reserve, net of tax	-	-	3	-	-	-	3
Fair value changes of derivatives designated for net investment hedging, net of tax	-	-	(94)	-	-	-	(94)
Exchange differences on translation of foreign operations, net of tax	-	-	-	195	-	-	195
Total amount recognized in equity	**-**	**-**	**(91)**	**195**	**-**	**494**	**598**
Dividends	-	-	-	-	(750)	-	(750)
Balance on December 31, 2021	**98**	**1,135**	**88**	**(57)**	**1,798**	**494**	**3,556**

25. List of subsidiaries

The below list contains the names, registered office and (in)direct capital interest of all subsidiaries of De Lage Landen International B.V.

Name	Registered office	% Capital
2732932 Ontario Limited	Oakville, Canada	100
AGCO Capital Argentina S.A.	Buenos Aires, Argentina	51
AGCO Finance AG	Zürich, Switzerland	51
AGCO Finance B.V.	Eindhoven, The Netherlands	51
AGCO Finance Canada, Ltd	Regina, Canada	51
AGCO Finance Designated Activity Company	Dublin, Ireland	51
AGCO Finance GmbH	Düsseldorf, Germany	51
AGCO Finance GmbH, Landmaschinenleasing	Vienna, Austria	51
AGCO Finance Limited	Kenilworth, United Kingdom	51
AGCO Finance Designated Activity Company	Dublin, Ireland	51
AGCO Finance Limited	Te Awamutu, New Zealand	51
AGCO Finance LLC	Moscow, Russia	51
AGCO Finance LLC	Johnston, United States of America	51
AGCO Finance N.V.	Mechelen, Belgium	51
AGCO Finance Pty Limited	Sydney, Australia	51
AGCO Finance S.A.S.	Beauvais, France	51
AGCO Finance Sp. z o.o.	Warsaw, Poland	51
ALLCO-DLL Solar Trust	Wilmington, United States of America	100
AM-DLL Solar Trust	Wilmington, United States of America	100
Banco De Lage Landen Brasil S.A.	Porto Alegre, Brazil	78.6
BBT 2016-1 Trust	New York, United States of America	100
BBT 2018-1 Trust	New York, United States of America	100
BSE-DLL Solar Trust	Wilmington, United States of America	100
Cargobull Commercial Solutions, S.L.U.	Madrid, Spain	51
Cargobull Finance A/S	Søborg, Denmark	51
Cargobull Finance AB	Stockholm, Sweden	51
Cargobull Finance GmbH	Düsseldorf, Germany	51
Cargobull Finance Holding B.V.	Eindhoven, The Netherlands	51
Cargobull Finance Limited	Watford, United Kingdom	51
Cargobull Finance Sp. z o.o.	Warsaw, Poland	51
CBSC Capital Inc.	Brampton, Canada	51
De Lage Landen (China) Co., Ltd.	Shanghai, China	100
De Lage Landen (China) Factoring Co., Ltd.	Shanghai, China	100
De Lage Landen America Holdings B.V.	Eindhoven, The Netherlands	100
De Lage Landen Asia Participations B.V.	Eindhoven, The Netherlands	100
De Lage Landen Austria GmbH	Vienna, Austria	100
De Lage Landen Chile S.A.	Santiago, Chile	100
De Lage Landen China Participations B.V.	Eindhoven, The Netherlands	100
De Lage Landen Co., Ltd	Seoul, Republic of Korea	100
De Lage Landen Commercial Finance Inc.	Oakville, Canada	100
De Lage Landen Corporate Finance B.V.	Eindhoven, The Netherlands	100
De Lage Landen Cross-Border Finance, LLC	Wayne, United States of America	100
De Lage Landen Erste Vorratsgesellschaft mbH	Düsseldorf, Germany	100
De Lage Landen Europe Participations B.V.	Eindhoven, The Netherlands	100
De Lage Landen Facilities B.V.	Eindhoven, The Netherlands	100
De Lage Landen Finance Limited Liability Company	Seoul, Republic of Korea	100
De Lage Landen Finance Zrt.	Budapest, Hungary	100
De Lage Landen Financial Services Canada Inc.	Oakville, Canada	100
De Lage Landen Financial Services India Private Limited	Mumbai, India	100
De Lage Landen Financial Services, Inc.	Wayne, United States of America	100
De Lage Landen Finans AB	Stockholm, Sweden	100
De Lage Landen Finansal Kiralama Anonim Şirketi	Istanbul, Turkey	100
De Lage Landen Leasing AG	Zürich, Switzerland	100
De Lage Landen Leasing GmbH	Düsseldorf, Germany	100

Name	Registered office	% Capital
De Lage Landen Leasing Kft.	Budapest, Hungary	100
De Lage Landen Leasing Limited	Watford, United Kingdom	100
De Lage Landen Leasing N.V.	Mechelen, Belgium	100
De Lage Landen Leasing Polska S.A.	Warsaw, Poland	100
De Lage Landen Leasing S.A.S.	La Défense, France	100
De Lage Landen Limited	Watford, United Kingdom	100
De Lage Landen Limited	Te Awamutu, New Zealand	100
De Lage Landen Participações Limitada	Porto Alegre, Brazil	78.6
De Lage Landen Pte. Limited	Singapore, Singapore	100
De Lage Landen Pty Limited	Sydney, Australia	100
De Lage Landen Public Finance LLC	Wayne, United States of America	100
De Lage Landen Remarketing Solutions B.V.	Eindhoven, The Netherlands	100
De Lage Landen Renting Solutions, S.L.U.	Madrid, Spain	100
De Lage Landen Renting Solutions S.r.l.	Milano, Italy	100
De Lage Landen Vendorlease B.V.	Eindhoven, The Netherlands	100
De Lage Landen, S.A. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad no Regulada	Huixquilucan, Mexico	100
DLL 2018-1 LLC	Wayne, United States of America	100
DLL 2018-2 LLC	Wayne, United States of America	100
DLL 2019-1 LLC	Wayne, United States of America	100
DLL 2019-2 LLC	Wayne, United States of America	51
DLL 2019-3 LLC	Wayne, United States of America	100
DLL Company One B.V.	Eindhoven, The Netherlands	100
DLL Corretora de Seguros Ltda.	São Paulo, Brazil	78.6
DLL Equipment Trading Middle East and Africa FZE	Dubai, United Arab Emirates	100
DLL Finance LLC	Johnston, United States of America	100
DLL I Limited Partnership	Oakville, Canada	100
DLL Ireland Designated Activity Company	Dublin, Ireland	100
DLL Leasing Argentina S.A.	Buenos Aires, Argentina	100
DLL Leasing Designated Activity Company	Dublin, Ireland	100
DLL Leasing S.A. de C.V.	Huixquilucan, Mexico	100
DLL MT 2021-1 LLC	Wayne, United States of America	100
DLL Polska Corporate Sp. z o.o.	Warsaw, Poland	100
DLL Polska Participations Sp. z o.o.	Warsaw, Poland	100
DLL Polska Participations Sp. z o.o. Sp. K.	Warsaw, Poland	100
DLL Re Designated Activity Company	Dublin, Ireland	100
DLL U.S. Holding Company, Inc.	Wilmington, United States of America	100
DLL UK Equipment Finance 2019-1 PLC	London, United Kingdom	100
DLL UK Equipment Finance Holdings Limited	London, United Kingdom	100
DLLAA 2021-1 LLC	Wayne, United States of America	100
DLLAD 2021-1 LLC	Wayne, United States of America	100
Komatsu Administration France S.A.S.	La Défense, France	95
Komatsu Financial Germany GmbH	Düsseldorf, Germany	95
Komatsu Financial Italy S.p.A. in liquidazione	Milano, Italy	97.2
Limited Liability Company Cargobull Finance	Moscow, Russia	51
Limited Liability Company De Lage Landen Leasing	Moscow, Russia	100
Mahindra Finance USA LLC	Johnston, United States of America	51
MP2-DLL Solar Trust	Wilmington, United States of America	100
NSE-DLL Solar Trust	Wilmington, United States of America	100
OOO DLL Finance	Moscow, Russia	100
Philips Medical Capital, LLC	Wayne, United States of America	60
SE DLL Solar Trust	Wilmington, United States of America	100
TE-DLL Solar Trust	Wilmington, United States of America	100
Truckland Lease B.V.	Eindhoven, The Netherlands	100

26. Events occurring after reported period

Events after the reporting date that relate to conditions that existed at the end of the reporting period have been reflected in these financial statements.

DLL is impacted by the Russian invasion of Ukraine and resulting sanctions against Russian individuals and companies. This is expected to impact DLL in two ways, the outlook for certain sectors and regions outside Ukraine has deteriorated and DLL's operations in Russia will also be significantly negatively impacted.

DLL has four subsidiaries in Russia with a portfolio amounting to an exposure of EUR 281 million on December 31, 2021. In March 2022, DLL made the decision to permanently cease all new business activities in Russia and shift the focus to the run-down of the local business.

At this moment, it is not yet possible to reliably quantify the impact of these developments on DLL's financial position given the inherent high uncertainty about the future developments of the Russia – Ukraine conflict and its potential financial impact. However, DLL is adequately capitalized for both events.

Like all other European banks, DLL implements sanctions, focuses on managing its portfolio and supports impacted clients to the best of its abilities. DLL is continuously monitoring developments, to ensure we stay compliant with all sanctions and take into consideration the overall safety and well-being of our Russian colleagues.

On behalf of the Executive Board
C.G.M. van Kemenade, *Chairman (as from February 14, 2022)*
M.M.A. Dierckx, *CFO*
M. Janse, *COO*
T.L. Meredith, *CCO*
Y.E. Hoefsmit, *CRO (as from February 26, 2021)*

On behalf of the Supervisory Board
B.J. Marttin, *Chairman*
B. Leurs, *member*
A.E. Bouma, *member*
R. De Feo, *member*

Eindhoven, April 19, 2022

Other **information**

Independent auditor's report

Independent auditor's report

To: the general meeting and the supervisory board of De Lage Landen International B.V.

Report on the financial statements 2021

Our opinion

In our opinion:

- the consolidated financial statements of De Lage Landen International B.V. together with its subsidiaries ('the Group') give a true and fair view of the financial position of the Group as at 31 December 2021 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ('EU-IFRS') and with Part 9 of Book 2 of the Dutch Civil Code;
- the company financial statements of De Lage Landen International B.V. ('the Company' or 'De Lage Landen International') give a true and fair view of the financial position of the Company as at 31 December 2021 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2021 of De Lage Landen International B.V., Eindhoven. The financial statements include the consolidated financial statements of the Group and the company financial statements.

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the following statements for 2021: the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows; and
- the notes, comprising significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company statement of financial position as at 31 December 2021;
- the company statement of profit or loss for the year then ended; and
- the notes, comprising the accounting policies applied and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

WJX42CHPNREC-346424173-101

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The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section ‘Our responsibilities for the audit of the financial statements’ of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of De Lage Landen International B.V. in accordance with the European Union Regulation on specific requirements regarding statutory audit of public-interest entities, the ‘Wet toezicht accountantsorganisaties’ (Wta, Audit firms supervision act), the ‘Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten’ (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).

Our audit approach

We designed our audit procedures with respect to the key audit matters, fraud and going concern, and the matters resulting from that, in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information provided in support of our opinion, such as our findings and observations related to individual key audit matters, the audit approach to address fraud risk and the audit approach relating to the assessment of going concern, was provided in that context, and we do not provide a separate opinion or conclusion on these matters.

Overview and context

De Lage Landen International B.V. is a wholly-owned subsidiary of Coöperatieve Rabobank U.A. ('Rabobank') and offers clients asset based financial products, primarily leasing and lending in nine industry verticals. The Group has operations in more than 30 countries. The Group comprises of several components for which we considered our group audit scope and approach as set out in the section 'The scope of our group audit'.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the executive board made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In note IV 'Key judgements and estimates' of the consolidated financial statements, the executive board describes their main areas of judgement and key estimates in applying accounting policies.

Of the estimates and judgements mentioned in the aforementioned paragraph, we consider the measurement of balances due from customers and the measurement of assets under operating lease to be a key audit matter, primarily because of the relevance and overall size of these balances in combination with the level of management judgement and inherent estimation uncertainty and the related risk of material misstatement.

The economic uncertainty due to COVID-19 has increased the impact of certain estimations and judgements made by the executive board, specifically relating to forward-looking assumptions applied in certain calculations, such as the determination of the probability of default, the macro-economic scenarios, the expected credit losses that were applied across the Group's finance lease and loan portfolio and the residual values embedded in the measurement of operating lease assets.

Furthermore, also being part of note IV 'Key judgements and estimates' of the consolidated financial statements, we have identified the application of macro fair value hedge accounting and the measurement of the derivatives as a key audit matter in view of the complexity of hedge accounting, the magnitude of the notional amounts and the estimation uncertainty.

In the chapter 'Risk management and compliance' of the director's report, under the heading 'Climate risk', the executive board explains the possible effects of climate change and the impact on the financial position of the Group. We discussed the Group's assessment and governance thereof with management and evaluated the potential impact on our audit where we considered potential climate risk in the measurement of loan loss provisions relating to balances due from customers (credit risk) and the residual values embedded in the measurement of assets under operating leases and finance leases (asset risk). The impact of climate change related risks, as such, is not considered to be a separate key audit matter.

In view of the importance of the information technology ('IT') environment to our audit of the financial statements, we, with the support of our IT specialists, assessed the IT environment. We addressed information technology general controls ('ITGCs'), which are the policies and procedures used by the Company to IT operates as intended and provides reliable data for financial reporting purposes. The IT environment of the Company and its components has been assessed in the context of and where relevant for the audit of the financial statements.

We ensured that audit teams, both at group and at component levels, had the appropriate skills and competences, necessary for the audit of a financial services company, offering leasing and lending services, holding banking licenses in several jurisdictions (including in the Netherlands) and an insurance license (Ireland). We also made use of specialists and experts in the areas of IT, taxation, credit risk provisioning, regulatory reporting, valuation of financial instruments and hedge accounting as well as experts in the area of employee benefits.

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The outline of our audit approach was as follows:

Materiality

- Overall materiality: €24 million (2020: €19.5 million).

Audit scope

- The group engagement team is responsible for the coordination, direction and supervision of the group audit and conducted audit work on the Dutch components in scope.
- We performed audit work on 19 individually significant components in 13 countries and held video conferencing meetings with the component teams.
- Video conferencing meetings were held with local client management together with the component teams in the United States, Germany, France and Sweden.
- Audit coverage: 91% of consolidated assets, 89% of consolidated net income and 93% of consolidated profit before tax.

Key audit matters

- Measurement of balances due from customers.
- Measurement of assets under operating lease.
- Application of macro fair value hedge accounting and measurement of derivatives.

Materiality

The scope of our audit was influenced by the application of materiality, which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

Based on our professional judgement we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statements line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Overall group materiality	€24 million (2020: €19.5 million).
Basis for determining materiality	We used our professional judgement to determine overall materiality. As a basis for our judgement, we used 5% weighted average of profit before tax of the current year and previous two years, all equally weighted.
Rationale for benchmark applied	We have applied profit before tax, a generally accepted auditing practise, as the primary benchmark based on our analysis of the common information needs of users of the financial statements. On this basis, we believe that profit before tax is an important metric for measuring and assessing the overall financial performance of the Group. Furthermore, we utilised a 5% threshold, based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

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	The applied multi-year average benchmark for materiality is in response to considerable economic trends and volatility in the profit before tax over 2021 and over 2020 attributable to the impact of COVID-19. In view of the significant impact of the expected credit losses on the current and prior year's result and the inherent considerable estimation uncertainty of this item, we consider a 3 year average of profit before tax an appropriate benchmark. Using our professional judgement, we determined materiality for this year at €24 million, which equates to approximately 3% of the current year's profit before tax.
Component materiality	Based on our judgement, we allocate materiality to each component in our audit scope that is less than our overall group materiality. The range of materiality allocated across components was between €1.5 million and €23.5 million.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the supervisory board that we would report to them misstatements identified during our audit affecting profit or loss or equity by more than €1,200,000 (2020: €975,000), reclassifying misstatements above €1,200,000 (2020: €975,000) and exceeding 1% (2020: 1%) of the respective financial position or profit or loss line item, as well as misstatements below that amount that, in our view, warrant reporting for qualitative reasons.

The scope of our group audit

De Lage Landen International B.V. is the parent company of a group of entities. The financial information of this group is included in the consolidated financial statements of De Lage Landen International B.V.

We tailored the scope of our audit to ensure that we perform sufficient work to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the Group, the nature of operations of its components, the accounting processes and controls and the markets in which the components of the Group operate. In establishing the overall group audit strategy and plan, we determined the type of work required to be performed at the component level and/or by the group engagement team.

Nineteen components in thirteen countries were subject to full scope audits of their financial information for consolidation purposes, as we considered these components individually financially significant to the Group. In total, in performing these procedures, we achieved the following coverage on the consolidated financial statements line items:

Consolidated assets	91%
Consolidated net income	89%
Consolidated profit before tax	93%

None of the remaining components individually represented more than 2% of group net income, group profit before tax or group assets. For the remaining components we performed, among other procedures, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within those components.

For the individually financially significant Dutch components, the group engagement team performed the audit work. For the locations where component auditors performed the work, we determined the level of involvement required to be able to conclude whether we obtained sufficient and appropriate audit evidence as a basis for our opinion on the group financial statements as a whole.
All components in scope for group reporting are audited by PwC member firms. We performed, amongst others, the following procedures:

- we issued detailed audit instructions to the component auditors prescribing the scope of work to be performed, our risk assessment, other areas of audit focus, materiality to be applied and the reporting requirements to the group engagement team regarding the financial information;
- we closely collaborated with our component teams during 2021 and 2022 to date and had ongoing interactions with them, regarding, amongst others, developments affecting the components, our audit instructions, their audit approach and audit findings regarding the control environment, accounting treatments and other matters;
- we assessed the component auditors' reports and discussed observations with the component auditors and with group management;
- we performed file reviews for a selection of component auditors; and
- since the COVID-19 outbreak limited our ability to physically visit components in scope of group reporting this year, we conducted site visits by video conference with local management along with component audit teams in the United States, Germany, France and Sweden. During these meetings, we discussed the strategy and financial performance of the local businesses, as well as the audit plan of the component auditors and execution thereof, significant audit risks and other relevant audit topics.

The group engagement team performed audit procedures on the group consolidation, financial statements disclosures and various specific items at group level where central functions, such as IT, reporting, control, risk, tax, legal, compliance and internal audit are located. Areas included in the audit procedures performed by the group engagement team, amongst others, were:

- entity level controls;
- certain aspects of group-wide managed credit risk provisioning;
- residual value reassessment of fixed assets under operating leases and finance leases;
- measurement of derivatives and the application of macro fair value hedge accounting; and
- measurement of the provisions for uncertain tax exposures.

The internal audit department performs audits at group and component level in a variety of areas and on selected themes. Whilst we did not rely on the work performed by the internal audit department, we assessed the impact of their reporting and observations on our audit.

By performing the procedures above at component level, combined with the additional procedures at group level, we have obtained sufficient and appropriate audit evidence on the Group's financial information as a whole to provide a basis for our opinion on the (consolidated) financial statements.

Audit approach fraud risk

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the Group, its environment and the components of the system of internal control. This included management's risk assessment process, management's process for responding to the risks of fraud and monitoring the internal control system and how the supervisory board exercises oversight, as well as the outcomes.

We evaluated the design and relevant aspects of the internal control system and in particular the fraud risk assessment, as well as, amongst others, the code of conduct, whistle-blower procedures and incident registration. We evaluated the design and implementation and, where considered appropriate, tested the operating effectiveness of internal controls designed to mitigate fraud risks. We performed inquiries with a selection of members of the executive board and senior management (including compliance, legal, finance, control, risk and internal audit), whether they are aware of any actual or suspected fraud. This did not result in signals of actual or suspected fraud that may lead to a material misstatement.

As part of our process of identifying fraud risks, we, in close co-operation with a forensic specialist, evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We have read the minutes of the executive board and the supervisory board meetings throughout the year and up to the signing date of our auditor's report. We held regular bilateral meetings with the chairman of the supervisory board.

The compliance and legal departments investigate, amongst others, reported internal integrity and fraud matters. We assessed the process that the Company has in place and discussed the investigation approach. We inspected a number of individual cases, evaluated the respective impact, assessed the documentation, conclusions, reporting and responses of management.

We identified the following fraud risk and performed the following specific procedures:

Identified fraud risk	***Our audit work and observations***
The risk of management override of controls Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. That is why, in our audits, we pay attention to the risk of management override of controls, including risks of potential misstatements due to fraud based on an analysis of potential interests of management. In this respect, we gave specific consideration to: • the appropriateness of journal entries and other adjustments made in the preparation of the financial statements; • possible management bias in management estimates; and • significant transactions, if any, that are outside the normal course of business for the Group.	Where relevant to our audit, we evaluated the design of the internal control measures that are intended to mitigate the risk of management override of controls and tested the effectiveness of the measures in the processes of generating and recording journal entries and the accounting for estimates. We paid specific attention to the access safeguards in the relevant IT systems and the possibility that these lead to violations of the segregation of duties. We concluded that, in the context of our audit of the financial statements, we could rely on the internal control procedures relevant to this risk. We selected journal entries based on risk criteria and conducted specific audit activities for these entries, as part of which we assessed whether any significant transactions outside the normal course of business occurred.

Identified fraud risk	*Our audit work and observations*
In assessing the fraud risk and discussing and evaluating the aspects incentive/pressure, opportunity and rationalisation, we consider the authenticity of documentation, the validity of respective data used, and the accuracy of calculations made in relation to management's estimates as part of our fraud related audit work. We also considered the risk of management override of controls in relation to our audit work on IT systems and the IT environment.	We also performed fraud-related specific audit work on important estimates made by management. In this context, we paid specific attention to the following estimates: • the measurement of loan loss provisions for the balances due from customers; and • the measurement of assets under operating lease. For an overview of audit procedures performed regarding these estimates, including those related to fraud or error, we refer to the section 'Key audit matters'. Our audit procedures did not lead to specific indications of fraud or suspicions of fraud with respect to management override of controls.

We incorporated elements of unpredictability in our audit. We reviewed lawyer's letters and correspondence with regulators. During the audit we remained alert to indications of fraud. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance with laws and regulations. Whenever we identified any indications of fraud, we re-evaluated our fraud risk assessment and its impact on our audit procedures.

Audit approach going concern

As disclosed in section 'ii Basis of preparation' in the consolidated financial statements, the executive board performed their assessment of the Company's ability to continue as a going concern for at least 12 months from the date of preparation of the financial statements and has not identified events or conditions that may cast significant doubt on the Company's ability to continue as a going concern (hereafter: going concern risks). Our procedures to evaluate the executive board's going concern assessment included, amongst others:

- considering whether the going concern assessment includes all relevant information of which we are aware as a result of our audit and inquired with management regarding the most important assumptions underlying their going concern assessment. These assumptions include the capital and liquidity position, financial performance and economic context (including COVID-19, Russia-Ukraine conflict);
- moreover, as the Company is a global vendor finance company with a Dutch banking license, we have evaluated the developments in respect of funding, liquidity and solvency of the Company and, where applicable, assessed these in light of the prudential requirements imposed by the Dutch Central Bank;
- evaluated the 2022 budget in comparison with last year and current developments, as well as the 2023-2026 mid-term plan, including cash flows and all relevant information of which we became aware as a result of our audit; and
- performed inquiries with management as to their knowledge of going concern risks beyond the period of management's assessment.

Our procedures did not result in outcomes contrary to the executive board's assumptions and judgements used in the application of the going concern assumption.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we describe the key audit matters and include a summary of the audit procedures we performed on those matters.

We addressed the key audit matters in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comment or observation we made on the results of our procedures should be read in this context.

Due to the nature of the Group, key audit matters do not change significantly year over year, except for the recorded impairment in 2020 of the goodwill for DLL Finans AB, being a key audit matter in our audit 2020, which is not applicable for 2021.

Key audit matter	***Our audit work and observations***
Measurement of balances due from customers *[reference to notes 1.1 and 1.3 in the consolidated financial statements]* Balances due from customers amounting to €34,726 million are included in the consolidated statement of financial position. This line item consists of finance lease receivables and loans to customers. The Group is exposed to credit risk in relation to these balances. To account for the expected credit losses, loan loss provisions are recognised. In accordance with IFRS 9, management distinguishes the following provisions: • Performing finance leases and loans (stage 1) – €67 million as at year-end 2021. • Underperforming finance leases and loans (stage 2) – €124 million as at year-end 2021. • Credit-impaired finance leases and loans (stage 3) – €234 million as at year-end 2021. The stage 1, 2 and 'small ticket' stage 3 (exposures below €250,000) provisions are based on quantitative models. The 'large ticket' stage 3 provision is based on individual management judgement, including relevant governance and guidelines (such as authorisations and monitoring by the global risk committee). Determining loan loss provisions requires a significant degree of management judgement based on aspects such as: • Judgement applied in determining the key parameters for the model-based provisions	*Controls design and operating effectiveness* We evaluated the design of the relevant internal controls and subsequently tested the operating effectiveness of these controls regarding: • The governance in relation to the development, validation, calibration and implementation of probability of default, loss given default and IFRS 9 models. • The accuracy and completeness of portfolio data that is used in the calculation of the stage 1, stage 2 and stage 3 provisions. • The methodology and controls applied in measuring and determining significant increase in credit risk. • The review and approval process that management has in place for the outcome of the models, and the adjustments applied to the outcome of the models. In addition, we tested the IT environment and relevant IT applications that support data, models and reports utilised to determine the measurement. We focused on the data lineage of contract and relevant default data used in the development of model parameters and the client exposure allocation to stage 1, 2 or 3. The majority of the controls were operating effectively and as such it was appropriate to place reliance on those controls for the purpose of our audit. For controls that were not operating effectively, impact assessments were made and additional substantive audit procedures were performed.

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Key audit matter	***Our audit work and observations***

(e.g. probability of default and loss given default).

- Expectations with respect to macro-economic scenarios, which include determining the relevant macro-economic variables and the assignment of appropriate risk weights to the different scenarios.
- Judgement in assessing the 'large ticket' stage 3 provision (including forward-looking information and the valuation of underlying collateral).
- The distinction between stage 1 performing finance leases/loans and stage 2 underperforming finance leases/loans (exposures with a significant increase in credit risk) for non-defaulted contracts.
- The distinction between stage 2 underperforming finance leases/loans and stage 3 non-performing finance leases/loans (credit- impaired financial assets) and the identification of respective qualitative impairment triggers.
- Judgement applied to determine the top level adjustment of €55 million to account for the impact of COVID-19.

The increased degree of estimation uncertainty due to the economic impact of COVID-19 with respect to developing macro-economic scenarios, including the associated weightings given the range of potential economic outcome and suitability of models used during COVID-19 have led to a high degree of management judgement regarding expected credit losses. In case when external developments were not sufficiently captured by the outcome of the IFRS 9 models, a management adjustment is made. This year management recognised a top-level adjustment of €55 million in relation to COVID-19 to reflect the risk of expected further defaults and associated expected credit losses in certain industry sectors and jurisdictions as outlined in note 1.3 of the consolidated financial statements.

In certain finance lease contracts, the Group is exposed to residual value risk. For these finance leases a process is in place to determine and monitor residual values throughout the contractual period.

Substantive audit procedures

We inquired with management throughout the year on credit risk developments in the various industry sectors and jurisdictions. We tested management's process for loan loss provisioning, including their considerations of the economic disruption caused by COVID-19.

We, with the assistance of our experts and specialists, have performed, amongst other, the procedures outlined below.

Assessment of stage 1/2 provisions

- Assessed whether the IFRS 9 model methodology is in line with market and industry practices and, as such, is fit for purpose.
- Tested the appropriateness of stage 1 and stage 2 model updates.
- Replicated the stage 1 and stage 2 provisions based on the determined IFRS 9 methodology.
- Evaluated the reasonableness of the forecasted macro-economic scenarios, the probability weights assigned to the plus, baseline and minus scenarios and validated the relevant macro-economic variable (unemployment rate) with external market sources as a benchmark.
- Performed sensitivity analysis on relevant parameters (such as probability of default, loss given default and macro-economic scenarios).
- Evaluated the reasonableness of the probability of default and loss given default models being part of the IFRS 9 model landscape.
- Performed backtesting procedures on the outcome of the probability of default, loss given default and IFRS 9 models.
- Assessed the reasonableness of management's top level adjustment of €55 million for the stage 1 and stage 2 provisions as the impact of COVID-19 was deemed to be insufficiently captured by the IFRS 9 model. We evaluated this adjustment by obtaining supporting evidence and by assessing alternative and contradictory information to verify that this adjustment was necessary to address model limitations. Specifically, for this adjustment recognised in relation to COVID-19, we have exercised professional scepticism in our audit given the significance and subjective nature of this item.

Key audit matter	*Our audit work and observations*
This area is subject to a higher risk of material misstatement due to error or fraud given the relevance and overall size of these balances and related loan loss provisions in combination with the significant level of management judgement, the high complexity and subjectivity of the models used, the sensivity to assumptions applied and consequently the inherent high estimation uncertainty. Hence, we considered the measurement of balances due from customers to be a key audit matter in our audit.	In doing so, we challenged management to consider various scenarios and information, such as historical credit losses, projected credit losses, sensitivity analysis to further substantiate and document the judgements made in this process. *Assessment of stage 3 provisions* • Evaluated the methodology of the 'small ticket' stage 3 provisioning and the reasonableness of the applied loss given default percentages. • Performed substantive audit procedures on the 'large ticket' stage 3 provisions and evaluated whether management's key judgements were reasonable by assessing, for example, projected cash flows and underlying assumptions. • Tested the reconciliation of relevant financial data between contract management systems, general ledgers and the financial statements. *Other procedures* We tested on a sample basis critical data elements (e.g. exposure data, significant increase of credit risk, past days due, etc.) relevant for the loan loss provisioning. We evaluated whether the disclosures, as included in note 1.1 and 1.3 to the consolidated financial statements, are adequate and in accordance with EU-IFRS 9 disclosure requirements. We note that procedures performed in relation to this key audit matter implicitly and explicitly (e.g. top-level adjustment) address the fraud risk of management override of controls. We evaluated whether judgements and decisions made by management in making this accounting estimate were indicators of possible management bias. Based on the procedures outlined above, we have not identified indicators of possible management bias. Our audit procedures did not result in findings that would materially affect the measurement of balances due from customers.

Measurement of assets under operating lease
[reference to note 1.2 in the consolidated financial statements]

In the consolidated statement of financial position, the carrying value of fixed assets under operating lease amounts to €2,684 million. The fixed assets under operating lease contracts are measured at cost, less any accumulated depreciation and any impairment losses. Management has a process in place in which it evaluates the residual values at least on an annual basis, typically during the fourth quarter.

The carrying value of the fixed assets under operating lease is affected by their economic life and residual value. The residual value can be affected by market price developments and is therefore subject to management judgement and estimation uncertainty.

Applied assumptions regarding the estimated residual value, at inception date of the lease and during the contract period, are sensitive to local and/or regional economic developments.

IAS 16 'Property, Plant and Equipment', requires a review of the residual value and the useful life of an asset at least at each financial year-end. When expectations differ from previous estimates, the change(s) shall be accounted for as 'changes of an accounting estimate'. A change in the estimated residual value results in a prospective depreciation adjustment and consequently affects the carrying value and depreciation expense of the assets over the remaining lease period. Furthermore, IAS 36 'Impairment of assets' requires a periodical assessment for impairment triggers, which in turn might lead to adjustment of the carrying value of the fixed assets under operating leases.

This area is subject to a higher risk of material misstatement due to error or fraud given the magnitude of the residual values embedded in the carrying value of the assets under operating lease, the large variety of asset classes, the number of regions in which the Group operates, the significant level of management judgement involved and other inherent risk factors (e.g. COVID-19, forward-looking information) in determining expected residual values and impairments. Hence, we considered the measurement of assets under operating lease to be a key audit matter.

Controls design and operating effectiveness

We evaluated the design of the internal controls and subsequently tested the operating effectiveness of controls regarding the residual value setting at inception date of the lease contracts. Furthermore, we focussed on the annual process to reassess the recoverability of estimated residual values and the identification of impairment triggers as per IAS 36. In addition, we evaluated the IT environment and relevant IT applications that support data and reports utilised in the annual process to reassess the recoverability of estimated residual values and the identification of impairment triggers. We focused on the data lineage of contract and asset data used in the residual value setting process and the annual residual value assessment.

The majority of the controls were operating effectively and, as such, it was appropriate to place reliance on those controls for the purpose of our audit. For controls that were not operating effectively, impact assessments were made and additional substantive audit procedures were performed.

Substantive audit procedures

We tested the annual residual value assessment as performed by management, consisting of quantitative (such as an evaluation of residual value results recognised during the year to assess the proper residual value setting) and qualitative (such as assessing management's expectations regarding market trends and external outlook for asset classes) factors. This to determine the expected residual value at expiration date and, where applicable, to determine the impact on future deprecation during the remaining economic life of the asset and potential impairment triggers.

For a sample of adjustments to residual values, we assessed the adjustments recorded against the underlying data (i.e. residual value realisations) and evaluated management's assessments about market developments.

Reconciliations made by management between contract management systems and general ledgers were tested.

We note that procedures performed in relation to this key audit matter implicitly and explicitly address the fraud risk of management override of controls.

Key audit matter	*Our audit work and observations*
	We evaluated whether judgements and decisions made by management in making this accounting estimate were indicators of possible management bias. Based on the procedures outlined above, we have not identified indicators of possible management bias. Our audit procedures did not indicate findings that would materially affect the measurement of fixed assets under operating lease.
Application of macro fair value hedge accounting and measurement of derivatives *[reference to note 3.4 in the consolidated financial statements]* Management makes use of interest rate derivatives to manage the interest rate risk linked to the floating rate loans used to fund an essentially fixed rate portfolio of finance leases and loans to customers. By applying macro fair value hedge accounting for the €- and $-positions, the Group recognised the results of the hedged items and hedging instruments in the profit or loss account simultaneously, to the extent the hedge relationship is effective. The €- and $- hedge accounting models to determine the change in fair value of the hedged items and hedging instruments and the amount of (in)effectiveness, are complex in nature. The fair value of derivatives is determined using valuation techniques that are based on discounted cash flow models using market observable inputs in the discounting and forward curves. In view of the magnitude of the interest rate derivatives' notional amounts and the hedged items, the complexity of macro fair value hedge accounting, the potential significant impact on recognising ineffectiveness in the tatement of profit or loss and the implicit valuation uncertainty of the derivatives, we considered the application of macro fair value hedge accounting and the measurement of derivatives to be a key audit matter.	*Controls design and operating effectiveness* We evaluated the design of the internal controls and subsequently tested the operating effectiveness of controls regarding the macro fair value hedge accounting and the measurement of interest rate derivatives. We focused on the adequacy of hedge documentation, the monthly effectiveness testing, the controls in place to ensure proper recording of the derivative transactions, the valuation techniques, models and assumptions applied to ensure compliance with IAS 39. We concluded that we could rely on these internal controls for the purpose of our audit and we determined substantive audit procedures necessary to obtain sufficient and appropriate audit evidence, as further outlined below. *Substantive audit procedures* We, assisted by our specialists, tested methodologies and models used by the Group for determining hedge effectiveness on the basis of the IAS 39 requirements. We evaluated the results of the hedge effectiveness tests for macro fair value hedging for the €- and $-hedge accounting models. In addition, we tested the accuracy and completeness of the contract information included in the models with the associated finance lease/loan contracts and respective derivatives. Key elements covered in our substantive testing were the notional amounts, maturities and underlying interest and currency rates.

Key audit matter	*Our audit work and observations*
	We validated the hedge documentation and the effectiveness testing conducted throughout the year by management. In addition, we tested whether the hedge effectiveness is within the bandwidth as defined by IAS 39 during the year. We tested the results on the hedge relationships in the statement of profit or loss by reconciling these to the hedge accounting models output. Finally, we tested the measurement of derivatives substantively by repricing a sample of individual derivatives based on our independent valuation model. Our audit procedures did not indicate findings that would materially affect the measurement of derivatives, the effectiveness of hedges or the application of macro fair value hedge accounting.

Report on the other information included in the annual report

The annual report contains other information. This includes all information in the annual report in addition to the financial statements and our auditor's report thereon.

Based on the procedures performed as set out below, we conclude that the other information:
- is consistent with the financial statements and does not contain material misstatements;
- contains all the information regarding the directors' report and the other information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and the understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those procedures performed in our audit of the financial statements.

The executive board is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

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Report on other legal and regulatory requirements

Our appointment

We were appointed as auditors of De Lage Landen International B.V. on 9 December 2016 by the supervisory board. This followed the passing of a resolution by the shareholders at the annual general meeting held on 18 June 2015. Our appointment has been renewed annually by shareholders and now represents a total period of uninterrupted engagement of six years.

No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in article 5(1) of the European Regulation on specific requirements regarding statutory audit of public-interest entities.

Services rendered

The services, in addition to the audit, that we have provided to the Group, for the period to which our statutory audit relates, are disclosed in note 2.5 to the consolidated financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the executive board and the supervisory board for the financial statements

The executive board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the executive board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the executive board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the executive board should prepare the financial statements using the going concern basis of accounting unless the executive board either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so. The executive board should disclose in the financial statements any event and circumstances that may cast significant doubt on the Company's ability to continue as a going concern.

The supervisory board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 19 April 2022
PricewaterhouseCoopers Accountants N.V.

Original has been signed by A.R. Vermeulen RA MSc

Appendix to our auditor's report on the financial statements 2021 of De Lage Landen International B.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the executive board.
- Concluding on the appropriateness of the executive board's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. In this respect, we also issue an additional report to the supervisory board in accordance with article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

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 actions taken to eliminate threats or safeguards applied.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Articles of association regulation concerning **profit appropriation**

Article 11 of the articles of association determines profit, loss and distribution on shares. On a proposal by the Executive Board, the General Meeting allocates the profits determined by the adoption of the annual accounts, determines how a shortfall will be accounted for and declares interim distributions from the profits or distributions from the reserves. Profit or reserves may only be distributed to the extent that the Company's equity exceeds the total amount of the reserves referred to in article 2:216 (1) BW.

Notwithstanding the provisions of article 2:216 (1) BW, a resolution to distribute profits or reserves is subject to the Executive's Board's approval. If at the time when the profits are allocated, no resolution is adopted on the distribution or the addition to the reserves of these profits, the profits will be added to the reserves.

Colophon

Published by
DLL

About the Annual Report 2021
DLL has integrated both the financial information and the management report information in the Annual Report 2021.

The Annual Report 2021 is based on, among other things, the financial statements and other information about DLL as required under Title 9 of Book 2 of the Dutch Civil Code and other applicable laws and regulations.

The Annual Report 2021 has been filed at the offices of the Trade Registry at the Chamber of Commerce under number 17056223 after the adoption of DLL's financial statements by Coöperatieve Rabobank U.A.

An independent auditor's report has been issued for the financial statements, as required under Article 2:393, Paragraph 1 of the Dutch Civil Code. This report takes the form of an unqualified opinion. The section "Report of the Supervisory Board" does not form part of the statutory management report.

The Annual Report 2021 is available on our website:
www.dllgroup.com

Contact
DLL has exercised the utmost care in the preparation of the Annual Report 2021. If you have questions or suggestions on how we can improve our reporting, please send them by email to communication@dllgroup.com

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