Annual Report 2022

financial solutions partner

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25 Building a purposeful organization with positive impact

Iman Eddini, CHRO, and Nidhi Navadia, Social Impact Consultant, are two recent recruits to DLL. Here they share fresh perspectives on people strategy, on purpose, inclusion and social impact, and on their passion to foster a culture in which all members can be their authentic selves at work.


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In 2022, DLL reset its targets to reduce the emissions from its own operations by 2030. Michiel Schellens, Head of Global Facilities, and Catherine Meyers, General Manager Benelux, describe the tangible measures taken to achieve these objectives in Real Estate and Mobility, and how every DLL member can play their part.


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Casper Havers, Sustainability Consultant, and Steve Blake, Head of Group Integrated Risk, discuss the two sides of the policy and regulation coin. How does DLL develop and communicate its policies on ESG risks on the one hand, and manage the impact of ESG and climate drivers on its activities and financial performance while adhering to multiple regulations on the other?


Management **report**

Management **report**

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Chairman's **foreword**

2022 – A year of challenges, changes, and transformation

This time last year, I took great pride in writing my first foreword as the newly appointed Chief Executive Officer and Chairman of the Executive Board of DLL. It truly was a special and proud homecoming for me, returning to a company that I first joined in 1990 and where I spent the majority of my formative professional years. As we closed for publication of the report, we were happily celebrating our emergence from the COVID-19 pandemic, and our ability to reconnect with colleagues and customers. However, another storm cloud was already on the horizon, with Russia's invasion of Ukraine and the resulting humanitarian crisis and economic impacts.

In March 2022, we stood with our shareholder, Rabobank, in condemning Russia's actions, and decided to permanently cease all commercial activities in the Russian market by managing the orderly rundown and sale of our local holdings. Following several months of exploring our exit options, we were able to finalize the sale of our primary entities in December 2022, which resulted in a significant financial loss (EUR 244 million), and heavily diluted DLL's 2022 net profit performance and results.

Strong underlying performance despite withdrawal from Russia

Absent this exceptional event, the underlying financial performance of the business and portfolio remained strong and continued to trend positively. If we exclude the losses taken on the sale of our Russian entities, net profit would have exceeded EUR 500 million, and been complemented by solid portfolio and income growth. Today, a year after we started this long and difficult journey, I am pleased to share that in March 2023, we successfully completed the sale of our final legal entity in Russia, which effectively represents our full withdrawal from the country. This last sale was fully provisioned in 2022 and is not expected to adversely impact our 2023 financial performance.

Despite these challenges, our commitment to our customers and markets allowed DLL to close the year with a portfolio balance of EUR 40.6 billion (2021: EUR 37.4 billion), reflecting a strong 8.5% increase over the prior year, and benefitting from favorable currency exchange rates. During this same period, our net income grew to EUR 1,708 million (2021: EUR 1,545 million), an impressive 11% increase. Ultimately, our net profit performance closed the year at EUR 343 million (2021: 586 million), a decrease of 41%.

What makes me particularly proud is that in the face of these geopolitical and economic issues, DLL stood by its partnership promise, supporting our customers, delivering solid financial results to our shareholder, and continuing to invest in strengthening our foundation for future growth. This partnership promise extended to the global DLL workforce, where we made significant investments to ensure that we continued to deliver market competitive compensation and benefits, and provided our workforce with the ability to better deal with inflation during a difficult year.

Positive feedback from our customers, peers, and workforce

All of these efforts were repaid with the recognition and accolades that we received from our customers, our industry peers, and even our members. On the customer front, more than 6,500 partner contacts responded to our relationship surveys in 2022 and provided us with invaluable feedback. Our composite Global Net Promoter Score (NPS[1]), which reflects our activities in vendor finance, commercial finance, and our joint venture with AGCO, improved for a fourth consecutive year to +62 (2021: +53). These higher scores were seen in each of the industry sectors that we serve.

We were also happy that our industry peers recognized our achievements, with DLL winning the European Vendor Finance Provider award in 2022 from Leasing Life, one of the top industry journals in Europe. This was the fourth time in five years that we proudly won this recognition. Further, we took home Leasing Life's award for Best ESG/Sustainability Initiative , which reflects our increased focus on this vital new dimension for our industry. In the United States, we were named the #1 vendor finance provider for the 14th consecutive year by the Monitor Daily, a leading industry publication which is considered the independent voice of the North American equipment finance and leasing market.

[1] 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.

Overall employee engagement score of 81%

Of equal importance, we were very pleased with the positive feedback that we received from our workforce. Our annual Global Employee Engagement Survey was sent to more than 5,000 employees worldwide and had an exceptionally strong 86% response rate (2021: 74%). The overall engagement score was 81%, which was 6% above benchmark for financial services companies. We also asked our workforce to rate some new categories, including their feeling of inclusion within the DLL work environment, which they scored at 86% – 3% higher than the industry benchmark.

Overall, these results were very promising and show us that we are on our way toward creating an inclusive, diverse, and purpose-driven work environment at DLL, where the members of our workforce are able to develop and realize their full potential. However, there is still much work to be done. As the year came to a close, we were finalizing our new Diversity, Equity, and Inclusion (DE&I) plan to guide our efforts in 2023 and beyond. Further, we continued to work hard to realize Great Place to Work® certificates across our global office network. To date, 16 DLL office locations, more than 50% of our global network, have earned this prestigious certification.

New leadership joins our journey

In recognition of the vitally important role that our workforce and organizational development play in DLL realizing its strategic ambitions, the composition of the Executive Board of DLL was expanded to six members in order to include the position of Chief Human Resources Officer (CHRO). In September, DLL announced the formal appointment of Iman Eddini as the new CHRO and member of the Executive Board. Iman is a highly regarded leader with more than 25 years of experience in Human Resources. She joined us from Rabobank, where she served as the Global HR Leader for two groups encompassing more than 35,000 employees in 44 countries, and led the Talent Development and DE&I programs for the bank.

Furthermore, on August 31, our Chief Financial Officer (CFO), Marc Dierckx, left DLL to pursue career opportunities outside the company. On behalf of the Executive Board, I want to thank Marc for his 18-years of service to DLL and his capable leadership of our global finance organization. Over the past months, an active search for his successor has continued in earnest, and once the requisite approvals are secured from the regulatory authorities, we will announce a new appointee for this important leadership role.

Prior to publication of this Annual Report, we also announced the appointment of Neal Garnett to the position of Chief Commercial Officer (CCO). Neal is a 25-year veteran of DLL and a proven leader who helped spearhead our commercial expansion and diversification efforts, and a leading advocate for our sustainability agenda, supporting development of products in energy transition, electrification, and carbon-offset. He succeeds Tom Meredith, who announced his retirement from DLL, ending an impressive 41-year career in the financial services industry, including the past 13 years with DLL. On behalf of the Executive Board, I want to thank Tom for his many years of dedicated service to DLL and wish him all the best in his retirement.

Adapting our strategy to a changing environment

Against the backdrop of the major geopolitical, macroeconomic, and societal changes described above, it became clear that DLL must continue to evolve and adapt in order to stay positioned for future success. That is why we undertook a significant program to refresh our company strategy by taking into account emerging trends, including digital transformation, DE&I, the food transition, and the energy and climate transitions. On these final elements, we saw a clear need for DLL to more fully embrace and support a more sustainable and greener world for ourselves and our customers.

Over the past year, there has been a marked change in how the business world engages with sustainability matters, and several companies have made climate pledges. In the global finance industry, 122 signatories of the Net-Zero Banking Alliance, including our shareholder, Rabobank, have pledged to actively support the Paris Climate Agreement. That is why our refreshed strategy will elevate sustainability as an important priority, and will integrate our business and sustainability plans to ensure a clear path forward.

Our ambition is bold, but attainable: To become the market leader in enabling sustainable business growth while remaining the undisputed global leader in vendor finance.

We truly believe that DLL will have a key enabling role to play in creating a more sustainable world, and we aspire to be a thought leader in this space, helping our customers make this transition with many of our specialized products such as Lifecycle Asset Management, Pay-Per-Use, and Used Equipment Finance. Further, if we want to realize our strategic ambitions, DLL will need to continue to execute and deliver across a variety of areas, including continued development and delivery of digital solutions that provide speed, ease, and convenience at the point of sale, and ensure an amazing customer experience.

Alongside these aspirations, DLL will continue to evolve and mature as a regulated financial service provider and holder of a bank license. This is a distinction that we do not take lightly, and we recognize that our license to operate must be supported by a foundation that is stable, secure, and compliant with solid internal controls and proper adherence to a growing and more complex regulatory environment. We can attain this goal, but it will require additional focus and investment by DLL to ensure that we continue to be a business that our partners can confidently rely on.

Our most valued differentiators

And last, but certainly not least, to successfully execute on our refreshed strategy, we will rely on the more than 5,000 members of our workforce, who remain our most important and valued differentiators. That is why we will continue to foster and cultivate an inclusive, diverse and purpose-driven work environment, where our employees feel respected, valued and empowered. Further, we will embed wellbeing in all aspects of our workplace environment, so that our employees can feel their best when we ask them to give their best to our company and customers.

As the year came to a close, we were putting the finishing touches to our refreshed strategy, and developing detailed roadmaps that more clearly define the identified priorities, projects, and investments that will be made between 2023 and 2027. Additionally, and with full respect for the "structure follows strategy" principle, we embarked on an organizational redesign program that will seek to simplify the DLL organizational model, strengthen execution power, improve efficiencies, and enhance the customer experience. These proposed changes will require us to further empower our workforce by pushing decision-making down into the organization and closer to our customers, so that we can enhance service delivery and speed of response.

Bringing blue forward!

Our new year started with “Bringing blue forward”, a series of nine kickoff events across our entire global network. We used these events to connect with virtually every member of our workforce in order to bring the refreshed strategy to life, and share the key transformation and priority areas. An interview and panel discussion format was used to allow the other Executive Board members and I to discuss each of the key transformation areas within the strategy. Most importantly, we took time for volunteering activities in order to give back to the communities where DLL operates and ensure that our workforce started 2023 feeling proud for pursuing a greater purpose.

These events were our first large group gatherings since 2020, and I must admit that the ability to reconnect with one another was energizing, informative, and inspiring! I could not imagine a better way to start the new year, and ensure that our entire team is pointing in the same direction, and focused on our refreshed strategic priorities and goals. As we enter 2023, I look at the external environment with cautious optimism, and exercise vigilance about the many uncertainties that lie ahead. But when I look at DLL, I am confident that we have the right plan, and most importantly the right people, to continue our journey of sustainable growth.

My best wishes to all of our customers and members for a healthy and sustainable 2023,

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

Who we are

DLL is a global asset finance company for equipment and technology assets and operates in more than 25 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 industries:

- 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 users 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 industries 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 regard 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 had a portfolio of EUR 11 billion at year-end and was active in more than 21 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 defined the following 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)

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.

Food & Agriculture

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 wellbeing by increasing availability and access to medical devices and services that improve medical outcomes and care for the world's population.

Our Purpose and ambition

"Partnering for a better world" is our purpose and it starts with creating amazing customer experiences that enable businesses to easily access equipment and technology. We then deliver insights and advice that drive smarter methods of use. Our ambition is to be the market leader in enabling sustainable business growth through point-of-sale financial solutions.

Our ambition
is to be the market leader in enabling sustainable business growth through point-of-sale financial solutions.

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

Marc Dierckx was the Chief Financial Officer and a member of the Executive Board from January 2017 until his resignation on August 31, 2022. Since Dierckx's departure, Carlo van Kemenade has served as the acting CFO alongside his responsibilities as DLL's CEO. A search for a successor commenced in 2022 and the new CFO will be announced once the requisite approvals are secured from the regulatory authorities.

Tom Meredith, Chief Commercial Officer and a member of the Executive Board of DLL, retired on December 31. On February 27, 2023, Neal Garnett was announced as successor to Tom Meredith.

Carlo van Kemenade
Chief Executive Officer (CEO) and Chairman of the Executive Board

Carlo van Kemenade was appointed CEO 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 25 countries around the world.

In addition to his role as Chairman of the Executive Board, Van Kemenade has the following portfolio of responsibilities:
- Strategy
- Communications
- Corporate affairs
- Internal audit
- Sustainability
- Innovation
- Compliance
- Finance – ad interim

Yke Hoefsmit
Chief Risk Officer (CRO)

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

Hoefsmit has the following portfolio of responsibilities:
- Collections & Recovery
- Integrated risk management
- Risk analytics
- Legal
- Supervisory Relations/Regulatory Adherence

Neal Garnett

Chief Commercial Officer (CCO)

Neal Garnett was appointed Chief Commercial Officer and a member of the Executive Board on February 27, 2023. He is responsible for the company's commercial strategy and global business activities in our nine industries.

Garnett has the following portfolio of responsibilities within DLL:
- Management of DLL's GBUs
- Global marketing
- Commercial strategic initiatives
- Digital transformation
- Asset management

Mike Janse

Chief Operating Officer (COO)

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

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

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

Iman Eddini

Chief Human Resources Officer (CHRO)

DLL decided to expand the Executive Board to include Human Resources in 2022, noting the significant and enabling role that people and organizational development will play in the execution of corporate strategy. Iman Eddini was appointed Chief Human Resources Officer and member of the Executive Board in September. She is responsible for the company's global HR organization.

Eddini has the following portfolio of responsibilities:
- Compensation & Benefits
- Talent management & acquisition
- Workforce transformation
- HR operations

Our values

Collaboration, respect, passion, and development are very closely related to our purpose and describe how we do things.

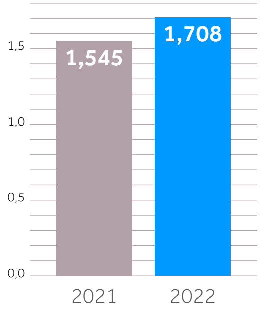
Facts & figures **2022**

Key figures		
In millions of euros	**2022**	**2021**
Financial position and solvency on December 31		
Total assets	43,317	41,588
Total equity	4,376	4,054
Non-controlling interest	528	498
Common Equity Tier 1 Capital (CET1)	3,494	2,990
Risk-weighted assets	27,887	20,101
CET1 ratio	12.5%	14.9%
Profit and loss account		
Total net income	1,708	1,545
Total operating expenses	(959)	(843)
Credit (losses)/gains and other impairments	(262)	83
Profit before tax	487	785
Profit for the year	343	586
Portfolio (in billions of euros)		
Total portfolio	40.6	37.4
Employee data		
Number of full-time equivalents (FTEs) average	5,612	5,375

Total **net income**

in millions of euros

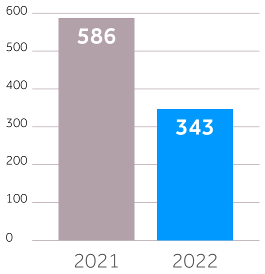
+10.6%



Net **profit**

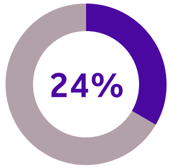
in millions of euros

-41.5%

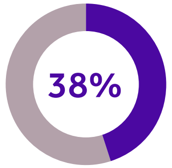


Diversity & inclusion

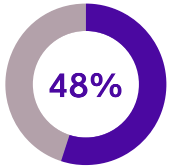
percentage of women



Women in senior management



Women in middle management

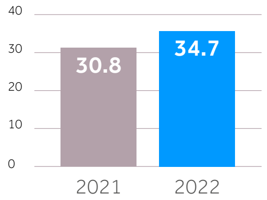


Women total employed

New **business volume***

in billions of euros

+12.8%



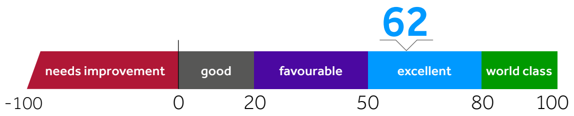
*excluding currency impact

The **Great Place To Work**®

certification to DLL offices in **16 countries**

Net **promoter** Score*

NPS® recommendations

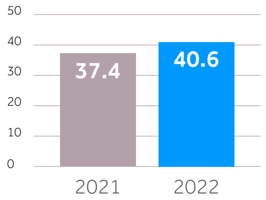


* Net Promoter, Net Promoter System, Net Promoter Score, NPS and the NPS-related emoticons are registered trademarks of Bain & Company, Inc., Fred Reichheld and Satmetrix Systems, Inc.

Portfolio on balance

in billions of euros

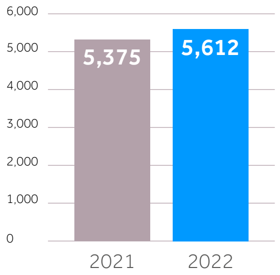
+8.5%



Full-time **equivalents**

average number

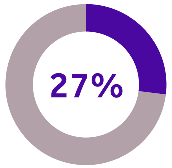
+4.4%



Volunteering

percentage of involved employees

1,430 unique members



Unique member participation rate

Donating to charitable causes a total of EUR **1.27** million

What we do

Vendor finance has been DLL's core business for more than five decades and is 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 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 sale 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 customers, but also their name and brand. DLL offers private-label 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 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 captive finance), 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.

Other variations are "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 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 of 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

Many benefits are available to our vendor partners and their 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 customers 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 customers of the vendor partner

- **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 customers are not impacted.

DLL's priority has always been 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 innovative approach around usage-based consumption products (sometimes referred to as pay-per-use or PPU) 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 customers. Vendor finance serves the following distribution channels:

- **Direct distribution**: The manufacturer sells directly through its own sales force to end users.
- **Indirect distribution**: The manufacturer accesses a network of authorized dealers and distributors to sell its products to 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 customers.

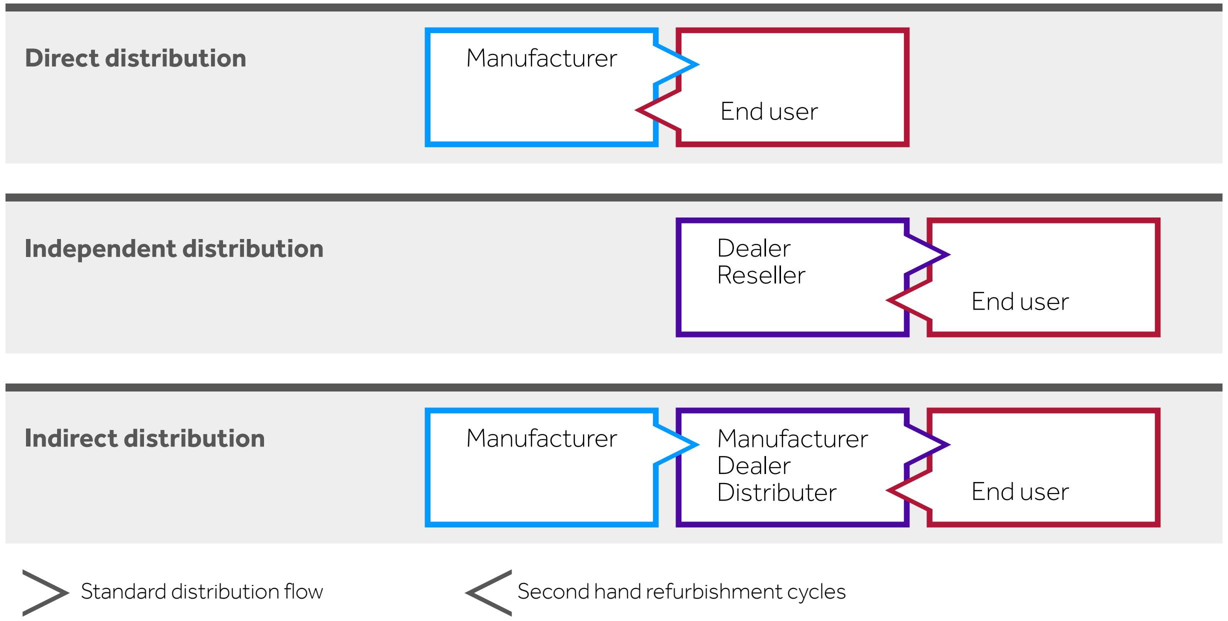
Whatever approach our vendor partners choose, DLL can support a variety of different distribution models aimed at making our vendor partners more competitive and effective in their markets.

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 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 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 them with reports, tools and data 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, 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 lifecycle: 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** comprising a suite of asset-based financing solutions that support both manufacturers and their distribution partners. Our commercial finance (CF) 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** spanning 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 customers. In turn, these products allow 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 customer preferences. Retail finance represents the majority of DLL's portfolio.

- **Used equipment finance** through which 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 customers. They also address growing demand 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, by providing 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.

To improve our premium value proposition, we aim to provide speed, ease, and convenience at the point of sale, exceed the end-to-end needs of our partners, offer an amazing customer experience, and be a transition partner for a better world, offering sustainability expertise and solutions to enable our partners in their sustainability transitions.

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 tools 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 receive in our annual Global Partner Loyalty Surveys. In 2022, we surveyed 45,000 partners (dealers and vendors), with each survey completion equaling a donation to One Tree Planted, a not-for-profit that supports reforestation. We achieved an exceptionally strong +62 composite global Net Promoter Score (NPS®)[1], which reflects our activities in vendor finance, commercial (inventory) finance, and our joint venture with AGCO, even better than in 2021, when it was +55. (The 2021 score is restated due to a change in methodology.) It was the fourth consecutive year that DLL maintained or improved 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.

Our industry specialization

We are very proud of the in-depth knowledge we have acquired in each of our equipment markets. This knowledge is 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 is it 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. Whether our vendor partners manufacture and sell 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 and 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

[1] 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.

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 high 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 high 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 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 a customer and their business afloat. We believe this layered and nuanced approach allows us to delve more deeply into the market at times 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 our Risk team's extensive experience and deep knowledge, DLL has been able to continue improving the experience of our vendor partners and their customers.

Our global capabilities and footprint

DLL is recognized by our vendors as a vendor finance company able to deliver consistent service and experience in over 25 countries thanks to our global footprint and experienced local teams.

We support our core vendor partners in both their mature markets and emerging growth markets. Thanks to our ability to deliver global solutions, we have successfully established new partnerships with leading manufacturers, expanded into new markets, and shielded existing partnerships from competitive overtures. Going forward, we continue to evaluate the medium-term 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.

Our performance over the last decade is largely due to a healthy spread of business activity across several regions, countries, and industrial sectors, which provides an additional layer of resilience to our business model.

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 customers. This is the message that we hear in the surveys and focus groups that we periodically conduct with our vendor partners and their 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 their customers. A strong entrepreneurial spirit and focus on innovation allow us to create solutions to help our vendor partners win in changing market conditions, complement this approach. Therefore, we continue to make investments toward 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 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

Transformations and transitions: A strategy for sustainable and profitable growth

DLL developed a refreshed growth strategy with three objectives: To remain the undisputed global leader in vendor finance, be a purposeful and inclusive place to work, and the transition partner for a better world. It identifies five areas for transformation and focuses on four sustainable transitions. CEO **Carlo van Kemenade** and Head of Global Sustainability **Marije Rhebergen** explain the thinking behind this strategic evolution.

Carlo van Kemenade
CEO and Chairman of the Executive Board

Marije Rhebergen
Head of Global Sustainability

The five areas DLL has identified for transformation are: Simplifying the organization, empowering members and strengthening the unique culture, driving sustainable and profitable growth, improving speed, ease and convenience at the point of sale, and driving the right balance between risk, reward and sustainability.

“It's a very ambitious strategy,” says Carlo van Kemenade. “It impacts all areas of our business, from the commercial strategy and the customer experience, to HR, to digitalization to the risk-reward-sustainability balance.”

The five transformation plans will run in parallel to DLL's current successful businesses around the world within the industries it now serves. “We will safeguard our solid foundation, which will not be compromised by any of the planned changes in the transformation plans,” adds Carlo.

Becoming the transition partner for a better world

In 2022, DLL became one of Rabobank's three strategic pillars. “DLL's growth and sustainability targets are ambitious but realistic and in line with the commitment made to the shareholder," according to Carlo. However, success in achieving sustainable and profitable growth will depend, among other things, on the speed that vendor partners in different industries deem realistic for their own transitions.

The commercial strategy will take two different approaches. First, switching from "gray to green" to reduce the carbon intensity of the assets that DLL currently finances. Second, a focus on green opportunities for growth in three transition areas: The circular economy, climate and energy, and food and agriculture.

In its annual sustainability assessments, DLL makes an inventory of where vendor partners are on their Road to Paris, and analyzes how it can add value and support them moving forward. A logical starting point is the sectors with the highest emissions from what DLL calls "hard assets": The Construction, Transportation & Industries (CT&I), and Food and Agriculture businesses.

“The good news is that many vendor partners are already on a path relative to the Road to Paris,” says Carlo. “Every industry is developing targets and strategies for GHG emission reductions, ideally based on science-backed pathways and benchmarks. We are conducting this exercise as a necessary precondition to setting realistic emissions reduction targets."

> “DLLs' growth and sustainability targets are **ambitious but realistic** and in line with the commitment made to the shareholder.”

"It's about having **your voice heard and being able to offer an opinion** and decide equally with the rest."

Requests from vendor partners for support on their transitions to net-zero and circular business models is one factor driving the intensified priority for sustainability in DLL's strategy, according to Marije Rhebergen. "These requests are informed by two drivers that affect all major companies: The urgency of the environmental and social challenges the world is facing, and the related regulatory pressures to disclose data on ESG metrics. Sustainability and purpose are also increasingly important to DLL to engage current members and attract new ones. And to align with the mission and strategy of our shareholder, Rabobank."

DLL's ongoing digital transformation can also help partners to make their own transitions, says Carlo. "Digitization is a strategic building block to improve speed, ease, and convenience at the point of sale. By ensuring that our product and service delivery is very fast, we can facilitate new assets coming in and old assets going off-lease. Making it more attractive for end users to shift to a greener product, for instance."

Evolution not revolution

As Marije points out, DLL has been promoting circular business models to its vendor partners for many years through life cycle asset management solutions such as refurbishment, remanufacturing, end-of-life solutions, and pay-per-use models.

DLL has also built a track record in financing renewable energy assets and is developing expertise in electrification, particularly for e-mobility solutions. "So we're hitting the ground running in those areas. In that sense, the refreshed strategy is more an evolution than a revolution. But as we intensify our focus on transitions in energy, and food and agriculture, we'll need to take time to consider multiple factors."

These factors include the risk appetite for emerging technologies such as hydrogen energy. And the dilemmas posed by running tractors on biofuels rather than diesel. While the latter may reduce the carbon footprint on-farm, it poses wider issues around unintended negative impacts of potential land conversion: Growing crops for fuel could have implications for land use (deforestation) and food security. "To find the sweet spot of sustainable and profitable F&A growth, we'll need to take a deeper dive into the related issues in collaboration with Rabobank."

Managing the speed of change

The success of the strategy depends not only on describing *what* you want to achieve, but making detailed plans on *how* to achieve it within the absorption capacity of the organization. Carlo: "We're taking a highly focused and tiered approach to manage the speed of change in the five transformation areas. External market experts are supporting us in creating detailed roadmaps and a holistic approach to prioritization. It's vital to have a clear view of the interrelationships between the commercial, digital, people, and risk and regulatory strategies moving forward."

To ensure transparency, all DLL members will have access to the dashboards that track progress on strategy realization. "We want to recognize success, but also ensure understanding of the many interdependencies, with clear accountability if some areas lag behind schedule."

"It's vital to have a **clear view of the interrelationships** between the commercial, digital, people, and risk and regulatory strategies moving forward."

"We bring not only financial returns, but **interesting solutions to the table**."

A purposeful organization based on DE&I

One of the changes that Carlo made after becoming CEO in February was to appoint a Chief HR Officer, the first time that HR has been represented on DLL's Executive Board. The new People strategy will also support the goal to be a purposeful organization through, among other things, a focus on Diversity, Equity, and Inclusion (DE&I). "The 'D' and the 'I' were already part of our policies," he says. "By adding 'equity' we're not just showing that we invest in our people, but also that everyone has an equal part to play and should feel safe to do so."

Marije adds, "For me, equity is not just about being invited to sit at the table no matter what your background. It's about having your voice heard and being able to offer an opinion and decide equally with the rest."

The members certainly made their voices heard when the Executive Board members introduced themselves and their strategy, in person, in all DLL regions. From Santiago to Rio to Acapulco to Brussels to Grenada to Copenhagen to Orlando to Toronto to Sydney, all 5,500 DLL members were invited to attend the 2023 kickoff meetings in January and February. And they greeted the Executive Board with standing ovations.

"It was a very deliberate decision to take the message out to the members in person," says Carlo. "Of course, we considered the carbon footprint of this approach. But the fact that we went out to tell the story – and to hear the responses – about a strategy that chimes so closely with the personal purpose of many members has helped us to reconnect, inspire and energize our members and leaders."

Quietly confident

The refreshed strategic objectives are part of a long-term plan through to 2027. A top priority in 2023 will be to simplify the organization. During interviews conducted with 70 DLL leaders, they all highlighted a desire for less complexity. Carlo is quietly confident that this objective will be achieved by early next year and that many other initiatives on the strategic roadmap will be in line with expectations. He also believes that members will become even more inspired, and energized. "The People strategy will support our corporate objectives. For instance, it will define new leadership profiles and the capabilities that members need to drive the transformations and transitions ahead. I expect a new generation of leaders to emerge."

Both Carlo and Marije believe that DLL also has a unique proposition to offer Rabobank clients who, for instance, are looking to transition to more circular business models. Carlo: "We bring not only financial returns, but interesting solutions to the table. We are also the Center of Excellence for leasing and related asset finance products for Rabobank."

Marije is proud that sustainability is now fully integrated into the corporate strategy. "I believe that by analyzing the pathways, setting targets, and putting the right commercial strategies in place in the course of this year, we will be able to show tangible green business results that are profitable, and tie into our social and inclusive agenda."

"**Sustainability and purpose are increasingly important** to DLL to engage current members and attract new ones."

Partnering for a **better world**

While we faced a continuing period of uncertainty in 2022, due to geopolitical challenges, supply chain issues and product shortages, high inflation, rising interest rates, impending recessions, and a scarce labor market, DLL stood by its partnership promises. We worked closely with our partners and customers during these challenging times. Our DLL purpose and theme, "Partnering for a better world," remained strong in 2022.

DLL's refreshed strategy, which we developed over the second half of the year and rolled out internally at the beginning of 2023, outlines our strategic priorities and ambitions and has five transformation areas that are built on a strong foundation. This foundation includes the following elements and competencies:
- People and culture
- Partnership mentality
- International reach
- Industry specialization
- Assets and risk knowledge
- A stable, secure, and compliant bank

The five transformation areas that represent our key strategic objectives and priorities are:
1. Simplifying our organization
2. Empowering members and strengthening our culture
3. Driving sustainable profitable growth
4. Driving our risk-reward-sustainability balance
5. Improving speed, ease, and convenience at the point of sale

A stable, secure, and compliant bank

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. Despite facing many new geopolitical and economic challenges, we were able to support our customers and invest in strengthening our foundation for future growth.

To that end, many projects focused on working toward enhanced solid internal controls and regulatory compliance. Our Compliance, Legal, and Risk (CLR) Management Team aligned on policies and procedures, regulatory adherence, the risk control framework and joint advice toward the business.

As in 2021, we put a lot of effort 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 through periodic assessments.

Our Compliance function continued to provide training, policies and standards focused on privacy, data protection, financial & economic crime (including customer due diligence, anti-money laundering, counter-terrorist financing and sanctions), conduct and ethics. In order to support an excellent customer experience, execute efficiently, and keep bad actors out and our customers safe, the commercial and operational domains put extra effort into improving our performance in risk assessments, and ensuring sustained compliance with regulations.

In February, we sent out our annual global Compliance Culture Survey to all DLL members to understand how they experience the aspects of our culture designed to encourage ethical behavior that complies with the rules and regulations we have in place. The total response rate was 63% and the average overall perception of DLL's compliance culture was 85%. Despite room for improvement in specific areas, most aspects covered in the survey were perceived positively compared to the industry benchmark. As a result of the survey, we paid increased attention to SpeakUp, DLL's trusted network portal that provides our members with different options and channels to report concerns in a safe and anonymous way without fear of retaliation.

DLL delivered results reflecting portfolio and income growth, although impairments attributable to the company's holdings in Russia heavily diluted net profits. We achieved resilient top-line performance in the midst of challenging market conditions, including supply chain disruptions and product shortages which impacted equipment availability and delayed the activation of lease and finance contracts.

Since starting our securitization program in 2017, we have seen continued growth of our investor base. DLL's securitization transactions will continue to be a part of DLL's long-term growth strategy to diversify our funding base. DLL closed its tenth U.S. securitization transaction at USD 837 million. Despite volatile market conditions, we saw that both new and existing investors put their trust and confidence in our small-ticket securitization platform.

Partnership mentality

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

DLL won the Vendor Finance Provider Award at the belated 2021 European Leasing Life award ceremony in March. We were recognized as an asset finance lessor that works in conjunction with manufacturers to provide tailored asset finance at the point of sale, the essence of our success being our ability to build strong and successful partnerships that add clear value to both sides. The provision of funding as well as creating a strong service and partnership business culture that withstands the ebbs and flows of the external environment. The jury cited DLL as "a clear global leader, with a uniquely dedicated focus on the sector, showing not just current capability but a clear eye to future sector needs, and continuously enhancing its value proposition with services such as asset management, stock financing and many others."

In November, DLL won the award again, for the fourth time in five years. This time the jury reported that, "We gave weight to the partner testimonials reported by the applicants: A particular focus on asset management, supporting circular innovations with tailored financing proposals, including a full service offering for new machines but also for totally rebuilt machines, and stock financing. DLL has demonstrated Vendor Financing DNA to be part of its make up since its creation over 50 years ago."

DLL won two other Leasing Life awards, one for the Best ESG/Sustainability Initiative (Environmental Aspects), recognizing an exemplary ESG/sustainability partnership (see also in the Sustainability chapter). We also won the Digital Innovation Award recognizing DLL's efforts ahead of the market with our first online scoring system some 25 years ago, as well as being an e-commerce platform pioneer.

Most of today's consumers expect easy, convenient, and personalized digital shopping experiences. DLL has seen the same expectation grow within the asset finance industry: Our partners and customers want a user-friendly digital experience. As part of our ambition to make financing a driver for our customers' selling process, increasing conversion and enhancing their end users' experience, we continuously learn from customer feedback and modify our offerings to maintain an exceptional client experience.

In 2022, DLL invested heavily in its technology platform to provide embedded finance solutions through an API-first strategy. Together with our pilot partners, DLL soft-launched a software solution enabling businesses to transact finance agreements couples with equipment acquisitions through our partners' e-commerce platforms via a self-service user journey. Thanks to the streamlined communication and documentation, this user-friendly solution also benefits to our partners. We continue to improve the software with real-time feedback from our pilot partners and look forward to offering it on a wider scale going forward.

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. We continued to optimize the use of our Customer Relationship Management (CRM) system in key markets. CRM data will enable us to enhance sales effectiveness and targeted marketing efforts with our partners, which will ultimately lead to sales growth, and increased customer retention and sales-force effectiveness.

People and culture

In order to be recognized as a Great Place To Work®, DLL strives to build a purposeful and inclusive workplace, focused on partnering toward a better world and enabling our members to unleash their full potential. The engagement, development, and wellbeing of our global workforce is paramount.

After the pandemic, we continued to enable more flexible work schedules and to enhance our Choose Wellbeing platform to support, educate, and empower members to embrace their overall wellbeing with resources and programs focused on four areas: Health, Connections, Lifestyle and Finances.

We also continued our special Member Allowance program, designed to alleviate some of the additional costs associated with 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 upgrade their home office environment.

DLL's investment strategy includes dedicating funds to empower our members to help us create a culture of innovation that encourages creative thinking. To DLL, innovation means proactively anticipating and solving customer needs, which is why our innovation program is designed around customers, with an outside-in approach where our members meet customers and partners to bring in new ideas and diverse ways of thinking. In March, Monitor, a leading independent trade publication in the equipment finance and leasing industry, recognized DLL as one of the most innovative companies in equipment finance. The Monitor featured DLL for the second year in a row, this time in the Culture category.

Giving back to our local communities is a vital part of DLL's culture. We held Global Volunteer Month in October and DLL teams around the world came together for meaningful local activities to support the communities around us. Collectively we:
- Organized 77 local volunteering initiatives with a total of 952 unique DLL members volunteering.
- Selected 78 local charities and projects that received a DLL donation, based on member proposals. An independent third party carried out due diligence to determine the good causes that received donations totaling EUR 500,000.

Equipped with extensive data from the 2021 Member Engagement Survey, we initiated multiple member engagement focus groups at the start of 2022 to deep dive into four key topics identified as improvement areas. Each focus group developed ideas that were shared with senior leaders during a conference in June, and that ultimately turned into concrete actions toward improvement.

In November, 86% of employees filled out our Member Engagement Survey. We achieved an overall Member Engagement Score of 81%. We shifted to a new methodology this year, whereby the score was based on responses to three statements:
1. DLL motivates me to contribute more than is normally required to complete my work
2. I would recommend DLL to people I know as a great place to work
3. My work gives me a feeling of personal accomplishment

Our strong performance places DLL on a par with other high-performing organizations. We were also proud that DLL offices in 16 countries earned Great Place To Work® certification.

We continue to drive diversity and inclusion. Members are encouraged to become an "Ally for Inclusion" and to be trained in these concepts in order to learn more about topics such as unconscious bias, the power of diverse teams, and our commitment to a harassment-free work environment.

A highlight was the announcement of the expansion of the DLL Executive Board, and the appointment of Iman Eddini as Chief Human Resources Officer and member of the Executive Board. The elevation of this leadership role reflects the importance of Human Resources and the vital role that it plays in realizing our company's strategic ambitions.

Diversity, equity, and inclusion

DLL's commitment to diversity, equity, and inclusion (DE&I) continues to be a high strategic priority.

In the newly refreshed DLL Strategy 2023-2027, being a purposeful and inclusive place to work is stated as one of our three strategic goals for the Bank.

Gender distribution at DLL

DLL currently has more than 5,417 members (excluding contractors), of whom 48% are female. This represents a slight increase from 2021. It is important to note that in many countries we are limited in the demographic information we can collect about individuals, such as ethnicity, age, or national origin). Despite the focus and tremendous effort, we made just 2% progress in 2022, versus our short-term goal of 5%.

The current gender distribution shows that women tend to be more prevalent in lower grades. These roles are mainly supporting staff roles and tend not to be roles with net profit accountability. We have relatively low female representation in our middle management roles, and even less in senior management roles. At the end of 2022, females in middle management made up 38% (2021: 38%) and females in senior management made up 24% (2021: 23%).

In line with the DLL strategy, gender distribution targets will be incorporated to ensure continued progress in this area toward 2027.

DE&I key focus areas

The Executive Inclusion Council is committed to our DE&I key focus areas (next table), which will help realize our strategic ambition to become a purposeful and inclusive organization.

DE&I focus areas	
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 training programs 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, volunteering, and corporate social responsibility initiatives.

Initiatives in 2022

In 2022, CEO Carlo van Kemenade signed the CEO DE&I Action Pledge on behalf of DLL, committing to enacting real, meaningful, and sustainable change within the organization.

Across the organization, the DE&I Ambassadors Group remained active during 2022, with activities which included: Local commemorations like Women's History Month, Black History Month, Day of Understanding, Veterans Day, Pride Month, Hispanic Heritage, AAPI, disability awareness, Ramadan, Lunar new year, Diwali, International Men's day, Rosh Hashanah, Yom Kippur, etc.

Next to this, we have drafted a new DE&I Policy to comply with new legislation, and it will be reviewed and implemented in 2023.

Our Executive Board is reviewing metrics and addressing barriers that hinder our progress. DLL, with sponsorship of the Executive Board, partnered with an external thought leader in the DE&I space who conducted a survey to collect feedback from members across the organization, then hosted sounding boards with members around DE&I and created a framework of recommendations and external best practices going forward.

At Management Team level, we continued to drive awareness and onboarding for our Allies for Inclusion Certification program. To date, 3,118 (2021: 2,706) members of our global workforce are now certified, which represents roughly 58% (2021: 50%) of our global member population and includes 80% (2021: 81%) of DLL People Managers.

Executive and Supervisory Boards

Our Executive Board consists of two female and three male members (and one vacancy), representing two 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.

Interview

Building a purposeful organization with positive impact

The vision of DLL's People strategy is to be a purposeful and inclusive place to work, focused on partnering toward a better world and enabling members to unleash their potential. Two recent recruits to DLL, **Iman Eddini**, CHRO, Group HR, and **Nidhi Navadia**, Social Impact Consultant, Group Sustainability, bring fresh perspectives on purpose, inclusion, and social impact, and a deeply rooted drive to foster a culture in which all members can be their authentic selves at work.

Iman Eddini
Chief Human Resources Officer (CHRO)

Nidhi Navadia
Social Impact Consultant
Group Sustainability

Iman was appointed as Chief HR Officer, Group HR, in September 2022. It was an exceptional appointment in more ways than one: "Not only was it was the first time that the HR function was elevated to a seat on the DLL Executive Board, it was the first time that DLL appointed a woman from a migration background at this level. Iman was born and brought up in the Netherlands after her family emigrated from Morocco. She moved to DLL from a senior HR position at Rabobank, having been handpicked for the job by Carlo van Kemenade."

Nidhi joined the Group Sustainability team in the Netherlands in November, bringing sound experience in the social and community impact field from her native India. She felt part of the DLL family right from the start, through intensive contact with her recruiter prior to the move, and a carefully planned onboarding schedule to meet different stakeholders.

A feeling of belonging

"For me it's a complete change of ecosystem. Everything is totally different, from what I used to wear, the food I eat, the environment and the language. But the warmth of the people has made me feel comfortable. I feel that I belong here already," says Nidhi. "Since my role is all about managing global projects, in my first two weeks I was introduced to over 30 community involvement coordinators who help run our volunteering and charitable contribution initiatives around the world. It never felt like a struggle to introduce myself or try to fit in. I was clearly accepted and welcomed."

Nidhi and Iman agree that the feeling of being accepted and welcomed for who you are is fundamental to being your authentic self, both in your personal and your professional life. Through their own experiences of social exclusion and prejudice growing up, they are both passionate about fostering diversity, equity, and inclusion in the workplace.

For Iman, that's about creating safe workplaces in which every single member can bring their own identity to work and be the authentic version of themselves. "As the person responsible for the People part, I want *no one* in our organization to *ever* feel that they're not invited to the party or left in the cold. Not just because of color or gender identification, but in the broadest sense of diversity: Whether it's your age, the way you think, or whether you're extrovert or introvert, everyone needs to feel confident and safe enough to be themselves. And not have the idea that they need to leave part of their identity at home or outside the meeting room."

Member engagement in social initiatives

"Promoting diversity and championing inclusion are important aspects in our community projects too," says

> "I want **no one in our organization to ever feel** that they're not invited to the party or left in the cold."

"At DLL we truly believe that **community involvement work enriches the culture** of an organization."

Nidhi. "So many people around the world are under-represented, underserved, or underprivileged and feel excluded every day of their lives. At DLL we truly believe that community involvement work enriches the culture of an organization, which is why we weave it into our member journey."

When a new hire joins DLL, they are given an opportunity to volunteer with their colleagues in teams to assist a local charity. This ensures that they kick off their DLL journey on a positive note by experiencing the important aspects of caring and contributing towards a greater purpose.

Leaders at DLL encourage their teams to participate in volunteering activities throughout the year for causes which are close to their hearts. The community development activities help to build empathy among members and a sense of accomplishing larger goals through team engagement.

Through "Advisors for a Better World", a program run with Rabo Partnerships, members enable financial inclusion in emerging markets such as Latin America, Asia, and Africa. Members work for a period of two to three weeks together with subject matter experts to come up with models which help local communities gain better access to credit and finance. "We can create a far more significant impact togehter than alone," explains Nidhi.

Another unique social initiative where DLL members are actively involved in community building is the annual Global Volunteer Month in which members have the opportunity to nominate charities they would like DLL to support. Each year, a selection committee decides the theme for the month and DLL supports nominated charities across the globe to make a significant and targeted impact. "In this way members feel that their opinions are heard and are valued," says Nidhi. "Everybody knows what's going on in a transparent way, rather than just one leader making a decision. This process creates what the Dutch refer to as 'draagvlak', meaning acceptance and support."

"What matters most in the ultimate decision is whether the projects really add to social inclusion," adds Iman who was a member of the selection committee in 2022.

Purpose as an intrinsic motivation

To support the refreshed corporate strategy, HR has developed a new People strategy. It is a vision for 2027, which sets out clear and realistic priorities for deliverables. "In 2023, the focus is going to be on the 'Simplify the Organization' transformation area. One of the benefits will be to place decision-making mandates and autonomy lower in the organization. One of our priorities will be to facilitate leaders and members to exercise that autonomy, to train that muscle."

As in any transformation, some people may find that their position is affected. DLL's objective to drive sustainable and profitable growth in future means that current members will need to learn new skills and adapt their thinking. HR will support our members in upskilling and reskilling and will also look at the capabilities DLL needs to recruit to drive sustainable growth moving forward.

"We can create a far **more significant impact togehter** than alone."

"I'm really proud that all job descriptions specifically mention that DLL provides **two days off for volunteering** every year."

Nidhi says: "During my own interview process, I noticed that the recruiters emphasized the importance of sustainability in terms of environmental and social impact. And I'm really proud that all job descriptions specifically mention that DLL provides two days off for volunteering every year."

Many studies show that younger people are looking for an employer that really contributes to a bigger and meaningful purpose, but Iman believes that everyone cares about the planet and what we will leave to future generations. "Becoming a more purposeful organization will definitely play a distinguishing role in attracting a diverse range of talent, people who are intrinsically motivated to contribute to our purpose."

A meaningful member experience

HR is working with the Global Sustainability team to adapt DLL's Social Impact strategy. "We intend to narrow down our thematic areas to better align with strategic objectives and achieve more positive impact," says Nidhi. The three themes will be Environmental Stewardship, Opportunity for All, and Health and Wellbeing.

Wellbeing is recognized as key to ensuring a meaningful member experience where everyone can be themselves. Iman: "It's about giving members the space to effectively balance their work and life commitments, and to focus on the moments that matter to them most during different phases of their life." For instance, hybrid working offers members the opportunity to accomplish activities at a time that suits them. "During the pandemic we proved that remote working led to higher productivity and higher engagement. Leaders learned to steer on output rather than presence. Trusting people adds not just to engagement and commitment, but also to overall happiness in the workplace."

Hybrid working is now the norm at DLL, although the CHRO prefers the term "activity-based working". "When you're doing work that really requires reflection, thinking, and reading, you can do that remotely from home or from anywhere. But there are other activities where you need to come together to feel the creativity and energy in the room, or experience a sense of belonging and bonding."

Strengthen the culture

Realigning DLL's culture to new post-pandemic realities and to the refreshed corporate strategy is another priority for 2023. "DLL has a unique culture characterized by entrepreneurial spirit and getting things done together. Working together with open and constructive feedback to do the best for our partners. However, coming from outside the organization I discovered that there is no single definition of that culture. As we increasingly empower our members to take more responsibility and accountability, it's time to strengthen DLL's culture. To establish a shared understanding of our values and the associated behaviors as the company evolves."

"It's about **giving members the space** to effectively balance their work and life commitments."

Financial performance & **strategic outlook**

2022 was a tumultuous year for DLL. The Russian invasion of Ukraine triggered a steep increase in oil and gas prices, which in turn caused global inflation to rise to sometimes double-digit percentages. Central Banks throughout the world responded by increasing interest rates. Besides the financial impact, the war also affected global supply chains which caused scarcity of certain assets and commodities impacting DLL in various areas. Despite these difficult circumstances, DLL recorded a net result of EUR 343 million.

Developments in 2022

During 2022, the lease and loan portfolio increased by 8.5% or EUR 3.2 billion to EUR 40.6 billion, mainly driven by an autonomous portfolio growth of 6.4%, while favorable FX movements also added to the increase in value.

As a result of the Russian invasion of Ukraine, DLL decided in March to permanently cease all new business activities in Russia and shift its focus to the rundown of the local business. In May, it became apparent that the war would continue for a longer period and as such the sanctions, and financial and political challenges would continue. We immediately began to develop an exit strategy, including the management buyout of DLL Russia and AGCO Finance Russia. The sale of Cargobull Finance Russia was completed in the first quarter of 2023. Ultimately, these transactions resulted in a loss of over EUR 200 million, which was fully recognized in 2022.

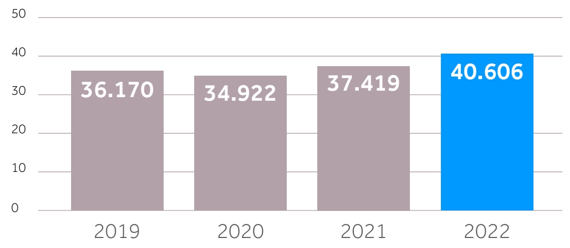
In 2021, DLL announced it would cease all new business activities in India and run down the portfolio. We sold the remaining portfolio in 2022 without additional impact on profit or loss. The run down of the Chinese operations was almost completed. The last contracts with customers matured this year, and in 2023 DLL will focus on the formal liquidation of the Chinese entities. The results from the rundown of the Chinese portfolio exceeded initial expectations. Finally, in 2022 DLL decided to permanently cease all new business activities in Turkey and to rundown the local business.

Balance sheet

During 2022, the lease and loan portfolio increased by 8.5% or EUR 3.2 billion to EUR 40.6 billion, mainly driven by an autonomous portfolio growth of 6.4%, while favorable FX movements also added to the increase in value.

Portfolio on balance

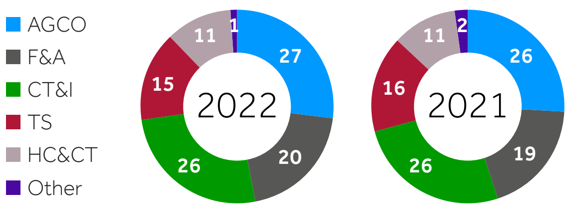
in billions of euros



Compared to 2021, all GBUs grew their portfolio on balance, with largest absolute growth realized in the AGCO and CT&I units. In absolute amounts, the AGCO and F&A portfolios achieved the highest growth, both with a growth exceeding EUR 1 billion. It should be noted that disturbances in global supply chains led to a shortage of new assets. As a consequence, DLL's Commercial Finance portfolio realized a growth of 49.8% compared to 2021.

Portfolio on balance

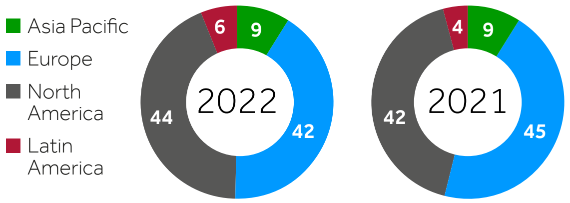
***per GBU** expressed in percentage*



Compared to 2021, all regions except Asia grew their overall portfolio, with the largest (relative) growth realized in Europe and North America. Our Asian portfolio decreased primarily because of the rundown and sale of the China and India portfolios. In absolute amounts, the North America and Latin America portfolios achieved the highest growth.

Portfolio on balance

***per region** expressed in percentage*

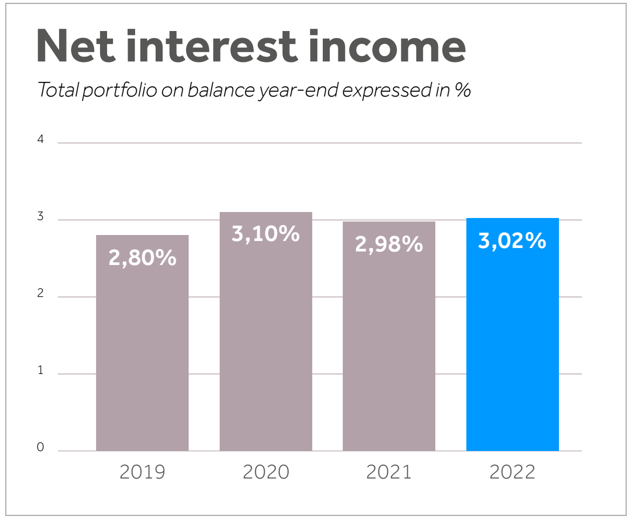


On May 4, DLL closed a U.S. securitization transaction issuing notes totaling USD 837 million. The notes are backed by loans and leases secured with office equipment and technology solutions. During the year, DLL realigned its balances due and from Rabobank, its shareholder and primary financier. As a result, the loans to and receivables from Rabobank decreased significantly decreased significantly. Furthermore, as part of the sale of our Russian subsidiaries, all RUB funding and related derivatives were terminated early.

As no dividend was paid this year, equity increased to EUR 4,376 million, driven by the net result of EUR 343 million and other comprehensive income of EUR 35 million. The regulatory capital requirements amounted to EUR 3,494 million, meaning that DLL remains sufficiently capitalized, with a CET1 ratio of 12.53%.

Income statement

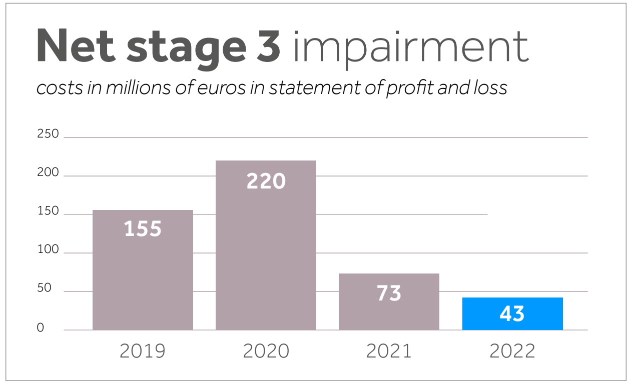
Although net interest income increased during the year, the margin as expressed in basis points of the portfolio decreased. Conditions remain challenging and the lack of liquidity in the market as well as rapidly changing market rates are also expected to impact our 2023 net interest income.



Non-interest income came in significantly higher than in previous years, driven mainly by end-of-lease income. This was closely related to the shortage of new assets, which caused leases to be extended and prices for second hand assets to rise.

Operating expenses increased, largely due to rising employee costs. Furthermore, a number of large projects triggered an increase in costs for external advisors, as well as investments in software resulting in higher depreciation charges.

With the exception of the impairment losses on our Russian portfolio, risks costs were exceptionally low in 2022 as the world moved further away from the COVID-19 lockdowns. The war in Ukraine did lead to a less positive outlook, with macroeconomic scenarios deteriorating during the year. However, this did not trigger higher credit impairments. Overall, the stage 1 and 2 risk costs increased due to the 2021 releases as well as the EUR 209 million impairment of the Russian portfolio. Stage 3 risks costs (costs related to actual customer defaults) were very low, as delinquencies remained low and recoveries good.



Outlook

Due to the ongoing war in Ukraine and the continued impact on oil and gas prices, the macroeconomic outlook remains uncertain. However, DLL is well capitalized and well positioned to face these challenges. We expect to further grow our portfolio in all key regions and market segments. As part of the strategy refresh, several commercial opportunities have been identified to realize our sustainable business growth ambitions. In 2023, DLL will focus on delivering the transitions identified during the strategy refresh.

On February 2, 2023, DLL closed a U.S. securitization transaction issuing notes totaling USD 850 million. The notes are backed by loans and leases secured with agricultural, golf course, and turf equipment. This kind of securitization transaction will continue to be part of DLL's long-term growth strategy to diversify its USD funding base. Rabobank will continue to be the main provider of funding for DLL.

On March 15, 2023, the sale of Cargobull Finance Russia to a third party was completed. With the sale of Cargobull Finance Russia, DLL is no longer present in Russia.

Interview

Sustainability is an imperative and an opportunity

Neal Garnett, Chief Commercial Officer, and **Erica Ward**, Global Sustainability Consultant, are at the forefront of DLL's drive to accelerate sustainable business development. While the pace of change will differ per region and per business, they see many opportunities to achieve sustainable and profitable growth from existing and new business, and in supporting partners in their transitions to greener business models.

Neal Garnett
Chief Commercial Officer

Erica Ward
Global Sustainability Consultant

Erica joined DLL nine years ago. One of her roles in the sustainability team is to work with all business units to find opportunities for further collaboration and engagement with partners to help support their sustainability ambitions in climate, energy, and circularity, and drive positive impact. Erica is co chair of DLL's Sustainable Business Committee (SBC)[1], which is chaired by the Chief Commercial Officer.

Neal was appointed CCO in February 2023, so at the time of writing he had yet to chair an SBC. However, with 25 years' experience at DLL (most recently as Global Business Unit President of Construction, Transportation, and Industrial), he is familiar with the dynamic interactions between the SBC and DLL's businesses.

Collaborative approach

Every year, the SBC reviews the sustainability KPIs of each business unit to identify areas for support and collaboration in their annual vendor assessments. That increasingly involves evaluating the impact of stricter regulatory requirements on climate and energy, particularly in Europe, as Erica explains. "The vendor assessments are an opportunity to get closer to our partners and help support their sustainability ambitions, for instance by increasing their investments in the energy transition and circularity. We also anticipate on what DLL will be required to report under the Corporate Sustainability Reporting Directive (CSRD), for example by asking about the percentage of recycled materials used to produce an asset. This is a collaborative process, which helps us to understand our partners' ambitions and measure progress as part of our own sustainability journey."

An annual vendor assessment for a tech solutions partner spawned a pilot to collaborate with Rabobank's Acorn program. This has now been scaled to CT&I, and is underway with Healthcare as well, says Erica. "Vendor partners can offer their customers the opportunity to purchase Carbon Reduction Units through Acorn to offset the emissions of the DLL-financed assets in use."

Sustainable finance

DLL is working with expert advisors to develop a sustainable finance framework of assets and products which meet external benchmarks such as the EU Taxonomy and Green Loan Principles.

> "The vendor assessments are **an opportunity to get closer to our partners** and help support their sustainability ambitions."

[1] The SBC is both an advisory committee and the decision board for the CCO domain in sustainable business initiatives. It takes a broad and diverse perspective with representatives from the Commercial teams, Finance and reporting, Compliance, Risk, and Legal. Input from the business comes through regular meetings with the Sustainability Champions network (consisting of an MT member from each business unit) and with the regional network of Sustainable Business Agents.

"The spaces we're in give us a unique position to introduce and connect different parties. **Together we can enable the circular economy**."

Reducing portfolio emissions

DLL has an ambition to reduce emissions from both its own operations and from its portfolio. "When it comes to portfolio emissions, we'll work together with existing vendor partners to support and enable via our products and services their transitions to more sustainable business practices," says Neal. "We are also identifying new markets and initiatives where there are opportunities for growth." In the short term, Neal anticipates that DLL can make the greatest impact by accelerating the promotion of circular business models, and by seizing new opportunities to enable the energy transition.

Circularity frontrunner

DLL has invested in circular business solutions for years, but it's only now that many companies are feeling the pressing need to respond to the proliferation of climate-related regulation, according to Neal. "This is both an imperative and an opportunity for our vendor partners and their end users."

New regulations and reporting requirements vary from region to region, which can impact the whole value chain – from partners and their suppliers, to end users and their business operations. "DLL's Sustainable Business Agents are able to stay connected with the Corporate Sustainability team on new initiatives and best practices, and also are empowered to work together with their country leadership teams on strategies to support our partners at the local level," adds Erica.

For instance, Australia has passed laws to ban the export of unprocessed waste, so there's a specific interest in recycling equipment and other solutions to meet this local regulatory challenge. In selected European countries local support includes access to EIB funding for climate and circular assets.

There is also increasing demand from end users for circular business models. For example, supply chain sustainability can be key to winning a request for proposal for a public sector contract or from global corporate customers. Circular supply chain solutions are also important to equipment manufacturers serving adjacent markets in the F&A sector, such as bottling plants and packaging equipment.

Thought leadership

Erica represents DLL on the Platform for Accelerating the Circular Economy (PACE) and in the Capital Equipment Coalition (CEC). "DLL is honored to have a seat at the table as original equipment manufacturers (OEMs) focus on topics such as circularity metrics and target setting for circular business models. It helps us learn how best to support our partners with financial solutions that can enable a more circular economy."

In one joint project, DLL and PACE are asking manufacturers to look at the waste their operations generate and consider how other companies might be able to use that waste. DLL has collaborated with the CEC on white papers for OEMs on metrics and target setting.

In addition, DLL is connecting vendors to a research project at INSEAD Business School to investigate the optimal time to move from servicing to refurbishing an asset. "The spaces we're in give us a unique position to introduce and connect different parties," says Erica. "Together we can enable the circular economy."

Enabling the energy transition

DLL identifies three categories of assets related to the energy transition: Energy-consuming, energy-producing, and energy-efficiency assets. Neal: "We see immediate opportunities to support our vendor partners who manufacture energy-consuming assets in sectors such as Construction, Transportation, Materials Handling and Agriculture."

In the near term DLL, intends to make an impact in the new e-mobility market, specifically the market for electric medium and light commercial vehicles literally used for last-mile deliveries. "Explosive growth is expected in the next five years with demand outstripping supply," says Neal. "This is due in part to the imposition of zero emission zones for commercial vehicles in many European cities from 2024. In this case, regulation is both an imperative and an opportunity for growth." (See the Inquieto case for more information).

"Regulation is both **an imperative and an opportunity for growth**."

"**We bring great expertise to the table** to turn imperatives into opportunities."

Different rates of change

The speed at which vendor partners in Construction, Transportation, Industrial, and Agriculture can reduce their emissions depends in part on the pace of technological developments. "Some high-end heavy equipment assets, such as earth moving equipment, cranes and tractors, are very power hungry," explains Neal. "Solutions like hydrogen fuel cells electric battery technology are being developed, but they're not at the mass production stage. That will probably take at least until the second half of this decade. What these manufacturers are trying to do in the meantime is to make their gas and diesel engines cleaner."

DLL is already supporting manufacturers of lighter construction equipment and compact tractors to reduce their emissions. For example, through financing solutions for electric-powered assets or through lease products linked to carbon reduction units to offset equipment emissions (see the Solectrac case and other initiatives for more information).

When it comes to energy-producing assets, DLL has established a dedicated Energy Transition team to identify business opportunities in solar and wind energy and other power sources. "There are some differences with DLL's core business since the ticket sizes can be very high and the tenors much longer. So there's a journey to be made on the credit and risk side in the coming years," says Neal. "The Clean Tech business unit has made progress in helping vendor partners and their customers become more energy efficient, and we need to deepen our expertise on specific industries and the assets that can best serve them."

Broaden the conversation

Erica and Neal are keen to broaden the conversation about the vision for the energy transition. For instance, through a more interdisciplinary approach to annual vendor assessments and upskilling program managers in all businesses.

"Our Sales teams are very good at what they do, but in many companies the sustainability and sales departments speak different languages. The sense of regulatory urgency varies from region to region as well. We need to facilitate our program managers to better understand the regulatory environment and the technological options to engage in a more informed dialogue on sustainability," says Erica.

"As a European-headquartered company we're well positioned to act on stricter regulatory requirements. We bring great expertise to the table to turn imperatives into opportunities and remain the undisputed leader in global – and sustainable – vendor finance," Neal concludes.

"We see immediate **opportunities to support the energy transition** of vendor partners in high-emitting industries."

Sustainability
as a strategy

While DLL's sustainability strategy encompasses more than climate alone, extreme weather events once again underlined the urgency and importance of tackling climate change. Record-breaking heat waves resulting in drought, and wildfires left their mark across Asia, Europe, and the U.S., while extreme rain events caused disruption and displacement in regions as far apart as Australia and the U.S. As the Intergovernmental Panel on Climate Change warned, "It's now or never, if we want to limit global warming to 1.5°C (2.7°F)."

Climate and circular business solutions
DLL continued to deliver on its promise to run responsible business operations, offer sustainable business solutions to our partners, and deliver meaningful societal impact. The changes to the climate and the weather affect our partners in multiple sectors and many regions, increasing the need for energy-efficient solutions and the transition to renewable energy. At the same time, population growth, urbanization, and technological velocity are causing shortages of resources, from food to technology and raw materials, underlining the importance of moving to a more circular economy and of driving change in all sectors.

We continued to allocate capital and expertise to finance renewable energy assets, and offer circular solutions. We supported partners to reduce dependency on fossil fuels and reduce waste. We set year-on-year targets to increase sustainable (climate & circular) business as a percentage of our total new business volume and met these targets in 2022.

We completed 36 sustainability assessments with vendor partners and an additional four assessments are underway.

At the annual Leasing Life awards, DLL received the award for Best ESG/Sustainability Initiative (environmental aspects). The jury cited that "DLL has engaged in a large suite of sustainable propositions including partnerships with the European Investment Bank to support SMEs in transitioning their assets toward lower emissions and more circular models."

Our promises to stakeholders

Our promises	The rationale
Partners: Together with our partners, we develop differentiating triple-win solutions that help them to grow their businesses, and make a meaningful and sustainable impact.	Our vendors and the industries we serve need to embed sustainability in their business propositions to meet GHG emission targets and address customers' mounting expectations. DLL can play a pivotal role in supporting our partners to transition to a greener, more circular, and sustainable future.
Members: We empower our members to be their best selves, in an inclusive workplace that is purpose-driven toward building a better world together.	Our members want to work for a company that has a higher purpose and is committed to making the world a better place. Our purpose, "partnering for a better world," aligns with the personal purpose of our members and strengthens engagement and motivation.
Rabobank: We deliver growth and premium returns to the Group and drive synergies while taking an active role as a transition partner for our vendor partners, especially in the energy and food transitions.	Rabobank is committed to the Paris Agreement (including net-zero aspirations) and DLL plays an important role in meeting related targets. Building expertise in the energy and climate, F&A, and circularity transitions represents a meaningful growth opportunity for both Rabobank and DLL.
Society: We commit to net-zero Paris Agreement goals; support our partners and the industries we serve to transition into sustainable business; become a partner for the energy and food transitions to more sustainable and circular business models; and contribute to more inclusive communities.	DLL supports our partners to grow their businesses while respecting environmental boundaries for current and future generations, and promoting inclusive societies.
Regulators	Regulations, guidelines, and court rulings are rapidly evolving in many core markets, and governments are stimulating investment in green assets. All this creates a push toward more sustainable models that require data to report on impact. DLL acknowledges the important role of the financial industry to support the transition.

Key transition in circularity

Finance that powers the **circular economy** in Australia

In July, DLL provided Circular Plastics Australia with an AUD 23.5 million (EUR 15.1 million) funding line for construction of a mixed plastics recycling plant in Melbourne, Australia which is scheduled to commence operations in 2023. The facility will have the capacity to recycle up to 20,000 tons of rigid plastic a year (the equivalent of approximately half a billion plastic milk bottles and food tubs a year), collected from household recycling bins. The recycled resin produced by the facility will be used to manufacture high-quality food packaging for consumer goods businesses.

The goal is to support Australian enterprise with meeting the 2025 National Packaging Targets: 100% of packaging is reusable, recyclable, or compostable; 70% of plastic packaging goes on to be recycled or composted; and on average, 50% of packaging is made from recycled content (20% for plastic packaging).

We created this asset financing solution as a progressive funding project in collaboration with Rabobank. This partnership shows how financing can power the circular economy and be part of meaningful sustainable change.

Governance

Through its ESG framework, DLL sets out its commitment to its vendor partners and members that it will strive to be a leader in managing our environmental, social, and governance (ESG) risks, and uphold high standards of ethical behavior in the way we do business. For instance, we seek to avoid direct financing of certain assets and markets where we see a negative impact on society in areas such as human rights, the environment, and animal welfare. Our ESG framework also ensures responsible business practices and transparency as we and our partners transition to more sustainable business models.

DLL provides financial solutions to its partners in line with our global Code of Conduct and sustainability policy framework. These underscore how we deliver our products and services, and we expect our business partners to endorse this commitment.

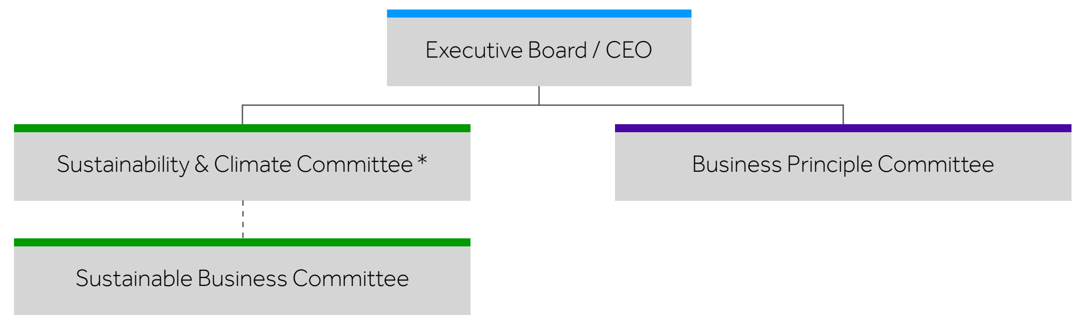
Oversight of climate-related risks and opportunities
Our Sustainability & Climate Committee (SCC) is a subcommittee of the Executive Board and forms part of DLL's overall governance. The SCC defines our ambitions to make sustainability and climate an integral part of DLL's business and risk strategy, and steers and oversees the realization of these ambitions. It acts as both an advisory and a decision-making board.

The SCC includes members with and without voting rights. The members with voting rights include the CRO (chair), CCO (vice-chair), Senior COO representative, Senior CFO representative, and the Head of Sustainability. Members without voting rights are DLL subject matter experts, including the Climate Risk Consultant and Sustainable Business Development Consultant.

The SCC has no sub-committees and covers DLL sustainable business ambitions, Climate Risk programs (including financed emissions), sustainability regulatory adherence, and ESG risk management.

Established in Q4 2021, it met eight times this year. Recurring items on the agenda included updates on sustainable business, climate risk, and regulation.

Sustainability governance structure



* Oversight, monitoring, and alignment

Other committees work alongside the SCC or report to it to ensure oversight, monitoring, and alignment, as shown in the figure above. In 2023, the design and structure of DLL's sustainability governance will be renewed to align with the strategy refresh which puts sustainability at the heart of DLL's corporate strategy. DLL's Internal Audit department audited the governance, ESG Risk Management, Sustainability Claims, and Sustainability Reporting processes and concluded that these are adequate with some areas for improvement that are being worked on.

Management's role in assessing and managing sustainability and climate-related risks and opportunities
More detail on how DLL's Risk, Business, and Sustainability Managers strike the right balance between risk, reward, and sustainability, and ensure continued compliance with changing regulations can be found in the interviews, respectively with Steve Blake (Head of Group Integrated Risk) and Casper Havers (Sustainability Consultant), and with Neal Garnett (COO DLL) and Erica Ward (Global Sustainability Consultant).

Key transition in energy & climate

A stake in **net zero-emissions mobility** in Spain and Portugal

In July, Inquieto Moving Attitude (which specializes in solutions for the sustainable mobility industry) signed a 20% equity stake investment deal with DLL. Inquieto is one of the leading players in last-mile distribution by zero-emission vehicles in Spain and Portugal. Through this investment, DLL continues its support of the energy transition to net zero.
DLL believes that Inquieto is ahead of the game in the last-mile delivery sector and intends to help them stay there while simultaneously learning about this huge growth market.

In December, Inquieto's parent company, multinational GAM, acquired a EUR 35 million loan from the European Investment Bank for additional investment in the development of electric equipment, sustainability, and digital training initiatives.

Strategy

Putting sustainability at the heart of business strategy

In the second half of the year, the Sustainability team helped shape the refreshed DLL corporate strategy, which takes effect from 2023. Sustainability will become an even more integral part of DLL's business strategy as we intensify our efforts to partner with stakeholders to create a better world and move toward Paris alignment. Our ambition to create societal impact will be adjusted to focus more on making DLL a purposeful and inclusive place to work where members can be their best selves, and to address issues of equity and inclusion in society as a whole.

When it comes to addressing urgent climate issues, we will actively focus on reducing GHG emissions by becoming the transition partner for a better world. First, by accelerating our existing efforts on circularity in all DLL business units, and second, by addressing key transitions in energy and climate, and F&A.

Creating impacts and opportunities through circularity

DLL has been a longtime advocate for Lifecycle Asset Management (LCAM) and circularity, and we are now seeing even greater engagement from our vendor partners in making their capital equipment more circular. This is attributable to increased interest in these topics from regulators, end users, and society as a whole. For instance, the transition to a circular economy is one of the six environmental objectives stated in the EU Taxonomy.

Our partners are looking for guidance and support in creating and maintaining circular models, and see DLL as a key enabler in moving from ownership to usage business models.

DLL continued to work with manufacturers to support sustainable business practices and offer their customers solutions that include LCAM, pay-per-use, and other flexible consumption-based business models. Initiatives included:

- Collaborating with new circular-focused vendor partners for opportunities.
- Proactively growing the number of used equipment types for which we recognize a residual value.
- Enabling our Sales teams to support used equipment sales by developing residual values for refurbished equipment.
- Collaborating with suppliers to improve DLL's own equipment circularity: For instance, partnering with a Dutch-based social enterprise to help reduce waste from DLL members' mobile phones.
- Participating in LCAM and circularity industry events and round tables, including collaborating with the Capital Equipment Coalition.

Looking ahead

DLL will accelerate existing efforts in circularity to boost sustainable and profitable growth.

In 2023, we intend to create a consultancy with partners to jointly develop the best solutions for all aspects of the LCAM model (for example, optimizing usage, extending asset life, and finding greener replacements). We will also work with HR Learning and Development to grow members' skills and capabilities in this area, and embed the mindset even more firmly in DLL's culture. We are setting key performance indicators (KPIs) for member knowledge across the company, with priority for commercial functions.

While we will continue to engage with all our partners on their circularity plans, going forward we will focus even more intensively on circular initiatives that support the transitions in F&A and energy and climate to drive DLL's sustainable business strategy.

Creating impact and opportunities through electrification

In 2022, we published a report entitled "Creating a reduced emissions fleet strategy in construction – The push toward zero emissions" to share knowledge with end users in the construction industry on how to make the switch to electric assets affordable and attainable.

E-mobility

DLL regards e-mobility as a top priority when it comes to supporting vendor partners in their own energy transitions. In 2020, we joined forces with Rabobank to establish an e-mobility project to better understand our partners' early adopter needs. One trend high on their agendas is the move toward zero-emission zones in European cities. For instance, Paris will introduce these zones from 2024, and at least 14 cities in the Netherlands are expected to introduce them from 2025. In practice this means that commercial drivers will only be able to enter these areas if their vehicle does not emit any polluting substances.

In response, DLL and Rabobank are working to define and develop finance products to help partners with a phased migration to electric light commercial vehicles, electric trucks, and micro e-mobility solutions, including last-mile delivery. DLL has onboarded and will continue to onboard new partners in all three categories. The goal is to help our partners continue to operate in future zero-emission zones, and support the uninterrupted supply of fresh food to supermarkets and other deliveries within zero-emission zones.

To better understand the impact and develop opportunities in the micro e-mobility market, DLL took a minority stake in Inquieto in Spain (see case for more information).

In 2022, DLL's global Asset Management Committee approved the addition of e-mobility asset classes to DLL's catalogue of approved assets.

Looking ahead
We see immediate opportunities to support partners involved in the transportation of a range of goods and services, as well as passenger transportation by bus and train. We can also make an impact in the construction sector through financing solutions for electrification of cranes and earth moving equipment.

As with all electrification projects, charging infrastructure is both an opportunity and a challenge. Particularly when it comes to heavy equipment used in construction or farming (where charging often needs to be done on-site), there are still challenges to be overcome.

While European businesses are frontrunners in driving e-mobility initiatives (largely as a result of regulatory pressures), recent U.S. fiscal measures to stimulate the adoption of e-mobility also bring opportunities. In 2023, DLL plans to intensify its approach by appointing a dedicated E-mobility Lead and expanding the team's scope both in Europe and the U.S.

For more information on the impact of sustainability and climate-related risks and opportunities on our businesses, strategy, and financial planning, please see the interview with Carlo van Kemenade (CEO DLL) and Marije Rhebergen (Global Head of Sustainability): Transformations and transitions: A strategy for sustainable and profitable growth.

Creating impacts and opportunities in Food & Agriculture
Sustainability in the F&A sector refers to the efficient use of natural resources, environmentally sound practices, and social responsibility in food production and supply chains. There is a growing trend toward sustainable agriculture and food production, driven by consumer demand for healthier and environmentally responsible food choices.

DLL continued to engage with major vendors in the F&A sector on their plans to transition to more sustainable business practices. For instance, AGCO Finance entered the second year of its Finance Climate Journey, a EUR 50 million fund to make attractive financing options available to eligible farms and farming-related ventures embracing sustainable farming practices.

This Climate Journey Fund is already having an impact, helping AGCO Finance customers including organic farmers in Tuscany and Spain, a potato grower in the Netherlands, and an organic winery in New Zealand.

As of 2023, the Climate Journey Fund will be doubled to EUR 100 million. The goal is to do as much as possible to facilitate financing for farms and businesses transitioning from conventional to organic produce, engaging in net-zero value chains, or aspiring to obtain market access via sustainable certification. Included in its scope are many different international and domestic food certificates.

Looking ahead
There are many opportunities to improve sustainability in the F&A sector and help to meet growing demand for sustainable food production practices. The areas we will explore include:

- **Circular F&A equipment and systems:** An approach to food production and consumption that aims to reduce waste and increase resource efficiency by recycling nutrients and/or materials.
- **Precision agriculture:** The use of technology such as drones, sensors, and data analysis to optimize crop yields and reduce waste.
- **Regenerative agriculture:** A farming method that focuses on building soil health, reducing erosion, and improving water retention, leading to increased productivity and profitability.
- **Food waste reduction:** Development of solutions to reduce food waste from farm to table, and repurpose food waste into valuable products.
- **Controlled environment agriculture (CEA):** The use of controlled environments to grow crops in a more sustainable manner, reducing the use of land, water, and pesticides.

In 2023, DLL will further refine its transition strategy to determine the priority areas going forward.

The timeline for developing these opportunities is likely to vary as different regions and countries respond to legislation and consumer sentiment on sustainability issues. Our focus in the short and medium term is likely to be on opportunities in GHG emissions reduction, precision agriculture, irrigation, and packaging. We will also continue to investigate longer-term trends and segments such as aquaculture and hydrogen energy.

Making an impact on members and society
Having an inspired workforce is key to every organization's success. At DLL, we promote and provide opportunities to our global members to positively impact their local communities through meaningful contributions. With the help of our global network of Community Involvement Coordinators, we undertook various social impact projects and initiatives.

With the conflict in Ukraine creating unrest and displacing many people, our members conducted multiple collection campaigns to assist refugees coming to their countries, or volunteered in refurbishment projects to provide them with safe housing. DLL also donated EUR 500,000 to support the victims of the conflict, and members participated in a global fundraising campaign.

Inclusive communities
Diversity, equity, and inclusion is one of the top priorities at DLL. As such, it is promoted not only within our member base, but also in the communities we live in. DLL's Social Inclusion Campaign led to donations to institutions working with historically marginalized, financially challenged, and socially underserved sections of society. Some of the charities support people with Down Syndrome, neural injuries, or visual or hearing impairments, and provide education and skills training to support future livelihood generation. Others work for the human rights of LGBTQIA+ communities, settlement programs for refugees, culture conservation of indigenous tribal communities, and mental health and emotional support to the elderly and to underprivileged families going through personal loss.

We strengthened our commitment to creating a significant impact by donating a total of EUR 1.27 million to charitable causes, the majority of which promoted social inclusion. This is significantly higher than in 2020 (EUR 0.8 million) and 2021 (EUR 0.6 million). Over 1,430 DLL members volunteered in activities for good causes in 2022 – that's 27% of our member base, above the target of 25%.

Our Advisors for a Better World program runs in collaboration with Rabo Partnerships and Rabo Foundation. Seven DLL members undertook field and remote assignments to support programs in India, Kenya, Tanzania, and Mozambique. They worked on critical topics such as customer data management, and credit origination score card creation & analysis with local banks to increase the banks' financial reach, and to promote financial inclusion and the overall development of the societies.

Main **achievements in 2022** at a glance

- **Created social impact** through volunteering and charitable donations
- **Professionalization of emerging market initiatives** for inclusive finance in collaboration with Rabo Partnerships
- **Strengthened the Sustainability Champion Network** with representation from MT members in all BUs to integrate sustainability into the business
- **Best ESG/Sustainability Initiative** 2022 award from Leasing Life
- **Refreshed corporate strategy** integrates sustainability into DLL's core strategy from 2023 onwards
- **Improved knowledge** of new sustainability regulations
- **Major steps in setting up data and reporting systems** to comply with new regulatory reporting requirements
- **Asset and product innovations** including funding purpose-built electric tractors, an electric crane deal, launch of carbon offset program

Risk management

Risk managementHow DLL identifies and assesses climate, environmental, and social risks is shown in the Risk chapter.

Key transition in Food & Agriculture

Financing **electric tractors** in the U.S.

According to the U.S. Environmental Protection Agency, tractors burn 5.3 billion gallons of fuel a year in the U.S. alone, accounting for 10% of the country's GHG emissions. The largest amount of on-farm asset emissions abatement potential can be achieved by shifting from traditional fossil-fuel equipment and machinery to their lower-emitting counterparts.

In November, DLL became the preferred financing partner for Solectrac (a subsidiary of Ideanomics) which produces electric tractors in the U.S.. This partnership will help Solectrac to scale faster and get more electric tractors into the hands of end users.

Ideanomics is solving the complexity of fleet electrification by bringing together high-performance electric vehicles, charging infrastructure, and financing solutions under one roof. The company views Solectrac tractors as a flagship solution for the fast-growing, high-value off-road vehicle market, and for providing alternatives to diesel engines for sustainable farming.

Through financing solutions offered by DLL, Solectrac dealers are able to offer their customers installment contracts and leasing programs that facilitate the sale of equipment.

Metrics and targets

Sustainable and profitable business – our own road to net zero

There are many and varied mandatory and voluntary guidelines on climate change for the financial sector.
In 2022, DLL focused on adherence to the following:

- European Banking Authority
- European Central Bank Guidelines
- EU Corporate Sustainability Reporting Directive
- EU Taxonomy
- Paris Climate Agreement
- Net-Zero Banking Alliance

Emissions from our own operations in 2022

Greenhouse gas emissions own operations (in tons of CO_2)

Energy use	Usage	CO_2 emission
Electricity (in kWh)	5,423,771	1,889
Natural gas (in m³)	218,157	425
		2,314
Resource use		
Paper (in kg)	33,759	31
		31
Travel		
Car travel (in km)	20,893,804	3,566
Air travel (in km)	18,346,592	1,760
		5,326
Total		**7,670**

For more information on how DLL reduced emissions from its own operations in 2022, please see the interview with Michiel Schellens (Head of Global Facilities) and Catherine Meyers (General Manager Benelux): Reducing our own emissions: office, mobility, and mindset.

First steps toward measuring emissions from our portfolio

Despite challenges with respect to the availability of data, DLL developed a methodology to analyze and calculate the financed emissions from its tractor and transport portfolios (baseline 2020). We chose these portfolios as they represent two carbon-intensive asset types that are material from a business perspective. Despite the lack of data availability and ongoing development of our knowledge and experience at this stage, these first calculations represent a useful starting point for future insights into financed emissions from our portfolio which can be integrated into the commercial initiatives that DLL is developing to reduce these emissions.

Key transition in energy & climate

Climate-friendly finance solutions based on **carbon sequestration**

DLL purchased a total of 1,961 Carbon Removal Units (CRUs) generated by 85 farmers in the Ivory Coast and Nicaragua through the Rabobank Acorn (Agroforestry Carbon Removal Units for the Organic Restoration of Nature) program.

This is a new initiative which – when fully launched – will enable DLL to support vendor partners who aim to offset their emissions while transitioning to climate-friendly financing solutions. When their customers sign a climate-friendly lease agreement, they will receive a carbon removal certificate which confirms the number of CRUs to compensate for the estimated emissions of the equipment during use over the lifetime of the financing agreement.

Each Acorn CRU equals one ton of CO_2 that has verifiably already been removed (sequestered through tree growth) from the atmosphere through agroforestry projects that support smallholder farmers. Not only do these projects support climate change mitigation by removing CO_2 from the atmosphere, they also improve smallholder farmer livelihoods and boost biodiversity.

Interview

Reducing our own emissions: office, mobility, and mindset

DLL reset its targets to reduce emissions from its own operations by 2030. **Michiel Schellens**, Head of Global Facilities, and **Catherine Meyers**, General Manager Benelux, describe the tangible measures taken to achieve these objectives in Real Estate and Mobility, and how every DLL member can play their part. From wearing an extra sweater to the office to letting the train take the strain.

Michiel Schellens
Head of Global Facilities

Catherine Meyers
General Manager Benelux

Michiel's main focus in 2022 was the global head office building in Eindhoven. DLL's objective for all owned buildings in the Netherlands was to achieve an "A" energy label by 2022 (improved from a "C" label), and an A++ energy label by 2030. "That first target was achieved in Q1 2023," says Michiel. "Slightly later than planned, but for sound reasons."

In 2022, the Executive Board committed to invest and upgrade the HQ building in Eindhoven to make it a frontrunner in carbon footprint reduction. "In July we obtained EB approval on our carbon reduction plan for the Eindhoven building, including our recommendation that it would be more realistic to achieve energy label A in 2023 rather than 2022."

This recommendation was based on multiple considerations. For instance, the wish for a phased implementation to prevent nuisance and business interruption for members, and the need to apply different, interrelated measures in the most logical sequence. It was also important to spread the required investment based on realistic throughput times (for detailed specification, ordering, delivery, and execution), particularly in view of supply chain issues and shortages of installation personnel. And last but not least, the desire to prevent capital destruction by avoiding unnecessary shortening of the economic lifetime of the related assets.

Heat and light

The preparation phase of this frontrunner project was crucial. It included consultation with external experts to investigate all possible measures and their potential impact on energy reduction. The key elements of the upgrade were replacing of all light fixtures and adjusting building temperature settings (see text box).

Lowering the temperature in the building, and setting the heating to come on later and go off earlier, were partly a response to the energy crisis caused by Russia's invasion of Ukraine. "When the Dutch government requested businesses and individuals to reduce their gas use, we acted quickly," says Michiel. "Members were pragmatic in their response," adds Catherine. "Just like at home, you can put on an extra sweater if you're cold. Besides, how hot or cold you feel is subjective. And like any change, it's all about mindset."

Ahead of schedule

DLL plans to end its dependence on gas for heating and cooling in 2023. "With all the measures taken and in the pipeline, we expect to achieve A+++ status by year-end 2023, seven years ahead of schedule."

"Just like at home, you can put on an extra sweater if you're cold. **It's all about mindset.**"

"Countries in the Latin America region are looking at **ways to team up to become more sustainable**."

The knock-on effect of going gasless is an increased reliance on electricity. Which is why 100 solar panels will be installed on the roofs of three of the building's wings from 2024. Michiel: "We will also investigate the feasibility of installing an additional 120 solar panels on other wings as well as any additional measures needed to make the building energy-neutral by 2030."

As a member of the Rabobank Working Group Sustainable Operations, Michiel regularly works with Facilities and Sustainability colleagues on target setting and action plans to reduce the bank's direct and indirect (Scope 2) emissions. DLL uses green energy purchased through Rabobank.

Emission reductions from real estate outside the Netherlands will be guided by the global Carbon Risk Real Estate Monitor Decarbonization Pathways and will be fully aligned with Rabobank's target setting on pathways per country.

Leased vs. owned – New vs. old

Most of DLL's real estate is leased rather than owned but there are still many opportunities to make them more sustainable. Global Facilities issues sustainability guidance for renting properties which includes attention to energy labels, refurbishment, circularity and waste management, proximity to public transport, and commuting times to key partners and vendors.

While a building doesn't have to be brand-new to be energy efficient, some buildings are smarter and sustainable than others. From March 2023, DLL will rent space in The Edge building in Amsterdam. With its 98.36% (BREEAM-NL) sustainability score, it has been internationally acknowledged as one of the most sustainable buildings in the world and is most likely the smartest office building in the world. "This is a pilot location for one year to attract and retain talent and specific roles from the Amsterdam area, and to provide additional remote working capabilities for all DLL members. Apart from the qualities of the building itself, it's located very close to public transport and has no parking facilities for the people working there. Again, it's a different mindset," says Michiel.

Mobility policy

DLL in the Netherlands updated its vehicle policy in 2022. All new leased cars must now be hybrid or fully electric. From 2026, this will be amended to allow only fully electric cars. We will establish a working group to set targets for reducing vehicle fleet emissions in countries outside the Netherlands. Another important mobility ambition is to achieve a 25% reduction in flight miles by 2025 (compared to 2019).

Catherine Meyers and her Benelux team operate from rented offices in Mechelen, Belgium. Their decarbonization efforts focus on mobility, and in particular on an increase in charging points for electric and hybrid vehicles at home and in the office.

"In society as a whole, there's still resistance to electric vehicles, mainly due to range anxiety. We hope to change that mindset by facilitating members to charge their leased or personal e-vehicles while they're working or at home. We also encourage members to consider their travel options more carefully. So if you need to travel to see a vendor partner in person, don't automatically book a flight or plan to spend hours in the car. For instance, when I recently attended a strategy kickoff session for vendor partners and members in central Brussels, I made a deliberate choice to travel by train rather than by car."

"With all the measures taken and in the pipeline, **we expect to achieve A+++ status** by year-end 2023, seven years ahead of schedule."

Own emissions reductions measures (HQ building)

Heating and cooling

- Cooling the building from 25°C (was 23°C).
- Heating the building to 20.5°C (was 21.5°C).
- Heating/cooling from 07:00 to 19:30 (was 05:30 to 21:00).
- Lowering thermostats to a minimum of 16.5°C at weekends.

The new temperature settings meant that our steam humidifiers were no longer needed. These will be removed in 2023.

Lighting

- Replacing 260 fluorescent lighting panels with LED lighting, which is 80% more efficient.
- Replacing 100 circular fluorescent lights with LED.
- Began replacing 2,500 fluorescent tube lights with LED. The new lights have separate sensors and a higher lumen which comply with current occupational health and safety regulations.

Measures planned for 2023

Heating and cooling

- End our dependence on gas for heating and cooling by installing three electric heat pumps. This will allow us to remove five traditional air conditioners, three central heating boilers, and two other boilers (all gas-powered).
- Replacing the current building information system (GBS), allowing more efficient adjustment of heating, cooling, and ventilation systems.
- Replacing three traditional boilers powered by three-phase electricity with 17 Quookers in our pantries.
- Finally obtaining an A+++ energy label.

Lighting

- Finalize replacement of 2,500 fluorescent tube lights with LED.

The kickoff sessions for the refreshed strategy have generated increased interest from various regions on how to improve their sustainability efforts, according to Michiel. "Countries in the Latin America region are looking at ways to team up to become more sustainable."

Deliberate choices

"The post-pandemic move to hybrid working has forced us to make deliberate choices, which can also impact our carbon footprint," says Catherine. "It's no longer automatic to go to the office every day, but it is important to foster and maintain personal contacts. In my team we make deliberate choices about when to come in and why. For example, we schedule regular 'anchor days' where the team comes to the office at the same time. The reconnections we make there give us a real boost for the remainder of the week."

DLL's carbon footprint calculations should also include emissions from working from home and the impact on the square meters in use in its offices. The methodologies for these calculations are being developed.

Circularity

DLL is making a social impact in Belgium and the Netherlands by giving used IT hardware a second life. Catherine: "As a company we order a lot of devices which are returned to IT after three years. In 2022, we offered 170 used, refurbished laptops and iPads to community involvement organizations in Eindhoven and Mechelen, for example to support underprivileged children."

Choosing refurbished equipment or furniture is another point of attention when upgrading or relocating offices, adds Michiel. "When the coffee machines in the Eindhoven office reached their end-of-life, we asked the current provider for refurbished machines. Not only was this less expensive than simply buying new ones, it was also the most sustainable solution."

Lead by example

"The investments we make now in sustainability initiatives will pay off in the long term," concludes Catherine. "Whether it's about reducing our own emissions, becoming a more purposeful organization for our members, or helping partners make their own sustainability transitions. When we lead by example and become a frontrunner, everyone benefits."

"**The reconnections we make** there give us a real boost for the remainder of the week."

Risk management and compliance

Risk is an inherent part of doing business. Effective risk governance and management is vital to ensuring DLL is able to achieve its long-term strategy. We have therefore established a compliance, legal, and risk (CLR) strategy to support the bank's strategic goals.

Some types of risk – such as credit risk for example – are an integral part of DLL's day-to-day activities and a vital part of revenue generation. Without them, profitable banking activities are impossible, which is why we accept a certain degree of risk as defined in our risk appetite statement (RAS). Other risks, such as those arising from changes in the economy or the competitive landscape, are an inescapable part of the environment in which DLL operates and must also be managed and mitigated.

We employ an integrated approach, designing risk and control processes to manage our material risks, with a robust risk management framework aligned with our risk strategy and appetite.

We evaluate the effectiveness of that framework continuously and adapt to the latest developments and requirements with a particular focus on regulatory change & adherence. We monitor and report on DLL's risk profile to ensure timely and appropriate actions are taken where necessary to manage and mitigate emerging risks, or to learn, change, and improve our underlying processes.

Key developments & areas of focus in 2022

The primary risks to DLL's ability to achieve its current and future strategic ambitions are: Geopolitical, macroeconomic, and financial market developments, as well as other non-financial change environments including digitalization and technology, human capital, and wider imperatives relating to climate, societal impact, and regulation.

Russia's invasion of Ukraine dominated 2022. DLL had a direct material exposure through legal entities within the country and established a crisis response team in conjunction with Rabobank, promptly removing country limits related to DLL Russia's operations. Provisions booked following the decision to place the Russia portfolio into rundown caused immediate breaches of business risk appetite limits, while credit, balance sheet, and operational risk profiles were also elevated. We maintain careful risk management as we pursue a final and complete exit from Russia.

DLL's credit profile remained healthy throughout the year, despite the impact of Russia's invasion, the second order commodity and supply chain effects, and the wider macroeconomic environment of sudden central bank interest rate changes to combat surging inflation, with a de-minimis change in Non-Performing Loan (NPL) levels. We placed significant emphasis on early identification of distressed debtors and proactive portfolio management. In close collaboration with Rabobank, we carefully monitored energy price impacts and supply chain challenges, both globally and in relation to specific industries, applying a vulnerable sector approach. We also closely monitored and reported on our Leveraged Transactions portfolio using an expanded suite of risk indicators.

Further incorporation and embedding of climate-related factors into credit decisioning will be a key point of focus in keeping with both regulatory and societal expectations and DLL's long-term strategy.

Cybersecurity is a key focus for DLL due to the increased prevalence and impact of threats and incidents globally, particularly in the context of Russia's invasion and our Digital Transformation Strategy. AGCO Corporation, a key joint venture partner, faced a ransomware attack in May, impacting their operations. While DLL's environment was not compromised, we immediately shut down all technology integrations between DLL, AGCO Finance, and AGCO Corp, and established a crisis response team to manage the event and subsequent recovery. DLL continues to improve its overall security environment, develop internal awareness among staff, and expand technology and security expertise.

Introduction

In 2021, DLL designed a five-year roadmap to embed climate-related and environmental risk across the Bank, including additional focus upon business environment and business strategy, governance, risk appetite, the risk management framework and disclosure in line with Rabobank efforts. This year, work continued on delivering ECB guideline expectations, including expansion of the climate & sustainability risk capabilities, enriching 3LOR roles and responsibilities, delivery of the ECB Stress Test, and the development of a framework for client climate and environmental risk assessments. Following the 2022 ECB Thematic Review and publication of the related best practices, and in keeping with DLL's strategy refresh, the original roadmap is being refreshed to reflect expectations and imperatives.

The growing number and complexity of regulations, combined with high supervisory expectations and attention for financial institutions, had a significant impact on the Bank. Working with Rabobank, DLL continues to deliver a number of key regulatory projects across all material risk areas. The climate and ESG arena is seeing a particularly high volume of emerging regulation. We continued to develop our regulatory change and adherence process with pilot exercises and activities to embed key policy, procedure, and risk and control processes underway. DLL is a financial institution headquartered in the Netherlands, and is therefore bound by Dutch and European laws and regulations. As it is located in over 25 countries, local regulatory and legal requirements must also be adhered to. Compliance takes into account applicable principles, guidelines, and other regulatory requirements (e.g., Wft (Dutch Financial Supervision Act), Wwft (Dutch AML and Counter-Terrorist Financing Act), Basel Committee on Banking Supervision (BCBS), Capital Requirements Directive (CRD), Capital Requirements Regulation (CRR), European Banking Authority (EBA), and the General Data Protection Regulation (GDPR)).

DLL successfully delivered, and received regulatory approval for, a model Return to Compliance (RtC) plan this year. The plan, based on self-assessment of the compliance gaps which led to a capital add-on of EUR 4.7 billion in credit risk-weighted assets (RWAs), is a multiyear bank-wide program, concluding in 2026.

Our 2021 Annual Report highlighted Compliance, Legal & Risk's substantial contribution to the (then) four pillars underpinning DLL's strategy and our project to realign the risk organization structure and DLL's compliance culture with the changing regulatory environment, to better enable CLR to support DLL's sustainable growth ambitions.

In 2022, we largely concluded the Risk Structure Realignment Project, strengthening our 2LOR functions and overall risk management framework with a focus on our CLR mission of "Valued Partner, Sustainable Customer Growth". This included key regional and GBU-level 2LOR appointments, and significant expansion of capacity and expertise in key areas, with a particular focus on scarce skillsets in the analytics, technology, and climate spaces. Investing in our risk organization enables us to better deliver prompt and professional risk solutions and manage expectations, which in turn will be beneficial for our clients. The 2LOR function will also lead to the implementation of a suite of projects during 2023 and beyond designed to ensure DLL's risk management frameworks meet regulatory expectations and deliver high-quality risk insights that are increasingly data driven.

Risk governance

Our internal governance ensures transparent and consistent lines of responsibility across DLL. Our formal risk governance supports the realization of our strategic priorities and is based on regulatory guidelines and market practices.

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 Chief Risk Officer plays an integral role in advising the Executive Board on DLL's risk profile, the performance of its controls, and challenging proposed business strategies that may exceed risk tolerance.

While the Executive Board reviews and approves the risk management framework, all colleagues share ownership of risk management. The Three Lines of Responsibility (3LOR) ensure clarity around roles.

- The business (first line, including support functions) in all countries owns the risks, which it manages, monitors, and takes responsibility for. Global policies support the execution of the business strategy, adherence to risk appetite, and oversight of risks.
- The CLR function (second line) provides our risk management framework. CLR also challenges risk-taking and monitors risk profiles.
- Internal Audit (third line) provides independent assurance, advice, and insights on the quality and effectiveness of the bank's internal control, risk management, compliance, and governance.

Our risk and compliance management capability is fully integrated at both group and business unit level. DLL is also represented at all relevant Rabobank risk

Three Lines of Responsibility

1 Takes risks, owns risks and manages risks and rewards

2 Provides risk governance and frameworks, challenges risk-taking and monitors the risk profile

3 Provides independent assurance, advice and insights

committees, facilitating engagement, alignment, and transparency between entities.

DLL's integrated risk management framework, supported by policies, standards, and operational procedures, sets out a consistent approach to managing all risk across the organization. Risk identification, and materiality assessment and classification allow for a clear understanding and definitions of risks and promote a common understanding of risk management.

Risk strategy

DLL's business strategy gives important direction regarding the company's priorities, objectives, and targets, including a capital strategy. DLL's risk strategy articulates the risk priorities the bank needs to manage as a precondition for achieving its objectives.

At all times, our risk strategy is guided by the CLR mission: "Valued risk partner, sustainable customer growth". CLR is, at all times, focused on a foundational principle: "Safeguarding our bank; distinguishing the following three pillars in its risk foundation:

- Protect profit and profit growth – Maintaining continued profit levels is an important source of capital.
- Maintain a solid balance sheet – Sound balance sheet ratios are essential to ensure continuity in servicing our customers under sustainable and favorable conditions.
- Protect identity and reputation – We want to protect the fundamental trust that stakeholders have in DLL and the Rabobank Group."

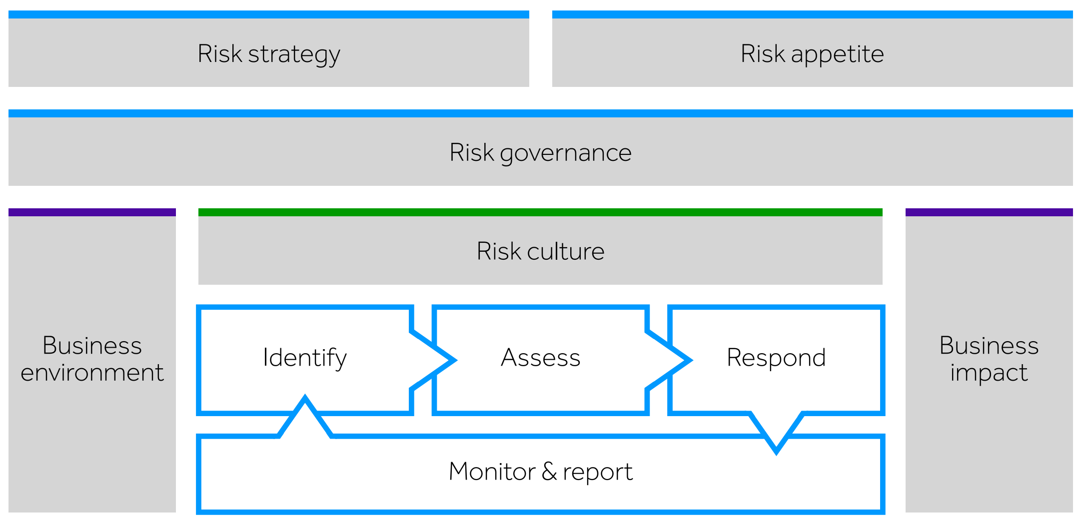
These priorities are interrelated and are fully dependent on maintaining sound governance and culture throughout the organization. Delivery of long-term customer value requires a solid balance sheet and minimized funding costs, supporting DLL's profitability and reputation. In turn, maintaining a solid balance sheet requires a healthy profitability and sound reputation.

Risk identification

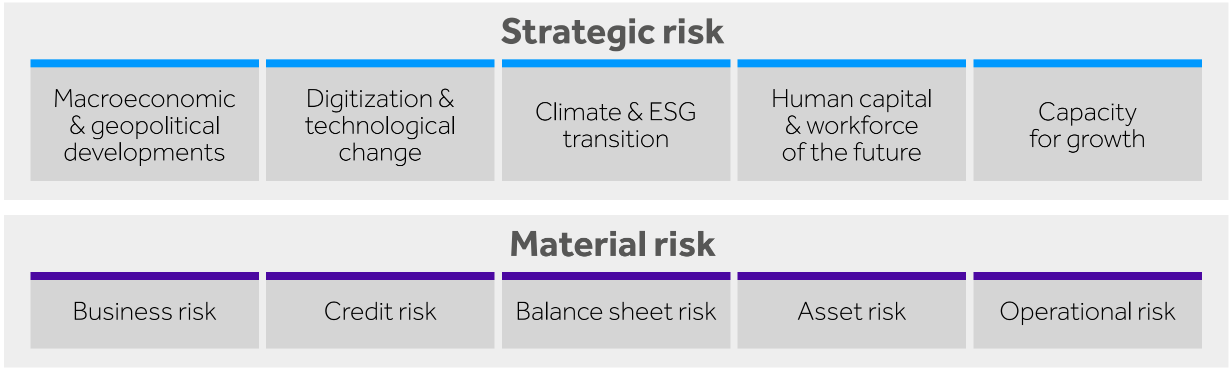
To deliver on the risk strategy, it is imperative that DLL knows the risks it faces. Our structured approach to risk identification and assessment ensures that current and potential future risks to DLL's mission, vision, and strategic priorities are identified and assessed for impact.

A dedicated and continuous process identifies top and emerging Strategic Risks. These are specific scenarios of concern which, without appropriate management and mitigation, could have a significant negative effect on DLL's ability to meet its strategic objectives. We keep track of external developments and closely monitor how (future) risks might affect these objectives. We perform regular, structural top-down and bottom-up risk assessments to identify various types of risk, and conduct specific stress tests to calculate the impact of adverse scenarios. An integrated overview of these risks, changes to them, and measures taken to address them are discussed periodically by the Executive and Supervisory Boards.

Risk management framework



Risk types



Strategic risk	Overview
Macroeconomic developments & geopolitical tensions	The risk that global and local political developments and conflicts create or exacerbate economic instability and/or downturn, and increase nationalism, protectionism, and other trade barriers. These factors will further increase market volatility, supply chain, and product availability issues, and challenge the viability of DLL's Location Strategy.
Digitization & technological change	The risk that DLL fails to keep pace with a highly dynamic and fast-evolving market. This includes DLL's ability to identify and adapt to disruptive innovation, which is accelerating customer expectations for low-cost, easy, and convenient digital solutions and service delivery. There is also continued growth in cybersecurity risks to DLL's systems and those of our vendors and customers.
Climate & ESG transition	Extreme weather conditions will continue to pose risks to DLL's portfolio, assets, and workforce in many countries across our global network. There is also a risk that DLL or our clients will not effectively manage the transition to a low carbon emission economy. Furthermore, DLL will continue to be challenged to implement and adhere to a growing volume of emerging climate and ESG regulations, which could place our license to operate at risk.
Human capital & workforce of the future	DLL must effectively define our future workforce and skills mix requirements in line with the strategic direction of our business and the demands of our customers. DLL will continue to invest, develop, and enhance attractive propositions in terms of monetary and non-monetary compensation, wellbeing, vitality, and culture in order to attract, develop, and retain the right people and skills for the execution of our strategy.
Capacity for growth	In times where profitability and cost of capital are under pressure, DLL must continue to make the required investments to secure its growth ambitions.

DLL manages and sets risk appetite parameters for an identified suite of material risks. These risks are an inherent part of banking activity and have the potential to significantly affect DLL's performance or prospects.

Alongside the wider financial services industry, DLL faces reputational risk, and climate related & ESG risks. These are factors in each of the material risk types described below. We expect climate risk to mainly affect our credit profile, but its impact on operational risk is also deemed material. DLL is working toward structurally embedding climate risks in its credit risk framework, which includes its business strategy, risk identification, and stress testing, as well as the determination of provisioning, capital, and consequently pricing.

Risk appetite

Our risk strategy includes a suite of RAS's which support the strategic aim of building a sustainable business by providing colleagues with a structured approach to risk-taking within agreed boundaries. Risk appetite considerations are central to the strategy and Medium-Term Plan (MTP) decision-making over a five-year period, and entail consciously weighing the risks arising from the business strategy.

Our RAS's define the levels and types of material risks DLL is willing to accept to achieve its business objectives. They articulate 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's include qualitative statements as well as quantitative measures expressed relative to earnings, capital, risk measures, liquidity, and other relevant measures as appropriate. RAS's are supported by key risk indicators (KRIs), which directly monitor the risk profile associated with the risk appetite, and by risk indicators (RIs), which enable additional monitoring. For every KRI and RI, an early warning limit and/or risk appetite limit is determined to manage the risk profile within the desired risk appetite.

Risk appetite is embedded within our principles, policies, standards, limits, and controls. Regular monitoring and reporting of the KRIs is essential, and a prescribed breach management process in combination with appropriate governance ensures a timely and adequate response if an individual risk exceeds our appetite levels. As mentioned above, provisions booked following the decision to put DLL's Russian operations into rundown caused immediate breaches of business risk appetite limits. Credit, balance sheet, and operational risk profiles were also elevated. For more specific details see the respective sections in the risk appetite performance section below.

Material risk type	2022 Risk appetite statement	Key risk indicators
Business risk	We are a strongly capitalized bank, with prudent buffers above regulatory requirements. We achieve a solid performance, with limited volatility in earnings, based on a well-diversified asset portfolio in terms of products, sectors and geography. We price our risk well, allocate sufficient capital to growth themes, and are conscious of the risks we take.	CET1 Ratio Total Return on Invested Capital
Credit risk	DLL will maintain a credit portfolio with a manageable risk profile in order to limit the impact of bad debts on the profitability and reputation of the Bank. DLL manages concentrations in the credit portfolio with clear limits per country, sector, and obligor, in order to avoid concentration risk.	NPLs Coverage ratio NPLs EAD top-15 corporates as a percentage of CET1 Concentration limit on Dairy
Market risk	Liquidity risk: DLL aims for an optimally diversified funding portfolio (in tenors and funding sources) that supports its customers' activities, and for a balanced liquidity mismatch within its risk appetite. DLL must apply a "matched-funding" principle beyond a maximum mismatch of 10%. FX risk: DLL aims for a limited translation risk impact of exchange rate movements on the DLL CET1 ratio. Interest rate risk: DLL must apply a "matched-funding" policy within approved limits to maintain its exposure to interest rate risk, within DLL's risk appetite.	Consolidated DLL liquidity position FX basis point impact CET1 ratio Earnings at Risk Modified duration of equity
Asset risk	DLL aims to have a varied and diversified portfolio in order 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 (especially Fair Market Value leasing) may result in increased asset risk concentrations which are acknowledged and accepted.	RV concentration per master asset type in any given maturity year. Inventory available for sale with aging more than one year. Increase of weighted average days available for sale.
Operational risk	DLL sets Risk Appetite Statements for each of the material components of Operational risk (including Compliance risk). In aggregate, DLL accepts and thus tolerates a certain level of Operational risk, as this is inherent to executing business activities. These risks are kept within the boundaries determined by the complexity and size of the organization. DLL seeks to avoid legal and/or regulatory sanctions, minimize financial loss to the organization as a result of a compliance breach, and earn the trust of stakeholders as an institution of high ethical standards and practices.	Net ORM loss amount Number of individual risks with a current residual rating of medium high- or high-risk. High-risk client percentage Overdue KYC backlog

Risk profile & risk appetite performance

In this section we provide quantitative and qualitative information on the key strategic, financial and operational risks DLL faced in 2022 and their expected impact going forward.

Business risk

Description of risk	Response	Going forward
DLL is exposed to the risk of loss due to changes in the competitive environment or events which damage the franchise or the operating economics of the business. A combination of the Return-to-Compliance RWA add-on and impairments related to the DLL Russia business negatively impacted DLL's CET1 ratio early in the year. However, DLL remained within Risk Appetite Limit KRIs at all times. The Return on Invested Capital did breach prescribed limits in Q1 due to the Russia impairments. This metric remained in breach through Q2 and Q3, but it had returned to its RAL by year-end thanks to consistent improvement during the year.	The MTP and budget process, during which management sets DLL's business pathway for the coming years based on different scenarios, is a key element of business risk management. Our 2022 and 2023 MTP and budget processes captured the business risk environment in an aggregated, integrated, and comprehensive way, taking related headwinds into account in key assumptions. We have made marginal adjustments to our CET1 and ROIC limits to allow for the impact of margin or volume contraction and increased impairments while protecting our market position and existing relationships. 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.	The macroeconomic environment will remain challenging into 2023. Underlying performance will be closely monitored throughout 2023 and a suite of scenario and sensitivity analyses will take full consideration of factors such as the rising cost of funds, competitive pricing pressures, continued supply chain issues, rising inflation, and the risk of recession and slowdown of economic activity in several key markets.

Credit risk

DLL's credit profile remained healthy throughout 2022 with a de-minimis change in NPL levels post-implementation of the new Definition of Default. However the wider macroeconomic environment of sudden central bank interest policy changes to combat surging inflation creates an uncertain outlook.

Our NPL ratio remained stable throughout the year. The main drivers were a low level of NPL inflow, and NPL outflow management through cures, repayments, and write-offs. Current impact from the war in Ukraine on NPL inflow remains limited.

Full year impairment charges amounted to EUR 267 million (68 bps), and our NPL coverage ratio was 0.96%. Both of these metrics were consistently elevated and above budget / RAS RI levels due to Russia-related bookings. Excluding the Russia impact, DLL's stage 2 ratio increased somewhat due to higher exposure to vulnerable sectors. The ex-Russia stage 2 ratio was 0.20% at year-end. Stage 3 provisions are well below the budgeted levels due to the ongoing releases and the benign profile related to COVID-19.

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

Description of risk	Response	Going forward
The risk of loss due to a counterparty defaulting on its payment obligations to the ban. DLL's credit profile remained healthy despite the impact of Russia's invasion of Ukraine, rapidly changing economic and geopolitical circumstances, and increasing regulatory expectations, with significant effort placed on early identification of distressed debtors and proactive portfolio management. DLL remained within all risk appetite KRIs: – The overall NPL remained low at 1.9%. – Full year impairment charges amounted to EUR 267 million (68 bps). – The NPL collateral ratio was 0.96%, reflected in the NPL coverage ratio of 26.9%. – The stage 2 ratio was 0.2% at year-end. – The stage 3 decreased as the portfolio quality improved throughout the year. Although we recognize that climate change leads to an increase in physical and transition risks, based on assessment to date, material adverse credit profile impact on DLL has not yet been seen.	DLL's expertly calibrated credit risk framework consists of underwriting criteria, credit policies, various credit management triggers, and an extensive risk appetite framework allowing for adequate steering, monitoring, and reporting of the portfolio. Active steering and monitoring of the credit portfolio took place throughout 2022 including active management of Highly Leveraged Transactions (HLTs) and NPLs through our NPL strategy and vulnerable sector identification and monitoring. Vulnerable sector exposures and HLTs are considered to have a significant increase in credit risk and are placed in stage 2. Several bespoke actions were executed in response to the wider macroeconomic environment (e.g. energy price sensitivity analyses, Russia exposure analyses, client outreach, the deployment of portfolio triggers, and increased monitoring). We introduced the concept of "sensitive sectors" which are defined as potentially affected by external developments and events, e.g. the suspension of Russian gas imports. In close collaboration with Rabobank, DLL expanded the capture and monitoring of its Leveraged Transactions portfolio.	Economic prospects for 2023 have deteriorated and the outlook is uncertain, especially as a result of the direct and indirect impact of the war in Ukraine, while potential escalation of the China-Taiwan conflict followed by sanctions may result in disruption of the world economy. DLL will closely monitor these and other macroeconomic developments such as high inflation and increasing interest rates, and related recession risk in some countries. DLL's Leveraged Transactions portfolio will be closely monitored and reported upon through an expanded suite of risk indicators, and our strategy will be updated in line with adjusted limits for RAS 2023. Further incorporation and embedding of climate-related factors into credit decisioning will be a key point of focus in 2023 and beyond in keeping with both regulatory and societal expectations and DLL's long-term strategy. Regulatory expectations continue to be a critical focus and we will continue developing and embedding the necessary compliance mechanisms within our credit journey and monitoring processes.

	2022				2021			
	Non-credit impaired		Credit impaired		Non-credit impaired		Credit impaired	
	Subject to 12-month ECL	Subject to lifetime ECL	Subject to lifetime ECL	Total gross exposure	Subject to 12-month ECL	Subject to lifetime ECL	Subject to lifetime ECL	Total gross exposure
Net carrying amount in millions of euros	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
(Virtually) no risk	506	89	-	595	523	62	-	585
Adequate to good	30,452	6,138	-	36,590	29,330	4,149	-	33,479
Vulnerable	71	117	-	188	79	122	-	201
Defaulted	-	-	534	534	-	-	461	461
Total net exposure on December 31	**31,029**	**6,344**	**534**	**37,907**	**29,932**	**4,333**	**461**	**34,726**

The following table presents movements in allowances of impairment as well as the composition of the allowance. A top-level adjustment of EUR 19 million (2021: EUR 55 million) to reflect the impact of governmental measures in certain vulnerable sectors and certain portfolios is reflected in the charge for the year. Next to that, an amount of EUR 19 million is specifically provided in relation to the portfolio of Cargobull Finance Russia.

	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	2022
Balance on January 1, 2022	**67**	**124**	**234**	**425**
Charge for the year	44	3	15	62
Written off	-	-	(109)	(109)
Disposal	-	(192)	(1)	(193)
Net exchange differences	1	-	3	4
Stage transfers and remeasurements	(46)	191	72	217
Other	-	(4)	(7)	(11)
Balance on December 31, 2022	**66**	**122**	**207**	**395**

	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, 2021	**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 remeasurements	(7)	5	81	79
Balance on December 31, 2021	**67**	**124**	**234**	**425**

Vulnerable sector approach

We continued to embed the vulnerable sector framework in DLL. Vulnerable sector exposures are considered to have a significant increase in credit risk and are placed in stage 2. Working in close alignment with Rabobank, the classification of a sector as "vulnerable" (reviewed at least semi-annually) is based on an in-depth analysis of the impact of macroeconomic developments (such as a pandemic) on its relative strength and outlook.

We introduced the concept of "sensitive sectors", which are defined as potentially affected by external developments and events, such as the suspension of Russian gas imports. Sensitive sectors do not necessarily classify as vulnerable.

The Q4 update of the assessments on sensitive and vulnerable sectors are incorporated in the IFRS 9 provisions at year-end, when the exposure to vulnerable sectors was EUR 1.8 billion.

Leveraged transactions

We rolled out our global procedure on leveraged transactions in January, and in April we implemented a stricter and more granular leveraged transaction framework. A suite of new and adjusted RAS KRIs and RIs and limits have been approved for 2023 and the portfolio will be closely monitored in line with a refreshed leveraged transaction strategy.

Balance sheet risk

Description of risk	Response	Going forward
Balance sheet risk includes liquidity risk, interest rate risk, and foreign exchange risks. DLL remained inside risk appetite limits for liquidity and foreign exchange risk. However, we breached the interest rate "Earnings at risk" limit in Q3 when higher interest rate levels increased the potential adverse change to earnings in interest rate down scenarios. This was not a measure of potential loss, but rather a scenario where a lower return on own equity could arise from lower interest rates against current interest rate levels. This breach persisted to year-end.	To further mitigate our risk, we emphasized DLL's prefunding policies and positions. DLL's liquidity position is consolidated and managed within Rabobank Group returns and ratios, while DLL continued to pursue diversified and alternative sources of funding where available. DLL selectively manages translation risk to its CET1 ratio by deliberately taking FX positions and/or hedges to reduce it. Through this approach, DLL aims to limit the impact of exchange rate movements on the CET1 ratio, but that may lead to some volatility from exchange rates within Total Comprehensive Income. DLL hedges the interest rate exposure of certain portfolios based on expected maturity terms (or repricing if shorter) and hedges the remaining portfolio assets on contractual maturity terms.	2023 will see a continuation of the interest rate environment of late 2022 in response to inflation worries. However, peak inflation and neutral rate levels may be reached in early 2023, which would improve DLL's return on its own equity. DLL's EatR position is likely to remain high in 2023 as downward shock scenarios for the euro will increase in line with rising interest rates. DLL has adjusted the relevant limit levels upwards for the year ahead, reflecting this changed environment. DLL will continue to fund elements of its US dollar growth with new ABS transactions during 2023 and continue to partner with the EIB in supporting financing for climate change.

Asset risk

Description of risk	Response	Going forward
The risk that DLL will not recover the full Residual Value (RV) of certain leased assets. This risk is distinct to DLL's leasing activities and arises from changes in the factors considered in the initial RV setting over the life of a lease. A change may impact DLL's asset risk negatively or positively. Positive impacts provide an opportunity to generate additional income for taking this risk. Examples of these factors include the value of an asset and customer behavior. The portfolio includes natural mitigants such as the diversification of geographies, industries, asset types, and contract maturities, which help to reduce this risk. DLL's Asset Risk profile was stable throughout 2022 and remained within our Risk Appetite, supported by very strong Asset Management income trends and stable inventory levels.	DLL continued to focus on equipment prices which are monitored closely relative to inflation, and performance of asset sales and inventory levels. The external positive trends of 2021 continued through 2022. For instance, supply chain issues which delayed the delivery of new equipment created greater demand for used equipment and lease extensions. We made internal investments and restructured resources to take advantage of these tailwinds and better prepare DLL for softer market conditions in the future. Combined, these supported Asset Management Income performance as well as the release of certain RV impairment provisions. In addition, inventory levels remained at historically low levels.	DLL identified no material indications of a need to revise its Risk Appetite for 2023. The potential for weakening macro-economic conditions in 2023 coupled with improving supply chains may lead to a normalization in DLL's asset management performance and asset risk profile. We will therefore closely monitor the impact of the changing environment on new and used equipment prices, inventory, and customer behavior. DLL is well positioned to manage this potential change given the enhanced processes, additional remarketing channels, and increased International Asset Sales capabilities implemented in 2022.

Operational risk

Description of risk	Response	Going forward
The risk of loss resulting from inadequate or failed processes, people, and systems, or from external events. DLL accepts exposure to operational risks as an inevitable part of executing business activities and minimizes these risks within the boundaries created by the complexity and the size of its organization. DLL remained within all risk appetite KRIs, but components of our operational risk environment and the control thereof must mature further. DLL experienced two major business continuity events: The first in response to Russia's invasion of Ukraine, and the second a cyberattack on a key vendor. Crisis management procedures were initiated to co-ordinate a bank-wide response, maintaining operational continuity. IT's risk profile has been steady over time and is determined by some long-lasting issues such as the decommissioning of end-of-life systems and patching software vulnerabilities.	Operational risks are actively managed and controlled via our risk control framework (RCF), which sets mandatory requirements for risk and control activities, enabling us to manage operational risks efficiently and effectively using a forward-looking and integrated approach. We undertook a bank-wide project to map and document all critical processes to support wider efforts to embed resilience across our operations, aligning third-party management, data, technology and cybersecurity, and business continuity components in particular. Further work will be undertaken as part of Digital Operational Resilience Act alignment. DLL continued to implement the necessary steps to deliver our Future Model Landscape RtC plan. We have drafted a Data Master Plan to structurally enhance data management.	DLL's ambitious transformation agenda will have an impact on people, processes, and systems. In order to manage the inherently high transformation risk, DLL will ensure the appropriate processes and program support is in place to monitor, manage, and report on this risk type. DLL makes extensive use of third-party vendors and outsourcing. Our dependence on these external service providers is increasing, while the financial sector is subject to ever stricter regulatory requirements. Cybercrime continues to represent a considerable challenge to DLL. As technology is becoming more complex and more interconnected, digital operational resilience will remain a key focus in 2023. The RCF roadmap 2023-2025 will begin a journey toward our ultimate ambition of a truly data-driven risk and control framework, leveraging business process mapping, standardization, and DLL's digitalization strategy.

DLL emphasized non-financial risk management throughout 2022, with a core pillar of our Risk Structure Realignment Project being the strengthening of bank-wide awareness of relevant topics.

DLL remained within all risk appetite KRIs, but components of our operational risk environment are on a maturity pathway. Embedding the bank-wide developments and risk management frameworks necessary to facilitate business continuity and operational resilience is a key focus for 2023, alongside the incorporation of climate and environmental factors in assessing and managing operational risk.

Model risk

While DLL has a robust and highly governed model development, validation, and approval process, we consider model risk to be outside of appetite as the current models are not compliant with the most recent ECB regulations.

DLL successfully delivered, and received regulatory approval for our model Return to Compliance (RtC) plan this year. The plan, based on a self-assessment of compliance gaps which led to a capital add-on of EUR 4.7 billion in Credit RWA, is a multiyear bank-wide program, concluding in Q1-2026.

Substantial efforts were undertaken in 2022 to improve and mitigate model risk, and to work toward a sufficient level of regulatory compliance in line with the RtC plan.

Outsourcing/third-party risk

DLL continues to expand the integration and use of third-party vendors and outsourcing into our day-to-day operations. As such, third-party risk is rising, along with an increase in the number and rigor of applicable regulations (DORA and Schrems II in particular). DLL has established a global framework for managing third-party risk and will continue to focus on embedding first-line ownership structure, and managing bank-wide implementation of a tool for the registration and monitoring of the workflow of third parties in 2023.

Data risk

Reflecting the foundational importance of data to DLL's operations, and to ensure and maintain sound data management, including data quality monitoring, DLL is currently initiating a data master plan as a core enabler. It will focus initially on strengthening our data management capabilities, including know your customer, future model landscape, sustainability, and reporting (in accordance with regulatory standard BCBS239).

We strengthened the risk & control framework for DLL's enterprise data warehouse in accordance with Rabobank's groupwide RCF on data quality with bank-wide implementation underway. DLL also formalized a data management policy framework in alignment with Rabobank's global standard on data management along with re-establishing the scope of the framework to include additional key reports to be executed in 2023.

Change and transformation risk

DLL has an ambitious change agenda impacting most areas within the Bank, elevating transformation risk with potential impact across multiple material risks. It is imperative that DLL has a robust transformation risk management framework applicable across all material changes. We have established a material organizational change standard which will be fully embedded during 2023 alongside DLL's strategy refresh and other enabling projects such as those related to the RCF and regulatory change.

Fraud risk

DLL's business model carries with it an elevated inherent risk of external fraud. This year, we saw an increase in activities solely intended to defraud DLL from the outset of the transactions. While we remained inside our risk appetite limits for fraud, we recognized the challenges and took direct steps to protect the company in the future. Alongside dedicated staffing and operational process improvements to mitigate and identify fraudulent activities, we are pursuing several AI and data modeling solutions, alongside technology which will improve our ability to avoid fraud attempts at the outset.

Information technology and cybersecurity risk
IT and cybersecurity remains DLL's largest single operational risk component. The IT risk profile has been steady over time and is determined by some long-lasting issues such as the decommissioning of end-of-life systems and patching software vulnerabilities.

In order to avoid vulnerabilities in our systems, lifecycle management of IT assets has significant focus. However, it remains a challenge to keep on track in decommissioning end-of-life applications in parallel with delivery of a wider digitalization strategy. Addressing tech debt and improving LCM practices is part of our IT strategy, with specific plans in place for end-of-life applications.

Cybersecurity is a key focus for DLL due to the increased prevalence and impact of cybersecurity threats and incidents globally, particularly in the context of the Russia invasion, alongside our digital transformation strategy and current remote working model. Several improvements were made in 2022, reflected in an improved National Institute of Standards and Technology (NIST) Cybersecurity Framework maturity rating. Security focus increased, evidenced by a significant reduction of open security assessment findings. Security remains a top priority for IT, and the information security roadmap 2023, with key initiatives for the future, is being finalized.

AGCO Corporation, a key joint venture partner, faced a ransomware attack which impacted their operations. DLL immediately shut down all technology integrations between DLL/AGCO Finance and AGCO Corp, and established a crisis response team to manage the event and the subsequent recovery. While the attack did not compromise DLL's environment, cybersecurity remains a top priority and DLL continues to develop internal awareness among staff by improving our overall security environment, and expanding technology and security expertise.

Climate and environment risk

Climate change is increasingly contributing to society's exposure to a range of acute and chronic physical risks. Meanwhile, the transition to a net-zero economy and related political, societal, and regulatory developments, creates transition risks such as stranded assets. Climate-related risks and their financial implications, will inevitably impact DLL, our vendors, and end users. As such, the application of a robust and integrated risk management approach has been, and will remain, a key priority for the bank.

Climate risk governance, strategy, and appetite
Our focus remains on incorporating climate risk into our existing risk management framework. Aligning with Rabobank efforts, in 2021 DLL designed a multi-year roadmap to embed this risk across the bank, including business environment and business strategy, governance, risk appetite, the risk management framework, and disclosure.

DLL's business strategy, external commitments, and regulatory requirements drive our overall risk strategy, the underlying policy framework and the ways DLL incorporates climate considerations into our risk management framework.

DLL has established a dedicated Climate Risk Management Team within 2LOR and our Sustainability & Climate Committee governs DLL's climate-related commercial, regulatory and risk activities.

The 2022 RAS included qualitative language on climate risk, and, for the first time, the 2023 RAS will include quantitative KRIs/RIs that will support the business with strategic decisions, in addition to steering and taking risk mitigations.

Climate risk identification and assessment
DLL does not manage climate risk as a stand-alone material risk but rather as a driver or root cause of the existing material risk types, impacting through direct and indirect transmission channels.

Reflecting the importance of climate and sustainability to DLL's strategic objectives, and the impact of climate change and environmental degradation on our business, the Climate & ESG Transition is one of our strategic risks for 2023.

We expect the largest impact of climate risk on the credit risk profile (e.g. via payment capacity of end users, sector impact and asset residual value) while the impact on operational risk is also deemed material (through damage to physical assets from extreme weather and operational resilience).

Consequently, we have focused primarily on the impact that climate-related risks have on our clients' credit risk in our climate risk management efforts and, in 2022, have achieved several milestones on our journey.

To date we do not see material manifestations of climate risk within our financial or non-financial risk profile. The geographical spread of DLL's operations and asset, globally and within large countries, the small-scale and movable nature of those assets and the insurance requirements placed upon our end users serve to mitigate physical risk. These factors, as well as the short-term tenor of the underlying lease agreements also mitigate transition risk. To date we have not identified any local, national or international regulation with a significant adverse impact for DLL, its vendors, its customers or (the residual value of) its assets.

Climate risk heatmap
Working closely with Rabobank initiatives, in 2022 we have enriched our initial climate risk heatmaps, first delivered in 2021. The heatmaps summarize the outcome of a broad scan for climate and environmental related risk, showing the threat level (a combination of the likelihood and intensity) and the event impact on our clients for a combination of geographic location, sector and time horizon (from 2 to 10 years currently given our portfolio profile). This is combined with DLL's credit exposure to the relevant sector and geographical region to identify concentrations of inherent risk in the bank's portfolio. Inherent (or gross) risk refers to risks before taking into account actions by our clients to mitigate these risks.

The outcome of the heatmap and concentration analysis is used to prioritize more detailed scenario analyses and provides input for, among others, climate-risk stress testing and vulnerable sector assessments.

Stress testing and scenario analyses
During 2022, in close cooperation with Rabobank, DLL completed our first dedicated climate stress test, following ECB guidance and expectations. A further exercise will be undertaken in 2023.

Following on from the ECB stress test, DLL took part in the first Rabobank groupwide climate scenario analysis performed using the outcome of the heatmaps. While the Group level scenarios were not materially related to DLL's operations, these first attempts at quantifying these risks will continue to be developed alongside DLL's stand-alone capabilities in this area.

Materiality, business continuity and operational resilience

DLL has continued to deliver efforts to establish a quantitative and data driven non-financial risk identification, assessment and control approach to financial, reputational and regulatory risk impact. Milestones delivered during the year include;

- Assessment of the impact of climate risk on all material risk types, taking account of historical operational incident and legal claim data.
- Concentration risk analysis, using the same underlying data and approach as for our credit heatmaps, on DLL's external suppliers to identify concentrated physical climate risk among DLL's outsourcing suppliers which would give rise to a heightened resilience and continuity risk for DLL in the event of a climate or environmental disaster.

The results of these exercises will be incorporated into our annual risk assessment process in early 2023.

Going forward

We expect the manifestation of physical climate events to increase, both in frequency and intensity, while transition risk will be elevated by the increasing focus on Road-to-Paris and Net-Zero deliveries and emerging political, regulatory and societal expectations in this space.

Following the 2022 ECB Thematic Review and the publication of related best practices, and in keeping with DLL's strategy refresh, the original climate risk roadmap is being refreshed to reflect expectations and imperatives. Data availability, both internal and external, is a critical dependency to the realization of several aspects of the roadmap.

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 legal requirement that prevents local compliance with (parts of) this policy and/or there is a higher standard that must be applied, those stricter local rules prevail. Compliance considers applicable principles, guidelines, and other regulatory requirements (e.g., *Wft*, *Wwft*, BCBS, CRD, CRR, EBA, and the GDPR).

DLL is firmly committed to conducting business with integrity and in compliance with the letter and the spirit of the law, as well as 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, thus helping 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 in general.

The mission of the Compliance function is to contribute to the trust that stakeholders and society 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 interests 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 context of compliance risk involves the failure to comply with DLL's internal standards, rules, or codes, as well as external laws, regulations, and codes applicable to our activities. 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 toward our stakeholders, even if such conduct is not formally prohibited.

Within DLL, compliance risk has been divided into 11 themes: Money laundering, terrorist 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, for example, by conducting a 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. It supports management in its responsibility to become and remain compliant with the external and internal rules related to the compliance themes specified above. It also aims to maximize adherence to the DLL 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" by following principles such as:
- Compliance starts at the top.
- Management is the "owner" of compliance.
- Compliance requires each member 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 its scope of review or inquiry.

Independence
The function must be able to perform its responsibilities without undue influence, and based on its own initiative and professional judgment. It 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.

This 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 the CEO and is accountable to the Executive Board and the Supervisory Board, having a direct line to both. They meet with the Chair of the Supervisory Board periodically, but at least twice a year, and report secondarily to the Rabobank Chief Compliance Officer.

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

Compliance risk

Description of risk	Response	Going forward
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 context of Compliance risk involves the failure to comply with DLL's internal standards, rules, or codes, or the external laws, regulations, and codes applicable to DLL's activities. DLL operated within all Compliance risk appetite KRIs in 2022.	The Compliance department and the DLL compliance framework have been established and improved in recent years. As part of a program to address two key components of our compliance risk profile, DLL strengthened its capabilities in terms of anti-money laundering (AML) and data privacy, both involving close cooperation between the second line Compliance function and the DLL business.	Having designed a new target Operating model and first line AML organization in 2022, we expect the new organization to start functioning as intended in 2023, driving additional improvements in our AML and sanctions programs. Data Privacy shifted from program to business as usual. Going forward, we expect the relevant processes to mature and further quality improvements to be made in parallel with investments in both data transfer and records management.

DLL distinguishes three main compliance areas within the broader compliance risk definition: data privacy (including records management), financial and economic crime (including anti-money laundering (AML), sanctions, counter-terrorist financing, and fraud), and conduct compliance (including competition, conflicts of interest, anti-bribery and corruption, market abuse, and treating customers fairly).

Key topics in 2022

Privacy program

DLL's consolidated residual risk value dropped to medium thanks to the worldwide implementation of our Privacy program. The program built on our Privacy office, policy framework, and governance. Full embedding of the Privacy program elements is key going forward as they have the potential to further reduce privacy risk. In addition, issues around data transfers arising from Schrems (EU court ruling impacting the transfer of data from the EEA) need to be addressed, while records management requires continued focus and investment to reduce its consolidated residual risk value from medium-high.

AML

AML compliance requires the completion of the global rollout of our Customer Due Diligence (CDD) system (known as ROCK), as well as full implementation of transaction monitoring and improvements to customer data quality. A number of Ultimate Beneficial Owner (UBO) implementation challenges in the U.S. and Canada need close attention. Overall, data quality continues to be a key concern as regulatory pressure continues (both from our home regulators DNB and JST, as well as in other local markets like the U.S, Germany, Italy and some others). The consolidated risk remains at medium, with a stable outlook, although further improvements are expected due to the AML Uplift program launch. The AML Uplift program addresses areas of concern and aims to improve the overall control environment with specific attention to customer files and data quality. External fraud risk continues to be elevated due to DLL's business model. Complex fraud incidents have occurred over the last year that are inconsistent with past events and have driven residual risk to medium-high, also triggering increased focus on our fraud prevention processes and detection capabilities.

Conduct

In the Conduct area, we are working on additional maturity of our third-party due diligence processes, making sure to fully embed specific Anti-Bribery and Corruption controls. Also in that area, treating customers fairly principles need full embedding in response to the ever increasing regulatory focus on consumer protection and some consumer protection regulations being applied also to additional (mid-)market segments. We should also focus even more on our end customers worldwide, for instance through our lease extensions, sales incentives, and complaints handling processes. The conduct themes require us also to continue to drive our compliance culture, including continued improvements to the SpeakUp Framework (such as the local SpeakUp culture and feedback loops), and execute locally on the actions resulting from our annual Compliance Culture Survey.

These investments and efforts, together with local implementations, are expected to positively affect our residual risk ratings, further reducing DLL's compliance risk profile.

Responsibilities of the Compliance function

The compliance target operating model defines the specific requirements for the Compliance framework in more detail. The target operating model is one of the building blocks of an effective approach to managing compliance risk, and links to documents such as the Compliance Charter, policies and procedures, reports, and plans.

Compliance reporting

The Compliance function prepared the annual global compliance plan, and associated regional and country plans, based on DLL's medium-term and annual plans, a compliance risk analysis, information from the compliance network, and a dynamic overview of relevant compliance topics aligned with DLL's activities. They reflect local and global compliance initiatives within DLL, and include plans for policy and procedure setting, awareness, consultancy activities, and monitoring.

The plans were approved by the Executive Board and the Supervisory Board. The Compliance function updates the boards every quarter regarding the progress made on the execution of the annual plan as well as other relevant matters. In case of major incidents or other urgent matters, the Head of Group Compliance will ensure that the boards, Rabobank Compliance and, where appropriate, the regulator, are informed immediately.

The DLL compliance monitoring framework sets out 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 these activities.

Compliance monitoring is an integral part of the DLL Compliance program.

Global Code of Conduct and policies

Members at 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 Governance & Policy Portal. Management is held accountable at a higher level for such adherence, for themselves and for those under their direction, and must set an example to members in their actions and behavior.

DLL strives for an open and encouraging culture, where members can report alleged violations of the global Code of Conduct or suspicions regarding incidents affecting the integrity of DLL. Furthermore, DLL has implemented a SpeakUp mechanism which enables members to use an alternative channel (next to their standard hierarchical reporting line) for reporting suspected irregularities.

Policies

DLL has drafted and implemented global compliance policies. DLL's management is responsible for the execution of the policies and for monitoring adherence. The main focus is on financial economic crime to provide global principles and to ensure that DLL engages in relationships with reputable business partners and customers, and mitigates potential corruption, AML, and fraud risk and to ensure compliance with sanction regulations. Conduct-related policies 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, and set guidelines for disclosure and transparency, and for the prevention of insider trading activities.

Interview

Driving the right balance between risk, reward, and sustainability

DLL's business strategy, external commitments, and regulatory requirements influence our chosen overall risk strategy. By successfully balancing risk, reward, and sustainability, DLL will be able to meet both regulatory and societal imperatives while supporting our customers, and achieving sustainable and profitable growth according to **Casper Havers**, Sustainability Consultant, and **Steve Blake**, Head of Group Integrated Risk.

Casper Havers
Sustainability Consultant

Steve Blake
Head of Group Integrated Risk

Casper Havers focuses on defining, implementing, and monitoring DLL's sustainability policies related to the environment and human rights. This covers topics such as climate, biodiversity, water, animal welfare, and labor standards. "Through its sustainability policies, DLL minimizes the negative impact on the outside world from an environmental and social point of view," Casper explains.

Over at Integrated Risk, Steve Blake and his CLR colleagues focus on financial materiality, developing the approaches and frameworks required to identify and manage the potential risks to DLL of both climate events, and climate and transitional factors including regulation and legislation.

Casper and Steve both agree that there is such a regulatory, societal, and customer momentum in this direction that sustainability is no longer a nice-to-have, it's a must-have. And that fully integrating all of these factors into our existing risk and reward frameworks is key to successfully delivering on DLL's refreshed strategy to be a transition partner for a better world.

Translating sustainability policy

As mentioned in the sustainability governance section of this Report, DLL provides financial solutions to its partners in line with its global Code of Conduct and the Rabobank sustainability policy framework. For instance, DLL's Code of Conduct gives explicit guidance to members on how to integrate sustainability into their daily work and behavior.

The sustainability policy framework sets out DLL's position on activities that could impact the climate, environment, and society. This is our starting point for providing products and services, and DLL expects its business relations to endorse this commitment.

"The sustainability policy framework contains a lot of details and requirements around accepting a vendor partner," says Casper. "My job is to translate that policy into the context of our business while maintaining speed and convenience for end users. Our vendor finance business model means that we serve the end user via the manufacturer. The fact that we finance assets means we take a different, risk-based approach, which is laid down in DLL's ESG risk policy."

New approaches to risk management

The urgency of tackling climate change and preventing environmental degradation is reflected not only in multiple external regulations and DLL policies, but also in our clearly articulated corporate strategy towards sustainability. "We're now working to set the risk strategy to support delivery of the refreshed corporate strategy in a safe and sustainable manner," says Steve. "That will require ongoing development of approaches to risk assessment to further incorporate the sustainability elements."

> "Through its sustainability policies, **DLL minimizes the negative impact on the outside world**."

"We're now working to set the risk strategy to support delivery of the refreshed corporate strategy **in a safe and sustainable manner**."

DLL seeks to deliver the right balance between risk, reward, and sustainability in client and credit decisioning through fully integrating sustainability considerations into underwriting and credit approval criteria. Bringing this risk-reward-sustainability balance will support steering the portfolio in line with DLL's ambitions to reduce the carbon intensity of the assets it finances, and increasing its focus on green assets.

DLL seeks to ensure its partners align with its policy principles and seeks opportunities to support them in their transition pathways. When DLL onboards a new vendor or end user, it conducts an ESG risk assessment to check if they can comply with all policies. "We include a 'do-no-harm' check to ensure that DLL is not directly financing industries or dedicated assets in, for instance, the thermal coal industry, the tobacco industry, or shale gas exploration," says Casper. "We also want to ensure that they have no conflicting social activities such as child labor or forced labor.

There are regional differences when it comes to "do-no-harm" industries. "For instance, shale gas and thermal coal exploitation are still prominent in some countries, but our policies apply globally. All our members need to be aware of the policies and be able to explain why we finance assets in some sectors and not in others."

Policies are not static and are subject to change as circumstances change. For example, in the current energy supply environment it is logical to review and possibly update the policy on which energy sectors to finance.

Deepening our understanding

DLL conducts periodic vendor risk assessments which incorporate climate and sustainability considerations. The Commercial teams also engage regularly with vendors to see what they are doing now on sustainability and where the opportunities lie. "All these activities help us to deepen our understanding of our impact on the outside world and how we can work with vendor partners to make the portfolio ever more sustainable," says Casper.

Local business, credit, and compliance analysts in each country are currently responsible for assessing vendor partners and flagging issues on ESG policy compliance. Casper: "Going forward we are working on further alignment between credit risk, compliance, and sustainability in a centralized system so that we have access to the most complete information at the earliest possible stage when onboarding new customers."

"This is a really big change; the incorporation of sustainability, climate, and environmental drivers into our client and credit assessments," explains Steve. "Eventually, we may have a limited appetite for business that is not in line with our desired greenhouse gas profile, for example. The characteristics of sustainable deals need to be integrated into the credit journey, with clear guard rails for risk approval and underwriting criteria. In this way, we can ensure that our vendor partners can finance the types of assets that will help them, and the planet, in the long term."

"The characteristics of **sustainable deals need to be integrated into the credit journey**, with clear guard rails for risk approval and underwriting criteria."

"Our **vendors need to achieve their sustainable goals** and become compliant with regulations too."

Innovation

To deliver on its strategy, DLL needs to build its ESG asset and risk capabilities and knowledge, a historical source of differentiation for DLL. "We need to ensure we establish our risk appetite for emerging technologies, new vendors, and new deal types. For instance, long-term industry leaders in the sustainability area may currently be startups since much of the technology is new. Some of the assets may be unfamiliar to us, and we will need to develop modelling and risk assessment expertise. Brand new technologies may bring a higher risk of obsolescence while the tenor of deals for these assets may differ from our current tenors. We will develop assessment criteria for these types of deals with our CCO and COO colleagues."

Safe, secure, and compliant

ESG is currently the source of a large proportion of emerging regulatory requirements. "We're constantly scanning the 'external' horizon to identify, interpret, and act on new climate risk management regulation," says Steve.

"We maintain a rigorous commitment to remaining in control, being compliant with all relevant regulations and commitments, and to managing DLL's financial and non-financial risks. In line with this, we continue to develop, embed, and mature processes to constantly monitor DLL's climate-related risk profile."

DLL continues to implement a multiyear roadmap to embed climate and environmental risk management across the bank, which focuses mainly on the ECB climate guidelines. "It's not specific to the Risk function," says Steve. "Functions such as Legal, Compliance, and Finance are closely involved, as well as the first line COO and CCO teams in the different countries and regions. And, of course, our Sustainability colleagues."

Engaging with members and vendor partners

For the refreshed strategy to succeed, it's vital that all members understand the nature and importance of sustainability business. Casper is involved in training local compliance and credit members on how to recognize ESG issues at vendor partners, and what to do when they spot a potential flag in the initial sustainability assessments.

"Our vendors need to achieve their sustainability goals and become compliant with regulations too," says Steve. "So the CCO and COO teams often engage with vendors and their sustainability consultants and risk managers." These efforts are set to intensify in future as DLL seeks to become the partner of choice to support vendors in their own sustainability transitions. After all, sustainability is no longer a nice-to-have. It's a must-have. And not just for DLL.

"**We include a 'do-no-harm' check** to ensure that DLL is not directly financing industries or dedicated assets in, for instance,the thermal coal industry, the tobacco industry, or shale gas exploration."

Remuneration

DLL's compensation and benefits programs are relevant, competitive, and compliant, to enable DLL to attract and retain the desired talent. Our Remuneration Policy will drive the right behaviors that support organizational growth and create a high-performing culture though a truly engaged workforce.

Remuneration policy
DLL's Remuneration Policy falls within the framework of the Rabobank's Group Remuneration Policy, which enables a fair and globally consistent approach to remuneration within the framework of the DLL job classification system and applies to all DLL entities around the world with local variations as necessary. These relate to the application of local legislation, national collective labor agreements or local labor market practices which allows DLL to be both locally competitive and compliant. DLL's total reward structure includes fixed and variable remuneration elements that are aligned with local labor markets, including pension programs as applicable.

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

Rabobank Group Remuneration Policy
The Rabobank Group Remuneration Policy details the principles and guidelines of Rabobank's vision on remuneration. It also takes into account requirements under external legislation and regulations, 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 group entities like DLL, which has reflected this in its own Remuneration Policy. It supports solid and effective risk management processes, and discourages employees from taking undesirable risks, while encouraging them to consider the longer-term impact on the interests of both Rabobank Group and its clients. The annual performance appraisal and remuneration cycle support acting in the interest of our long-term continuity and financial strength.

Variable remuneration
In 2022, EUR 67 million (2021: EUR 69 million) of total remuneration was variable for all DLL entities. The risk-controlling measures described below apply to employees with variable remuneration. Variable remuneration is capped for all roles in all countries, and DLL does not grant guaranteed variable remuneration in view of regulatory restrictions.

In the Netherlands, variable remuneration is capped to 20% of the member's fixed income. Outside of the Netherlands, the level of fixed income, variable pay and benefits is 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% of a member'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 members. DLL's objectives do not contain targets that encourage behavior that is not in the best interest of our vendor partners or their customers.

Ex-ante test
Every year, DLL's Executive Board and Rabobank's Managing Board 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, 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 scenarios as laid down in the Rabobank Group Remuneration Policy. No claw back was applied to any variable remuneration in 2022.

In addition to the measures stated above, the following general prohibitions also apply:
- Personal hedging strategies are not permitted under any circumstances whatsoever.
- Variable remuneration must reflect the quality of an employee's performance. We do not reward employees for failure or misconduct.

Identified Staff
Members who could have a significant impact on DLL's risk profile are designated as Identified Staff. In 2022, 54 roles within DLL (excluding Supervisory Board members) were deemed to belong to this category. 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 members, Identified Staff must meet a proper balance of performance objectives. Incentives for Identified Staff, if applicable, are specifically subject to performance measurements at DLL group, business unit, and individual levels.

Supervisory Board

Fee structure
In 2022, the Supervisory Board consisted of four members. Of these, two external Supervisory Board members receive direct compensation from DLL based on their board responsibilities. The other two members are employed by Rabobank and the compensation for their Supervisory Board activities is included in the remuneration they receive from Rabobank in their capacity as employees. The total amount of remuneration for the external Supervisory Board members in 2022 was EUR 227,000 (2021: EUR 209,000).

Executive Board

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

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, 2022, the maximum income on which the Executive Board may accrue pension is EUR 108,612. 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 member of the Executive Board does not participate in a pension scheme but is eligible for a DLL 401K match. Additionally, he receives 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. None of the Executive Board members received a severance payment in 2022 (2021: one).

Executive Board remuneration
In 2022, the remuneration of members of the Executive Board totaled EUR 3,627,000 (2021: EUR 5,308,000). None of the Executive Board members received total remuneration above EUR 1 million (2021: one member).

There were zero Deferred Remuneration Notes (DRNs) outstanding with the members of the Executive Board at year-end 2022 (2021: 122 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 where we play, and implementing 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 under Dutch law. The company is located and has its statutory seat in Eindhoven. DLL has subsidiaries and branch offices in more than 25 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 De Lage Landen International B.V. and one of its Dutch subsidiaries, assuming liability for the debts arising from the 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, mainly made up of DLL Executives or Senior Managers.

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 (and one vacancy) who are appointed and dismissed by shareholders at Annual General Meetings. 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, including customers, shareholders, members, regulators, and the communities in which we operate. In doing so, the Executive Board takes into consideration that ESG risk factors may drive DLL's prudential, operational and reputational risks.

Certain strategic and key actions or decisions to be taken require approval of 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 Executive Board DLL International Charter, 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 ESG risk factors may drive DLL'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 shareholders at Annual General Meetings. 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 Supervisory Board DLL International Charter as approved by DLL's shareholder. The Supervisory Board report includes more information about the (members of the) Supervisory Board and its supervision in 2022.

Global committees
DLL has several (permanent) global committees in place, made up of DLL Executives and/or Senior 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 table describes the main responsibilities of the global committees, with the committee chair's function in parentheses:

Global committees	
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 approval where required. Furthermore, it reviews and approves requests for international expatriate assignments of members. The committee also approves global leadership development programs, policies, and practices, international trainee programs, and all exceptions to the Group Remuneration Policy, based on the Monitoring Committee's advice, 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 business partners, customers, and members when there is no clear previously defined policy, and it 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 case the matter is submitted with a recommendation by the BPC for a decision by the 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 Sustainability & Climate Committee is responsible for steering sustainability and climate ambitions in alignment with the shareholder, and acts as an advisory and a decision board. The committee is part of DLL's overall governance to define ambitions for making sustainability and climate an integral 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 ensuring the 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; the performance of our Internal Audit Function; and the optimization of collaboration between internal and external audits with the aim of providing assurance at optimal costs.
Global Risk Committee (CRO)	The Global Risk Committee 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 , it 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 authority within DLL for requests subject to a credit application process. For requests exceeding its 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 credit appetite and pricing (risk/reward).
Proactive Portfolio Management Committee (CRO)	The mandate of the Proactive Portfolio Management (PPM) Committee is to bring all countries to a high level of portfolio management, and to ensure that (self-)monitoring and control are in place to identify and mitigate risk. The PPM Committee is responsible for governing and overseeing groupwide 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; decide the level of ECL required for the 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 is responsible for supporting 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 groupwide ALM issues. Furthermore, it is accountable for active optimization of funding and liquidity risks, interest rate risks, translation risks, and treasury investments; it reviews

Global committees	
	the balance sheet in order to balance risk and return tradeoffs; and it is the accountable body for evaluation of all systems for ALM and the 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 exercises groupwide authority and control over the management of data, with the following goals: – 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: To set and recommend for approval policies and instructions for accounting, reporting, financial control, tax, procurement and supplier management, business travel and expenses, and treasury-related matters; to review and provide sign-off on matters within the area of responsibility of Group Finance for which the Executive Board needs to provide approval; and to review and approve independent external audit-related matters.
Pricing Review Committee (CFO)	The Pricing Review Committee ensures that global pricing guidelines and procedures are fully adhered to and agrees on ongoing refinements and improvements thereof. 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 oversees groupwide CAMS activities and takes action when deemed necessary. The CAMS Committee oversees the execution of CAMS policies and standards. In this capacity, it 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 audits, or other stakeholders.
Global Privacy Committee (COO)	The Global Privacy Committee is mandated to oversee the implementation and maintenance of the 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: 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 at 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 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 (HR Head of Total Rewards)	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 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 mandated to conduct a review to assess if a reported suspected irregularity falls into the scope of the Group's Global Speak-Up Policy. In addition it may perform or assign further investigations of the suspected irregularity. It may appoint investigators from inside or outside the DLL organization in order to secure the specific expertise that might be necessary for investigations.

Conduct and integrity

Good corporate governance entails a solid corporate governance framework with a clear organizational structure, and being in control through a well-structured risk and control framework. However, 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 we do business, our members speak in the same tone of voice and conduct themselves in the same way when doing business because DLL is 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 everyone working 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. By taking the banker's oath, our Supervisory Board, Executive Board and other members working in the Netherlands 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.

Furthermore, they confirm that they uphold the Code of Conduct for the banking sector. Breaking the banker's oath has consequences: Disciplinary law is applicable if its rules are not adhered to. By taking the banker's oath, members submit to this law.

Regulatory framework and supervision

De Lage Landen International B.V., DLL's holding company, has a banking license in the Netherlands 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. DLL passports this license and established branches in Germany, Italy, Portugal, and Spain, to offer financial products. 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.

The most important regulations that apply to De Lage Landen International B.V. are:

- Capital Requirements Directive (CRD)
- Capital Requirements Regulation (CRR)
- EBA Guidelines
- Dutch act on financial supervision (*Wft*)
- Dutch decree on prudential regulation
- Dutch Anti-Money Laundering and Anti-Terrorist Financing Act (*Wwft*)
- Dutch Civil Code

As a Dutch bank and part of Rabobank, we adhere to the majority of the Dutch Banking Code and take the relevant areas into account in our governance framework.

Furthermore, since DLL's shares are not publicly traded, 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.

Executive Board **responsibility statement**

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 and CEO (as of February 14, 2022)*
I. Eddini, *CHRO (as of September 7, 2022)*
N. Garnett, *CCO (as of February 27, 2023)*
Y.E. Hoefsmit, *CRO*
M. Janse, *COO*

Eindhoven, April 26, 2023

Supervisory Board **report**

Report of the **Supervisory Board**

General

The 2022 business year was marked by continued economic uncertainty and a geopolitical crisis that adversely impacted market conditions, including a scarcity of energy resources, rising costs for basic goods and services, upward movements in interest rates, and sagging business confidence. Throughout the year, the Supervisory Board was actively engaged with the Executive Board of DLL and kept apprised of the company's efforts to navigate through these uncertain conditions. Most notable was the Russia-Ukraine conflict, which led to the decision by DLL to permanently cease its local business activities and take steps to exit the Russian market by the close of 2022.

Despite these challenging market conditions, the Supervisory Board was pleased to see that DLL was able to support its vendor partners and end users, and deliver on its partnership promise, which was evidenced by continued improvements in surveyed loyalty and satisfaction metrics. These partnership efforts by DLL also delivered portfolio and income growth in 2022, but net profits were heavily diluted by impairments attributable to the liquidation of DLL's holdings in Russia.

At the meeting of June 10, 2022, the Supervisory Board with the full concurrence and support of the shareholder, Rabobank, decided to expand the composition of the Executive Board of DLL to six members and include the position of Chief Human Resources Officer (CHRO). This decision was made in recognition of the vitally important and enabling role that the global workforce and organizational development efforts play in the execution of the DLL group strategy. In September 2022, the Supervisory Board was pleased to announce the formal appointment of Iman Eddini as the new CHRO and member of the Executive Board.

The Chief Financial Officer (CFO), Marc Dierckx, left the company as of August 31, 2022, to pursue other career opportunities. A search for his successor was commenced in 2022. The Supervisory Board would like to thank Marc Dierckx for his many years of service at DLL and wish him all the best in his future endeavours. Carlo van Kemenade, Chief Executive Officer (CEO) and Chairman of the Executive Board of DLL, is currently serving as the "Acting CFO". Once the necessary approvals are received from the regulatory authorities, the Supervisory Board will announce a new appointee for this important leadership role.

Further in September 2022, the Supervisory Board with full concurrence and support of the shareholder, approved the appointment of Neal Garnett to the position of Chief Commercial Officer (CCO). On February 27, 2023, Garnett received the necessary regulatory approvals and succeeded Tom Meredith, who announced his retirement from DLL. The Supervisory Board wants to express its gratitude to Tom Meredith for his dedication to the company, where he served as a highly regarded commercial leader, building and maintaining important relationships with customers.

Overall, the Supervisory Board was satisfied with the level of engagement and communication with the Executive Board of DLL. In the latter half of 2022, the Supervisory Board received insights and provided input toward the new DLL Group strategy and the identified key strategic transformation areas for 2023 and beyond. The new strategy was approved by the Supervisory Board in early 2023 and the enhanced focus on sustainability, including the climate, energy and food transitions, as well as the enabling role that DLL can play to help its partners realize their own sustainability aspirations, is truly inspiring and should position DLL for continued growth and success in the future. Further, the Supervisory Board approved the related efforts to simplify DLL's organizational structure to further enhance efficiencies and execution power on the refreshed strategy.

Composition and members of the Supervisory Board

The desired composition of the Supervisory Board is such that the combined experience, expertise, and diversity of the membership enables the Supervisory Board to best carry out its responsibilities. The Supervisory Board consists of four members, with half (two) of those positions comprised of individuals who are members of the Managing Board of Rabobank, the shareholder of DLL. Further, the Supervisory Board has two external members, both bringing specific knowledge and (international) experience to the table.

In 2022, the composition of the Supervisory Board was unchanged. The members of the Supervisory Board were:
- Berry Marttin, chair (member of the Rabobank Managing Board)
- Bart Leurs, vice-chair (member of the Rabobank Managing Board)
- Ronald De Feo (external member)
- Annelies Bouma (external member)

According to the rotation schedule, Ronald De Feo's first term on the Supervisory Board ended on February 25, 2023. Prior to publication of the Annual Report, he was reappointed 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 early 2023, prior to publication of the Annual Report.

Supervisory Board meetings

The Supervisory Board has at least four regular meetings per year. These meetings are also attended by the members of the Executive Board of DLL.

At the start of 2022, the regular meetings of the Supervisory Board were extended to encompass a two-day program and agenda (from the previous one-day program). This decision was made to allow for more extensive discussions on risk management and regulatory compliance, commensurate with their ever-growing importance to DLL.

In 2022, the Supervisory Board had five formal meetings. One of these meetings was specifically dedicated to the Independent Auditor's Report on the financial statements for 2021 and DLL's Annual Report 2021. The financial statements for 2021 were discussed and approved in the Supervisory Board meeting of April 14, 2022. Of further note, after two years of virtual meetings due to the COVID-19 pandemic, the Supervisory Board was pleased to resume live meetings. On June 9 and 10, 2022, the entire Supervisory Board (with the exception of one member who joined remotely) and the Executive Board of DLL were able to physically gather for their first face-to-face meeting in over two years.

Additionally, there were five Exceptional Supervisory Board meetings held in 2022 focused on important and urgent business matters, including the aforementioned liquidation and sale of DLL's holdings in Russia. Further, the Supervisory Board had informal meetings, where periodic updates were provided on a variety of topics including commercial and financial developments, workforce wellbeing, and engagement initiatives, etc.

At the formal meetings of the Supervisory Board, the commercial, financial, and operational performance of DLL was reviewed, as well as risk, internal audit, compliance, and regulatory matters. Additionally, time was devoted to topics in the areas of IT development and digital transformation, as well as Human Resources and the overall level of engagement and wellbeing of the DLL workforce. The review of each of these topics was guided by a comprehensive quarterly report prepared by the Executive Board of DLL. Further, and noting the importance of compliance and internal audit matters, DLL's respective Heads of Group Compliance and Internal Audit attended the relevant segments of each meeting to provide further background details and explanations where needed.

The Supervisory Board also monitored major projects and strategic initiatives as outlined in the quarterly report that is prepared by the Executive Board of DLL. This included activities such as the significant efforts being made to update DLL risk modeling and analytics capabilities in line with regulatory requirements. On this important initiative, labelled the "Future Model Landscape" project, the Supervisory Board received ongoing updates throughout the year. One of these update included the outcomes of an assessment that was completed on DLL's current risk modeling environment, as well as the resultant self-imposed capital add-on, which was approved by the European Central Bank on July 21, 2022, and saw DLL increase its Risk Weighted Exposure Amount by EUR 4.7 billion.

In addition, the Supervisory Board received regular quarterly updates on the DLL Anti-Money Laundering (AML) "Uplift" Program, which is designed to ensure that DLL is compliant with the "Anti-Money Laundering and Anti-Terrorist Financing Act" in the Netherlands as well as related regulatory regimes and laws in other jurisdictions. The Supervisory Board continues to closely monitor DLL's significant efforts and investments in this area, which are direct at further maturing capabilities and processes, and ensuring compliance with all legal requirements.

Further, the Supervisory Board monitored other projects, including but not limited to DLL's digital transformation program and the development of a new Target Operating Model for DLL's operations in the U.S. The Supervisory Board also received quarterly updates on the development of DLL's portfolio and capital against the requirements set by DLL's shareholder and its capital management strategy, as well as regulatory capital requirements. Further, the Supervisory Board received quarterly updates on DLL's main risk indicators, as well as updates on DLL's large credit exposures and the development of DLL's (credit) impairments.

The DLL group 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. At the meeting of December 15, 2022, the Supervisory Board approved the DLL risk appetite statement for 2023. This risk appetite statement is cascaded to DLL entities, countries and regions in accordance with DLL's governance structure. DLL also continues to integrate climate risk – physical risk and transition risk – into risk appetite setting and risk management. New regulations impacting DLL's risk position were also shared with the Supervisory Board when relevant.

The Supervisory Board took note of the Top Risk Report 2022, prepared by DLL Group Risk as a part of the annual risk control self-assessment cycle. This report addresses the main risks DLL faces in realizing its strategic objectives. The progress of mitigating actions is monitored on a quarterly basis by the DLL Global Risk Committee. The Supervisory Board is updated on progress made through the Risk section of the quarterly report that is prepared by the Executive Board of DLL.

With regard 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. At the meeting of December 15, 2022, the Supervisory Board approved the Compliance plan for 2023.

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 made in resolving such audit findings was reported on a quarterly basis. At the meeting of December 15, 2022, the Supervisory Board approved the DLL Internal Audit plan for 2023.

Further, the Supervisory Board continued to pay attention to succession planning and diversity at the level of the Executive Board and senior management.

External independent auditor

The Independent Auditor's Report on the financial statements 2021 was extensively discussed with a focus on key audit observations, the control environment and areas for further improvement to the internal control framework.

In the meeting of October 6, 2022, the Supervisory Board approved Pricewaterhouse Coopers (PwC) as independent auditor for the year ending December 31, 2022, and concurred with the Audit Plan 2022 as proposed by the PwC team.

The Chairman of the Supervisory Board also had 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 toward the client, integrity, risk management, financial reporting, and audits.

In 2022, specific attention was paid to environmental, social and governance (ESG), climate risk, and cybersecurity.

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 2022 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 2022 financial statements.

The Supervisory Board proposes to the general meeting of shareholders of DLL that it adopts the financial statements of 2022.

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

Utrecht, April 26, 2023

Financial statements 2022

Consolidated financial statements

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Consolidated statement of **financial position**

In millions of euros	Notes	2022[1]	2021[1]
Assets			
Cash and cash equivalents	3.6	402	305
Accounts receivable and other short-term assets	4.2	698	614
Derivatives	3.4	182	38
Due from banks	3.5	1,104	2,879
Due from customers	1.1	37,907	34,726
Fixed assets under operating lease	1.2	2,563	2,684
Goodwill and other intangible assets	4.1	5	5
Current tax receivable	2.6	120	89
Deferred tax assets	2.6	143	96
Other assets	4.2	193	152
Total assets		**43,317**	**41,588**

1 As on December 31

In millions of euros	Notes	2022[1]	2021[1]
Liabilities			
Short-term loans and overdrafts	3.2	6,309	6,495
Accounts payable and other short-term liabilities	4.3	748	638
Issued debt securities	3.3	2,095	2,613
Provisions	4.4	132	107
Derivatives	3.4	66	54
Long-term borrowings	3.2	28,789	26,796
Current tax payables	2.6	69	54
Deferred tax liabilities	2.6	186	269
Other liabilities	4.3	547	508
Total liabilities		**38,941**	**37,534**
Equity			
Share capital and premium	3.1	1,233	1,233
Retained earnings	3.1	2,562	2,282
Other reserves	3.1	53	41
Total equity attributable to equity holders of the parent		**3,848**	**3,556**
Non- controlling interest		528	498
Total equity		**4,376**	**4,054**
Total liabilities and equity		**43,317**	**41,588**

1 As on December 31

Consolidated statement of **profit or loss**

For the year ended December 31			
in millions of euros	Notes	2022	2021
Interest income	2.1	1,865	1,552
Interest expense	2.1	(639)	(438)
Net interest income	2.1	**1,226**	**1,114**
Revenue from operating leases		922	846
Depreciation and other operating lease expenses		(696)	(659)
Net operating lease income		**226**	**187**
Losses from financial instruments	2.2	(34)	(8)
Fee and other income	2.3	321	281
Fee expenses		(31)	(29)
Total net ncome		**1,708**	**1,545**
Staff costs	2.4	(613)	(544)
Other operating expenses	2.5	(346)	(299)
Total operating expenses		**(959)**	**(843)**
Credit (losses)/gains and other impairments	1.3	(262)	83
Profit before tax		**487**	**785**
Income tax expense	2.6	(144)	(199)
Profit for the year		**343**	**586**
Profit for the year attributable to:			
Shareholder of the parent		271	494
Non-controlling Interest		72	92

Consolidated statement of **other comprehensive income**

For the year ended December 31			
in millions of euros	Notes	2022	2021
Profit for the year		**343**	**586**
Other comprehensive income/(expense) not to be reclassified to profit or loss in subsequent years			
Employee benefits			
Remeasurement of post-employment benefit reserve, before tax		11	3
Income tax effect	2.6	(2)	-
		9	**3**
Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent years			
Foreign currency translation differences income during the year		26	118
		26	**118**
Other comprehensive income for the year, net of tax		35	121
Total comprehensive income for the year, net of tax		**378**	**707**
Total comprehensive income/(expense) attributable to:			
Shareholders of the parent		292	598
Non-controlling Interest		86	109

Consolidated statement of **changes in equity**

in millions of euros	Notes	Share capital and share premium[1]	Retained earnings[1]	Foreign currency translation reserve[1]	Total	Non-controlling interest	Total equity
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)
Balance on 31 December, 2021		**1,233**	**2,282**	**41**	**3,556**	**498**	**4,054**
Balance on January 1, 2022		**1,233**	**2,282**	**41**	**3,556**	**498**	**4,054**
Profit for the year		-	271	-	271	72	343
Other comprehensive income		-	9	12	21	14	35
Remeasurement of post-employment benefit reserve, net of tax		-	9	-	9	-	9
Fair value changes of derivatives designated for net investment hedging, net of tax		-	-	(98)	(98)	-	(98)
Exchange differences on translation of foreign operations		-	-	110	110	14	124
Total comprehensive income		**-**	**280**	**12**	**292**	**86**	**378**
Dividends	3.1	-	-	-	-	(56)	(56)
Balance at 31 December 2022		**1,233**	**2,562**	**53**	**3,848**	**528**	**4,376**

1 Refer to note 3.1

Consolidated statement of **cash flows**

For the year ended December 31			
in millions of euros	Notes	2022	2021
Cash flows from operating activities			
Profit before tax		**487**	**785**
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of fixed assets under operating lease	1.2	697	658
Impairment of fixed assets under operating lease	1.2	(1)	1
Gain on disposal of fixed assets under operating lease		(50)	(10)
Depreciation of fixed assets for own use	4.2	24	24
Amortization and impairment of intangible assets	4.1	2	3
Net foreign exchange differences	2.2	34	15
Unrealised gains and losses from derivatives		(14)	(4)
Movements in provisions	4.4	20	10
Credit losses/(gains) and other impairments	1.3	262	(83)
Interest income	2.1	(1,865)	(1,552)
Interest expenses	2.1	639	438
		235	**285**
Net change in assets and liabilities:			
Due from customers		(3,064)	(1,108)
Purchase of fixed assets under operating lease	1.2	(876)	(972)
Proceeds from sale of fixed assets under operating lease		376	345
Due from banks		1,775	(678)
Short-term loans from banks and overdrafts		(183)	661
Other assets		(42)	105
Other liabilities		160	10
		(1,619)	**(1,352)**
Interest received		1,948	1,537
Interest paid		(600)	(436)
Income tax paid		(297)	(292)
Other		(1)	10
Net cash flows from operating activities		**(569)**	**(533)**

in millions of euros	Notes	2022	2021
Cash flow from investing activities			
Purchase of fixed assets for own use	4.2	(34)	(13)
Proceeds from sale of fixed assets for own use		1	2
Purchases of intangible assets	4.1	(2)	(3)
Net cash flows from investing activities		**(35)**	**(14)**
Cash flow from financing activities			
Drawdowns of long-term Rabobank borrowings		(11,154)	(11,027)
Repayments of long-term Rabobank borrowings		12,211	11,504
Repayments/(drawdowns) of other long-term borrowings		385	(429)
Issue of debt securities		796	2,543
Repayments of debt securities		(1,482)	(1,318)
Dividends paid		(56)	(833)
Net cash flows from financing activities		**700**	**440**
Net increase/(decrease) in cash and cash equivalents		96	(107)
Net exchange differences		1	(4)
Cash and cash equivalents on January 1		305	416
Cash and cash equivalents on December 31	3.6	**402**	**305**

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, 2022, were authorized for issue in accordance with a resolution of the Executive Board (EB) on April 26, 2023.

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 25 countries all across the world.

DLL has 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 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 (EU) 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 as from the date of these financial statements.

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

Minor amendments have been made to IFRS 3, IAS 16, IAS 37, and the Annual Improvements 2018-2020. The implementation of these amendments did not affect profit or equity.

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

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. The IASB also published amendments to IFRS 17 including a scope exclusion for credit card contracts and similar contracts that provide insurance coverage, and an optional scope exclusion for loans with death waivers. DLL is investigating whether to apply IFRS 17 for its DLL reinsurance activities, as the impact of applying IFRS 17 would not lead to material differences in the 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, 2022. The Group structure on December 31, 2022, is presented in note 4.7.

The financial statements comply with IFRS as adopted by the 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

Impact of the Russian invasion of Ukraine

As a result of the Russian invasion, DLL decided in March 2022 to permanently cease all new business activities in Russia and shift its focus to the rundown of the local business. In May, it became apparent that the war would continue for a longer period, and as such, the sanctions, financial, and political challenges would remain. Therefore, a project was initiated to develop a strategy to exit Russia with immediate effect. For DLL Russia and AGCO Finance Russia, it was decided to conduct a management buyout. For Cargobull Finance Russia, a sale was not yet completed as of December 2022. Ultimately, these transactions resulted in a loss of over EUR 200 million. The majority of this loss is related to the remeasurement of the Russian portfolio prior to the sale and is reflected under credit gains/(losses) and other impairments. The foreign exchange (FX) impacts are recognized as such under gains/(losses) from financial instruments.

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.

On March 15, 2023, the sale of Cargobull Finance Russia to a third party was completed. With the sale of Cargobull Finance Russia, DLL is no longer present in Russia.

1. 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	2022[1]	2021[1]
Finance lease receivables	16,904	16,777
Loans to customers	21,398	18,374
	38,302	**35,151**
Allowance for impairment finance lease receivables	(237)	(254)
Allowance for impairment loans to customers	(158)	(171)
	(395)	**(425)**
Total due from customers	**37,907**	**34,726**

1 As on December 31

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

in millions of euros	2022	2021
Technology solutions	6,331	6,015
Construction, transportation and industrial equipment	9,137	8,582
Food and agricultural equipment	17,906	15,716
Healthcare and clean tech equipment	4,040	3,860
Other	493	553
Total due from customers	**37,907**	**34,726**

Fair value of amounts due from customers

On December 31, 2022, the fair value of amounts due from customers was EUR 36,625 million (2021: EUR 35,079 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 EUR (82) million as on December 31, 2022 (2021: EUR 36 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, 2022, EUR 2,692 million (2021: EUR 3,236 million) of assets have been pledged in various funding transactions.

During 2022, DLL conducted one new securitization transaction 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, 2022, was EUR 2,622 million (2021: EUR 2,487 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	2022[1]	2021[1]
Less than 1 year	6,172	6,241
More than 1, less than 5 years	11,167	10,921
More than 5 years	765	649
Gross investment in leases	**18,105**	**17,811**
Unearned finance income	(1,438)	(1,288)
Net investment in leases	**16,667**	**16,523**

1 As on December 31

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

in millions of euros	2022[1]	2021[1]
Less than 1 year	6,077	6,171
More than 1, less than 5 years	9,984	9,833
More than 5 years	606	519
Net investment in leases	**16,667**	**16,523**

1 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	2022	2021
Cost	4,351	4,153
Accumulated depreciation and impairment	(1,667)	(1,506)
Carrying amount on January 1	**2,684**	**2,647**
Purchases	876	972
Transfer to inventories	(82)	(120)
Disposals	(321)	(335)
Depreciation	(697)	(658)
Impairment	1	(1)
Other movements	29	23
Net exchange differences	73	156
Cost	4,317	4,351
Accumulated depreciation	(1,754)	(1,667)
Carrying amount on December 31	**2,563**	**2,684**

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	2022[1]	2021[1]
Less than 1 year	632	676
More than 1, less than 5 years	821	910
More than 5 years	33	27
Total minimum lease payment	**1,486**	**1,613**

1 As on December 31

Assets under operating lease pledged

As on December 31, 2022, DLL pledged EUR 2,692 million (2021: EUR 3,236 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 are 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 toward 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 Committee (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.

in millions of euros	2022[1] Maximum exposure	2022[1] Collateral coverage (%)	2021[1] Maximum exposure	2021[1] Collateral coverage (%)
Due from customers	37,907	100%	34,726	100%
Fixed assets under operating lease	2,563	102%	2,684	102%
Total exposure	**40,470**	**100%**	**37,410**	**100%**

1 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, 2022, was EUR 1,500 million, comprising 4% of the total portfolio (2021: EUR 1,258 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 under Credit risk exposure within quality categories of portfolio assets shows the credit quality of the portfolio related balance sheet items after deduction of the credit 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 following table that presents portfolio exposures, including operating leases, by underlying customer risk rating.

in millions of euros	Due from customers	FAOL[1]	Total exposure
December 31, 2022			
(Virtually) no risk	595	165	760
Adequate to good	36,589	2,327	38,916
Vulnerable	189	36	225
Defaulted	534	35	569
Total exposure	**37,907**	**2,563**	**40,470**
December 31, 2021			
(Virtually) no risk	582	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**

1 Fixed assets under operating lease

The following table shows the credit quality of the financial assets subject to impairment. The net 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[1]	Subject to lifetime ECL	Subject to lifetime ECL	Total gross exposure
Net carrying amount in millions of euros	Stage 1	Stage 2	Stage 3	
December 31, 2022				
(Virtually) no risk	506	89	-	595
Adequate to good	30,452	6,138	-	36,590
Vulnerable	71	117	-	188
Defaulted	-	-	534	534
Total net exposure	**31,029**	**6,344**	**534**	**37,907**

1 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
Net 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 net exposure	**29,932**	**4,333**	**461**	**34,726**

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 following table 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, 2022	
Neither past due nor impaired	35,925
Past due but not impaired	1,448
< 30 days	984
30 to 60 days	275
61 to 90 days	65
> 90 days	124
Impaired[1]	534
Total exposure	**37,907**
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[1]	461
Total exposure	**34,726**

1 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 (ECLs). 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 monitors 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

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	2022	2021
Charge/(income) for the year	306	(37)
Recoveries	(44)	(46)
Total credit losses/(gains) and other impairments	**262**	**(83)**

Composition of allowance for impairment

The following table presents movements in allowance for impairment as well as the composition of the allowance. A top-level adjustment of EUR 19 million (2021: EUR 55 million) to reflect the impact of governmental measures in certain vulnerable sectors and certain portfolios is included in the allowance for impairment. Next to that, an amount of EUR 19 million is specifically provided in relation to the portfolio of Cargobull Finance Russia. 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	2022
Balance on January 1, 2022	67	124	234	425
Charge for the year	44	3	15	62
Written off	-	-	(109)	(109)
Disposal	-	(192)	(1)	(193)
Net exchange differences	1	-	3	4
Stage transfers and remeasurements	(46)	191	72	217
Other	-	(4)	(7)	(11)
Balance on December 31, 2022	66	122	207	395

	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, 2021	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 remeasurements	(7)	5	81	79
Balance on December 31, 2021	67	124	234	425

The following table presents an overview of the significant changes in the net 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	2022
Balance on January 1, 2022	29,932	4,333	461	34,726
New loans and advances originated	19,083	240	58	19,381
Loans and advances that have been derecognized	(12,666)	(3,593)	(53)	(16,312)
Write-offs	-	-	(109)	(109)
Other changes	(5,320)	5,364	177	221
Balance on December 31, 2022	31,029	6,344	534	37,907

	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, 2021	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, 2021	29,932	4,333	461	34,726

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 financial assets were below the PD threshold and apportioned a 12-month ECL. On the same asset base, an analysis was made that assumed all financial assets were above the PD threshold and apportioned a lifetime ECL. These analyses resulted in ECLs of EUR 144 million and EUR 281 million, respectively, compared to current ECL of EUR 187 million.

Forward-looking information and macroeconomic scenarios
The macroeconomic scenarios applied in 2022 were very different to those applied in 2021. 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, leading to an optimistic macroeconomic outlook. At the end of 2022, the outlook is more uncertain, with the economies of the countries affected by inflation driven by higher commodity prices due to the Russian invasion of Ukraine. Furthermore, central banks in most countries have significantly raised interest rates to counter the rapidly increasing inflation.

Estimating expected credit losses for each stage and assessing significant increases in credit risk use 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, 2021: 60%) likelihood, compared to 10% (December 31, 2021: 20%) likelihood for the upside scenario and 30% (December 31, 2021: 20%) likelihood for the downside scenario. The adjustments to the likelihood of the scenarios were made in 2022 to reflect increased uncertainty about future macroeconomic outcomes.

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 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 10% upper scenarios and the 30% 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 187 million mentioned represents the ECL recognized on the balance sheet.

in millions of euros	ECL unweighted	Probability	Weighted ECL December 31, 2022	Weighted ECL December 31, 2021
Unemployment				
Upside	165	10%		
Baseline	185	60%	187	188
Downside	207	30%		

Measurement of expected credit losses
The PD, LGD, and 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, 2022	Impact on ECL per December 31, 2021
PD rating 1-notch deterioration (PD)	93	68
PD rating 1-notch improved (PD)	(54)	(39)
Collateral value down by 14% (LGD)	21	16
Collateral value up by 14% (LGD)	(21)	(16)

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 geopolitical

developments. 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.

Management determined a top-level adjustment of EUR 19 million (2021: EUR 55 million). The majority of 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 their 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.

A further EUR 19 million was recorded to reflect the remeasurement of the portfolio held by Cargobull Finance Russia as a result of DLL's decision to run down its Russian operations and the uncertainties surrounding the potential exit scenario for this entity.

Credit-related commitments

DLL has credit-related commitment risk arising through its ordinary business activities. 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	2022[1]	2021[1]
Undrawn credit facilities	6,296	6,547
Irrevocable quotations	2,522	-
Guarantees and other commitments	-	6
Total credit-related commitments	**8,818**	**6,553**

1 As on December 31

Undrawn credit facilities

DLL may, in a number of cases, provide customers with preset credit facilities from which customers can draw. This balance represents the undrawn portfolio of the credit facilities. Drawn amounts are part of the portfolio on balance.

Irrevocable quotations

Since 2022, DLL discloses its irrevocable quotations. Quotations are offers for a loan or lease sent to customers. A quotation is irrevocable when the combination of local terms and conditions and local laws and regulations determine that DLL is required to honor the quote, unless specific conditions apply that allows DLL to step out of the deal that is quoted.

DLL does not have comparative information available. However, it is expected that the 2021 amounts will not be materially different compared to the 2022 amounts.

2. Performance

2.1. Interest revenue and expense

in millions of euros	2022	2021
Interest income		
Interest income from amounts due from customers	1,799	1,527
Interest income from loans to Rabobank	29	12
Interest income from derivatives with Rabobank	2	1
Other interest income	35	12
	1,865	**1,552**
Interest expense		
Interest expense on borrowings from Rabobank	(456)	(275)
Interest expense on derivatives with Rabobank	(15)	(53)
Interest expense on other borrowings	(131)	(85)
Interest expense on debt securities issued	(34)	(25)
Other interest expense	(3)	-
	(639)	**(438)**
Net interest income	**1,226**	**1,114**

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	2022	2021
Gains from derivatives held for trading	10	23
Foreign exchange differences	(34)	(15)
Losses from financial assets designated for macro fair value hedge accounting	(118)	(73)
Gains on derivatives used to hedge the interest risk on the portfolio	108	57
Total gains/(losses) from financial instruments	**(34)**	**(8)**

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. International Financial Reporting Standards (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 International Accounting Standards (IAS) 39 European Union (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	2022	2021
Net early termination income	54	51
Other lease-related fee income	92	94
Insurance brokerage fee income	80	73
Other income	80	51
Net reinsurance income	15	12
Total fee and other income	**321**	**281**

Net early termination income
This is income arising from gains on lease contracts that were terminated earlier than 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.

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

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 favorable second-hand market conditions.

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	2022	2021
Short- term employee benefits	447	397
Wages and salaries	366	322
Social security costs	53	47
Temporary staff	28	28
Other short-term benefits	115	101
Pension – defined contribution plans	35	30
Pension – defined benefit plans	-	1
Other long-term employee benefits	16	15
Total staff expenses	**613**	**544**

The average number of full-time equivalents (FTEs) (both internal and external) for DLL was 5,612 (2021: 5,375) of whom 928 (2021: 878) 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 of the first trading day of each month in the respective 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, 2022, a liability of EUR 5 thousand was recognized (2021: EUR 49 thousand) in respect to the instrument portion of the variable remuneration of the Identified Staff. No new variable compensation was awarded in 2022 (2021: nil), and the program has ended.

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

in thousands of DRNs	2022	2021
Opening balance on January 1	**1**	**14**
Awarded during the year	-	-
Paid in cash during the year	(1)	(13)
Changes from previous year	-	-
Closing balance on December 31	**-**	**1**

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

in thousands of euros	Year of payment			
As on December 31, 2022	**2023**	**2024**	**2025**	**Total**
Variable remuneration excluding DRNs	1	-	-	1
DRNs	4	1	-	5
Total	**5**	**1**	**-**	**6**
As on December 31, 2021	**2022**	**2023**	**2024**	**Total**
Variable remuneration excluding DRNs	14	11	-	25
DRNs	24	14	11	49
Total	**38**	**25**	**11**	**74**

Key management personnel

Key management personnel of DLL consist of the members of the Executive Board (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	2022	2021
Short-term employee benefits	3,490	3,892
Termination benefits	-	1,304
Post-employment benefits	137	112
Total Executive Board compensation	**3,627**	**5,308**

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, 2022, a liability of zero (2021: EUR 4 thousand) in instruments (DRNs) for EB members was recognized. At December 31, 2022, there were no DRNs outstanding for the EB members (2021: 122 DRNs).

In the Netherlands, certain EB members participate in a collective defined contribution scheme. As of January 1, 2022, the maximum income on the basis of which the members of the EB can build up pension is EUR 108,612. Any income exceeding this amount is not pensionable.

None of the members of the EB (2021: one member) received a total compensation exceeding EUR 1 million in 2022.

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 2022 was EUR 227 thousand (2021: EUR 209 thousand).

DLL did not pay any termination benefits to key management personnel in 2022 (2021: EUR 1.3 million).

2.5. Other operating expenses

In millions of euros	2022	2021
Administration expenses	176	137
Administrative charges from parent company	64	66
Depreciation and amortization	26	27
IT-related cost	80	69
Total other expenses	**346**	**299**

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

in millions of euros	2022	2021
Audit of financial statements	7	7
Other audit services	1	2
Permitted tax services	1	1
Other permitted (non-audit) services	-	-
Total expenses	**9**	**10**

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 toward 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 filing 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 PwC for the aforementioned services amounted to EUR 2 million (2021: 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 buildings, and equipment, as well as the amortization of intangible assets. The amount for 2022 was EUR 26 million (2021: EUR 27 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	2022	2021
Current tax charge for the year	285	260
Deferred tax credit for the year	(143)	(72)
Origination and reversal of temporary differences	(142)	(69)
Effect of changes in tax rates	(1)	(3)
Adjustments for prior years	2	11
Tax expense for the year	**144**	**199**

Reconciliation of the total tax charge

The effective tax rate for 2022 was 30% and is higher than the statutory rate that would arise using the Dutch corporate tax rate. The effective tax rate is explained as follows.

in millions of euros	%	2022	%	2021
Operating profit before taxation		487		785
Applicable tax rate	25.8	126	25.0	196
Increase/(decrease) in taxes resulting from:				
Tax-exempt income	(5)	(24)	(1)	(11)
Tax rate differences	2	12	-	5
Non-deductable expenses	8	37	1	8
Recognition of previously unrecognized tax losses	-	-	-	(1)
Other permanent differences	1	5	-	4
Adjustments of previous years	-	2	1	10
Adjustments due to changes in tax rates	-	-	-	(3)
Other tax items	(2)	(14)	(1)	(9)
Total income tax	**30**	**144**	**25**	**199**

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 25.8% (2021: 25.0%). The following table shows a reconciliation of the tax expense and the accounting profit multiplied by the domestic tax rate.

in millions of euros	2022	2021
Profit before income tax	**487**	**785**
Tax exempt income	(86)	(45)
Non-deductible expenses	145	34
Non-recognizable fiscal losses	18	17
Utilization of previously unrecognized tax losses	(1)	(2)
Local tax credits	(29)	(32)
Other	(3)	3
Taxable income	**531**	**760**
Tax calculated using applicable tax rates	145	193
Adjustments due to changes in tax rates	-	(3)
Adjustments for previous years	2	10
Other adjustments	(3)	(1)
Tax expense for the year	**144**	**199**

There was no effect of changes in tax rate in 2022 (2021: EUR (3) 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/(liabilities)		Profit or loss (charge)/credit		Other comprehensive income (charge)/credit	
in millions of euros	2022[1]	2021[1]	2022	2021	2022	2021
Deferred tax assets						
Leases	50	45	152	152	-	-
Allowance for impairment	71	39	12	51	-	-
Provisions	6	3	2	(4)	-	-
Fixed assets for own use	1	-	-	-	-	-
Uncertain tax positions	(4)	(4)	-	-	-	-
Other	(8)	1	2	(8)	-	-
Net operating losses	27	12	8	(2)	-	-
Total deferred tax assets	**143**	**96**	**176**	**189**	**-**	**-**

1 As on December 31

	Deferred tax assets/(liabilities)		Profit or loss (charge)/credit		Other comprehensive income (charge)/credit	
in millions of euros	2022[1]	2021[1]	2022	2021	2022	2021
Deferred tax liabilities						
Leases	(197)	(315)	(17)	(30)	-	-
Allowance for impairment	11	34	3	(88)	-	-
Fixed assets for own use	-	1	-	-	-	-
Uncertain tax positions	1	1	-	-	-	-
Other	(13)	(11)	(16)	(4)	-	-
Net operating losses	12	21	(3)	5	-	-
Total deferred tax liabilities	**(186)**	**(269)**	**(33)**	**(117)**	**-**	**-**
Net deferred tax liabilities	**(43)**	**(173)**	**-**	**-**	**-**	**-**
Net result on deferred taxes	**-**	**-**	**143**	**72**	**-**	**-**

1 As on December 31

Unrecognized deferred tax assets
No deferred tax asset of EUR 8 million (2021: EUR 8 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	2022	2021
Net deferred tax liabilities on January 1	**(173)**	**(221)**
Profit or loss credit	143	72
Other comprehensive Income credit	(3)	-
Net exchange differences	(8)	(17)
Other	(2)	(7)
Net deferred tax liabilities at on December 31	**(43)**	**(173)**

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 39 million (2021: EUR 34 million) of which EUR 21 million is expected to be recovered within a year (2021: EUR 11 million).

3. Funding & Liquidity

3.1. Equity and capital management

Components of equity

Share capital and share premium
On December 31, 2022, DLL's authorized capital was EUR 454 million (2021: EUR 454 million), divided into 950 ordinary A shares and 50 ordinary B shares (2021: 950 A and 50 B). The nominal value of each share is EUR 454,000 (2021: EUR 454,000). EUR 98 million (2021: 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 (2021: EUR 1,135 million). For the years 2022 and 2021, 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 movement of the spot elements in 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, 2022, amounts to EUR 0 million (2021: EUR 97 million); and the translation reserve on December 31, 2022, amounts to EUR 54 million (2021: EUR (56) million).

Dividends
In 2022 no dividends were paid to the sole shareholder Coöperatieve Rabobank U.A. (2021: EUR 750 million).

Capital management
DLL obtains its capital from its parent, Rabobank. DLL's Executive Board (EB) is responsible for capital management of DLL and further ensures compliance with regulatory capital 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 European Union (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 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, and were amended over time, are applied by DLL. DLL is under direct supervision of DNB and the European Central Bank (ECB).

DLL received waivers for certain reporting requirements as defined in CRR (such as the exemption for solo reporting) on stand-alone level. However, due to the organizational structure of DLL, DLL must, on a sub-consolidated basis, meet certain CRR requirements. Sub-consolidated means DLL consolidated and not Rabobank consolidated.

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

in millions of euros	2022[1]	2021[1]
Common Equity Tier 1 capital (CET1)	3,494	2,990
Tier 1 capital (T1)	3,494	2,990
Total capital	3,506	3,046
Risk-weighted assets	27,887	20,101
CET1 ratio	12.53%	14.88%
T1 ratio	12.53%	14.88%
Total capital ratio	12.57%	15.15%

1 As on December 31

Capital requirements in 2022 are managed actively by DLL following DLL's risk strategy, risk appetite, and balance sheet management policy. During 2022, DLL successfully delivered, and received regulatory approval for, a model Return to Compliance (RtC) plan. The plan, based on self-assessment of the compliance gaps, led to a capital add-on of EUR 5,054 million in risk-weighted exposure amounts. 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	Total capital
Minimum (requirement)	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%**
Institution specific countercyclical capital buffer	0.05%	0.05%	0.05%
Systemic buffer	0.00%	0.00%	0.00%
	0.05%	**0.05%**	**0.05%**

The total required Common Equity Tier 1 (CET1) capital ratio as of December 31, 2022, is therefore 7.05%. There is no specific Pillar 2 requirement or guidance issued by the supervisor 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 the 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 regulators 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 compared to prior year.

3.2. Short-term loans and long-term borrowings

in millions of euros	2022[1]	2021[1]
Short-term loans and overdrafts		
Short-term loans from Rabobank	6,195	6,454
Other short-term loans	114	41
	6,309	**6,495**
Long-term borrowings		
Long-term borrowings from Rabobank	25,802	24,422
Other long-term borrowings	2,987	2,374
	28,789	**26,796**
Total short-term loans and long-term borrowings	**35,098**	**33,291**

1 As on December 31

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 36,600 million (2021: EUR 34,750 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.

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 990 million, a drawn amount of EUR 950 million (2021: EUR 731 million), and a maturity ranging from 1 to 10 years. The carrying amount as on December 31, 2022, was EUR 926 million (2021: EUR 715 million), an annually pre-fixed rate of 0% to 14.9%, or post-fixed rate of 2.1% to 4.9% plus Brazilian Long-term Interest Rate (6.7% for the year ended December 31, 2022) (2021: 5.2%).

- 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 1,088 million (2021: EUR 982 million) and a maturity ranging from 1 to 5 years. The carrying amount as on December 31, 2022, was EUR 1,088 million (2021: EUR 982 million), with interest rates ranging from 0.04% to 5.15% (2021: 0.04% to 1.12%).
- Long-term collateralized financing was received in the U.S. from multiple financial counterparties with a maturity of 5 years. The carrying amount as on December 31, 2022, was EUR 594 million, with interest rates ranging between 1% and 3.82% (2021: EUR 432 million, (0.57)% to 1%). 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 252 million (2021: EUR 546 million), as well as finance receivables in the amount of EUR 2,595 million (2021: EUR 3,107 million); refer to note 1.1 and note 1.2.

Management monitors all contractual covenants regarding funding. In neither 2022 nor 2021 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, 2022, was EUR 27,311 million (2021: EUR 26,670 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	2022[1]	2021[1]
Securitization transactions:		
U.S. public finance securitizations	-	1
DLL 2018-1 LLC	-	15
DLL 2018-2 LLC	-	0
DLL 2019-1 LLC	17	86
DLL 2019-2 LLC	4	77
DLL 2019-3 LLC	2	175
DLLAA 2021-1 LLC	460	688
DLLAD 2021-1 LLC	549	755
DLLMT 2021-1 LLC	527	816
DLLST 2022-1 LLC	536	-
Total issued debt securities	**2,095**	**2,613**

1 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, 2022, was EUR 1,407 million (2021: EUR 2,521 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 uses derivative financial instruments with Rabobank 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. There is no collateral posted or received regarding derivatives.

International Financial Reporting Standards (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 International Accounting Standards (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, 2022, hedge instruments with a nominal amount of EUR 2,194 million (2021: EUR 2,162 million) were designated as net investment hedges. These resulted in exchange losses of EUR 98 million for the year (2021: losses EUR 94 million), which were recorded in equity. For the years ended December 31, 2022, and December 31, 2021, 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, 2022, was EUR (10) million (2021: EUR (16) million). The result on the hedging instrument amounted to EUR 108 million (2021: EUR 57 million), with the negative result from the hedged position to be allocated to the hedged risk, amounting to EUR (118) million (2021: EUR (73) 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. 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. Overall, the IBOR reform will have limited impact on DLL

Notionals and measure-at-fair-value derivatives

	2022[1]			2021[1]		
in millions of euros	**Notional amounts**	**Fair value assets**	**Fair value liabilities**	**Notional amounts**	**Fair value assets**	**Fair value liabilities**
Derivatives held for trading	3,814	83	(61)	2,539	33	(24)
Derivatives held for hedging	3,713	99	(5)	5,073	5	(30)
Total derivative financial assets/(liabilities)	**7,527**	**182**	**(66)**	**7,612**	**38**	**(54)**
Derivatives held for trading						
Foreign exchange forwards[2]	204	1	(1)	137	2	-
Cross-currency swaps	1,493	34	(27)	522	25	(13)
Interest rate swaps	2,117	48	(33)	1,880	6	(11)
Total derivative held for trading	**3,814**	**83**	**(61)**	**2,539**	**33**	**(24)**
Derivatives designated as fair value hedge						
Interest rate swaps	2,457	91	-	4,152	3	(21)
Total derivatives designated as fair value hedge	**2,457**	**91**	**-**	**4,152**	**3**	**(21)**
Derivatives designated as foreign net investment hedge						
Foreign exchange forwards[2]	1,256	8	(5)	921	2	(9)
Total derivatives designated as foreign net investment hedge	**1,256**	**8**	**(5)**	**921**	**2**	**(9)**
Total derivative financial instruments	**3,713**	**99**	**(5)**	**5,073**	**5**	**(30)**

1 As on December 31
2 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, 2022				
Hedging instrument-hedge of finance lease receivables and loans	2,457	67	1,787	603
Average fixed interest rate	0.21%	-0.01%	0.26%	0.44%
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%

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, 2022			
Hedge of finance lease receivables and loans	2,455	2	106
On December 31, 2021			
Hedge of finance lease receivables and loans	1,055	3,096	51

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, 2022				
Finance lease receivables and loans	2,461	89	(115)	-
On December 31, 2021				
Finance lease receivables and loans	4,344	(13)	(58)	-

Hedge ineffectiveness of fair value hedges amounts to EUR (10) million (2021: EUR (16) million) and is included in the statement of income on the line item 'Losses from financial instruments.

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 4 thousand (2021: EUR (81) thousand) and is included in the statement of income on the line item 'Losses from financial instruments'.

2022	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	2,194	-	-

		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	2,194	2,183	2,194	98
Foreign exchange loans	-	-	-	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	(110)	(57)	3

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	-	-

in millions of euros	Notional amount	Assets	Liabilities	Changes in the value of the hedging instrument recognized in other comprehensive income
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

3.5. Due from banks

in millions of euros	2022	2021
Loans to and receivables from Rabobank	973	2,756
Reverse repurchase agreements with Rabobank	-	5
Loans to and receivables from other banks	131	118
Total loans from banks	**1,104**	**2,879**

In 2022, DLL realigned balances due to Rabobank and due from Rabobank (shareholder and primary funding provider). As a result, loans to and receivables from Rabobank decreased significantly.

The loans to and receivables from Rabobank relate to liquidity management and are both short-term and long-term balances of both fixed and floating loans issued primarily in USD. These loans bear interest rates ranging between (0.63)% and 5.53% (2021: between (0.5)% and 7.63%).

Securities received under reverse repurchase agreements were listed bonds issued by the Brazilian government, with a fair value in 2021 of EUR 5 million. These instruments expired in 2022.

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, 2022, was EUR 1,001 million (2021: EUR 2,798 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	2022	2021
Current account Rabobank and its related entities	267	178
Current account other banks	135	127
Cash and cash equivalents	**402**	**305**

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. As a result of rising interest rates, there was a breach in the EatR limit from September 2022 to December 2022 (2021: no limit breach). Rabobank granted DLL a "breach acceptance" for this period and has increased the limit from EUR 10 million to EUR 60 million for 2023.

The monthly level of EatR is monitored by Group Treasury. Month on month, there is some variation in terms of the total number. In 2022, the level of EatR increased to a down scenario percentage of the total interest income of 3.4% (2021: 0.4%) and a steepening percentage of total interest income 2.9% (2021: 0.4%). The EatR values on December 31, 2022, and December 31, 2021, are therefore representative of the entire respective years. DLL's total EatR for the down scenario on December 31, 2022, across currencies and aggregating the impact of both fixed and floating interest impacts, was EUR 41.08 million (2021: EUR 4.31 million), while the steepening scenario was EUR 35.03 million (2021: EUR 4.06 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, 2022, DLL's PV01 on the net interest rate gap was EUR (298.659) (2021: EUR 404.680). 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]	< 1 month	1 to 3 months	3 to 12 months	1 to 5 years	> 5 years
As on December 31, 2022						
Interest-bearing assets						
Cash	402	402	-	-	-	-
Due from banks	1,104	650	349	68	37	-
Due from customers	37,907	8,678	1,818	7,893	18,300	1,218
Fixed assets under operating lease	2,563	78	254	675	1,523	33
	41,976	**9,808**	**2,421**	**8,636**	**19,860**	**1,251**
Interest-bearing liabilities						
Short-term loans and overdrafts	(6,309)	(5,764)	(530)	(15)	-	-
Issued debt securities	(2,095)	(97)	(193)	(733)	(1,072)	-
Long-term borrowings	(28,789)	(2,229)	(1,751)	(6,131)	(17,541)	(1,137)
	(37,193)	**(8,090)**	**(2,474)**	**(6,879)**	**(18,613)**	**(1,137)**
Derivatives						
Interest rate swap – net floating-rate notional	3,271	2,927	344	-	-	-
Interest rate swap – net fixed-rate notional	(3,271)	(146)	(142)	(1,415)	(1,525)	(43)
Foreign exchange derivative net	(43)	(44)	1	-	-	-
Derivative fair value adjustments	-	-	-	-	-	-
Cross-currency swap – net floating-rate notional	241	236	5	-	-	-
Cross-currency swap – net fixed-rate notional	(226)	(7)	(18)	(72)	(123)	(6)
	(28)	**2,966**	**190**	**(1,487)**	**(1,648)**	**(49)**
Net interest bearing position	**4,755**	**4,684**	**137**	**270**	**(401)**	**65**

1 Except in the case of derivatives that are presented at notional value rather than carrying amount.

in millions of euros	Carrying amount[1]	< 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	6,717	3,682	769	-	-	-
Interest rate swap – net fixed-rate notional	(6,717)	(166)	(283)	(1,176)	(2,749)	(77)
Foreign exchange derivative net	2	(6)	(6)	-	-	-
Derivative fair value adjustments	-	-	-	-	-	-
Cross-currency swap – net floating-rate notional	193	103	14	-	-	-
Cross-currency swap – net fixed-rate notional	(195)	(4)	(12)	(49)	(48)	(5)
	(0)	**3,609**	**482**	**(1,225)**	**(2,797)**	**(82)**
Net interest bearing position	**4,690**	**4,228**	**(954)**	**302**	**931**	**170**

1 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 and/or foreign currency debts to hedge the currency translation risk of material net investments in foreign operations. For the majority of the net investments in foreign operations, hedges are conducted to mitigate movements of the CET1 ratio. The only investment in foreign operation with an exposure above EUR 2.5 million where no hedge is in place, is DLL's investment in Argentina; for that a decision was made by DLL's ALCO to not hedge this exposure.

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 following table indicates the currencies to which DLL had the largest exposures on December 31, 2022, 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. That does result in the potential volatility in the equity of DLL.

in millions of euros	Change in currency rate in %[1]	Effect on profit for the year	Effect on equity	Total effect
As on December 31, 2022				
USD	+/- 7%	88/(101)	(153)/176	(65)/75
BRL	+/- 9%	0/0	(11)/13	(11)/13
GBP	+/- 2%	2/(2)	(5)/5	(3)/3
AUD	+/- 3%	0/0	(6)/6	(6)/6
CAD	+/- 5%	8/(9)	(13)/15	(5)/6
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

1 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, 2022, was on a maximum of 1.46% during a monthly time bucket over the forward-looking maturity of the assets and liabilities (2021: 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 2022, DLL executed one asset-backed securitization transaction in the U.S. and is investigating other similar opportunities for the future.

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, 2022							
Assets							
Cash	402	402	-	-	-	-	-
Accounts receivable and other short-term assets	698	76	375	247	-	-	-
Derivatives	182	5	5	9	12	1	150
Due from banks	1,104	303	16	636	149	-	-
Due from customers	37,903	3,474	3,972	8,103	20,822	1,532	-
Fixed assets under operating lease	2,567	78	254	675	1,527	33	-
Goodwill and other intangible assets	5	-	-	-	-	-	5
Current tax receivable	120	-	-	-	-	-	120
Deferred tax asset	143	-	-	-	-	-	143
Other assets	193	-	-	-	-	-	193
	43,317	**4,338**	**4,622**	**9,670**	**22,510**	**1,566**	**611**
Liabilities							
Short-term loans and overdrafts	(6,309)	(3,183)	(1,427)	(1,699)	-	-	-
Accounts payable and other short-term liabilities	(748)	-	(748)	-	-	-	-
Issued debt securities	(2,095)	(98)	(193)	(733)	(1,071)	-	-
Provisions	(132)	-	-	-	-	-	(132)
Derivatives	(66)	(3)	(2)	(1)	(11)	-	(49)
Long-term borrowings	(28,789)	(692)	(920)	(6,798)	(19,112)	(1,267)	-
Current tax payable	(69)	-	-	-	-	-	(69)
Deferred tax liability	(186)	-	-	-	-	-	(186)
Other liabilities	(547)	-	-	-	-	-	(547)
	(38,942)	**(3,976)**	**(3,290)**	**(9,231)**	**(20,194)**	**(1,267)**	**(983)**
Net liquidity balance	**4,375**	**362**	**1,332**	**439**	**2,316**	**299**	**(372)**

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)**

The following table 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, 2022						
Undiscounted financial liabilities						
Short-term loans and overdrafts	(6,359)	(3,197)	(1,440)	(1,722)	-	-
Accounts payable[1]	(694)	-	(694)	-	-	-
Issued debt securities	(2,130)	(101)	(198)	(749)	(1,082)	-
Long-term borrowings	(30,385)	(859)	(1,329)	(7,355)	(19,575)	(1,267)
	(39,568)	**(4,157)**	**(3,661)**	**(9,826)**	**(20,657)**	**(1,267)**
Non-trading gross-settled derivatives						
Derivative assets						
Contractual amounts receivable	2,095	640	285	1,004	157	9
Contractual amounts payable	(2,107)	(629)	(284)	(1,014)	(171)	(9)
	(12)	**11**	**1**	**(10)**	**(14)**	**-**
Derivative liabilities						
Contractual amounts receivable	876	482	141	17	234	2
Contractual amounts payable	(784)	(487)	(142)	(16)	(137)	(2)
	92	**(5)**	**(1)**	**1**	**97**	**-**
Net balance	**(39,488)**	**(4,151)**	**(3,661)**	**(9,835)**	**(20,574)**	**(1,267)**

1 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, 2021						
Undiscounted financial liabilities						
Short-term loans and overdrafts	(6,493)	(2,375)	(1,694)	(2,424)	-	-
Accounts payable[1]	(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**
Net balance	**(37,262)**	**(3,168)**	**(4,293)**	**(10,570)**	**(18,176)**	**(1,055)**

1 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.

4. Other

4.1. Goodwill and other intangible assets

In millions of euros	Goodwill	Other	Total
Cost	-	155	155
Accumulated amortization and impairment	-	(150)	(150)
Carrying amount as on January 1, 2022	-	5	5
Purchases	-	2	2
Net exchange differences	-	-	-
Amortization	-	(2)	(2)
Closing balance	-	5	5
Cost	-	24	24
Accumulated amortization and impairment	-	(19)	(19)
Carrying amount as on December 31, 2022	-	5	5
Cost	-	160	160
Accumulated amortization and impairment	-	(154)	(154)
Carrying amount as on January 1, 2021	-	6	6
Purchases	-	3	3
Amortization	-	(3)	(3)
Net exchange differences	-	(1)	(1)
Closing balance	-	5	5
Cost	-	155	155
Accumulated amortization and impairment	-	(150)	(150)
Carrying amount as on December 31, 2021	-	5	5

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 Cash Generating Units (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 International Financial Reporting Standards (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	2022[1]	2021[1]
Accounts receivable and other short-term assets		
Prepayments	76	68
VAT to be claimed	58	58
Inventory	110	54
Accounts receivable	206	159
Bond portfolio	248	275
	698	614
Other assets		
Fixed assets for own use	99	90
Investments in associates	25	24
Other	69	38
	193	152
Total other assets	**891**	**766**

1 As on December 31

Inventory
Inventory represents new assets that are part of our Commercial Finance portfolio as well as 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) represent 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, 2022, there were no material accounts receivable aged beyond 90 days (2021: 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 58 million (2021: EUR 62 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 161 million (Level 1) (2021: EUR 190 million). These investments are held as part of securitization transactions issued. In 2022, DLL Argentina invested EUR 29 million of excess in cash in a local money market fund (2021: EUR 23 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 2022. 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	86	78	60	224
Accumulated depreciation and impairment	(53)	(52)	(29)	(134)
Carrying amount as on January 1, 2022	**33**	**26**	**31**	**90**
Disposals	-	(6)	5	(1)
Purchases	-	32	2	34
Depreciation	(4)	(8)	(12)	(24)
Net exchange rate differences	1	-	-	1
Cost	89	91	59	239
Accumulated depreciation and impairment	(58)	(48)	(33)	(139)
Carrying amount as on December 31, 2022	**31**	**43**	**26**	**100**
Cost	83	82	59	224
Accumulated depreciation and impairment	(48)	(56)	(20)	(124)
Carrying amount as on January 1, 2021	**35**	**26**	**39**	**100**
Disposals	-	(2)	-	(2)
Purchases	-	9	4	13
Depreciation	(4)	(8)	(12)	(24)
Net exchange rate differences	2	1	-	3
Cost	86	78	60	224
Accumulated depreciation and impairment	(53)	(52)	(29)	(134)
Carrying amount as on December 31, 2021	**33**	**26**	**31**	**90**

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	2022[1]	2021[1]
Property lease	20	25
Car lease	5	6
Total right-of-use assets	**25**	**31**
Total lease liabilities	**28**	**32**

1 As on December 31

Additions to right-of-use assets during 2022 were EUR 2 million (2021: EUR 4 million). The consolidated statement of profit or loss shows the following amounts relating to right-of-use assets.

in millions of euros	2022	2021
Property lease	8	9
Car lease	4	3
Depreciation charge of right-of-use assets	**12**	**12**
Interest expense	1	1
Expenses 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 2022 was EUR 14 million (2021: 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 their short-term nature.

Accounting policy for inventory

Inventory of new assets is valued at cost.

Inventory of assets for resale 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 Sweden 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 assets 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	2022[1]	2021[1]
Accounts payable and other short-term liabilities		
Accounts payable	610	515
Accrued expenses	84	69
VAT Payable	54	54
	748	**638**
Other liabilities		
Deferred income	182	167
Net defined benefit plan liability	15	26
Lease liabilities	28	32
Other	322	283
	547	**508**
Total other liabilities	**1,295**	**1,146**

1 As on December 31

Accounts payable
Accounts payable are non-interest-bearing short-term obligations due from DLL that 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 three defined benefit pension plans in the U.K., Belgium, and Sweden.

in millions of euros	2022[1]	2021[1]
DLL U.K.		
Plan assets	10	11
Plan liabilities	(10)	(16)
Net defined benefit plan liability	-	**(5)**
DLL Belgium		
Plan assets	2	-
Plan liabilities	(2)	-
Net defined benefit plan liability	-	-
DLL Sweden		
Net defined benefit plan liability	(15)	(21)
Total net defined benefit plans liabilities	**(15)**	**(26)**

1 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, 2022. DLL has a constructive obligation to fund any deficits on the plan in relation to its (former) staff.

DLL Belgium
DLL Belgium has several benefit plans. Some of these plans qualify as a defined benefit plan, while others have defined benefit elements. These plans are administrated by two insurance companies: Vivium Verzekeringen and KBC. Several of the plans are closed to new members and are therefore runoff schemes. DLL has a constructive obligation to fund any defined benefit obligations 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 2022, there were no material changes to underlying assumptions.

The 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, 2022 (nor on December 31, 2021).

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 the DLL Sweden pension plan), DLL Belgium (for the DLL Belgium pension plans), 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 (where applicable) 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	2022[1]	2021[1]
Provision for restructuring	26	12
Provision for tax and legal claims	16	13
	42	25
Insurance-related provisions	90	82
Total provisions	**132**	**107**

1 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 tax and legal claims	Total
As on January 1, 2022	**12**	**13**	**25**
Added	21	(1)	20
Released/reclassified	(4)	4	-
Exchange rate differences	-	1	1
Utilized	(3)	(1)	(4)
As on December 31, 2022	**26**	**16**	**42**
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**

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	2022[1]	2021[1]
Unearned premium reserve	73	64
Loss reserves	17	18
Total insurance-related provisions	**90**	**82**

1 As on December 31

The analysis of the remaining maturity of the insurance-related provisions is included in the note 3.7.

Over 72% (2021: over 74%) of total premiums written are related to reinsurance of physical damage of motor vehicles (predominantly agricultural equipment).

Changes in insurance-related provisions are presented in the following table.

in millions of euros	2022[1]	2021[1]
Unearned premium reserve		
Opening balance	**64**	**61**
Premiums written	28	31
Premiums earned	(23)	(21)
Commutation	-	(11)
Exchange differences	4	4
Closing balance	**73**	**64**
Loss reserve		
Opening balance	**18**	**18**
Movement in provision	(1)	1
Exchange differences	-	(1)
Closing balance	**17**	**18**

1 As on December 31

The total amount of premiums written by DLL RE was EUR 28 million (2021: EUR 31 million). The total amount of claims paid of EUR 9 million (2021: EUR 8 million) is included in total fee and 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 of Directors.

DLL's underwriting strategy is 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 statement 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 Executive Board (EB) and members of DLL's Supervisory Board (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 (U.K.)
- PRI Pensionsgaranti (Sweden)

It should be noted that in Belgium, DLL has defined benefit plans administered by two insurance companies: Vivium Verzekeringen and KBC; these are not related parties.

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, undrawn irrevocable credit facilities, and irrevocable quotations
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. Next to that, DLL gives quotes for new contracts, which may be irrevocable under local laws and regulations and/or local terms and conditions. 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, 2022, DLL had no material unresolved legal claims and disputes (2021: 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 on a regular basis 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, 2022. 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, 2022
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
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
United States of America	Mahindra Finance USA LLC	Vendor financing	51

Principal subsidiaries in which third parties have non-controlling interest (NCI) are listed below.

		2022[1]				2021[1]			
Group entity	Country	%	Dividends paid to NCI	NCI entity stake	Profit allocated to NCI	%	Dividends paid to NCI	NCI entity stake	Profit allocated to NCI
Individually material for the Group:									
AGCO Finance S.A.S.	France	49%	1	126	16	49%	10	111	14
AGCO Finance LLC	United States	49%	12	87	27	49%	17	68	20
De Lage Landen Participações Limitada	Brazil	21%	-	58	9	21%	9	45	7
AGCO Finance GmbH	Germany	49%	5	4	-	49%	25	9	-
Philips Medical Capital, LLC	United States	40%	6	31	6	40%	7	29	6
Cargobull Finance Holding B.V.	Netherlands	49%	23	52	(2)	49%	-	76	3
Mahindra Finance USA LLC	United States	49%	-	81	6	49%	-	71	6
AGCO Finance United Kingdom	United Kingdom	49%	3	29	6	49%	5	28	6
AGCO Finance B.V.	Netherlands	49%	-	27	(3)	49%	-	27	1
Other individually immaterial non-controlling interests			6	33	7		10	34	29
Total			**56**	**528**	**72**		**83**	**498**	**92**

1 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	2022[1]	2021[1]
Assets		
Due from customers	1,978	1,779
Other assets	118	191
Total assets	**2,096**	**1,970**
Liabilities		
Borrowings	1,766	1,687
Other liabilities	73	57
Total liabilities	**1,839**	**1,744**
Net assets	**257**	**226**
Non-controlling interest share of net assets	**126**	**111**

1 As on December 31

Summarized profit or loss and other comprehensive income for AGCO Finance S.A.S.

in millions of euros	2022[1]	2021[1]
Interest income from customers	53	46
Profit for the year	33	29
Other comprehensive income	-	-
Profit allocated to non-controlling interest	**16**	**14**

1 As on December 31

Summarized statement of financial position for AGCO Finance LLC.

in millions of euros	2022[1]	2021[1]
Assets		
Due from customers	2,705	2,089
Other assets	181	318
Total assets	**2,886**	**2,407**
Liabilities		
Borrowings	2,554	2,147
Other liabilities	154	121
Total liabilities	**2,708**	**2,268**
Net assets	**178**	**139**
Non-controlling interest share of net assets	**87**	**68**

1 As on December 31

Summarized profit or loss and other comprehensive income for AGCO Finance LLC.

in millions of euros	2022[1]	2021[1]
Interest income from customers	114	82
Profit for the year	55	41
Other comprehensive income	-	-
Profit allocated to non-controlling interest	**27**	**20**

1 As on December 31

Summarized statement of financial position for DLL Participações Limitada.

in millions of euros	2022[1]	2021[1]
Assets		
Due from customers	1,917	1,261
Other assets	153	23
Total assets	**2,070**	**1,284**
Liabilities		
Borrowings	1,779	1,036
Other liabilities	106	102
Total liabilities	**1,885**	**1,138**
Net assets	**185**	**146**
Non-controlling interest share of net assets	**58**	**45**

1 As on December 31

Summarized profit or loss and other comprehensive income for DLL Participações Limitada.

in millions of euros	2022[1]	2021[1]
Interest income from customers	159	94
Profit for the year	23	21
Other comprehensive income	-	-
Profit allocated to non-controlling interest	**9**	**7**

1 As on December 31

Summarized statement of financial position for AGCO Finance GmbH.

in millions of euros	2022[1]	2021[1]
Assets		
Due from customers	31	70
Other assets	16	20
Total assets	**47**	**90**
Liabilities		
Borrowings	37	70
Other liabilities	1	1
Total liabilities	**38**	**71**
Net assets	**9**	**19**
Non-controlling interest share of net assets	**4**	**9**

1 As on December 31

Summarized profit or loss and other comprehensive income for AGCO Finance GmbH.

in millions of euros	2022[1]	2021[1]
Interest income from customers	2	3
Profit for the year	1	1
Other comprehensive income	-	-
Profit allocated to non-controlling interest	**-**	**-**

1 As on December 31

Summarized statement of financial position for Philips Medical Capital, LLC.

in millions of euros	2022[1]	2021[1]
Assets		
Due from customers	464	453
Other assets	68	86
Total assets	**532**	**539**
Liabilities		
Borrowings	433	435
Other liabilities	22	32
Total liabilities	**455**	**467**
Net assets	**77**	**72**
Non-controlling interest share of net assets	**31**	**29**

1 As on December 31

Summarized statement of financial position for Cargobull Finance Holding B.V.

in millions of euros	2022[1]	2021[1]
Assets		
Due from customers	118	258
Other assets	140	174
Total assets	**258**	**432**
Liabilities		
Borrowings	143	265
Other liabilities	9	12
Total liabilities	**152**	**277**
Net assets	**106**	**155**
Non-controlling interest share of net assets	**52**	**76**

1 As on December 31

Summarized statement of financial position for Mahindra Finance USA LLC.

in millions of euros	2022[1]	2021[1]
Assets		
Due from customers	1,049	929
Other assets	47	6
Total assets	**1,096**	**935**
Liabilities		
Borrowings	927	785
Other liabilities	5	6
Total liabilities	**932**	**791**
Net assets	**164**	**144**
Non-controlling interest share of net assets	**80**	**71**

1 As on December 31

Summarized statement of financial position for AGCO Finance United Kingdom.

in millions of euros	2022[1]	2021[1]
Assets		
Due from customers	647	637
Other assets	30	30
Total assets	**677**	**667**
Liabilities		
Borrowings	605	598
Other liabilities	13	12
Total liabilities	**618**	**610**
Net assets	**59**	**57**
Non-controlling interest share of net assets	**29**	**28**

1 As on December 31

Summarized profit or loss and other comprehensive income for Philips Medical Capital, LLC.

in millions of euros	2022[1]	2021[1]
Interest income from customers	26	25
Profit for the year	16	15
Other comprehensive income	-	-
Profit allocated to non-controlling interest	**6**	**6**

1 As on December 31

Summarized profit or loss and other comprehensive income for Cargobull Finance Holding B.V.

in millions of euros	2022[1]	2021[1]
Interest income from customers	6	11
(Loss) / profit for the year	(5)	7
Other comprehensive income	-	-
(Loss)/profit allocated to non-controlling interest	**(2)**	**3**

1 As on December 31

Summarized profit or loss and other comprehensive income for Mahindra Finance USA LLC.

in millions of euros	2022[1]	2021[1]
Interest income from customers	54	46
Profit for the year	12	13
Other comprehensive income	-	-
Profit allocated to non-controlling interest	**6**	**6**

1 As on December 31

Summarized profit or loss and other comprehensive income for AGCO Finance United Kingdom.

in millions of euros	2022[1]	2021[1]
Interest income from customers	29	25
Profit for the year	12	12
Other comprehensive income	-	-
Profit allocated to non-controlling interest	**6**	**6**

1 As on December 31

Summarized statement of financial position for AGCO Finance B.V.

in millions of euros	2022[1]	2021[1]
Assets		
Due from customers	178	178
Other assets	53	73
Total assets	**231**	**251**
Liabilities		
Borrowings	172	192
Other liabilities	4	4
Total liabilities	**176**	**196**
Net assets	**55**	**55**
Non-controlling interest share of net assets	**27**	**27**

1 As on December 31

Summarized profit or loss and other comprehensive income for AGCO Finance B.V.

in millions of euros	2022[1]	2021[1]
Interest income from customers	6	5
(Loss)/profit for the year	(7)	2
Other comprehensive income	-	-
(Loss)/profit allocated to non-controlling interest	**(3)**	**1**

1 As on December 31

4.8. Country-by-country reporting

DLL is active across more than 25 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, 2022 (in millions of euros)

Geographic location	Revenues	Average number of FTEs	Profit/(loss) before taxes	Incomes taxes
Country				
Netherlands				
Netherlands	(40.6)	928	(258.1)	49.3
Rest of Europe				
Germany	101.1	401	30.6	(10.2)
France	81.3	162	52.1	(12.9)
Ireland	105.6	92	(61.2)	15.6
United Kingdom	94.6	295	48.8	(9.3)
Spain	38.1	139	17.0	(7.1)
Italy	76.5	187	48.7	(12.0)
Portugal	4.4	25	1.1	0.7
Austria	4.2	3	2.9	(0.7)
Switzerland	3.8	9	0.6	(0.1)
Sweden	30.0	164	5.0	0.8
Norway	25.0	55	13.0	(2.9)
Finland	5.7	19	1.8	(0.4)
Denmark	16.3	38	5.3	(1.1)
Russia	17.8	80	(8.3)	(2.3)
Poland	18.3	108	7.1	(1.6)
Hungary	4.7	34	0.8	(0.1)
Türkiye	2.9	20	0.2	(0.3)
Belgium	15.9	53	5.5	(1.5)
North America				
United States	747.7	1,580	390.1	(91.9)
Canada	103.6	256	57.8	(14.7)

December 31, 2022 (in millions of euros)

Geographic location	Revenues	Average number of FTEs	Profit/(loss) before taxes	Incomes taxes
Latin America				
Brazil	79.6	263	27.2	(8.6)
Argentina	(2.7)	14	(2.9)	1.0
Mexico	14.2	88	6.2	(3.5)
Chile	11.8	34	6.1	(1.7)
Asia Pacific				
Australia	108.4	193	70.5	(21.1)
New Zealand	21.0	12	12.1	(3.4)
China	2.1	10	(1.7)	(0.5)
India	4.1	305	3.0	(1.4)
Singapore	3.0	19	0.9	-
South Korea	8.8	27	3.1	(0.9)
United Arab Emirates	0.1	-	0.0	-

December 31, 2021 (in millions of euros)				
Geographic location	Revenues	Average number of FTEs	Profit/ (loss) before taxes	Incomes taxes
Country				
Netherlands				
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)
Türkiye	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)

December 31, 2021 (in millions of euros)				
Geographic location	Revenues	Average number of FTEs	Profit/ (loss) before taxes	Incomes taxes
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	-

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 the 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*
RtC	*Return to Compliance*
RWA	*Risk-weighted assets*
S&P	*Standard & Poor's*
SB	*Supervisory Board*
SPV	*Special-purpose vehicle*
VAT	*Value Added Tax*

Company financial statements

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Company statement of **financial position**

(before profit appropriation) as on December 31			
in millions of euros	Notes	2022[1]	2021[1]
Assets			
Cash and cash equivalents	2	156	110
Loans to banks	3	66	1,692
Loans to subsidiaries	4	1,710	1,585
Due from customers	5	4,985	4,592
Derivatives	7	12	8
Investments in subsidiaries	8	5,468	4,989
Investments in associates	9	25	24
Other intangible assets	10	4	4
Tangible fixed assets	11	73	77
Other assets	12	368	394
Total assets		**12,867**	**13,475**
Liabilities			
Borrowings	13	8,602	9,613
Deposits from customers	14	15	14
Derivatives	7	3	1
Other liabilities	15	377	287
Provisions	16	22	4
Total liabilities		**9,019**	**9,919**
Equity			
Share capital	24	98	98
Share premium	24	1,135	1,135
Revaluation reserves	24	(1)	88
Legal and statutory reserves	24	53	(57)
Other reserves	24	2,292	1,798
Unappropriated result	24	271	494
Total equity		**3,848**	**3,556**
Total liabilities and equity		**12,867**	**13,475**

1 As on December 31

Company statement of **profit or loss**

For the year ended December 31			
in millions of euros	Notes	2022	2021
Interest revenue	17	185	152
Interest expenses	17	(105)	(36)
Net interest income	17	**80**	**116**
Fee income		20	20
Fee expenses		(15)	(12)
Losses from financial instruments		(88)	(15)
Other operating income	18	147	125
Total operating income		**144**	**234**
Result from subsidiaries		**455**	**540**
Staff costs	19	(143)	(125)
Depreciation, amortization and impairment of tangible fixed and intangible assets	11	(20)	(20)
Other operating expenses	21	(168)	(127)
Credit losses on due from customers	6	(42)	(13)
Total operating expenses		**(373)**	**(285)**
Profit before tax		**226**	**489**
Income tax credit	20	45	5
Profit after tax		**271**	**494**

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, 2022, 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 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, 2022, 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	2022[1]	2021[1]
Current account Rabobank and its related entities	-	9
Current account DLL group entities	152	100
Other banks	4	1
Total cash and cash equivalents	**156**	**110**

1 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	2022[1]	2021[1]
Opening balance	1,692	1,465
Loans issued	5,906	3,127
Loans repaid	(7,562)	(2,946)
Interest accrued	(6)	(5)
Interest received	6	5
Exchange differences	30	46
Closing balance	66	1,692

1 As on December 31

The maturity of these loans is as follows.

in millions of euros	2022	2021
Less than 3 months	-	350
More than 3 months, less than 1 year	-	852
More than 1 year, less than 5 years	-	-
More than 5 years	66	490
Total loans to banks	66	1,692

In 2022, DLL realigned balances due to Rabobank and due from Rabobank (shareholder and primary financier). As a result, both the balance due to Rabobank and due from Rabobank decreased significantly.

DLL issued a USD deferral deposit in the amount of EUR 66 million (2021: EUR 490 million). The deposit matures in 2028, has a fair value of EUR 66 million (2021: EUR 491 million), and has an interest of 4.41% (2021: ranging between 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	2022	2021
Opening balance	1,585	1,357
Loans issued	3,019	2,299
Loans repaid	(2,951)	(2,132)
Interest accrued	26	5
Interest received	(24)	(5)
Exchange differences	55	61
Closing balance	1,710	1,585

The maturity of these loans is as follows.

in millions of euros	2022[1]	2021[1]
Less than 3 months	181	150
More than 3 months, less than 1 year	404	180
More than 1 year, less than 5 years	1,042	1,147
More than 5 years	83	108
Total loans to subsidiaries	1,710	1,585

1 As on December 31

The loans to subsidiaries have a fair value as on December 31, 2022, of EUR 1,582 million (2021: EUR 1,496 million).

The Subordinated Loan to its subsidiary in Brazil amounted to EUR 74 million (2021: EUR 70 million), with an interest rate of 5.92% (2021: 5.92%) and a remaining maturity of 9 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	2022[1]	2021[1]
Finance lease receivables	2,516	2,386
Loans to customers	2,537	2,287
	5,053	4,673
Allowance for impairment[2]	(68)	(81)
Total due from customers	4,985	4,592

1 As on December 31
2 For a description of credit risk management policies and governance as well as policies for the allowance for impairments, refer to note 1.3 of the consolidated financial statements.

Unguaranteed residual value

The value of unguaranteed residual values on December 31, 2022, was EUR 325 million (2021: EUR 311 million).

Investment in finance leases

The following table summarizes outstanding gross investment in finance lease receivables as well as unearned finance income.

in millions of euros	2022[1]	2021[1]
Less than 1 year	970	877
More than 1 year, less than 5 years	1,553	1,460
More than 5 years	73	66
Gross investment in leases	2,596	2,403
Unearned finance income	(87)	(79)
Net investment in leases	2,509	2,324

1 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 (38) million as on December 31, 2022 (2021: EUR (1) million).

6. Composition of credit losses

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	2022	2021
Charge for the year	44	14
Recoveries	(2)	(1)
Total credit losses	42	13

7. Derivatives

The following table provides an overview of derivatives.

in millions of euros	2022[1]	2021[1]
Derivative assets at fair value through profit or loss		
Cross-currency swaps	5	-
Total derivative assets at fair value through profit or loss	**5**	**-**
Derivative assets designated as foreign net investment hedge		
Foreign exchange forwards (including non-deliverable forwards)	7	8
Total derivative assets designated as foreign net investment hedge	**7**	**8**
Total derivative assets	**12**	**8**

1 As on December 31

in millions of euros	2022[1]	2021[1]
Derivative liabilities at fair value through profit or loss		
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)	(3)	(1)
Total derivative liabilities designated as foreign net investment hedge	**(3)**	**(1)**
Total derivative liabilities	**(3)**	**(1)**
Derivative notional amounts		
Foreign exchange forwards (including non-deliverable forwards)	1,030	683
Cross-currency swaps	968	6
Interest rate swaps	-	13
Total derivative notional amounts	**1,998**	**702**

1 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, 2022, were EUR (37) million (2021: EUR (14) million).

For more detailed information on the treatment of derivatives, please refer to note 3.5 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	2022	2021
Opening balance	**4,989**	**4,437**
Investments	23	26
Disposals	(78)	-
Dividends	(32)	(206)
Result for the year	455	540
Exchange rate differences	103	195
Other	8	(3)
Closing balance	**5,468**	**4,989**

Disposal of Russian subsidiary

As a result of the Russian invasion, DLL decided in March 2022 to permanently cease all new business activities in Russia and shift its focus to the rundown of the local business. In May, it became apparent that the war would continue for a longer period and as such the sanctions, financial and political challenges would remain. Therefore a project was initiated to develop a strategy to exit Russia with immediate effect. It was decided that a management buyout was the best option to dispose De Lage Landen International B.V.'s subsidiary in Russia. The management buy out was completed in 2022, resulting in the disposal of DLL Russia by De Lage Landen International B.V.

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	2022	2021
Opening balance	**24**	**24**
Acquisitions and investments	1	-
Closing balance	**25**	**24**

10. Other intangible assets

The following table provides a reconciliation of the carrying amount of other intangible assets at the beginning and end of the period.

In millions of euros	Other
Cost	140
Accumulated amortization and impairment	(136)
Net book value as on January 1, 2022	**4**
Purchases	2
Amortization	(2)
Net book value as on December 31, 2022	**4**
Cost	145
Accumulated amortization and impairment	(141)
Net book value as on January 1, 2021	**4**
Purchases	2
Amortization	(2)
Net book value as on December 31, 2021	**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	**2022[1]**	**2021[1]**
Fixed assets under operating lease	48	57
Land and buildings	8	9
Equipment	14	7
Tangible fixed assets	**70**	**73**
Right-of-use assets	3	4
Total tangible fixed assets	**73**	**77**

1 As on December 31

The table below summarizes future minimum lease payments under non-cancelable operating leases for which DLL acts as a lessor (fixed assets under operating leases).

in millions of euros	**2022[1]**	**2021[1]**
Less than 1 year	11	13
More than 1 year, less than 5 years	12	15
More than 5 years	-	-
Total minimum lease payment	**23**	**28**

1 As on December 31

The following table provides a reconciliation of the carrying amount of total fixed assets at the beginning and end of the period.

in millions of euros	**FAOL[1]**	**Land and buildings**	**Equipment**	**Right-of-use assets**	**Total**
Cost	88	39	15	9	151
Accumulated depreciation	(31)	(30)	(8)	(5)	(74)
Carrying amount as on January 1, 2022	**57**	**9**	**7**	**4**	**77**
Additions	12	-	10	1	23
Disposals	(9)	-	-	-	(9)
Depreciation charge	(12)	(1)	(3)	(2)	(18)
Cost	80	39	24	8	151
Accumulated depreciation	(32)	(31)	(10)	(5)	(78)
Carrying amount as on December 31, 2022	**48**	**8**	**14**	**3**	**73**
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**

1 Fixed assets under operating lease

12. Other assets

The following table describes the composition of the other-assets balance.

in millions of euros	2022[1]	2021[1]
Receivables group companies	130	261
Current tax receivables	78	47
Prepayments	38	34
Transitory assets	1	-
VAT to be claimed	20	18
Deferred tax assets	38	21
Other	63	13
Total other assets	**368**	**394**

1 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	2022[1]	2021[1]
Short-term loans and overdrafts		
Short-term loans from Rabobank	2,125	3,034
Other short-term loans	85	131
	2,210	**3,165**
Long-term borrowings		
Long-term borrowings from Rabobank	141	567
Long-term borrowings from the group companies	5,086	4,793
Other long-term borrowings	1,165	1,088
	6,392	**6,448**
Total borrowings	**8,602**	**9,613**

1 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. In 2022, DLL realigned balances due to Rabobank and due from Rabobank (shareholder and primary financier). As a result, both the balance due to Rabobank and due from Rabobank decreased significantly.

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 4.22% (2021: (0.69)% and 2.55%). The long-term borrowings from group companies have a fair value as on December 31, 2022, of EUR 4,845 million (2021: EUR 4,797 million).

Other long-term borrowings are long-term loans received by DLL from third parties and bear an interest rate between 0.00% and 3.43% (2021: 0.00%/4.55%). The other long-term borrowings have a fair value of EUR 1,128 million (2021: EUR 1,084 million).

The following table provides an overview of movements of long-term borrowings.

in millions of euros	2022	2021
Opening balance	**6,448**	**6,580**
Loans borrowed	9,567	4,136
Loans repaid	(9,719)	(4,407)
Interest paid	(40)	(24)
Interest accrued	45	24
Exchange-rate differences	91	139
Closing balance	**6,392**	**6,448**

The table below summarizes the aging of the total borrowings.

in millions of euros	2022[1]	2021[1]
Less than 1 year	3,420	3,980
More than 1 year, less than 5 years	2,725	2,783
More than 5 years	2,457	2,850
Total borrowing	**8,602**	**9,613**

1 As on December 31

14. Deposits from customers

Deposits from customers mainly consist of one-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	2022[1]	2021[1]
Payables to group companies	156	118
Accounts payable to suppliers	107	75
Accrued expenses	30	23
Staff-related expenses	23	20
Current tax liabilities	14	14
Deferred income	13	8
Lease liabilities	3	4
Other	31	25
Total other liabilities	**377**	**287**

1 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	2022[1]	2021[1]
Provision for restructuring	16	1
Provision for tax claims	6	3
Total provisions	**22**	**4**

1 As on December 31

Changes in provisions were as follows.

in millions of euros	Restructuring	Tax claims	Total
As on January 1, 2022	**1**	**2**	**3**
Additions	15	-	15
Released	-	(1)	(1)
Other	-	5	5
As on December 31, 2022	**16**	**6**	**22**
As on January 1, 2021	**2**	**-**	**2**
Additions	-	3	3
Released	(1)	-	(1)
As on December 31, 2021	**1**	**3**	**4**

17. Interest revenue and expense

The following table provides an overview of interest revenue and expenses.

in millions of euros	2022	2021
Interest revenue		
Interest income from finance leases	92	87
Interest income from loans to customers	66	55
Interest income from loans to banks	1	2
Interest income from subsidiaries	26	8
Other interest income	1	-
	185	**152**
Interest expenses		
Interest expense on borrowings from Rabobank	(25)	-
Interest expense on other borrowings	(52)	(21)
Interest expense on subsidiaries	(28)	(15)
	(105)	**(36)**
Net interest income	**80**	**116**

Interest expense on borrowings from Rabobank increased mainly because of increasing interest due to market economic circumstances.

18. Other operating income

The following table provides an overview of other operating income.

in millions of euros	2022	2021
Administration income from subsidiaries	121	100
Other operating income	26	25
Total other operating income	**147**	**125**

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	2022	2021
Short-term employee benefits	93	87
Wages and salaries	67	62
Social security costs	11	10
Temporary staff	15	15
Other short-term benefits	39	29
Pension-defined contribution plan expenses	10	8
Other long-term employee benefits	1	1
Total staff expenses	**143**	**125**

The average number of staff full time equivalents (FTEs) at DLL was 1,112 (2021: 1,021) of whom 719 (2021: 664) 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 % 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	2022	2021
Current tax credit for the year	(33)	(12)
Deferred tax (credit)/charge for the year	(11)	4
Origination and reversal of temporary differences	(11)	4
Effect of changes in tax rates	-	-
Adjustments for prior years	(1)	3
Tax credit for the year	**(45)**	**(5)**

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	2022	2021
Profit before income tax	**226**	**489**
Tax-exempt income	(39)	-
Non-deductible expenses	117	26
Local tax credits	(12)	(18)
Other	1	3
Taxable income	**293**	**500**
Tax calculated using applicable tax rates	(41)	(8)
Adjustments for prior years	(1)	3
Other adjustments	(3)	-
Tax credit for the year	**(45)**	**(5)**

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	2022	2021
Administration expenses	76	42
IT-related cost	49	41
Administrative charges Rabobank	43	44
Total other operating expenses	**168**	**127**

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, 2022, DLL had no material unresolved legal claims (2021: 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, irrevocable quotations, 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). Since 2022, DLL discloses its irrevocable quotations. Quotations are offers for a loan or lease sent to customers. A quotation is irrevocable when the combination of local terms & conditions and local laws & regulations determine that DLL is required to honor the quote, unless specific conditions apply that allow DLL to step out of the deal that is quoted.

There are no irrevocable facilities (2021: none) and no guarantees issued (2021: EUR 6 million) as per December 31, 2022, for De Lage Landen International B.V. The irrevocable quotations amount to EUR 136 million (2021: no comparative information).

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 toward 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 obligations subject to the Master Guarantee Agreement at year-end 2022 is EUR 19,299 million (2021: EUR 18,734 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, 2022, DLL's authorized capital was EUR 454 million (2021: EUR 454 million), divided into 950 ordinary A shares and 50 ordinary B shares (2021: 950 A and 50 B). The nominal value of each share is EUR 454,000. EUR 98 million (2021: 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 (2021: EUR 1,135 million). For the years 2022 and 2021, 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	2022	2021
Opening balance	**(57)**	**(252)**
Exchange differences on translation of foreign operations, net of tax	110	195
Closing balance	**53**	**(57)**

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 2022, the hedge relations were highly effective within the effectiveness range set based on International Financial Reporting Standards (IFRS) 9 regulations. In 2022, an amount of EUR 98 million (2021: EUR 94 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, 2022, to the other reserves. This proposal is not reflected in the statement of financial position.

The following table presents the composition of shareholders' equity and a reconciliation of opening and closing balances for the years ended December 31, 2021, and 2022.

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, 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**
Balance on January 1, 2022	**98**	**1,135**	**88**	**(57)**	**1,798**	**494**	**3,556**
Appropriation of results	-	-	-	-	494	(494)	-
Profit for the year	-	-	-	-	-	271	271
Remeasurement of post-employment benefit reserve, net of tax	-	-	9	-	-	-	9
Fair value changes of derivatives designated for net investment hedging, net of tax	-	-	(98)	-	-	-	(98)
Exchange differences on translation of foreign operations, net of tax	-	-	-	110	-	-	110
Total amount recognized in equity			**(89)**	**110**		**271**	**292**
Dividends	-	-	-	-	-	-	-
Balance on December 31, 2022	**98**	**1,135**	**(1)**	**53**	**2,292**	**271**	**3,848**

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	Burlington, Canada	100
AGCO Capital Argentina S.A.	Buenos Aires, Argentina	51
AGCO Finance AG	Zürich, Switzerland	51
AGCO Finance B.V.	Eindhoven, 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 Limited	Te Awamutu, New Zealand	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 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, 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

Name	Registered office	% Capital
De Lage Landen America Holdings B.V.	Eindhoven, Netherlands	100
De Lage Landen Asia Participations B.V.	Eindhoven, 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, Netherlands	100
De Lage Landen Co., Ltd	Seoul, Republic of Korea	100
De Lage Landen Commercial Finance Inc.	Burlington, Canada	100
De Lage Landen Corporate Finance B.V.	Eindhoven, 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, Netherlands	100
De Lage Landen Facilities B.V.	Eindhoven, 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.	Burlington, 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, Türkiye	100
De Lage Landen Leasing AG	Zürich, Switzerland	100
De Lage Landen Leasing GmbH	Düsseldorf, Germany	100
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, Netherlands	100
De Lage Landen Renting Solutions, S.L.U.	Madrid, Spain	100
De Lage Landen Renting Solutions S.r.l.	Milano, Italy	100

Name	Registered office	% Capital
De Lage Landen Vendorlease B.V.	Eindhoven, Netherlands	100
De Lage Landen, S.A. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad no Regulada	Huixquilucan, Mexico	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, 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	Burlington, 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. in liquidation	Warsaw, Poland	100
DLL Polska Participations Sp. z o.o. in liquidation	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	Upminster, 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
DLLST 2022-1 LLC	Wayne, United States of America	100
INQUIETO, MOVING ATTITUDE, S.L.	Madrid, Spain	20
Limited Liability Company Cargobull Finance[1]	Moscow, Russia	51
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
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, Netherlands	100

1 On March 15, 2023, the sale of Limited Liability Company Cargobull Finance to a third party was completed

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.

There were no such events.

On behalf of the Executive Board
C.G.M. van Kemenade, *Chairman and CEO (as from February 14, 2022)*
I. Eddini, *CHRO (as from September 7, 2022)*
N. Garnett, *CCO (as from February 27, 2023)*
Y.E. Hoefsmit, *CRO*
M. Janse, *COO*

On behalf of the Supervisory Board
B.J. Marttin, *Chairman*
A.E. Bouma, *member*
R. De Feo, *member*
B. Leurs, *member*

Eindhoven, April 26, 2023

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 2022

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 2022 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; and
- the company financial statements of De Lage Landen International B.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2022 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 2022 of De Lage Landen International B.V., Eindhoven. The financial statements comprise 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 2022;
- the following statements for 2022: the consolidated statement of profit or loss, the consolidated statements of other comprehensive income, changes in equity and cash flows; and
- the notes, comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company statement of financial position as at 31 December 2022;
- the company statement of profit or loss for the year then ended; and
- the notes, comprising a summary of 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.

NA5XMRPVH3HV-941433439-128

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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 in support of our opinion, such as our findings and observations related to individual key audit matters, the audit approach fraud risk and the audit approach going concern was addressed in this 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 distinct industries for equipment and technology assets. The Group has operations in more than 25 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. We also paid attention to climate related risks. 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 note IV 'Key judgements and estimates', we considered 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.

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The current macro-economic environment, outlook, and uncertainties have 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 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 considered the application of macro fair-value hedge accounting and the measurement of the derivatives to be a key audit matter in view of the complexity of hedge accounting, the magnitude of the notional amounts, and the estimation uncertainty.

In view of the complexity of selling the Russian operations in 2022, being transactions outside the normal course of business, coupled with the considerable financial impact, the tax consequences, and the appropriate accounting treatment, we considered the disposal of the Russian operations to be a key audit matter in our audit.

In the section 'Risk management and compliance – climate and environment risk' of the directors' report, the executive board explains the governance, strategy, and risk appetite, as well as the possible effects of climate change, including the potential impact on the financial position of the Group. We discussed the Group's assessment and governance thereof with management and evaluated the impact on our audit where we considered potential climate risk in the measurement of the credit impairment allowances 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).

Other areas of focus that were not considered as key audit matters, were, amongst others, the assessment of compliance with laws and regulations and our procedures in response to the risk of fraud.

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 Group to ensure that IT operates as intended and provides reliable data for financial reporting purposes. The IT environment of the Group 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, forensics, valuation of financial instruments, macro-economic forecasting as well as employee benefits.

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The outline of our audit approach was as follows:

Materiality
- Overall materiality: €25 million (2021: €24 million).

Audit scope
- The group engagement team was 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 nineteen individually significant components in thirteen countries, and held site visits in the United States, Germany, France, and Sweden.
- Audit coverage: 93% of consolidated assets, 92% of consolidated net income and 95% 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.
- Disposal of Russian operations.

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 the aggregate, on the financial statements as a whole and on our opinion.

Overall group materiality	€25 million (2021: €24 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.
	The applied multi-year average benchmark for materiality is in response to considerable economic trends and volatility in the profit before tax over the recent years attributable to the impact of COVID-19, and the ongoing geopolitical issues (Russian invasion in Ukraine). 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 three-year average of profit before tax an appropriate benchmark. Using our professional judgement, we determined materiality for this year at €25 million, which equates to approximately 5% 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 €2 million and €21.5 million.

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We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the supervisory board that we would report to them misstatements identified during our audit above €1.25 million (2021: €1.2 million) as well as misstatements below that amount that, in our view, warranted 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	93%
Consolidated net income	92%
Consolidated profit before tax	95%

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 2022 and 2023 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, and other matters;
- we assessed the component auditor's reports and discussed observations with the component auditors and with group management;
- we reviewed selected working papers for a selection of component auditors; and
- we conducted site visits by video conference or physically with local management together with the component audit teams in the United States, France, Germany and Sweden. During these meetings, we discussed the strategy and financial performance of the local businesses, the audit plan of the component auditors and execution thereof 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; measurement of the provisions for uncertain tax exposures;
- disposal of the Russian operations; and
- sale of the India portfolio.

The internal audit department performs audits at group and component level in a variety of areas and on selected themes. Even though 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 and with 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, its business model, and the components of the system of internal control.

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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 Group's internal control system and, in particular, the fraud risk assessment in the systematic integrity risk assessment, as well as, amongst others, the code of conduct, whistle-blower procedures and incident registration, including follow-up measures taken. 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) to evaluate their fraud awareness, the Group internal control environment in relation to fraud, the 'tone at the top' and entity-level controls.

The compliance, legal and risk management departments investigate, amongst others, reported internal integrity, conduct, 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 and assessed the documentation, conclusions, reporting, and responses of management.

As part of our process of identifying fraud risks, we, with involvement of a forensic specialist, discussed and assessed fraud risk factors with respect to financial reporting fraud, misappropriation of assets, and bribery and corruption. We evaluated whether the respective fraud risk factors indicate that a risk of material misstatement due to fraud is present or should be considered regarding our audit of the financial statements.

Based on this assessment and an overall evaluation 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 all 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; • significant transactions that are outside the normal course of business for the Company; and	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 may 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. These procedures include, amongst others, inspection of the entries with source documentation. We also tested the appropriateness of the journal entries made as part of the consolidation process.

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Identified fraud risk	*Our audit work and observations*
• (potential) fraud incidents with a financial impact above our threshold for misstatements of €1.25 million. In assessing fraud risk and discussing and evaluating the aspects incentive/pressure, opportunity, and rationalisation, we considered the authenticity of documentation, the validity of respective data used, the reasonability of assumptions, 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.	Furthermore, we 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. In view of the complexity of selling the Russian operations, being transactions outside the normal course of business, we paid specific attention to potential fraud related aspects. For an overview of audit procedures performed regarding the estimates and the disposal of the Russian operations, including those related to fraud or error, we refer to the section 'Key audit matters'. In cooperation with forensics experts, we assessed managements' investigation approach, procedures performed, findings and conclusions regarding (potential) fraud incidents with a financial impact above €1.25 million. This includes an evaluation of the respective (financial) impact and potential internal involvement including override of controls as well as remediation. As part of these procedures, we inspected internal and external information, including investigation reports. 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. 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 twelve 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).

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Our procedures to evaluate the executive board's going concern assessment included, amongst others:

- considered 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, solvency and liquidity position, financial performance (actual and projected), the current macro-economic environment and uncertainties (including the ongoing war in Ukraine and the adverse impact on the global economy);
- being a global operating 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 2023 budget in comparison with last year and current developments, as well as the 2024-2027 mid-term plan, including cash flows, funding, 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.

Due to the nature of the Group, key audit matters do not significantly change year over year, except for the key audit matter relating to the disposal of the Russian operations in 2022.

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 €37,907 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, credit impairment allowances are recognised. In accordance with IFRS 9, management distinguishes the following credit impairment allowances: • Performing finance leases and loans (stage 1) – €66 million as at year-end 2022. • Underperforming finance leases and loans (stage 2) – €122 million as at year-end 2022.	Controls design and operating effectiveness We evaluated the design of the relevant internal controls and tested the operating effectiveness of these controls regarding: • Governance in relation to the development, validation, implementation and maintenance of the IFRS 9 models. • Accuracy and completeness of portfolio data that is used in the calculation of the stage 1, 2 or 3 credit impairment allowances. • Methodology and controls applied in determining and measuring significant increase in credit risk. • Review and approval process regarding the outcome of the models and the adjustments, if any, applied to the outcome of the models.

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Key audit matter	*Our audit work and observations*
• Credit impaired finance leases and loans (stage 3) – €207 million as at year-end 2022. The stage 1, 2 and 'small ticket' stage 3 (exposures below €250,000) credit impairment allowances are based on quantitative models. The 'large ticket' stage 3 credit impairment allowance is based on individual management judgement, including relevant governance and guidelines (such as authorisations and monitoring by the global risk committee). Determining credit impairment allowances requires a significant degree of management judgement based on aspects such as: • Judgement in determining key parameters for the model based credit impairment allowances (e.g. probability of default and loss given default). • Expectations relating 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 credit impairment allowance (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 credit impaired finance leases/loans and the identification of respective qualitative credit impairment triggers. • Judgement to determine top level adjustments in case the credit impairment allowance models do not capture sufficiently specific macro-economic aspects. 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.	We tested the IT environment and relevant IT applications that support data, models, and reports utilised to determine the measurement of balances due from customers. We focused on the data lineage of contract and relevant default data used for 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 designed properly or not operating effectively, impact assessments were made and additional substantive audit procedures were performed. 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 credit impairment allowances, including their considerations for the current macro-economic environment, outlook and uncertainties. With the assistance of our experts and specialists, we performed, amongst other, the procedures outlined below: • 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 the collective stage 3 model updates including proper implementation. • Tested the reconciliation of relevant financial data between contract management systems, general ledgers and the financial statements. • Tested on a sample basis critical data elements (e.g. exposure data, significant increase of credit risk, past days due). • Replicated the stage 1, 2 and collective stage 3 credit impairment allowance outcome 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.

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Key audit matter	*Our audit work and observations*
Measurement of balances due from customers is an area that 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 credit impairment allowances, in combination with the significant level of management judgement, the high complexity and subjectivity of the models used, the sensivity to assumptions applied, and an inherent high estimation uncertainty. Hence, we considered the measurement of balances due from customers to be a key audit matter in our audit.	• Assessed the backtesting procedures on the outcome of the IFRS 9 models (comparison of predicted losses versus the observed losses). • Assessed the correlation analysis between the year-on-year change in unemployment rate and observed losses. • Performed sensitivity analysis on relevant parameters (such as probability of default, loss given default and macro-economic scenarios). • Assessed the reasonableness of management's top level adjustments by obtaining supporting evidence to verify that these adjustment were necessary to address model limitations. Specifically, for these adjustments we have exercised professional scepticism in our audit given the significance and subjective nature of these item. • Tested on a sample basis the large ticket stage 3 credit impairment allowances and evaluated whether management's key judgements were reasonable by assessing, for example, projected cash flows and underlying assumptions. • 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 disclosure requirements, specifically in view of the high estimation uncertainty. We note that the procedures performed in relation to this key audit matter implicitly and explicitly address the fraud risk of management override of controls (e.g. top level adjustments). We evaluated whether judgements and decisions made by management in making this accounting estimate were indicative of possible management bias. Based on the procedures performed, 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, or the disclosures.

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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 €2,563 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 annually, 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, 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 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 might lead to adjusting 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. current macro-economic environment, outlook, and uncertainties) in determining expected residual values and impairments. Hence, we considered the measurement of assets under operating lease to be a key audit matter in our audit.	*Controls design and operating effectiveness* We evaluated the design of the relevant internal controls and tested the operating effectiveness of controls regarding the residual value setting at inception date of the lease contracts. Furthermore, we focused on the annual process to reassess the recoverability of estimated residual values and the identification of impairment triggers as per IAS 36. 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 inquired with management throughout the year on asset risk developments in the various industry sectors and jurisdictions including their considerations for the current macro-economic environment, outlook and uncertainties. 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 outlook for asset classes) factors. This to determine the expected residual value at expiration date and, where applicable, to determine the impact on future depreciation 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.

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Key audit matter	***Our audit work and observations***
	We evaluated whether the disclosures, as included in note 1.2 to the consolidated financial statements, are adequate and in accordance with EU-IFRS disclosure requirements. We note that the procedures performed in relation to this key audit matter implicitly and explicitly address the fraud risk of management override of controls. We evaluated whether judgements and decisions made by management in making this accounting estimate were indicative of possible management bias. Based on the procedures performed, 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 or the disclosures.
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 US $-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 US $- 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.	*Controls design and operating effectiveness* We evaluated the design of the relevant internal controls and tested the operating effectiveness of the 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 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 the €- and US $-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.

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Key audit matter	Our audit work and observations
In view of the magnitude of the hedged portfolio, the complexity of macro fair-value hedge accounting, the potential significant impact on recognising ineffectiveness in the statement 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 in our audit.	We validated the hedge documentation and the effectiveness testing conducted throughout the year by management. We tested whether the hedge effectiveness is within the bandwidth during the year as defined by IAS 39. The results of the hedge relationships as recorded in the statement of profit or loss were reconciled to the output of the hedge accounting models. We tested the measurement of derivatives by repricing a sample of individual derivatives based on our independent valuation model. Evaluated whether the disclosures, as included in note 3.4 to the consolidated financial statements, are adequate and in accordance with EU-IFRS disclosure requirements. 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 or the disclosures.
Disposal of Russian operations As a result of the Russian invasion in Ukraine, management decided in March 2022 to permanently cease all new business operations in Russia and shift its focus to the run-down of the local businesses. In May 2022, it became apparent that the war would continue for a longer period, and, as such, the sanctions and financial and political challenges would continue. Consequently, management initiated an exit strategy, resulting in a management buyout of DLL Russia and AGCO Finance Russia. These management buyout transactions were completed in December 2022. The envisaged sale of Cargobull Finance Russia has been completed in March 2023 and is disclosed as a post balance sheet event. Ultimately, these transactions resulted in a 2022 gross loss of over €200 million. In view of the complexity of selling the Russian operations, being transactions outside the normal course of business, coupled with the considerable financial impact, the tax consequences, and the appropriate accounting treatment, we considered the disposal of the Russian operations to be a key audit matter in our audit.	*Substantive audit procedures* We have performed, amongst other, the procedures outlined below: • Inquired with management about their considerations for exiting the Russian market and measures taken to ensure sales processes were undertaken in compliance with applicable sanction regulation and other legal requirements. • Inspected the supervisory and executive board minutes to assess the procedures implemented, decisions taken and relevant approvals obtained to dispose the Russian operations. • Evaluated management's accounting position paper outlining the applied accounting treatment and financial impact to verify compliance with EU-IFRS. • Inspected relevant documentation supporting the transactions (e.g. sales and purchase agreements, bank payments) and reconciling the supporting documentation to the journal entries made. Relevant aspects assessed were the calculation of the credit impairment loss, the foreign exchange results following the termination of the RUB funding and related derivatives, as well as the unwinding of the net foreign investment hedges.

Key audit matter	Our audit work and observations
	• Assessed, with the involvement of tax specialists, the tax treatment of the transactions focussed on the reasonability of the allocation of the proceeds impacting the tax deductibility component versus the non-tax deductibility component. • Evaluated potential fraud related aspects. • Assessed the reasonability of the credit impairment allowance for Cargobull Finance Russia. • Inspected relevant documentation of the sale of Cargobull Finance Russia in March 2023 as well as an assessment of the accounting impact and related disclosures. Our audit procedures did not result in findings that would materially affect the accounting of the disposal of the Russian operations or disclosures.

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; and
- 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.

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 seven 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, 26 April 2023
PricewaterhouseCoopers Accountants N.V.

Original has been signed by A.R. Vermeulen RA MSc

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Appendix to our auditor's report on the financial statements 2022 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.

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision, and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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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 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 2022
DLL has integrated both the financial information and the management report information in the Annual Report 2022.

The Annual Report 2022 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 2022 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 2022 is available on our website: www.dllgroup.com

Contact
DLL has exercised the utmost care in the preparation of the Annual Report 2022. 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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