Annual Report 2019

DLL financial solutions partner

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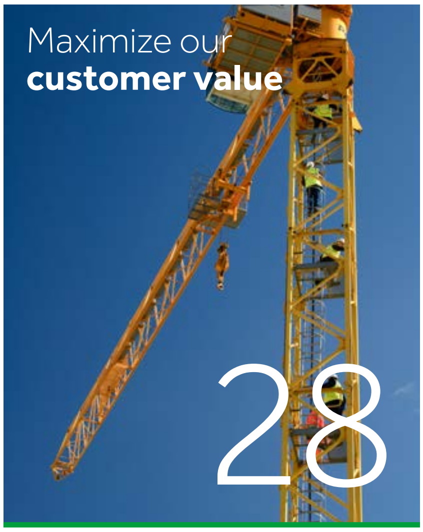
We seek to become an integral part of our vendor partners overall business strategy and financial plans. It is about managing a long-term relationship and developing a strategy that will help them grow their market share and profitability.

Foundation 24

A new DLL strategy "Partnering for a better world," was introduced to our organization, which outlines our strategic priorities and ambitions for the next five years.



Sustainability 35

DLL is well positioned to take responsibility and create value for our customers and society, committing ourselves to global challenges such as climate change, population growth and resource scarcity.

Risk management 44

Risk is everybody's business. A sound risk culture is the basis for good risk management. Every individual's membership is needed to ensure DLL's continued success.

Management **Report**

Chairman's **foreword**

Partnering for a better world!

2019 was a very special year for DLL. It was not only time for reflection and looking back on our rich history, but to also look forward and set our future strategic direction. In May 2019, we celebrated DLL's 50^{th} Anniversary and reflected on our humble beginnings. What started in 1969 as a small local leasing company in the south of the Netherlands has now grown to become a global leader in vendor finance, with offices in over 30 countries and a portfolio of more than EUR 35 billion. This proud milestone was recognized by our entire team around the world, celebrating the strong foundation that we have built and the value it has delivered to our customers for more than five decades.

Even more satisfying, our anniversary was just one of the many milestones that we recognized in 2019. The year was also significant as we introduced our new DLL strategy; **Partnering for a better world**, which outlines our strategic priorities and ambitions for the next five years. DLL has been built on a core principle of partnership dating back to its founding in 1969, and when combined with our global reach, industry specialization, asset knowledge, digital solutions and people, delivers an amazing customer experience that is unrivaled in the marketplace.

Our new strategy intends to preserve this foundation while setting a bold and ambitious course focused on four priorities:

1. Maximizing customer value
2. Becoming a global employer of choice
3. Accelerating our digital transformation
4. Driving innovation of products and services

You can find more details in this report on how each priority will transform our business and ensure success for the next 50 years and beyond.

That said, 2019 was not without challenges. We contended with mixed economic conditions in many of our key markets, increased risk costs and a growing slate of regulatory requirements, all of which impacted our business as well as the business of our customers. These challenging conditions significantly increased risk costs from the record low levels of recent years and diluted our net profits, but the underlying performance of our business model continued to remain solid.

Consistent with our partnership approach, DLL worked closely with our customers to find solutions that could overcome obstacles and help realize our mutual ambitions. To that point, our award-winning global vendor finance business continued to grow, with new business volume of EUR 26.8 billion, an increase of more than 5 percent when excluding currency movements. At the same time, our portfolio grew by an impressive 6 percent adjusted for currency movements to EUR 36.2 billion. We also continued to diversify our funding sources, completing securitizations in the U.S. and U.K. markets that totaled more than EUR 2.0 billion. These offerings created significant investor interest and were over-subscribed, reflecting the strong financial performance that our business model continues to deliver.

Despite the pressure on net profits, we continued to make investments in our people, who play a key role in delivering our value proposition. Funding was also directed toward important projects to accelerate our digital transformation and deliver new and innovative business models to our customers. We strongly believe that these investments will not only delight our customers, but also enable sustainable business growth and profitability for many years to come. This view has been validated by the results of the many surveys we have conducted with our employees and customers around the world, as well as the recognitions that were awarded to DLL by our industry peers.

Our composite Global Net Promoter Score (NPS®)[1], which reflects our activities in vendor finance, commercial (inventory) finance and our joint venture with AGCO, was an exceptionally strong +47. Further, a clear majority of surveyed partners told us they were "satisfied" or "very satisfied" with the products, services and support they receive from DLL. They also cited our partnership focus and the behavior, knowledge and skills of our people as some of the main reasons they do business with DLL.

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.

We also continued to receive praise from the industry for our leading role in the global vendor finance marketplace. In 2019, DLL won the prestigious "European Vendor Finance Provider of the Year" award from Leasing Life, one of the top industry journals in Europe. This is the third time in the past four years that we have proudly held this recognition. In the United States, we were named the #1 vendor finance company for the 11th straight year by the Monitor Daily, a leading industry publication considered the independent voice of the North American equipment finance and leasing market.

Perhaps even more important than industry recognition was the positive feedback that we received from our employees (whom we refer to as "members"). In 2019, we conducted a Global Engagement Survey with our more than 5,000 members worldwide. The results told us that 81 percent of our surveyed members recommend DLL as a top place to work. It also indicated that overall satisfaction and engagement is what drives our members to start each day committed to delivering a first-class experience to our customers. I could not be more satisfied with this positive feedback from all our key stakeholders.

Bill Stephenson
CEO and Chairman of the Executive Board

Enabling the circular economy

DLL has a rich history of delivering both economic and social value across the various industries and communities where we operate, and we believe those contributions can continue to grow. In 1969, we started by paving the way with innovative solutions for local Dutch farmers. Today, we provide custom financing solutions for businesses around the world and are leading the development of pay-per-use solutions to address the growing trend of usage over ownership.

With global trends such as population growth, urbanization and technological velocity all contributing to a scarcity of resources, DLL has a key role to play in helping enable a more sustainable world and circular economy. We believe DLL can help our customers make this transition by providing usage-based leasing products that enable manufacturers to maintain visibility and control of equipment throughout its technical life – leading to maximum use of resources, second- and third-life revenue streams for used equipment and increased remarketing and brand value.

Our products will support the growing trend of pay-per-use over more traditional ownership models. And when we combine that with the data and knowledge that we have, DLL can deliver real insights and advice to customers on smarter methods of use that lower costs. Our belief in this direction is so strong that we formulated a new global business unit in 2019, Advanced Solutions, that will focus on further developing and growing our leadership position in pay-per-use products. We are also working closely with our parent, Rabobank, to identify opportunities for delivering pay-per-use capabilities to its customers, as well as other collaboration projects that can expand value creation.

Full speed ahead!

Over the past year, market circumstances were characterized by increased competition, slowing economic growth in many of our key markets and increased regulatory compliance, and we expect these conditions to persist in the near term and challenge our business. However, I am confident that our new strategy will allow us to further build on our solid foundation, delivering new products and services that are aligned with the rapidly evolving needs of the marketplace and our customers.

Rather than leaning back, we are forging ahead at full speed, with bold plans to grow our portfolio, surpassing the growth rate that DLL realized in the prior 5 years. To do this, we will need to generate growth not only from our existing business lines, but also via new and transformative initiatives, such as the previously mentioned Advanced Solutions unit and continued growth of our direct financing business with end-user customers. We will also continue to explore inorganic growth opportunities, including strategic acquisitions that could provide DLL with new product or service capabilities.

This growth ambition will see DLL accelerate our investments in the transformation of our business processes to further enhance efficiency and ensure that product and service offerings are aligned with customer needs and market developments. To support this approach, we have opened innovation hubs in key markets to get closer to our customers and deliver a more personalized level of service. Our target is to have 95 percent of our small ticket "flow" business in these markets fully digitized and paperless, making it faster and easier for customers to do business with DLL. We are also committed to funding innovation efforts, so that by 2024 a meaningful percentage of our new business volumes and/or efficiency gains come from products and services that DLL does not currently offer today.

Bringing our strategy to life with our members

Ultimately, our ability to execute and deliver on our strategy comes back to people and that is why a key pillar is focused on becoming a Global employer of choice and the principles of diversity and inclusion are at its core. We know that the best solutions for our customers are found by using as many different perspectives and capabilities as possible. To that point, DLL has clear plans defined to enhance gender diversity in our organization, and a new program was introduced in 2019 ("All In") to create an inclusive environment respecting all cultural backgrounds and beliefs. We are also addressing this in our recruitment efforts, seeking a more diverse candidate slate for all vacancies.

All managers at DLL participate in an annual review of our member community to ensure we have the right people and skills to continue to be successful. As part of this process, we also identify our high potentials and high performers to make sure we continue to challenge them with new opportunities to learn, including special projects and "stretch" assignments. Another important part of this review process is leadership development and we have developed a "Future leader" program that allows these members to work alongside DLL senior and executive leadership in a multi-week class format.

Our new DLL strategy, Partnering for a better world, serves as a centerpiece for the Future Leader program, and we challenge our members to critically evaluate the plan and identify new priorities and gaps, so that they feel a sense of collective ownership for its success. Our goal is for the strategy to become a "living document" that can quickly and easily evolve to changing market conditions.

With these programs in place, I am convinced that DLL has positioned itself for many more years of sustainable growth, strong operating performance and a continued legacy of giving back to the communities where we operate. We look toward the next 50 years with confidence and excitement.

Bill Stephenson
CEO and Chairman of the Executive Board

A message from our CEO and Chairman regarding the Coronavirus pandemic

At the time of this Annual Report's publication, we were all seeing and feeling the unfortunate effects of the Coronavirus (COVID-19) pandemic, and the impact it was having to society. Our hearts and thoughts go out to the people who have been affected by this unprecedented event and we appreciate the healthcare workers, local communities, and governments around the world who are on the front line working to contain this pandemic. At DLL, we take our responsibility for the safety and well-being of our workforce and our customers very seriously, which is why we proactively implemented a comprehensive business continuity program in response to this crisis event.

This program included several preventive measures focused on the health and safety of our members and customers, as well as steps to ensure that our business continued to deliver reliable service and support to our customers. We also established a Global Crisis Team, which is working daily to monitor developments and take appropriate steps to protect the health of our workforce, our customers and our business. Taking care of our members and customers is at the center of everything we do, and our team is focused on reinforcing strong business practices while we contend with the challenges of this pandemic.

Now more than ever, the message of our strategy, "Partnering for a better world" takes on a new and significant meaning. Over the past 50 years, DLL and our many partners and customers have been through good and bad times, and successfully navigated through many challenges. This crisis should remind us that we are all connected, and we are called upon to be our best selves, with patience, understanding and compassion. I am confident that if we continue to work together in partnership, we can overcome this crisis as well, because together we are stronger.

Who we are

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

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

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

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. The solutions we provide our partners truly make a difference for their end-users, the businesses they operate and the communities they serve.

DLL delivers specialized knowledge and expertise to each of these nine industry verticals through our Global Business Units (GBUs) that set the commercial strategy with our customers and handle all aspects of relationship and program management on a global scale. In addition to GBUs that focus on each major industry sector, we also consider our long-standing joint venture with AGCO Corporation ("AGCO Finance") as a GBU. This designation is based on the overall size and scope of the relationship, which dates back to 1990, has a portfolio exceeding EUR 8.5 billion as of the close of 2019, and is active in more than 20 countries.

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

Finally, last year, encouraged by DLL's unconditional dedication to align its product and service offering with customer needs and market developments, DLL established a new business unit, "Advanced Solutions," as an addition to its vendor finance business. This was a logical answer to a demanding market where businesses want the flexibility to pay for their equipment and technology as they use it. Advanced Solutions will lead DLL's innovative approach around usage-based consumption products and further develop a customer direct business model, as well as seeking out new industry sectors and acquisition opportunities for DLL.

With this recent addition, this means that we have the following defined GBUs within DLL:
- Construction, Transportation and Industrial (CT&I)
- Food and Agriculture (F&A)
- Healthcare and Clean Technology (HC-CT)
- Technology Solutions (TS)
- Office Equipment (OE)
- AGCO Finance (AGCO)
- Commercial Finance (CF)
- Advanced Solutions (AS)

Across these GBUs and throughout the company, our team combines customer focus with deep industry knowledge to deliver sustainable solutions for the complete asset life cycle, including the previously noted commercial (inventory) finance, as well as retail finance and used equipment finance.

We believe that DLL is one of the few companies capable of providing true "end-to-end" support for a vendor partner, helping them closely manage their installed base of assets, retain customers and identify upgrade and trade-in opportunities.

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

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

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

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

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

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

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

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

Our Executive Board

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

Ab Gillhaus, Chief Risk Officer (CRO) and Executive Board member, retired from DLL, effective January 1, 2020. He did so after a 35-year journey with DLL and Rabobank Group. A search for his successor started in close coordination with Rabobank. DLL has implemented an interim solution, approved by regulatory authorities.

William F. Stephenson

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

Bill Stephenson was appointed Chief Executive Officer and Chairman of the Executive Board of DLL in June 2014. He is responsible for implementing the company's strategic plans, which enable DLL to deliver integrated financial solutions to manufacturers and distribution partners in more than 30 countries around the world. Under Stephenson's leadership, DLL has sharpened its focus on its core vendor finance business in nine industry verticals: Agriculture, Food, Healthcare, Clean technology, Construction, Transportation, Industrial equipment, Office equipment, and Technology.

In addition to his role as Chairman of the Executive Board, Stephenson has the following portfolio of responsibilities:
- Communications
- Human Resources
- Corporate Governance
- Internal Audit
- Innovation
- Compliance
- Legal
- Risk
- Sustainability (as from January 1, 2020)

Stephenson also currently serves as Chairman of the AGCO Finance Global Board.

Tom Meredith

Chief Commercial Officer (CCO)

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

Meredith has the following portfolio of responsibilities within DLL:
- Management of DLL's Global Business Units (GBUs)
- Strategic Marketing
- Sustainability (transferred to CEO portfolio of responsibilities on January 1, 2020)
- Insurance
- Asset Management & Remarketing

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

Marc Dierckx
Chief Financial Officer (CFO)

As DLL's Chief Financial Officer and member of the Executive Board appointed in January 2017, Dierckx is responsible for the company's financial, treasury and performance management functions.

Dierckx has the following portfolio of responsibilities within DLL:
- Finance
- Data management
- Procurement
- Treasury – Capital markets
- Tax

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

Mike Janse
Chief Operating Officer (COO)

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

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

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

From left to right
Mike Janse
Tom Meredith
Bill Stephenson
Marc Dierckx

DLL celebrates **50-year anniversary** as financial solutions partner

On May 29, 2019, DLL celebrated its 50-year anniversary. From its humble origins as a financing company that was started with three employees in a small Dutch village, DLL has evolved to become an award-winning global vendor finance company with over 5,000 employees in more than 30 countries, and boasts a wide array of products and services.

At the time of its founding in 1969, DLL was viewed by its parent, Rabobank, as a pioneer in the field of financing. "An entrepreneurial, forward-looking culture has always been part of our DNA," says Bill Stephenson, CEO and Chairman of the Executive Board. "In 1969, we started by paving the way with innovative solutions for local Dutch farmers. Today, we provide custom financing solutions for businesses around the world and are leading the development of pay-per-use solutions to address the growing trend of usage over ownership. We have accomplished this by carefully listening to our customers and anticipating their needs, which will continue to be a key to our success in the future."

DLL has a rich history of delivering both economic and social value across the various industries and communities it serves. DLL collaborates with equipment manufacturers, dealers and distributors in more than 30 countries to enable businesses to obtain and use the assets they need to contribute meaningfully to the world. For 50 years, customers have benefited from DLL's industry expertise and commitment to evolving with them through times of prosperity and adversity.

Customer centricity

Our composite Global Net Promoter Score (NPS®)[1], which reflects our activities in vendor finance, commercial (inventory) finance and our joint venture with AGCO, was an exceptionally strong +47. Further, a clear majority of surveyed partners told us they were satisfied or very satisfied with the products, services and support they receive from DLL. They also cited our partnership focus and the behavior, knowledge and skills of our people as some of the main reasons they do business with DLL.

Knowledgeable workforce

Stephenson adds: "We are extremely proud of this acknowledgment from our customers. I am convinced that our global reach, industry specialization, asset knowledge and digital solutions have played an integral role in delivering an exceptional customer experience. We never could have accomplished this without the best people in the industry. Many of our employees come to us from the industries we serve, enabling DLL to speak the language of our partners and understand their challenges. This has been a differentiator and part of our success."

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Giving back

DLL also seeks to differentiate itself through strong commitments to the communities where it operates, supporting a variety of local charities and programs across its entire global network. As part of its 50-year anniversary, DLL organized a global 24-hour Micro Leasing Cycling Challenge. Worldwide, DLL members collected EUR 44,500 with the challenge. The money collected by our cyclists including the generous EUR 25,000 Executive Board contribution, will be the source for funding expansion of Micro Leasing services in Africa, with the goal to provide low-income entrepreneurs access to equipment. The ambition is for these entrepreneurs to use the equipment to help expand and improve their businesses, as well as their quality of life.

Proudly looking back, boldly looking ahead

Although the company is looking back as it celebrates this proud milestone, it is not resting on its laurels. Over the past year, a number of transformative projects have been launched to continue evolving its business to meet the rapidly changing needs of the market. Stephenson concludes: "Our unrelenting focus on disruptive innovation and customer experience, combined with our people and products, will continue to differentiate DLL and ensure continued success for another 50 years and beyond."

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Proudly looking back, boldly looking ahead

50 years of DLL

1969

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

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

1972

1979

10 Years De Lage Landen.

1980

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

1982

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

1985

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

Belgium 1987

First U.S. joint venture formed with Masterlease Corp and Toshiba. **1987**

Germany 1988

UK 1989

Masterlease acquired by Tokai Financial Services, Inc. **1989**

First Operational Lease Contract for Real Estate finalized.

1990

France 1990

Italy 1991

Ireland 1992

Spain 1995

Introduction of Service Lease for commercial vehicles sold in collaboration with Rabobank.

1995

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

Poland 1996

Formation of joint venture Agricredit do Brazil. **1998**

Brazil & US 1998

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

1999

Joint venture with Schmitz Cargobull AG. **2000**

Canada 2000

Austria 2001

Philips Medical Capital joint venture established in U.S. **2002**

Mexico, Australia, New Zealand 2002

Singapore 2003

2004

Acquistion of Telia Finance Sweden.

Norway 2004

Japan, South Korea 2005

De Lage Landen acquires Athlon Car Lease. **2006**

China, Argentina, Russia 2006

Romania 2007

2008

First E-Docs digital signature transaction was booked.

Hungary, Portugal 2008

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

Chile, Turkey 2012

India 2013

< Expansions to countries

DLL begins Micro Leasing projects in Rwanda and Kenya.

2014

Sale of Athlon Car Lease to Daimler AG. **2016**

2017

DLL opens Customer Engagement Hub in Dallas to bring service closer to partners.

2018

DLL opens Customer Engagement Hubs in Las Vegas and Jacksonville.

Celebrating 50 years.

2019

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Facts & figures 2019

Lease and loan portfolio*

+6%

* excluding currency impact

Accelerate our **digital transformation**

Become a **global employer of choice**

Volunteering in 2019

41%

Unique member participation rate
(= 2,000 unique members)

>10,000 hours
Time investment

DLL Employees

5,184

56%

44%

DLL Net profit

297

in EUR millions

Maximize our **customer value**

Net Promoter Score

(NPS® recommendations)

+47

Nationalities

>40

Key figures

In millions of euros	2019	2018
Financial position and solvency at December 31		
Total assets	40,689	37,645
Total equity	4,182	3,931
Non-controlling interest	470	473
Common Equity Tier 1 Capital (CET1)	3,302	2,966
Risk-weighted assets	20,937	19,406
CET1 ratio	15.8%	15.3%
Profit and loss account		
Total net income	1,416	1,333
Total operating expenses	(766)	(724)
Credit losses and other impairments	(208)	(114)
Profit before income taxes	442	495
Net result	297	380
Portfolio *(in billions of euros)*		
Total portfolio	36.2	33.5
Employee data		
Number of employees (FTEs) average	5,073	4,875
Number of employees (FTEs) end of year	5,184	5,027

New business Volume*

+5%

* excluding currency impact

Drive **innovation** of products & services

What we do

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

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

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

Vendor finance

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

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

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

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

Examples of such services are maintenance, parts and supplies, insurance and warranty. We can help our vendor partners by bundling these services in the related financing packages. We can also provide financing for software licenses and other technology solutions. Through this, the end-user customer gets access to a wider variety of value-added services and options, as well as gaining a clearer understanding of the total cost of use for the equipment. Through our multi-year 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 multi-year relationship and developing a strategy that will help the vendor partner achieve their goals over the long-term in an efficient and sustainable way.

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

Value of vendor finance

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

For the vendor partner

- **Lead generation**: attract and close sales with new prospects and retain existing customers with targeted promotions, repeat business and special financing offers.
- **Sell more**: low-cost monthly or quarterly payment quotations can minimize focus on upfront sales value and encourage customers to also acquire additional options and services.
- **Preserve margins**: minimize negotiations and price-cutting by focusing on affordable monthly or quarterly payments for end-users, rather than the upfront 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.
- **Increase 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 multi-year 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**: multi-year lease agreements lock in customers for longer periods. At or near the end of the initial lease term, and with help from DLL, the vendor partner can offer its customers attractive lease upgrade options, raising the potential to sell the next generation of technology to their customer.
- **Installed base management**: better understand how the equipment is being used and performs and identify the optimal moments for preventive maintenance and when to proactively offer the customer new technology that will raise productivity and/or limit costs.
- **Secondary market control**: off-lease equipment can be targeted for remanufacturing or refurbishment, so that it can be sold again, extending the life of the product and building new revenue streams.

For end-user customers

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

It has always been DLL's company priority to create an amazing experience for its customers and ensure that its product and service offering 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.

Therefore, last year, in addition to the company's vendor finance business, the Advanced Solutions Global Business Unit was established to lead DLL's innovative approach around usage-based consumption products and further develop a customer direct business model, as well as seeking out new industry sectors and acquisitions opportunities for DLL.

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 their sales to their end-user customers. Vendor finance serves the following distribution channels:

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

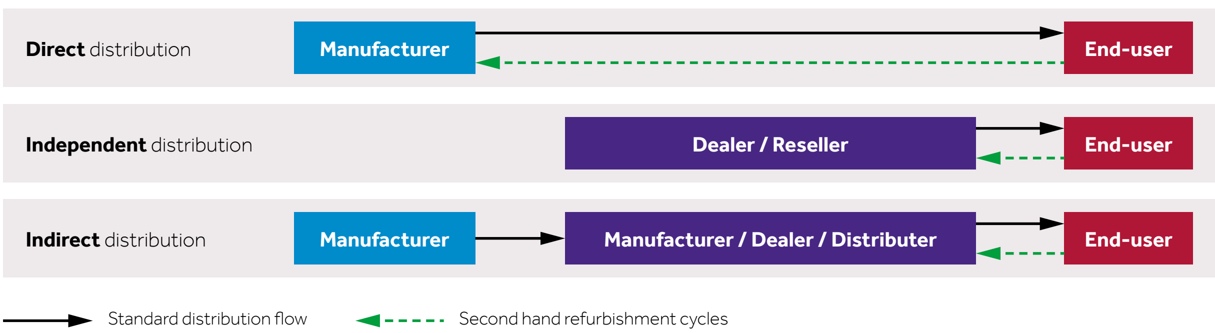
Whatever approach our vendor partners choose, DLL is capable of supporting a variety of different distribution models aimed at making our vendor partners more competitive and effective in their markets.

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

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

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

Vendor finance distribution channels



Primary solutions

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

- **Commercial finance**: comprises a suite of asset-based financing solutions that support both manufacturers and their distribution partners. Our commercial finance products enable dealers and resellers to maintain healthy inventory levels without tying up critical cash and bank lines. This, in turn, helps manufacturers place more units into dealer inventory with the bonus of not having to carry the credit risk on their balance sheets.
- **Retail finance**: spans a variety of products including loans, financial leases, fair market value leases and pay-per-use agreements. All these products are designed for use at the point of sale, enhancing our partners' ability to place equipment with their end-user customers. In turn, these products allow end-user customers to easily acquire and use the equipment they need to operate their businesses. The prevalence of one financial product type over another can vary across the industries and geographies within which DLL operates, depending on the established local practices and preferences of the end-user customers. Retail finance represents the majority of DLL's portfolio.
- **Used equipment finance**: DLL offers the same financial products for used, refurbished and remanufactured assets as we do for new equipment. By providing financing for equipment that is returned when lease contracts expire, we can support manufacturers and dealers wishing to remarket their used equipment to end-users. This ensures the sustainable reuse of equipment and creates second- and third-life revenue streams.

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

Our value **proposition**

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

Our partnership focus

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

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

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

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

Our unwavering focus on the success of our partners was further validated by the continued positive feedback that we received in our annual Global Partner Loyalty Survey. Our composite Global Net Promoter Score (NPS®)[1], which reflects our activities in vendor finance, commercial (inventory) finance and our joint venture with AGCO, was an exceptionally strong +47. Further, a clear majority of surveyed partners told us they were "satisfied" or "very satisfied" with the products, services and support they receive from DLL. They also cited our partnership focus and the behavior, knowledge and skills of our people as some of the main reasons they do business with DLL.

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.

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 sales people who generate more revenue and profits by offering leasing and other financial products.

Our industry specialization

We are very proud of the in-depth knowledge we have acquired in each of our equipment markets. This knowledge has been built on decades of accumulated experience, and we truly have a keen awareness of the markets in which our vendor partners operate. Only when you truly understand your partners and their markets 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. So, whether our vendor partners are manufacturing and selling milking robots for a dairy farm or MRI scanners for deployment at a diagnostic imaging center, we speak a language they understand.

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

Our asset and risk management expertise

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

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

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

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

Our global capabilities and footprint

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

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

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

Our people

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

Our relationship model depends on our people making this connection. DLL members show great passion and commitment to the goal of servicing both our vendor partners and end-user customers. A strong entrepreneurial spirit that allows us to create solutions to help our vendor partners win in changing markets complements 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 member engagement by recognizing our members in a variety of ways, including global reward programs. Our "Winners Circle" program recognizes our top commercial performers globally, while our "Customer Champions" program recognizes DLL members who deliver superior service to both our internal and external customers.

Ensuring our **strong foundation** while optimizing our performance

2019 was a year of milestones for DLL. In addition to celebrating 50 years of business, our company made significant steps to ensure future success for years to come. In the fourth quarter, a new DLL strategy "Partnering for a better world," was introduced to our organization, which outlines our strategic priorities and ambitions for the next five years. The strategy has four primary focus areas that are built on a strong foundation.

This strong foundation includes:
- DLL's core competencies:
  - Partnership
  - Industry specialization
  - Global footprint
  - Asset and risk knowledge
  - People
- Foundational elements:
  - Financial stability
  - Reliable IT infrastructure
  - Solid internal controls
  - Regulatory compliance

The four primary focus areas represent our key strategic objectives and priorities, being:
- Maximizing our customer value
- Becoming a global employer of choice
- Accelerating our digital transformation
- Driving innovation of products and services

In this strategy, we have set out many ambitious goals that we want to achieve over the next five years. At the same time, many of our accomplishments in 2019 were already aligned with and supporting the key objectives and priorities in the Partnering for a better world strategy.

A strong foundation

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

Other projects are focused on regulatory compliance and controls, which play an increasingly important role in many of the markets where we operate and require an increasing level of investment and time. And there is the ever-present demand to generate strong and sustainable returns enabled by good business practices and strong risk management. We also include our goal to continue diversifying our funding sources in the foundation.

Highlights 2019

DLL continues to offer securitizations as a part of our long-term growth strategy to diversify our funding base and liquidity risk. These transactions are meant to complement our primary source of funding, which remains our parent, Rabobank.

In March 2019, we completed our first transaction in the United Kingdom for GBP 306 million; which was the first public Asset Backed Securities (ABS) transaction issued by DLL in Europe and the first U.K. ABS transaction with equipment lease exposure in 5 years. The notes were backed by a pool consisting of hire purchase agreements, operational leases and financial leases, mainly in the Agriculture and Materials Handling sectors. In October 2019, we announced our largest transaction to date in the United States for USD 1.24 billion backed by a pool of loans and leases secured by construction, industrial and transportation equipment (representing our CT&I business unit).

With regard to solid internal controls and regulatory compliance, a lot of effort was put in updating and implementing our risk control framework, as well as the establishment of a business risk taskforce.

Our compliance function continued to mature via a special CARE program designed to enhance our compliance efforts on Anti-Money Laundering (AML) regulations and the deployment of our "ROCK" system (Risk based On Customer Knowledge).

Hundreds of thousands of new and existing clients have been (re)screened for the latest Sanctions, Political Exposed Persons (PEP) and other watch lists in our ROCK system. A new policy on Customer Due Diligence, Anti-Money Laundering and Terrorist Financing, Sanctions (CAMS) was implemented, supporting countries in reviewing the quality of client files, training and awareness creation.

Maximize our customer value

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. To retain and grow our existing customer base and provide incremental value to our partners and their end-user customers, we will continue to optimize our customer experience and look for ways to increase the speed and ease of doing business with DLL. We will use our Customer Relationship Management (CRM) system to facilitate a 360-degree view of our interactions with current and prospective customers. The data gleaned from CRM will enable us to make better-informed decisions, ultimately leading to sales growth, increased customer retention and salesforce effectiveness.

Highlights 2019

We selected a new Customer Relation Management system and integrated it with new tools to enable digital marketing campaigns. This work was still in its early stage and focused primarily on our U.S. and Canadian markets, with additional markets in Europe and Asia to be added over the next 12-24 months. By leveraging these technologies, we hope to further enhance sales effectiveness and targeted marketing efforts with our partners. A Commercial Academy Partner Ecosystem Playbook was developed to bring essential sales training programs to our distribution partners. The aim of the program is to increase the effectiveness and productivity of their sales people and in turn, help the partner increase customer retention and sales.

We also launched a Customer Experience (CX) Masterclass, which is designed to certify DLL members as "CX Ambassadors." These specially selected members are trained to carry DLL's CX vision back to their home offices and help facilitate programs and exercises focused on creating an amazing customer experience. A Customer Experience (CX) Game was also launched with the purpose of getting individual DLL members to think from the customer's perspective and understand how their individual role (no matter where it sits in DLL) delivers an amazing customer experience. Finally, a number of Customer Journey Workshops were completed across the DLL global network, helping our local teams identify ways to improve and enhance the customer experience.

Become a **global employer of choice**

Become a global employer of choice

To be recognized as a global great place to work, DLL focuses on building a change-capable organization, where the engagement, development and well-being of our members is paramount. We offer our members unique opportunities to build a career within a dynamic global company that values partnership, customer focus and respect. And we provide them with an engaging working environment that is built on empowerment, innovation and teamwork, so that we can bring out the best in each other and deliver a first-class experience to our customers.

The ambition to drive diversity and inclusion is inherently tied to our intention to be more creative and innovative to design DLL's future together. DLL also believes that the well-being of our members not only contributes to loyalty and engagement, but also results in higher productivity and an enhanced experience for our customers. Our development experiences are designed around member and leader profiles of the future. We recognize that people learn in a multitude of ways, so we offer diverse learning experiences to our members that give them flexible ways to learn and grow.

Highlights 2019

In 2019 an 81 percent Member Engagement Score was achieved, significantly exceeding the average score of other high performing organizations, which is only 68 percent We were also proud to earn The Great Place To Work® certification, which was awarded to DLL offices in nine countries. We further developed our Commercial Academy sales training program, widening the offering of courses and tools to our commercial teams and their partners. We also greatly expanded our International Management Trainee program recruiting more young talent who are given an opportunity to work in various disciplines across the global network during their first year of employment with DLL.

Our new Future Leader Program was launched, to develop members who are leaders, think "outside the box," challenge the status quo and help develop innovative products and first-class customer experiences. Our new DLL Strategy, Partnering for a better world, serves as a center-piece for the Future

Leader program, and we challenge our members to critically evaluate the plan and identify new priorities and gaps, so that they feel a sense of collective ownership for its success. Our goal is for our strategy to become a "living document" that can quickly and easily evolve to changing market conditions.

Accelerate our digital transformation

As a result of rapidly evolving technologies, our customers expect DLL to deliver its products and services fast and with a seamless experience. Therefore, we embrace technology, experiment with it and continuously evaluate how new technologies can further improve the customer experience and enhance our business model. Customer interactions are made easier, better and faster through DLL's innovative digital solutions such as APIs (Application Programming Interfaces) that seamlessly integrate financing by DLL into the sales process of our business partners. Other examples of enhancing the ease, speed and quality of doing business with DLL include self-service portals and user-friendly apps that simplify the entire financing process from pricing calculation/quotation to termination with electronic documentation and signature.

Highlights 2019

DLL has worked towards appointing regional Global Business Unit Digital Leads who will be responsible for defining and implementing digital value propositions and exploring customer decision journeys. Our ambition for 95 percent of the small ticket business in key markets to be fully automated is making significant progress. Des Moines, Iowa, U.S.; Brazil; Benelux; and Italy are all heading the digital transformation. The percentage of digital applications increased significantly year over year. Our European Customer Portal, enabling lessees to manage their own contracts, hit the milestone of 5,000 customers last year. Not only are adoption and usage increasing, but the feedback received is very positive as well with an average rating of 4 out of 5 stars. Via the www.lesseedirect.com website in the U.S., chat functionality was launched to end-user customers. This functionality allows end-user customers to click on a link in the lessee portal and be immediately connected to a Customer Service Representative. Customers may use the chat functionality to ask questions regarding their accounts and the Wayne Customer Service team responds to customers via live chat. With DLL's Artificial Intelligence Lab, we are working to create chatbots that can respond to customer requests.

Drive innovation of products and services

To sustain our business for another 50 years and beyond, we need to take bold steps to disrupt ourselves, generating ideas that will create new products and services and trigger new ways of working. Over the next five years, DLL's investment strategy has dedicated a portion of funds to be allocated toward ideas outside our existing business boundaries, and we have developed an organizational framework to incubate and protect these new ideas. Further, DLL is collaborating with our stakeholders to accelerate our innovation efforts. Over the past year, we have made a commitment to partner with our parent, Rabobank, on ideas and ventures that could benefit both organizations, while also developing other avenues to receive best practices via innovation bootcamps and university programs.

Highlights 2019

Our new global business unit, Advanced Solutions, has focused on the development of pay-per-use models to come up with new products and services that will further consolidate DLL's position as an innovator and market leader for usage-based products in the finance industry. Furthermore, an Artificial Intelligence Lab was created as a collaboration between our Data Intelligence Team and our Innovation Initiative.
Our Electro-mobility Project team looked into the electric vehicles' charger business, where DLL wants to create both financial and environmental value.
In the initial phase of the project, the team worked with InnoHub at Rabobank, which resulted in deeper knowledge about this asset, the different players in the market and a general view on how to approach this new sector. Additional innovation projects included efforts in process mining, blockchain, robotic process automation and digital integrations and application development.

Maximizing our **customer value**

DLL's new growth strategy is built on creating an amazing customer experience and improving the value proposition to all customers. "If we can add value at the vendor partner level, they in turn can offer more value to their end user customers, says Chief Commercial Officer Tom Meredith. While market conditions have fluctuated, DLL and The Manitowoc Company Inc. have maintained a consistently strong partnership for 17 years. DLL's global footprint, customer focus, innovative thinking and long-term commitment have served as the foundation of the relationship.

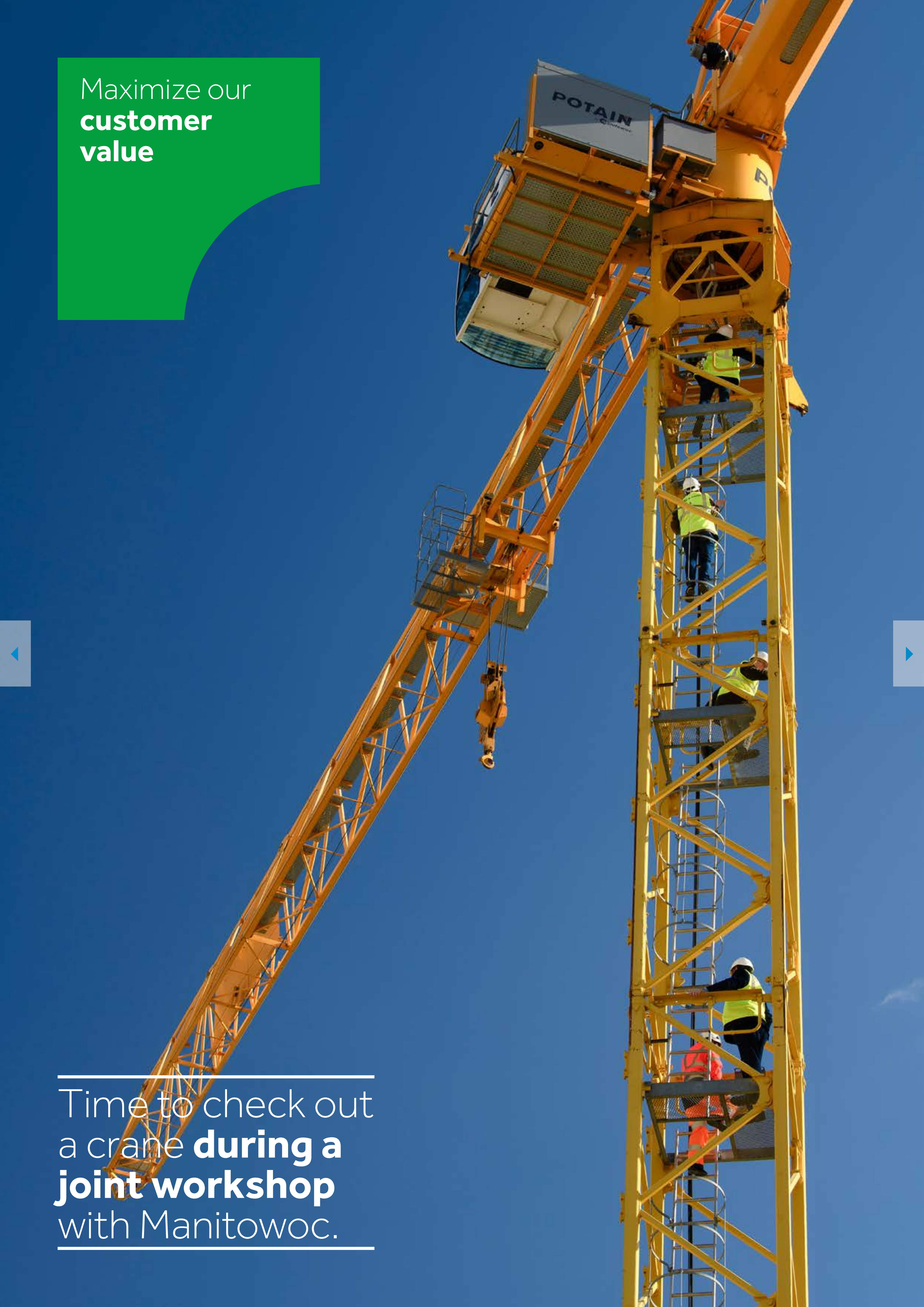
One of the world's leading providers of engineered lifting solutions, Manitowoc is based in Wisconsin, U.S.A. It supplies cranes, rough terrain cranes, truck-mounted cranes, tower cranes and carry deck cranes for use in infrastructure, commercial and residential construction, energy-related sectors (oil & gas, wind, solar) and crane rental applications.

"It is a natural fit that Manitowoc partner with DLL," says David Pengelly, Vice President Global Trade Finance at Manitowoc. "Over the course of the partnership, the relationship has grown to more than 30 countries, providing a more consistent delivery of financial solutions to our customers than competitors that use a more segmented approach. DLL understands Manitowoc products, and crane values and has knowledge of our global customer base."

DLL's focus on the customer extends to support on customer and site visits, trade shows and sales meetings. For instance, at a joint workshop in France in February 2020, the European teams from both companies brainstormed how to meet customer needs in an increasingly competitive environment. DLL conducted a survey in advance and came up with an ideation game to identify challenges ahead and actions to take.

"DLL has proven their partnership approach and commitment by continuing to support its vendor partners and customers regardless of market conditions," says Pengelly. "Over the course of our 17-year partnership, there have been several market downturns, where banks and other finance companies left the marketplace or made borrowing conditions unreasonable. Through those difficult times, DLL continued to support Manitowoc and our customers, proving their long-term commitment to our partnership."

Maximize our **customer value**



Time to check out a crane **during a joint workshop** with Manitowoc.

"Our pay-per-use models enable customers to do business **more sustainably** and take the asset off the balance sheet."

Tom Meredith

Maximize our **customer value**

Tom Meredith
Chief Commercial Officer

The vision behind **customer value**

"We aim to build a Customer Relations Management strategy to further maximize customer value," says Meredith. "We have relationships with customers in over 30 countries. CRM will enable us to help the client monitor their activities across the globe and make rapid adjustments when needed. The workshop with our customer Manitowoc is a great example of working closely to add incremental value."

DLL will pursue its growth objectives by developing new types of business models and increasing growth with existing customers, depending on their needs. "The industry has evolved from an ownership to a financing and leasing model and is now moving toward pay-per-use models," explains Meredith. "Customers are increasingly looking to use equipment as they need it and then turn it in. That way they can do business more sustainably and take the asset off the balance sheet."

In 2019 DLL launched a center of expertise to centralize pay-per-use product design for all vertical business sectors. Known as the GBU Advanced Solutions, the team brings together professionals with deep understanding of DLL's industries and partners with experts on pay-per-use from segments as diverse as photocopiers, coffee machines and combine harvesters.

"We are one of the leading companies in the sector that is developing pay-per-use models," says Meredith. "This model is highly dependent on data, so it calls for high levels of trust. Thanks to our long-term relationships, many of our vendor partners are comfortable sharing their data and long-term plans. So we can go even further to create a product that really matches their needs."

Improving cycle times is another way to improve DLL's value proposition. For instance, automated credit decisioning means that vendors can now get a green light on a credit application and electronically document the deal within seconds of submitting the application, allowing them to close the deal while their customer is still in the showroom. Digitalization will be a major contributor to improving the customer experience.

"Of course, our members are vital too, which is why we have our own Commercial Academy and customer experience trainings," says Meredith. "So our people understand even better what customers need to get the deal done."

Financial performance & **strategic outlook**

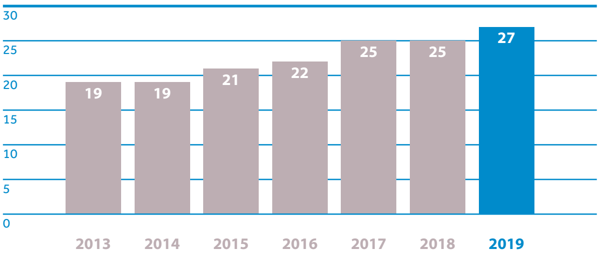
Financial performance

During 2019, we financed EUR 26.8 billion (2018: EUR 25.0 billion) of new assets, including EUR 11.6 billion (2018: EUR 10.4 billion) of short-term commercial finance. Adjusted for currency movements, our financed volumes increased by 5 percent (2018: 6 percent). Over the last years we have realized strong portfolio growth. The growth was well diversified from geography and business unit.

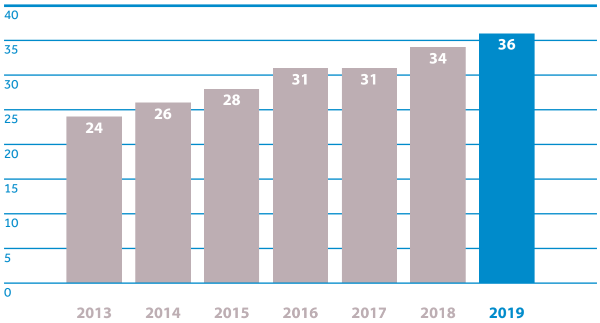
Our net profit for 2019 amounted to EUR 297 million (2018: EUR 380 million), a decrease of 22 percent. The Return on Assets (ROA) amounted to 0.7 percent (2018: 1.0 percent).

The most important source of income is our lease and loan portfolio, which increased by 8 percent (2018: 9 percent) to EUR 36.2 billion. Since DLL has a significant part of its portfolio in countries that have a different currency than the euro, movements in the FX rates can have a significant impact on the size of our portfolio. Our autonomous portfolio growth, without currency movements, was 6 percent (2018: 8 percent). This growth was realized across all business lines and main geographies.

Financing new assets



Lease and loan portfolio



DLL's net income is directly linked to this portfolio. Net interest income and income from operating leases increased by 7 percent (2018: -1 percent), in line with portfolio growth. Other income includes the movements in derivative positions, as well as various other income streams from our lease portfolio like insurance income and extension income but also adjustments on our residual values that negatively impacted our results.

Our operating costs increased by 6 percent (2018: -5 percent). The main component of operating costs are personnel cost, which increased in line with portfolio growth. Furthermore, similar to last year, significant investments required to meet all regulatory requirements have been made.

Credit impairments increased significantly during the year to EUR 208 million (2018: EUR 114 million). The increase compared to last year is a sign of normalizing risk costs after years of low numbers as well as the impact of the in 2018 introduced accounting standard IFRS 9. Per this IFRS standard, losses should be accounted for on an expected loss basis. The deteriorating outlook of macroeconomic parameters resulted in an increase in credit impairments of EUR 30 million.

Finally our income tax line includes EUR 15 million of income tax expense that is the result of a change in fiscal structure of one of DLL's subsidiaries. The same but opposite amount is reflected in the share of the results that is attributable to the minority shareholders.

Our funding policy is such that we have limited risk appetite related to foreign currency, liquidity or interest rate risks, all defined in our Risk Appetite Statement. Interest rate and foreign currency derivatives are used to mitigate these risks. Most of our portfolio is funded via funding obtained from our shareholder Rabobank. In locations where it is more efficient to obtain funding locally, we engage in funding partnerships with high-profile local banks.

Following the execution of our strategy, we are working on diversifying our funding sources. In 2019 we executed four securitizations, with a total size of over EUR 2 billion. Furthermore, we are stimulating circular business for SME companies through funding obtained from the European Investment Bank. Through this facility from the EIB, our customers can benefit from a favorable interest rate.

During the course of 2019, our equity increased by EUR 251 million (2018: EUR 289 million). Of our net profit of EUR 297 million (2018: EUR 380 million), EUR 40 million (2018: EUR 60 million) is attributable to the partners in our joint ventures. The remaining EUR 257 million (2018: EUR 320 million) is expected to be added to our retained earnings. We have not paid any dividend during 2019 to our shareholder (2018: 0). Our common Equity Tier I ratio as of year-end amounts to 15.8 percent (2018: 15.3 percent), which is above our internal target of 13 percent.

As of year-end, we employed 5,184 FTE (2018: 5,027 FTE), including both internal members and contractors. We continued to grow our member base across most of our countries.

Outlook on 2020

During 2019, the Executive Board has approved the new DLL strategy, "Partnering for a better world," which will be rolled out in 2020. This strategy focuses on four priorities:

1. Maximizing customer value;
2. Becoming a global employer of choice;
3. Accelerating our digital transformation; and
4. Driving innovation of products and services.

This should all be supported by a strong foundation, that ensures robust and controlled systems and processes. For 2020, that means continuing to make investments in our product offerings, IT systems and member base.

As explained in note v Events occurring after the reported period in the financial statements, the Corona outbreak and resulting measures taken by various governments to contain the virus will have a significant impact on the business of our vendors and customers and therefore also on DLL. As of the moment of drawing up the annual report, the governments of all countries that we are active in have taken measures to contain the pandemic.

Those measures range from the advice to work from home to full lock downs, as well as requests to financial institutions to grant payment reliefs on loans and leases. The impact on the world economic of these measures is not yet fully known, but will be significant, as unemployment will rise, companies will go bankrupt and government debt will grow. Also the business we operate in will be impacted, as our vendors and customers will face these same challenges. New business will be lower and portfolio growth will be less than previous years. The length of the pandemic and lock downs is not yet known and hence the impact on our revenues and profitability is still uncertain. Credit impairments will remain the big unknown for 2020, with the impact of the Coronavirus pandemic on the business of our vendors and customer still very uncertain. Therefore our expected net profit for 2020 will be significantly below the 2019 results and will be highly dependent on the period during which the countries in which we operate are exposed to the Coronavirus and to the extent to which government measures may be prolonged, expanded or scaled down.

To monitor and manage the impact of the Coronavirus pandemic DLL has installed a Coronavirus Global Crisis team. Furthermore, DLL is continuously assessing high risk portfolios and is in the process of setting up payment relief programs for impacted customers. Availability of capital and liquidity is closely monitored in coordination with our shareholder Rabobank.

We continue to execute on the actions initiated in last years. Our portfolio in China, where we are ceasing operations, continues to run off according to expectations. With a portfolio well below EUR 0.2 billion, we are on track for leaving China in the next couple of years. In 2019, we placed securitization transactions in the U.S. and U.K. For 2020, we continue to work on similar ABS structures in North America and Europe, although actual placement could be delayed by the turmoil also on the financial markets following the Coronavirus pandemic. Rabobank is and will continue to be our main source of funding.

Sustainability

The world and our business partners are increasingly concerned about alarming trends such as climate change, population growth and resource scarcity. DLL is well positioned to take responsibility and create value for our customers and society, committing ourselves to these global challenges.

Renewed strategy
In 2019 we renewed our sustainability strategy promoting energy efficiency and the transition to renewable energy sources, as well as the transition to a circular economy by offering usage and service-based solutions for the full life cycle of assets, while also adhering to high ethical and environmental standards in the way we do business and constantly building a member base with a sustainability mindset. Furthermore, Rabobank and DLL started to work on becoming compliant with climate-related legislation and banking supervisory requirements that are underway. The new sustainability ambitions are integrated in DLL's overall Strategy Plan and will also be cascaded through the organization. It all strengthens our foundation and strategic pillars and builds partnerships for a better world.

Assuring a sustainable foundation while optimizing our performance

We ensure a strong foundation by adhering to high ethical and environmental standards in doing business, assuring DLL is administratively carbon-neutral in its own operations, and assessing the environmental impact of our endeavors.

Environmental, Social and Governance Risk and Business Principles
DLL is a responsible financial partner. Our DLL ESG (Environmental, Social and Governance) Risk policy provides a global framework and principles to identify, manage and monitor ESG risk related to business relations of DLL, respecting the local norms and values of the countries in which DLL operates. It covers topics such as controversial weapons, human and labor rights and environmental and animal welfare.

Additionally, DLL's Business Principles Committee (BPC) met frequently over the course of last year and is functioning effectively to address ESG related topics and advising the EB on DLL's ethical course

as well as promoting ethical behavior in the entire organization. Outcomes of the BPC are shared with the Rabobank Ethics Committee for information and/or endorsement.

Sustainability Impact Assessment
Driven by future legislative requirements and Rabobank trends, DLL analyzed the environmental, social and economic impact of DLL's financing in the F&A sector. This Sustainability Impact Assessment (SIA) overview portrayed the impact of 14 F&A subsectors on nine impact indicators such as air, water and soil pollution, water and land use, human health and nutrition, labor and contribution to GDP. A System Dynamics model was built to simulate sustainability strategies. Implementing subsector diversification and sustainable asset strategies such as smart technologies could increase DLL's net environmental, social and economic impact substantially.
This information serves as input for F&A policy development and asset diversification strategies.

CO_2 reduction and Climate Action
DLL is committed to reduce its environmental footprint. On a quarterly basis, DLL measures its CO_2 footprint globally. Looking at the global CO_2 reduction target (10 percent CO_2 reduction per FTE by 2020 compared with 2013) DLL is on track. This should be realized through a combination of resource optimization, energy-efficiency, behavioral change, technological innovation, procurement policies and DLL's remote working policies. Furthermore, DLL participates in the Rabobank Group CO_2 working group with the goal to ensure the new internal CO_2 target will be monitored and met (20 percent reduction per FTE in 2023).

As part of Rabobank's ambitions on climate, Climate Action Plan and Climate Statement, DLL continued to participate in the TCFD (Task Force on Climate-related Financial Disclosures) working group, recently renamed as "Climate Reporting Working Group," which will guide the implementation of the Climate Action Plan into DLL business and comply with (external) Rabobank commitments on a group level.

Maximize our
customer
value

Maximize customer value

As consumer demand continues to put pressure on businesses to be increasingly mindful of the impact they have on the environment, we will support our partners in their endeavors to adopt sustainable business practices. Sustainability presents a business opportunity for our clients and therefore our organization. This is, for instance, the case in the rise of the renewable energy sector, the development of sustainable food and agricultural practices and circular and usage business models. DLL maximizes customer value by offering these sustainable business solutions to our partners.

Sustainability knowledge and customer service
An internal online sustainability knowledge hub was launched in 2019 and is designed for members in commercial roles to better provide sustainable solutions to our customers. It includes our sustainable solutions pitchbook summarizing key energy-efficient and circular business solutions to offer to our customers. Additionally, we implemented a Cision tool for external sustainability market information to feed industry visions and commercial strategies. We also continued to develop sustainability knowledge of our member base, with Sustainability-related webinars (such as on Energy Efficiency), new hires sustainability workshops, quarterly newsletters and other internal communications streams.

DLL proactively supports our corporate clients with in-depth knowledge and advice. We periodically analyze the sustainability performance of our larger clients and offer our customized financial solutions to achieve long-term sustainable business success. These sustainability assessments are integrated in the annual vendor review process. A network of Sustainable Business Agents ("SBAs") to drive sustainable business development and the sustainability knowledge hub provide our commercial members with relevant information to pro-actively drive sustainable solutions for our customers. Trends have been identified, such as partner actions and ambition toward: energy efficiency, circular supply chain, water conservation, recycling materials, designing out waste, circular usage models and improvements in technology, analytics and reporting.

External knowledge and thought leadership
Research: DLL has conducted a research on lithium-ion batteries and allied technology, focusing on the forklift, bus, truck and construction equipment sectors in Europe and North America. Final conclusions show that lithium-ion battery technology, with a better performance and a longer lifespan than older technologies, is here to stay and its annual demand will increase. Innovative financing options will be needed to fully utilize this new and ever-changing technology.

Whitepapers
In 2019, DLL participated in the development of the whitepaper "The Circular Service Platform," in which opportunities are identified for recent technology developments to address key barriers to circular business models. A decentralized digital infrastructure is designed that automates administration and improves coordination for a network of circular, pay-per-use service providers. To further increase awareness and knowledge about usage and service models in the agri domain, AGCO Finance launched a whitepaper about servitization in agriculture. It entails an exploration of bundled solutions including all kinds of value-added services in the financing offer. These all-in solutions enable farmers to benefit from the usage of agri equipment, taking advantage of the latest technologies, e.g. smart farming.

Full life cycle asset management: transitioning to a circular economy
The 2019 Global Circularity Gap report again indicated the world economy is only 9.1 percent circular, leaving a massive "Circularity Gap" and opportunities. The lease society and Rabobank, all identify the circular economy as one of the key focus areas in our business context. Customers increasingly take full responsibility for the reuse, refurbishment, remanufacturing, re-engineering, and recycling of the capital equipment they sell. This will incentivize extending the life of products and stopping waste at the end of product use, while capturing the economic value of materials. And it promotes usage models over ownership. DLL provides our customers with tailored financial services (like operational lease, swapping of assets, extended usage, redeployment, second-life finance etc.), thus proactively using the repair and maintenance, refurbishment and remanufacturing skills of our manufacturing partners.

DLL offers usage and service-based solutions for the full life cycle of assets, closing raw material cycles to create a circular economy. A concrete example of increased Used Equipment Finance is AGCO Finance, which proactively offers financing solutions for used assets, creating a second and/or third life for machinery and extending technical life of the machines. The financing solution makes the used asset very accessible for farmers with low payments, while it stimulates the dealer to service the assets well and refurbish the machinery if required.

Sustainable business developments

In the F&A sector global challenges are felt widely, and our customers accelerate in driving sustainable solutions and equipment. With its partners, AGCO is now setting up a carbon-neutral lease proposition for offsetting the carbon footprint. AGCO is also moving away from ownership and stimulates usage models as drivers for more sustainable business. In addition, AGCO is working to reduce its environmental impact by teaming up with a fertilizer company in smart farming technologies to aim for a significant reduction in the environmental impact of meat and dairy production and increased productivity of grassland production. Finally, we supported factories using Renewable Diesel as start-up fuel for all new tractors. Around 700,000 liters of fossil diesel fuel will be replaced each year by 100 percent renewable fuel.

In the CT&I industry we see a strong trend to electrification of construction equipment. McKinsey research revealed that electrified heavy equipment already brings cost advantages in all cases to 75 percent, thanks to lower operating and machine costs. A decisive factor is the fact that battery electric vehicles are now cheaper in many cases is the sharp decline in the cost of battery systems as a central component. DLL is proud to support our partners in their electrical product portfolio and their journeys towards zero emission.

DLL proactively drives the transition to renewable energy and carbon-neutral or even energy-generating asset types. DLL's green asset financing encompasses a diverse range of products and services that improve efficiency and operational performance while minimizing energy consumption, waste or environmental pollution. Our Clean Technology scope includes energy efficiency, renewable energy products and also other areas such as combined heat and power, recycling and energy storage. The global 2019 CT NBV year-over-year growth was around 140 percent. Total CT NBV was closed on EUR 104 million, and total portfolio on EUR 405 million. DLL continues to have a strong ambition to succeed in Clean Tech. We expect Clean Tech to continue to grow as a segment of our overall HCCT business mix. Future growth within DLL is focused on advanced countries with stable government markets and where we can achieve target IRC and ROIC thresholds. Success will be defined as follows: 25 percent CAGR in Clean Tech originations with an 11 percent minimum ROIC.

Drive sustainable innovations

DLL can lead by example on innovative sustainability topics if we are a thought leader and act as a first mover with the introduction of innovative and distinctive financial solutions for circular opportunities as well as the energy transition. This is expected to generate recognition and goodwill from stakeholders, sustainability ratings and clients, resulting in more clients coming to DLL to enable their positive societal impact.

Climate & Circularity Accelerator program

To accelerate sustainable innovation and business development at country and BU level, we launched DLL's Climate & Circularity Booster entailing a pool of EUR 100 million to be used to book sustainable incremental business opportunities at an 8 percent ROIC.

Become a **global employer of choice**

Societal impact

Our members play a critical role in delivering our value proposition to our customers. We acknowledge that current and future DLL members want to work for a transparent and socially responsible company. A strong Sustainability program, coupled with an inspiring Community Involvement program, improves our ability to attract, retain and develop top talent. That is why we offer every member of DLL the opportunity to spend two days per year (with pay) doing volunteer work.

Community involvement

In 2019, through our corporate volunteer program we contributed over 10,000 hours to good causes in our surroundings. This was done by 3,762 members in total, 2,000 of whom were unique members, which is a 41 percent unique member participation rate, the highest in DLL's history so far. This year's highlights were the DLL's Anniversary Micro Leasing Challenge, which resulted in EUR 44,500 for DLL's Micro Leasing fund as well as our Global Volunteering Week in September. Both were highly successful events, fostering our DNA of caring for people in our surroundings by giving a bit of our time and expertise to good causes. Some inspiring country examples were Brazil, which celebrated the graduation of the Jovem Aprendiz program, giving poor students an opportunity to develop themselves and increase their chances in the labor market by means of a 1.5-year training program, and the "Young Farmer action," which has been supported by AGCO Finance and partners in the U.K.. In order to promote the engagement of the younger farmers in agriculture, we launched a special finance action making it easier for younger farmers to invest in new technologies to ensure a good start in their professional career.

Total charitable donations of DLL in 2019 were more than EUR 700,000. This number includes the amount raised during the 17th Annual Charity Golf Outing where DLL was able to raise over EUR 200,000. All donations support Make a Wish in fulfilling children's wishes. Make a Wish child Justin, whose wish to go on a Disney cruise was fulfilled by DLL, attended this year's event. Justin is one of 520 children DLL has helped grant wishes for.

More social impact is created in the Netherlands, where we organized the 15th and 16th edition of the Corporate Social Responsibility Matchmaking 040 dinner focusing on "poverty reduction" and "inclusion in the labor market" as central themes. In both events, 20 companies and 20 local civil society organizations in Eindhoven, participated in the dinner and explored potential cooperation, not through one-off financial contributions but through expertise or product development. More than 100 new collaborations were established creating social impact.

Micro Leasing

In cooperation with Rabobank Foundation, we are offering advisory services to local partners in Africa to improve the organizational capacity of local finance institutions and improve access to financial solutions to small and medium enterprises and producer cooperatives. On a continuous basis, Micro Leasing advisory services are offered to partners in Rwanda and Kenya, strengthening their Micro Leasing product offering. Major focus during the third quarter of this year has been on supporting the transition to automated credit scoring, improving the efficiency and quality of the micro finance institutions in credit assessments. Over the last years, we found out that the access to reliable equipment providers is a big challenge for eastern African entrepreneurs. DLL therefore decided, together with Rabobank, to also organize a successful Trade Fair that brought together manufacturers/suppliers offering affordable and sustainable equipment, MFIs and rural farming community and its entrepreneurs.

Becoming a global **employer of choice**

To become a global employer of choice, DLL has set three objectives: Drive Diversity and Inclusion, Enhance Well-being and Design the Workforce of the Future. It's our goal to develop the potential of our members and attract and keep talent from in and outside the industry," says Head of Group Human Resources Mary Dickerson. To design the workforce of the future, DLL has introduced new sets of competencies and development tools for leaders and members. Global Asset Manager Egbert de Jong took part in the Future Leader Experience in fall 2019. He experienced it as a wakeup call from the outside world, the chance to pitch a winning idea, and a pause for reflection on responsibility.

The program's three modules are entitled Awake, Accelerate and Activate. The first certainly lived up to its name for Egbert de Jong and around 50 other DLL Leaders from across the globe.

"I was blown away by the first week, it was so inspiring," says de Jong. "The external speakers came from varied backgrounds – from philosophers to chemical engineers to entrepreneurs. They used different language, other points of reference, and surprising examples."

The questions on everyone's mind at the end of the week were: How can we use transformative technology and business trends to our benefit? And how can we jump on this train, fast? Take lab-grown burgers: not so much from the perspective of what DLL could do with them. But how this trend could completely change food supply chains and impact the value chain.

The Awake module also set de Jong thinking about professional and personal responsibility. For instance, big data and artificial intelligence bring major benefits for the company. "As a data-driven business you want maximum impact from customer data. But what about individual privacy? The program gave me a better understanding of these developments. Now I'm working to translate that in areas I can influence."

The Acceleration module was a series of virtual coaching sessions where participants pitched their own story for change to a small peer group. De Jong's Green Solutions idea was selected, and the group took responsibility for helping him move forward.

"The Activate phase provided templates and tools to execute the idea." Says de Jong, "The coaches challenge you not to start with your solution. First you listen to the customer's pains and gains and work back from what they need. Let go of your assumptions." As a qualified Master Coach at DLL, de Jong knows the importance of listening with an open mind and not imposing your own frames of reference.

Together with DLL's Head of Sustainability, de Jong is taking the next step to activating this project for change. They've just hired an intern to research how it could add customer value.

"As an individual I'm passionate about sustainability," says de Jong. "Green Solutions can give us a better idea of the environmental impact of the assets we finance. Again, it's about how I can take responsibility, make an impact for our customers and influence how we behave as an organization."

Become a **global employer of choice**

The Future Leader Experience is **one of the building blocks** of designing the workforce of the future.

"DLL needs a diverse workforce **capable of outside-in thinking** and adapting to constant change."

Mary Dickerson

Become a **global employer of choice**

Mary Dickerson
Head of Group
Human Resources

The vision behind **becoming a global employer of choice**

In 2019, CEO Bill Stephenson signed the pledge in the global CEO Action for Diversity and Inclusion. This commitment involves a specific set of actions that companies will take to cultivate a trusting environment where all ideas are welcomed and employees feel comfortable and empowered to discuss Diversity and Inclusion (D&I).

"D&I is inherently linked to the creativity and innovation DLL is looking for," says Mary Dickerson, Head of Group HR. "We've taken various actions, including establishing a D&I ambassador network in every country. They are open to men and women from all cultural backgrounds and sexual orientations."

The CEO also chairs the Executive Inclusion Council, sending a strong signal that DLL wants to identify and promote high-potential men and women to succeed senior managers over time. In a traditionally male-dominated industry, DLL wants to increase female representation in management to 50 percent and in senior leadership to 30 percent within five years (from 35 percent and 16 percent respectively at the end of 2019). "This is a very ambitious target, not least because women's development needs are different than men's," says Dickerson. "Last year we launched the company's first-ever women's empowerment program to tackle some of these issues."

With 11 "Great Place To Work® Awards" under its belt, DLL will no doubt further boost employer branding with its policy to enable 80 percent of members to work flexibly will. "Working in a way that brings out your best self not only creates better outcomes for the company, but also enhances well-being for the individual," explains Dickerson.

Competitive physical and mental health benefits also contribute to well-being, as does a feeling of community. DLL invites people to volunteer two days a year and be paid for it and has record results on the hours of community service actually done. Another vitality initiative is "True Energy" teams that have been set up by and for members. In each office they foster a sense of community by sharing ideas on how people can bring their truest and best energy to work and life.

To design the workforce of the future DLL has introduced sets of competencies for leaders and members. "Alongside the Future Leader Experience, which is aimed at 250 leaders, there are several tools to help all members identify areas for development," says Dickerson. "For instance, we are unique in investing in training our own workforce to become coaches with externally accredited certification. The aim is to build internal coaching capabilities and match supply with demand. Again, this is a voluntary commitment that people like Egbert de Jong make, alongside their day jobs."

As DLL gears up to maximize customer value in a fast-changing environment, it plans to expand the Commercial Academy facilitator network beyond sales to improve all members' relationship skills. And with innovation at the heart of the strategy, DLL is using its own customized change framework to support the transition to new ways of working. "To drive future results DLL needs a diverse, well-balanced workforce capable of adapting to constant change and commercial challenge," concludes Dickerson.

Risk management and compliance

Risk governance

Risk and reward are two sides of the same coin. Without taking risks, DLL will not achieve its strategic objectives. Therefore, risk is an inherent component of DLL's business activities. The effective identification, assessment, management, monitoring and reporting of risk is critical for DLL to generate an appropriate risk-adjusted return and achieve its strategic and financial objectives. The objective of the entire DLL risk organization is to enable controlled long-term profitable growth within the defined risk appetite through clear strategies, integrated management of all risks and the assurance that risk is viewed as the responsibility of every member.

DLL has installed strong Group Risk Management and maintains a robust risk management framework to identify and escalate emerging risks and to make decisions based on a conscious and careful risk-return tradeoff in line with the risk strategy that should remain within risk appetite. Risk management is performed on a number of levels within DLL. At the highest level, the Executive Board determines the risk strategy, risk appetite and risk policies under the supervision of the Supervisory Board. At group level and local country level, risk officers are active in managing the risks that DLL is taking on a day-to-day basis.

Every DLL member is involved in addressing and managing risks daily. DLL has adopted the three lines of defense model (3LoD) to provide clarity on the responsibilities for risk and control activities. This clarity of responsibilities results in coordinated, efficient and effective risk and control activities throughout the organization. The three lines of defense approach lays the foundation for the overall risk governance within DLL.

Three lines of defense

First-line functions are the business (countries and GBUs) and its supporting departments (e.g., marketing, operations, IT), which own and manage risk. The second-line functions (Group Risk, Group Compliance, Group Legal and Group Finance & Control) oversee and advise on risk. An independent third-line function (Internal Audit) provides assurance on the effectiveness of the first and second lines of defense. The 3LoD model is represented in the figure on the previous page.

By adhering to the principles of the three lines of defense DLL ensures independence between:
- Units that own and manage risk;
- Those that provide an informed challenge; and
- The quality assurance that both are functioning according to standards.

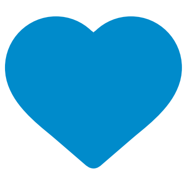
Risk culture

Risk is everybody's business. A sound risk culture is the basis for good risk management. Within DLL, employees are called members because every individual's membership is needed to ensure DLL's continued success. DLL expects all members to contribute to a sound risk culture focusing on long-term relationships with, and in the best interest of, DLL's customers by applying the DLL values as shown below.

The risk culture is institutionalized in DLL's Code of Conduct and policies including: information security, fraud awareness, risk management and other risk-related policies. These subjects are reinforced regularly through mandatory trainings for all members.

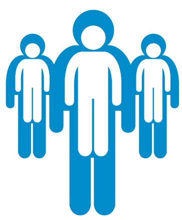
Members are explicitly expected to deal responsibly with risks and dilemmas, to carefully consider the interests of stakeholders, to always be honest and reliable and take responsibility for their actions. Each individual member contributes to the risk profile of DLL and the way in which risks are managed. Desirable behavior is encouraged, and undesirable behavior is corrected. An important baseline is to create an environment in which risks are openly discussed and where openness exists regarding dilemmas that arise in work. Tunnel vision and group bias needs to be avoided in the perception of risk. DLL believes it is vital to learn from mistakes and to avoid repetition by removing the causes and by sharing experiences. Risk management activities actively keep risks within the established risk appetite and support assessment of potential consequences of choices, careful consideration of risk and/return trade-offs and appropriate measures based on up-to date risk analyses.

Country management is overall responsible for implementing effective internal control in their organization. Country management sets the "tone at the top" that affects integrity, ethics and other factors of a positive control environment. Consequently, country management is also responsible to implement effective risk and control processes.



Everything I do, I do with passion

You can count on me



Developing starts with me

Together we make things happen

To maintain a prudent risk profile, robust risk management is required both in terms of the quantity and quality of the second-line of defense and in the priority given to risk management by the first line of defense. Members play a vital role in DLL's ability to achieve its ambitions. All members must be aware of the risks for which they are responsible and manage them accordingly. Also, a strong risk culture, starting with the tone-at-the-top, is an essential and overarching theme. This culture is relevant to all aspects of risk and is a major determinant of the ability to achieve business goals while staying within the established risk appetite. DLL is committed to the continual development of its risk culture. In Q1 2020, a project started that will reiterate the importance of first-line ownership for Control and Compliance. In this project culture will also be addressed to support a strong foundation for future growth.

Risk strategy

General principles
DLL's risk strategy supports management in the realization of the business strategy by defining boundaries within which the business should operate. It is important to acknowledge that taking risks is an inherent part of operating as a financial institution. Without risks, no (profitable) business activities are possible. Therefore, not only accepting but striving for a certain degree of risk is self-evident. In this respect, risk is not a stand-alone criterion, but within certain absolute limits, it is primarily risk versus reward that counts. The business strategy gives important direction regarding the amount and nature of accepted and intended risks for the various parts of the company.

In order to sustain the principles of its business strategy, DLL avoids risks that can potentially affect the fulfillment of its goals. This implies that risks endangering DLL's continuity should be mitigated since DLL wants to continue to service its customers and members. In this sense, DLL supports Rabobank in its aim to be more stable and reliable than institutions with comparable activities. As elaborated upon below, ensuring long-term continuity includes certain minimum reward requirements.

The performance of DLL, not only in terms of income, but also with respect to risk management, fully depends on all entities within the group. Therefore, the group entities share the responsibility for the results on a group level.

Three pillars
DLL distinguishes the following three pillars in its risk strategy:

1) Protect profit and profit growth

Maintaining a continued profit level is an important source of capital. In order to continue to service customers and vendors in the long run, profitability must be predictable, consistent and sufficient to maintain a strong capital base and reputation. Such a level of profitability implies that all payments on capital and debt instruments can be made from income.

2) Maintain a solid balance sheet
Solid balance sheet ratios for DLL are essential for continuity in customer service and growth objectives. This means a stable funding base and diversity in portfolio, geographical spread and products.

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

Funding
DLL is primarily funded by its shareholder Rabobank. However in recent years, DLL is working on diversifying its funding sources by setting up ABS platforms in the U.S. and Europe, which will be further leveraged in coming years. Efforts will continue to attract additional European Investment Bank (EIB) funding where possible. Other opportunities will be evaluated where they can provide cost-effective funding diversification. Local bank funding will be sought under security of Rabobank guarantees (where required) in certain hard-to-fund countries (such as India).

Liquidity
Rabobank manages the consolidated Group liquidity requirements, as DLL has obtained a supervision waiver for DLL solo liquidity requirements. However, DLL is responsible for managing regulatory liquidity ratios (such as Liquidity Coverage Ratio) in certain territories where the DLL subsidiary is solo supervised. Such situations will remain and be applicable going forward.

3) Protect identity and reputation
DLL wants to protect the fundamental trust that its stakeholders have in DLL and the Rabobank Group. To that end, it seeks to avoid losses that create unease with its stakeholders. Also, DLL does not want to receive negative press regarding its core values and hence protects its reputation as much as possible.

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

Top risk assessment

Risk management activities are supporting the realization of the strategy and objectives of DLL. The DLL Top Risks are a key part of the integrated risk management framework of DLL. Internal and external developments are closely monitored to identify risks that may impact the realization of DLL's strategic objectives. As such, DLL prepares an annual integrated risk assessment of the residual risks faced by the organization that are not yet fully covered by the existing policies and controls. This assessment takes the strategic objectives, current global footprint, market situation, organizational structure and culture into account. The assessment is based on the input from DLL senior management and local management team, historical loss data, scenario analysis, and external risk reports. Based on the approach described, the following Top Risks have been identified for 2019:

Strategic objective	Strategic Top Risk	The risk of
Maximize our customer value	Regulatory requirements	not being able to timely and accurately fulfill (existing and new) regulatory requirements regarding operational processes and system/reporting requirements
	Competition	not being able to adapt to the competitive environment in combination with increased margin pressure and changes in pricing structures
Drive innovation of products and services	Innovation and change management	insufficient innovative capacity to respond to the latest industry trends and lacking an appropriate innovative culture to use and deploy the newest technologies
Become a global employer of choice		
Accelerate our digital transformation	IT infrastructure and systems	relying on outdated and/or unsupported software and complex IT environments
	Cyber risk and data security	information security not being at the right maturity level due to increased external threat levels and DLL systems being more connected with the outside world

As explained in note v Events occurring after the reported period in the financial statements, the Corona outbreak and resulting measures taken by various governments to contain the virus will have a significant impact on the business of our vendors and customers and therefore also on DLL. As of the moment of drawing up the annual report, the governments of all countries that we are active in have taken measures to contain the pandemic. The impact on the world economy of these measures is not yet fully known, but will be significant, as unemployment will rise, companies will go bankrupt and government debt will grow. Also, the business DLL operates in will be impacted, as vendors and end users will face these same challenges. DLL will always follow the advice from local government for the countries where we are active and provide support to vendors and end users where needed.

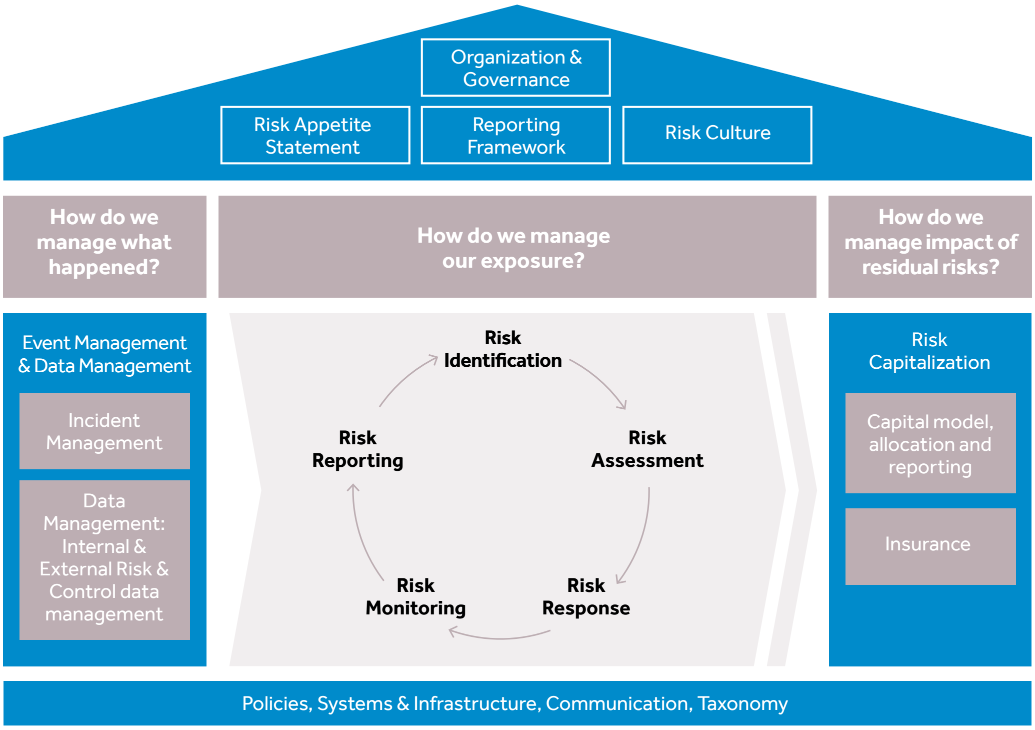
At this moment it is not yet possible to quantify the impact of the pandemic and governmental measures taken. The main risks for DLL that result from the current uncertain situation regarding Corona are:
- Internal organization: DLL members face the risk of being infected with the virus;
- Revenues and profitability: with countries going into lock down we anticipate lower sales of equipment of our vendors and hence lower new business volume for DLL. This will result in a slowdown in portfolio growth, hence in reduction of our net income;
- Impairments: governments are committed to support businesses across our countries for the coming months. However still we expect that some of our customers will go bankrupt and will not be able to repay DLL;
- Liquidity: as mentioned earlier, the primary source of funding of DLL is Rabobank. Rabobank has access to a broad range of funding sources, including newly established central bank facilities in various countries.

DLL has set up a Coronavirus Global Crisis Team, that is working daily to monitor these risks, relevant developments and take appropriate steps to protect the health of the workforce, customers and business. See outlook 2020 for more information on measures taken.

Furthermore, Brexit has happened at January 31, 2020. However, a trade agreement is still under discussion and the risk of a hard Brexit is not gone yet. DLL's total assets in the UK represent only 7 percent of the total assets of DLL. Due to the short tenor of our deals, strong vendor relationships, small ticket size, diversification as well as matched funding, the risk of a hard Brexit is still well within our risk appetite.

Risk appetite

DLL's business strategy is the foundation for the risk appetite statement as the strategy determines the risks DLL as a leasing company is willing to take. The four strategic themes of DLL's business strategy are maximizing customer value, becoming a global employer of choice, accelerating our digital transformation and driving innovation of products



Risk management framework

and services. These four themes define the high-level boundaries of the risk appetite within which DLL will operate. The Risk Strategy articulates the risk priorities that need to be managed to achieve the business strategy. The risk strategy is the starting point to further define the risk appetite.

The risk appetite is defined in the Risk Appetite Statement (RAS), which is developed annually in a bottom-up and top-down manner. The RAS defines DLL's overall desired level of risk exposure, both quantitatively and qualitatively, and is used in all business activities to assess the desired risk profile against the risk reward profile. The risk appetite is embedded across DLL in principles, policies, indicators, limits and controls.

The DLL RAS limits are further specified in entity specific risk appetite statements. Key risk indicators, risk indicators and measurements are defined, monitored and reported upon on a quarterly basis. The breach management process in combination with appropriate governance ensures a timely and adequate response. Any limit breaches require risk committee approval and mitigating actions to be taken.

Risk management framework

Introduction

DLL's risk management framework is designed to mitigate the risks DLL is facing in day-to-day business. When we do business with our customers, explore options or make decisions, we continually assess risks. DLL maintains effective processes to identify, assess, manage, monitor and report risks. These include internal control mechanisms and remuneration, to consistently promote sound and effective risk management and independent monitoring and challenge by Group Risk Management, thereby embracing the three lines of defense model.

DLL performs a structured and integrated risk analysis to manage its risk. A structured and integrated risk assessment across all entities is an important way to ensure DLL is complying with regulatory requirements. The risk management cycle is linked to DLL's organizational profile, the strategic objectives and the Risk Appetite Statement, and consists of the following steps: Risk Identification – Risk Assessment – Risk Response – Risk Monitoring – Risk Reporting.

The DLL risk management framework consists of multiple policy documents, which provide specific requirements to cover all risks relevant to DLL and recognize the economic substance of all risk exposures. It covers on- and off-balance-sheet risks as well as actual risks and future risks DLL may be exposed to. Risks are evaluated using bottom-up and top-down approaches within and across business lines and business units. It provides consistent terminology and compatible methodologies throughout the entire group, including risk limits and risk controls. DLL, as a leasing company, is faced with the following main risk types:

- Credit risk (including counterparty and country risk);
- Asset risk;
- Integrated risk;
- Balance sheet risk (including liquidity, interest rate and foreign exchange risk);
- Operational risk (including information technology, information security, business continuity, outsourcing, model and compliance risk).

This risk type classification provides clear definitions and promotes a common understanding of risk management throughout DLL. In the next paragraphs, a short summary of DLL's risk strategy and mitigating activities to reduce the risk will be given for each risk type.

Credit risk
Accepting credit risk, the risk that DLL will incur a loss because its customers or counterparties fail to fulfill their obligations towards DLL, is an inherent part of DLL's business. DLL pursues a solid risk/return profile at an acceptable cost. DLL wants to achieve this over a long period of time. This allows DLL to maintain long-term relationships and to service our clients through economic cycles and also in adverse economic times.

DLL focusses on the following goals within its credit risk strategy:

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

This credit risk strategy is supported by a robust Credit Risk Governance that provides principles for client selection and credit offering. Based on these principles, requirements and guidance are provided on what is and what is not acceptable when servicing our clients, including client focus and underwriting criteria. Furthermore, principles are established for the credit risk management function. These are the backbone of DLL's prudential credit risk governance.

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. Credit risk management focuses on making balanced decisions on credit applications based on careful assessments to ensure that credit losses from the resulting portfolio are within agreed boundaries. DLL seeks to control credit risk by building a diversified portfolio from a market segment and geographical perspective and by closely monitoring payment performance. Furthermore, additional vendor support has been put in place in the form of loss pools and recourse to mitigate credit and asset risk.

To prevent unacceptable credit concentration risk and losses that endanger its financial health, DLL does not want to be significantly exposed to a concentration of credit in a country, industry, single end-user or vendor where a default could have a material adverse effect on DLL's results.

DLL has two levels of credit committees that manage credit risk, namely, a Global Credit Committee (GCC) operating at a global level and Local Credit Committees (LCC) operating at country level. The credit committees play a key role in ensuring consistency of standards of credit analyses and risk ratings. They also perform a control function ensuring compliance with DLL's Credit Risk Policy.

Asset risk

As a leasing company, DLL is exposed to asset risk. Asset risk is the current and prospective risk that the asset value depreciates differently in the market than anticipated, creating a difference between the estimated residual value of the assets embedded in lease contracts and the market value of these assets. The general guidance at DLL is to have a varied and diversified portfolio across asset classes and markets in order to mitigate the risks inherent in an asset-based financing environment and provide a sufficient level of income for assuming this risk. In addition, DLL wants to minimize residual value impairments on the portfolio of leased assets. Limits have been set in the risk appetite statement to manage asset risk in relation to residual value concentrations and inventory aging. All programs and new asset types require the approval of the respective GBU Asset Management Committee (GAMC).

DLL has authorized a strategy to take end-of-term investment positions, Residual Value (RV), in certain assets being financed to meet customer needs and provide additional sources of income. RV setting is governed by the Global Asset and Remarketing Policy and is overseen by the Asset Management & Remarketing Product Overlay (AMR PO) department. RV concentration is monitored quarterly to assure no concentration in any single asset type exceeds stated limits in the risk appetite statement. Both residual values and asset inventory are periodically reviewed for impairments.

Integrated risk

For DLL one of the main risks is integrated risk meaning DLL is not capable of implementing its strategy and business plan over the coming years due to a lack of sufficient capital or return to cover the risks inherent in its strategy and business plan. Therefore, DLL actively manages capital requirements through DLL's risk strategy, risk appetite and balance sheet management to ensure sufficient capital is held to cover contingent capital needs that could result from a prolonged and severe economic crisis and to meet regulatory requirements.

Stress tests are conducted regularly based on both internally and externally (i.e., regulatory) defined scenarios to determine whether DLL has sufficient financial resources to resist adverse economic scenarios. The impact of these stress tests, measured from an earnings and risk-weighted-assets (RWA) impact, provides insight into the risk profile during times of stress and allows assessment of set (risk appetite) limits under such conditions. Based on the scenarios chosen in the stress test and the assumptions that were applied, core risks to DLL's business model will impact the overall performance but will not result in losses, nor will it lead to a breach of the minimum capital requirements, and therefore does not lead to management actions.

Because capital is scarce, DLL assesses how well capital is used to generate returns, therefore DLL has set limits for Total Return on Invested Capital (TROIC). The TROIC ratio measures the level of net profit against the targeted capital, adjusted for RWA. This requires a minimum level of annual profit that determines the level of risk appetite. Furthermore, to protect DLL's capital as well as DLL's current and future profitability, DLL performs an annual portfolio optimization. The portfolio optimization takes a holistic view of all of the factors impacting DLL's business: commercial opportunities, environmental conditions, risks, funding and capital needs and projected profitability. This performance management tool delivers a detailed overview of the development of countries, business lines and segments with respect to their profitability and required capital.

Balance sheet risk

DLL's balance sheet risk management focuses on interest rate, liquidity and foreign exchange (FX) risks. DLL's balance sheet risk strategy is set in line with two key themes of DLL's risk strategy to protect profit and profit growth while maintaining a solid balance sheet. DLL applies a matched funding policy to reduce its balance sheet risk exposures within its risk appetite. Matched funding is done both in terms of liquidity and interest rate risk and is based on the currency and maturity profile. DLL centralizes all significant balance sheet risks at DLL Group Treasury. The balance sheet risk appetite is translated into a set of internal limits for the key underlying risk indicators defining the maximum level of risk DLL is willing to take. Limits have been set to protect profitability and to maintain a solid balance sheet.

DLL aims to achieve stable earnings from the margin charged to cover credit, asset management, and processing and therefore DLL has limited appetite for interest rate risk.
Interest rate exposures are mitigated based on expected maturity terms (or repricing if shorter). Nonetheless, interest rate risk remains an inherent risk of DLL's business model as DLL's subsidiaries are writing fixed-rate business and applying a mix of pre-hedging (for "rate-card" business), hedging as transacted (for larger deals), and hedging generally weekly in arrears for other flow business.

DLL's liquidity position is consolidated within the Rabobank regulatory returns, and ratios are managed by Rabobank Treasury on a Rabobank Group level. DLL's risk appetite in general is towards the lower end, as it is Rabobank's policy to centralize funding and liquidity risks as much as possible.
As DLL does not apply maturity transformation, DLL is also less vulnerable to liquidity risk. DLL is not required to meet regulatory liquidity requirements (such as Liquidity Coverage Ratio and Net Stable Funding Ratio) on a stand-alone basis. Although DLL is substantially funded by Rabobank, DLL still aims for an optimally diversified funding portfolio (in tenors and funding sources) that supports its customers' activities and a balanced liquidity mismatch within its risk appetite.

DLL's foreign exchange framework is designed to maintain DLL's ability to minimize its exposure to foreign exchange risk and aims to protect the absolute level of equity, which is aligned with DLL's objective of delivering stable returns. DLL will always have some FX risk, as DLL has subsidiaries in over 30 countries, and all non-Eurozone subsidiaries will give rise to FX profit and loss results. DLL's main FX translation risk-hedging approach was full absolute CET1 hedging. As of January 1, 2020, DLL changed its main hedging approach from absolute CET1 hedging to ratio hedging, to mitigate the impact of changes in FX rates on the CET1 ratio.

Operational risk
DLL has a framework in place to consistently manage, monitor and prevent operational risks resulting from inadequate or failed internal processes, people, systems or external events that could impact the customer delivery as well as the reputation of DLL. DLL does not consciously take on these types of risks but only tolerates these risks as an inherent part of executing business activities.

Since operational risks are an inherent part of day-to-day business activities they can never be fully mitigated. Therefore, it is essential to be aware of potential operational risks to enable cost/benefit decisions, ensure business continuity and achieve strategic goals. DLL will not tolerate risk losses exceeding the determined risk appetite limits for operational risk. Operational risks are actively managed and controlled by policies, procedures, limits and controls including areas such as Legal, Compliance, IT, Information Security, Business Continuity Management and Sustainability.

Risk and Control Activities (RCA) are used by management throughout DLL to help ensure that policies, standards, procedures and systems (and the controls they contain) operate as designed and transactions are processed timely, completely and correctly (in an ascertainable way). RCA are in line with the values, vision and strategy of DLL and Rabobank as a group and are executed in line with the Risk Management Charter, including the risk roles and responsibilities of the first, second and third line of defense. RCAs are included in the following process steps:
– Risk Identification
– Risk Assessment
– Risk Response
– Risk Monitoring
– Risk Reporting
– Risk Finding and Action Management
– Risk Incident Management

Via aligned RCAs and by managing the operational risks collectively, it is ensured that DLL effectively operates an efficient Risk Control Framework (RCF), which facilitates a proper Plan, Do, Check, Act process. It ensures that risks caused by failed processes, people, systems and/or external events are managed within the approved risk appetite levels. RCF improves the overall efficiency and effectiveness of daily business and helps DLL to become a better learning organization.

Risk monitoring

DLL constantly assesses whether it remains within the set risk appetite. The purpose of risk monitoring is to keep track of risks that occur and the effectiveness of mitigating actions. DLL articulates its risk appetite per material risk type in the RAS. For each material risk type, a risk profile assessment is completed. The aggregation of all material risk types results in the total risk profile of DLL. The risk profile and effective continuous execution of controls are monitored in various ways by the first and second line of defense. To manage the risk profile of DLL, information for decision making is reported to senior management, the Executive Board and/or Supervisory Board. The results of Key Risk Indicators (KRIs), expert judgement on quality of governance of the risk framework and the outlook is captured in risk reports.

Regular monitoring and reporting of the key risk indicators is essential to measure and manage the DLL risk profile against the risk appetite limit. A risk report is prepared quarterly on the key risk indicators to measure the risk appetite on DLL group level including the assessment of the risk profile against the risk appetite limit. Reporting on the risk appetite performance also includes a forward-looking outlook of the expected development of risk performance. An overview is included below that shows DLL's risk appetite for 2019 on the defined KRIs in relation to the actual risk profile per the end of Q4 2019, represented by a relative score. Also the expected outlook for the KRI is included. A split has been made between Financial and Non-financial KRIs.

Legend

The colors represent the following:

■	Actual DLL risk profile within risk appetite
■	Actual DLL risk profile above Early Warning Limit
■	Actual DLL risk profile above Risk Appetite Limit

FINANCIAL KEY RISK INDICATORS

Integrated Risk | Capital	Relative score	Outlook
CET1 ratio on group level	■	▶

Integrated Risk | Profitability	Relative score	Outlook
Return on Invested Capital (ROIC)	■	▶

Credit Risk | Asset Quality	Relative score	Outlook
Loan impairment charges based on budget	■	▶
Non-performing loans (%)	■	▲
Provision Coverage Ratio	■	▼
Forborne Exposure	■	▶
Growth rate of gross non-performing loans	■	▶

Concentration Risk | Single Obligor Exposure	Relative score	Outlook
Number of single obligors exceeding the Corporate Exposure Limit	■	▶
Number of single obligors exceeding the Corporate LAD limit	■	▶
Exposure top-10 Corporates	■	▶
Breaches to country limits	■	▶
Number of vendors/dealers exceeding the direct and net contingent risk limit	■	▶
Number of vendors/dealers exceeding the gross business risk limit	■	▶

Funding and Liquidity | Stress Absorption Capability	Relative score	Outlook
Consolidated DLL liquidity position as a percentage of portfolio + equity (less intangibles) + minority interests + positive working capital	■	▶

Funding and Liquidity | Intercompany	Relative score	Outlook
External asset size	■	▶
Total credit risk limit I/C	■	▶

FX Translation	Relative score	Outlook
Maximum individual unhedged currency exposure from foreign net investments (excluding net investments in Brazil)	■	▶
Maximum total unhedged currency exposure from foreign net investments (excluding the investment in Brazil)	■	▶
Maximum individual unhedged currency exposure from foreign net investment in Brazil	■	▶

Interest Rate Risk	Relative score	Outlook
Earnings at Risk	■	▶
Modified Duration of Equity	■	▶
Basis Point Value	■	▶
BPV per tenor	■	▶

Financial Risk – Asset Risk Indicators	Relative score	Outlook
The residual value concentration in the active portfolio per master asset type in any given maturity year as percentage of the total	■	▶
The inventory amount with aging more than one year as percentage of the total inventory amount and The increase of the weighted average days in inventory calculated over the last six months	■	▶

NON-FINANCIAL KEY RISK INDICATORS

Operational Risk | ORM Losses	Relative score	Outlook
Net loss amount year to date	■	▼

Operational Risk | Deficiencies	Relative score	Outlook
Number of process execution failures measured by loss events ≥ EUR 10K	■	▶

Operational Risk | IT Risk	Relative score	Outlook
Operational incidents leading to business disruption due to infrastructure/system failure exceeding the gross loss amount of EUR 500K and/or reputational damage with an estimated impact medium high/high	■	▶

Operational Risk | Outsourcing Risk	Relative score	Outlook
The number of new cloud material outsourcing initiatives in the last quarter that have been implemented that are not compliant with the regulatory requirement to inform competent authorities ex-ante (regulatory) and in a timely manner (internal)	■	▶

Operational Risk | Information Security	Relative score	Outlook
Number of IT-related breaches of confidentially, loss of records (e.g. sensitive information, including privacy-related IT incidents) within reporting obligation to relevant authorities and/or regulators	■	▶

Operational Risk | Model Risk	Relative score	Outlook
Model accuracy deficiencies and/or inadequate deficiency identification and resolution	■	▶

Operational Risk | Deficiency Follow-up	Relative score	Outlook
Overdue significant Internal Audit findings	■	▶

Operational Risk | Reporting Risk	Relative score	Outlook
ICFR controls ineffective and limit on deficiencies	■	▶

Operational Risk | Single Event Loss	Relative score	Outlook
Severe gross loss reported last quarter	■	▶

Compliance Risk	Relative score	Outlook
Supervisory enforcement actions received from regulators regarding compliance themes per last 12 months	■	▶
Number of reported data breaches reportable to the Privacy Authority per quarter	■	▶
Change in the percentage of high-risk clients in relation to the quality of the control environment	■	▶
Adherence to code of conduct requirements	■	▶
Employee integrity, number of incidents of non-adherence to the code of conduct	■	▶
External fraud with gross loss above EUR 250K	■	▶

Compliance

Introduction
DLL is firmly committed to conducting business with integrity and in compliance with the letter and the spirit of the law and other generally accepted rules and standards of business conduct of the countries and communities in which we operate. Implementing global compliance regulations, while also respecting local requirements, is a challenge.

The vision of the Compliance Function is to safeguard and protecting the (regulatory) reputation and integrity of DLL by partnering with the business to support the strategic objectives, while enabling the efficient delivery of products and services to our customers.

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

Compliance Function

As part of the second line of defense, DLL has an independent Compliance Function in place that safeguards that all company policies are compliant to applicable laws and regulations. The mission of DLL's Compliance Function is to contribute to the trust that stakeholders and society in general have in DLL by promoting the integrity of all aspects of DLL and its members, especially through embedding good conduct, acting as a second line of defense and partnering with the business.

The Compliance Function is based on the business strategy and the value propositions as well as the DLL values and behaviors – "doing what is right" and following principles such as:
- Compliance starts at the top;
- Management is the "owner" of compliance;
- Compliance requires each employee to pay attention and behave in a compliant manner;
- An effective Compliance Function exists at all levels; and
- Adherence to global Code of Conduct and compliance policies.

The Compliance Function has a global mandate and perspective with local responsibility and specifics where applicable.

Independence

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

The Compliance Function consists of the Group Chief Compliance Officer, Corporate Compliance staff, Regional Chief Compliance Officers, Country Compliance Officers and staff reporting to them. The Group Chief Compliance Officer reports to DLL's Chief Executive Officer (CEO) and has an escalation reporting line to the Chairman of the Supervisory Board. The Group Chief Compliance Officer attends all Supervisory Board meetings.

In order to safeguard the independent position of the Compliance Function, the Regional Chief Compliance Officers have a dual reporting line to the Regional Managers and the Group Chief Compliance Officer. The Country Compliance Officers have a dual reporting line to the Country Managers and the Regional Chief Compliance Officers.

Compliance activities

In terms of Wwft Compliance, DLL has introduced the CARE Program early 2018 with the purpose to further implement Dutch AML/CTF requirements globally. Progress in the CARE program is being monitored by the CARE Board and the DLL EB.

A new policy on Customer Due Diligence, Anti-Money Laundering and Terrorist Financing, Sanctions (CAMS) was implemented and a new training and awareness program launched.

Furthermore, we have deployed our ROCK system (Risk based On Customer Knowledge), in which new and existing clients have been risk rated and (re) screened for the latest Sanctions, Political Exposed Persons (PEP) and other watch lists.

Privacy Program

At Corporate level the Compliance Function operates a three-pronged approach to privacy and data protection across DLL – oversight via a Privacy Committee, a Global Privacy Office and a Global Privacy Program. The Global Privacy Office, amongst other things, offers advisory, raises awareness, provides training and investigates data incidents.

In addition, and in support of developing DLL's maturity in this area a Global Privacy Program is in progress. The program will deliver better knowledge and understanding about obligations to data subjects (our Members and customers), a risk-based approach when processing personal data and a solid foundation of policies, standards, procedures and guidelines for the business.

Responsibilities of the Compliance Function

The Compliance Function acts as a partner to the business in enabling DLL to achieve its strategic goals. The Compliance Function supports management in its responsibility to become and remain compliant with regard to the external and internal rules related to the Compliance themes (e.g. CAMS, Privacy, Market Abuse, Corruption, Fraud). The Compliance Function also aims to maximize adherence to the Code of Conduct in the context of Compliance Risk. In summary: the Compliance Function helps DLL and its members, customers and business partners (e.g., vendors) to "do the right thing."

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

Compliance reporting

Based on DLL's strategy, annual plan and a compliance risk analysis, an annual compliance plan is prepared. This plan is approved by the DLL Executive Board and presented to the Supervisory Board. The Global Compliance Plan is reflected as well in the country and regional compliance plans. On a quarterly basis, Group Compliance updates the Executive and Supervisory Board on the progress made on execution of the annual plan as well as other relevant matters.

In case of matters of high importance, such as major compliance-related incidents, the Group Chief Compliance Officer will ensure that the Executive Board (and through the CEO the chairman of the Supervisory Board) is informed immediately. If appropriate, the applicable involved regulator also will be informed immediately.

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

Global Code of Conduct & policies

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

Global Code of Conduct

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

Policies

Main policies are implemented in the field of Financial and Economic Crime, in order to provide global principles to ensure that DLL engages in relationships with reputable business partners and customers, mitigates potential corruption, anti-money laundering and fraud risk and to ensure compliance with sanctions regulations.

Following the PPM approach, the remaining global compliance policies will be reviewed and updated in 2020 according to the associated timelines.

Accelerating our **digital transformation**

"The digital convenience that consumers have grown used to in their personal lives is what DLL's partner-vendors expect in their business contacts," says Head of Group Information Technology Rob Welten. "The whole digital movement is about creating more customer value and a better proposition for the customer in real-time," he explains.

Customers go through a number of steps before they can sign a lease or finance contract with a dealer, including the credit check. Daan Willebrands manages the European team responsible for accelerating DLL's automated credit decision process. "Now we can give dealers a yes or a no while their customer is still drinking coffee," he says.

Once customers have chosen the equipment they want to lease from the dealer, the "paperwork" involves everything from calculation of the monthly fee, to the credit check, to the creation of the contracts. By accelerating its digital transformation, DLL wants to automate this entire process so the customer can sign on the digital dotted line before they leave the showroom.

Says Willebrands, "My team deals with the credit check part. The main difference between a manual credit check and our automated system assessment is time. Automated checks can be completed in less than half a minute. Manual assessments may take hours."

Research from DLL's Customer Experience Program shows that customers prefer an answer on the spot – even if it's a "no" – to a "maybe" much later. For vendors and dealers, the ability to move the deal forward immediately gives them a competitive advantage and helps grow their business.

The project to accelerate automated credit decisioning started in 2017. In response to a request from the risk management department, two teams in Europe and the U.S. set themselves the target to raise the average automated decision rate from 70 to 95 percent for all credit applications below EUR 50K. Automated credit decisioning is now available to partners and vendors in 18 countries.

In Europe, the figures are almost at target using current technology. In the U.S., a pilot project with machine learning is starting to nudge the figures even further. "Machine learning boosts the automation power and makes even better distinctions between good and poor credit risks," says Willebrands. "A great benefit with the system is that it provides objective, reliable and consistent decisions. When you can identify more good customers, you can accept more business. So that's good for the vendor and good for DLL. These tools and solutions are being migrated to the Cloud, giving increased data storage and faster access to provide even better decision times for customers.

The automated credit scoring system has also been completely redesigned to facilitate portfolio underwriting. This is a shift away from underwriting single transactions toward managing a vendor program's overall business performance relative to an established risk appetite. Advanced automation helps to process easy cases through the system, leaving more complex ones to underwriters.

"Flow Risk Specialists – who are often former underwriters – are responsible for maintaining the portfolio locally," explains Willebrands. "They can analyze performance, make decisions and make any necessary changes much faster. The system is not just automated; it gives more autonomy. With portfolio underwriting we can see how the system is performing per vendor and adjust the settings when needed. This combines a quick service with a more reliable risk assessment and a better division of the costs of risk."

Feedback from vendors shows that they are very happy with these quick-decision systems and the smooth customer experience all around.

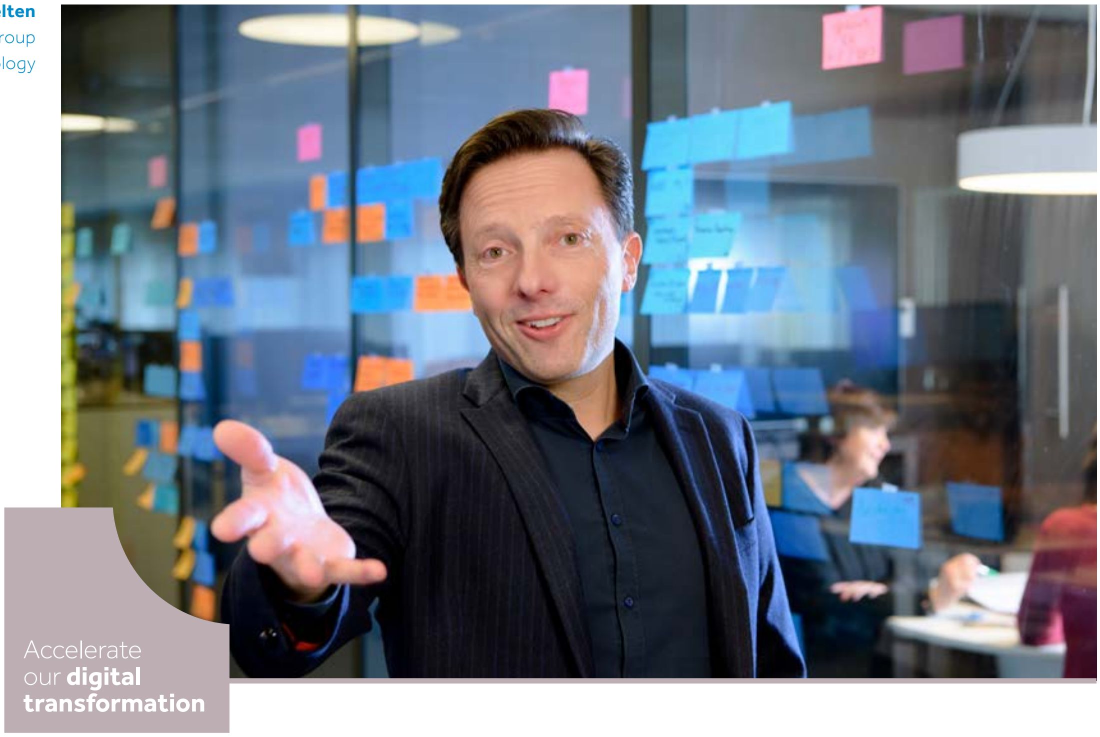
Research shows that customers prefer **an answer on the spot**.

Accelerate our **digital transformation**

"The whole digital movement is about **creating a better proposition** for the customer in real time."

Rob Welten

Rob Welten
Head of Group
Information Technology



The vision behind **digital transformation**

Enhancing the ease, speed and quality of doing business with DLL is the first of four objectives in the digital transformation pillar. The automated credit decisioning process described by Willebrands is just one element of the digital customer journey, according to Welten. "Other contact points for the end-user are when they place a digital signature on a contract created digitally at the dealer showroom. After that, our vendor partners can check contract details, payment schedules and termination dates in the portal or DLL app."

Another objective is to create value through data insights. "As an online consumer your behavior is known to companies who can then make highly relevant offers," explains Welten. "The amount of data in our system enables us to do this for our vendor partners too. By late 2021, we should be able to use the information in our system to generate leads for our partners and provide real-time insights on contract and asset status. For instance, we can alert vendors to the imminent end of a contract which creates a new sales opportunity."

Innovation and new business models are key to DLL's growth strategy. Welten's team is helping to design and implement the technology platform to enable models like pay-per-use. "IT is working with the global business unit Advanced Solutions to determine the capabilities and technologies required," he says. "We're prototyping certain products and, once successful, we'll need to scale them, but we're still at an early stage."

The increased focus on digital initiatives must run in parallel with investments needed for regulatory compliance and IT life-cycle management.
The ultimate aim is to optimize DLL's technology landscape to meet new realities and shift 40 percent of all project funding to digital transformation initiatives by 2023. "Ideally we would like to spend less on internal improvements and more on improvements with an impact on customers – that's what we call digital," says Welten.

Moving forward, the IT department will need to bring in new skills to strengthen digital capabilities. Implementing an agile operating model will help improve response times and deliver value more incrementally. "Our members will need to adjust to new ways of working and we hope to attract new talent through the exciting and innovative job content and as a company committed to circularity and sustainability," concludes Welten.

Remuneration

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

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

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

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

Variable remuneration
In 2019, EUR 49 million (2018: EUR 52 million) of the total remuneration was variable for all DLL entities. The risk-controlling measures below apply to employees with variable remuneration. The variable remuneration is capped for all roles in all countries, and DLL does not grant guaranteed variable remuneration. The annual performance appraisal and remuneration cycle supports acting in the interest of our long-term continuity and financial strength.

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

Ex-ante test

On an annual basis, the Executive Board of DLL and in its turn the Managing Board of Rabobank verify whether payment of the proposed variable remuneration is justified, based on Rabobank Group's qualifying capital and solvency ratio. This "ex-ante" test therefore 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 sum with retroactive effect. This is referred to as "claw back." Rabobank Group is authorized to reclaim all or a portion of variable remuneration from both employees and former employees in any of the cases as laid down in the Rabobank Group Remuneration Policy. In 2019, no claw back was applied to any variable remuneration.

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

Identified Staff

Employees who can have a significant impact on DLL's risk profile are designated as "Identified Staff." In 2019, 45 roles within DLL were determined to be Identified Staff (excluding Supervisory Board members). These members are not eligible for variable remuneration. In cases where they are eligible, their incentive is governed by the principles laid down in the Rabobank Group Remuneration Policy. The most important of these risk-mitigating measures are discussed below. As is the case for all other employees, Identified Staff must meet a proper balance of performance objectives. Identified Staff are specifically subject to performance measurements at Group, business unit and individual levels.

Supervisory Board

Fee structure

During 2019, two new Supervisory Board members were appointed, which resulted in a Supervisory Board of four members during the year. From these four members, two external Supervisory Board members receive a direct compensation from DLL based on board responsibilities. The other two Supervisory Board members are employed by Rabobank where the fee of the Supervisory Board activities is included in the remuneration that they receive from Rabobank in their capacity as Rabobank employees. The total amount of remuneration for the external Supervisory Board member in 2019 was EUR 183 thousand (2018: EUR 62.5 thousand).

Executive Board

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

Pension
In the Netherlands, the Rabobank pension scheme applies to members of the Executive Board and qualifies as a collective defined contribution scheme. As of January 1, 2019, the maximum income on which the Executive Board may accrue pension is EUR 101,753. Any income exceeding this amount is not pensionable. The members of the Executive Board therefore receive an individual supplemental retirement contribution in compensation, as is local practice.

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

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

Severance payments
DLL complies with all existing laws and regulations concerning severance payment levels, meaning that Executive Board members would receive a maximum of one year's salary. No Executive Board member received a severance payment in either 2018 or 2019.

Executive Board remuneration
In 2019, the remuneration of members of the Executive Board totaled EUR 4,038 thousand (2018: 3,624 thousand). One member of the Executive Board is the only individual who received total remuneration above EUR 1 million (2018: one member).

In total, there were 6,256 DRNs outstanding with the members of the Executive Board at year-end 2019 (2018: 11,084) related to variable remuneration granted prior to 2016. Refer to note 2.4 of the financial statements on more information on DRNs.

Corporate **governance**

Corporate structure

DLL
DLL is structured as a matrix organization, consisting of global business units and country organizations executing on the partnerships with our vendor partners. The majority of DLL's group functions are located at our headquarters in Eindhoven, the Netherlands, which provides coordination and support to the country organizations and business units. Furthermore, group functions are responsible for DLL's global strategic development and setting and monitoring DLL's risk control framework.

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

DLL meets the criteria of a large company to which the large company structure regime is applicable, as defined in Book 2 of the Dutch Civil Code[1]. However, DLL is exempt from this regime since it is a subsidiary of Rabobank, which is itself subject to the large company rules. Therefore, pursuant to the Dutch Civil Code, we would not be required to have a Supervisory Board in place. However, since DLL has a Dutch banking license, our governance includes a Supervisory Board, as required by the Dutch Financial Supervision Act.

1 Due to the fact that (i) the sum of DLL's issued share capital and reserves is at least EUR 16 million, (ii) it has established a mandatory works council, and (iii) DLL employs in aggregate of at least 100 employees in the Netherlands.

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

Management structure

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

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

The Executive Board is responsible for strategy setting, managing and steering, in line with the articles of association and the Executive Board Charter. The Executive Board consists of five members (including one vacancy) who are appointed and dismissed by the general meeting of shareholders. As a collective board, the Executive Board is responsible for creating and maintaining a sound balance of the long- and short-term interests of all stakeholders in the company, including customers, shareholders, employees, regulators and the communities in which we operate. Certain strategic and key actions or decisions to be taken require formal approval of the Executive Board. For more information about the Executive Board members, see Who we are chapter of this Management Board Report.

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

The Supervisory Board consists of four members who are appointed and dismissed by the general meeting of shareholders. The composition of the Supervisory Board reflects the fact that we are a subsidiary of Rabobank: two of its members are shareholder representatives. In 2019 two new Supervisory Board members were appointed, of which one was not employed by Rabobank.

The roles and responsibilities of the Supervisory Board are set out in the Supervisory Board Charter. The Supervisory Board report includes more information about the (members of the) Supervisory Board and its supervisory tasks in 2019.

Global committees
DLL has several global committees in place, with membership of executive and/or senior DLL managers. The committees receive their mandate from the Executive Board and are mostly chaired by an Executive Board member. The following describes the main responsibilities of the global committees, with the function that is the committee's chair in parentheses:

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

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

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

– Product Approval & Review Committee (CRO)

The Product Approval & Review Committee has responsibility for executing product governance in adherence to the DLL Customer Care Policy, ensuring that DLL develops products and services that are well designed, useful and fit to the type of customer and targeted market. Products and services marketed and sold in the retail market are designed to meet the needs of identified customer groups.

– Regulatory Oversight Committee (CRO)

This committee monitors and oversees changes in the global regulatory environment affecting our organization. The committee is responsible for the regulatory tracking, the internal allocation, and the high-level monitoring of the implementation and embedding of these changes.

– Global Credit Committee (CRO)

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

– Business Principles Committee (CRO)

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

The Business Principles Committee 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.

– Asset and Liability Committee (CFO)

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

– Data Governance Board (CFO)

The DGB exercises group-wide authority and control over the management of data, with the following goals:

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

– Finance Governance Committee (CFO)

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

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

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

– **Whistleblower Committee (Head of Compliance)**
The objective of the Whistleblower Policy is to create the possibility for members to anonymously report suspicions of violations of our Code of Conduct, non-compliance with policies or behaviors affecting our integrity. The Whistleblower Committee conducts a review to assess if the reported suspected irregularity falls into the scope of the Group Policy on Whistleblowing. In addition, the committee may perform or assign further investigations of the suspected irregularity.

Conduct and integrity

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

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

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

Regulatory framework and supervision

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

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

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

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

In 2018, DLL initiated a project to restructure its European banking licensed business. The restructuring aimed at centralizing the banking licensed business and reposition De Lage Landen International B.V. under a (newly created) holding company. In the fourth quarter of 2019, it was decided to stop the restructure and explore other ways for a more efficient use of DLL's banking license.

Diversity

DLL has launched several initiatives to further improve diversity and inclusion, especially aimed at leadership positions. On the enterprise level, we launched the Executive Inclusion Council (EIC) in order to review metrics and address barriers that hinder our progress. On the Management Team level, we launched the diversity and inclusion playbook that provided specific actions they can immediately take to make DLL a more diverse and inclusive place to work. Finally, we launched the Allies for Inclusion initiative, which gives all members an opportunity to visibly show their commitment to diversity and inclusion by participating in trainings, community service and talent/recruitment activities.

DLL currently has approximately 5,200 members within the organization (excluding contractors), and 44 percent are female. It is important to note that in many countries we are not allowed to ask and/or collect individual information (ethnicity, age or national origin). That's why so far, we have only captured specific member information regarding gender and age. Despite the huge focus and tremendous effort, only 1.5 percent progress was made in 2019, far short of our goal for 5 percent progress in the short term. At the end of 2019, females in middle management make up 35 percent and females in senior management make up 16 percent. Of the promotions that took place in 2019, 44 percent were female, which was a 1 percent decrease from 2018. Of the turnover in 2019, 37 percent of the turnover was female, which was a 7 percent decrease from 2018.

The current gender distribution shows that women tend to be more prevalent in lower grades. Those roles are mainly supporting staff roles and tend not to be roles with net profit accountability. We also see that we have relatively few female representations in our middle management roles. The trend gets stronger when looking at senior management roles.

While analyzing the existing data, we notice that there is an imbalance between men and women with regards to promotions, job grades and talent categories. At DLL, we are committed to have our workforce match the labor force and hire and promote women and minorities at parity. DLL's key focus areas therefore are:

1. We will create an inclusive environment respecting all cultural backgrounds and beliefs, which is marked by participation.
2. We will foster a culture that supports and respects the values and needs of every individual. We will do this by leveraging the Diversity and Inclusion ambassadors in every country in which we operate.
3. We will ensure that our recruitment and selection processes are structured in a way that a diverse range of candidates are considered and that there are recruiting practices and policies in place to reduce bias, both conscious and unconscious.
4. We will establish strategic partnerships with diverse organizations in order to attract more diverse candidates to our recruitment candidate pools. We will build networks that support us in developing a diverse and inclusive workforce.
5. We will develop and deliver diversity awareness trainings that explain the dimensions of diversity and equip us with methods to combat unconscious bias.
6. We will design and implement talent management programs that will assist in the development of a broader and more diverse pool of skilled and experienced members. All members will have equal opportunities for advancement, including adequate sponsorship support and access to opportunities.
7. We will monitor all relevant metrics listed and report updates to the Executive Board on a quarterly basis. Furthermore, DLL conducted a gender pay analysis and noticed a discrepancy in four countries. Plans are in place to mitigate the gaps.

Executive and Supervisory Board

Our Executive Board consists of four male members of three different nationalities with a vacancy for the CRO role.

Due to our specialized vendor finance business, we need experienced industry professionals on our Executive Board. Board members are selected according to their qualifications to be the best fit for the role, taking into account the collective nature of the board, among other things. In the overall succession planning of DLL, it has been recognized to identify and develop high-potential women for Executive Board positions.

The Supervisory Board consists of four members, two of whom are external (no shareholder representatives), three of which are male, and one is female. The Board members are of two different nationalities.

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 affiliated entities whose information is included in its financial statements; and
- The management report describes the principal risks that DLL faces.

B. Stephenson, *Chairman*
M.M.A. Dierckx, *CFO*
M. Janse, *COO*
T.L. Meredith, *CCO*

Eindhoven, April 22, 2020

Driving **innovation** of products and services

In the next five years DLL will accelerate its innovation activities to rise to the challenge of disruption. "The future is going to be very different, and we must act now to stay relevant for our customers." says Rafe Rosato, Head of Innovation. "The 'what' of our business will stay the same. It's the 'how' that's going to change." The DLL Innovation Framework helped Eduardo Vidal López and his team transform an electro-mobility idea into a marketable innovation product in just 14 months.

The recipe for success? Take one bright idea, win the local innovation competition, refine your scope, win the international innovation competition and then add senior management commitment, plenty of coaching and customer inputs. Then season with staying power, hard work and journeys beyond your comfort zone, according to Vidal López.

"Initially we had a different idea, but it was too broad," he explains. "DLL's The Next Best Idea competition started with a regional kick-off in Lisbon. We won there and went on to the European finals in Milan, where we won again. By that time, we'd already narrowed the scope. Since then, we've been adjusting the idea to the market with support from different coaches and mentors."

After Lisbon the team was first mentored by Spain's country manager, Alvaro Zafra, as the leading sponsor to move the idea forward. Executive Board approval at the global final in Atlanta, U.S.A., added three new ingredients to the mix: sponsorship by DLL's Chief Commercial Officer Tom Meredith, support from InnoHub (the innovation accelerator at Rabobank) and a connection to DLL's GBU Advanced Solutions.

Vidal López's day job is marketing manager at DLL Iberia and he's the most senior member of the electro-mobility team. "It's hard for us to have the vision to execute the idea and make connections in the organization," says Vidal López. "So, access to and commitment by senior management was invaluable. Tom opened lots of doors for us. If we took a problem to him, he'd mail other leaders with us in c.c. saying, 'This team has a good idea, but they need your help.'"

Rabobank InnoHub brought much-needed structure. "They showed us the ideation process and the steps you're supposed to take," says Vidal López. "First test the idea and ask if there's really a problem in the market. If so, try to find a solution for the customer that is profitable for the company."

InnoHub helped the team do dozens of interviews with prospects, leads and other market parties to test if there was a problem worth solving. "When you develop any product there's always a degree of uncertainty," says Vidal López. "With an innovation product that multiplies exponentially. The only truth you have is the voice of the customer."

When Vidal López was invited by the DLL Innovation Board to present to 50 senior leaders, it brought welcome recognition and heightened visibility for the project – and a new experience. "If you're not used to presenting in your job, it's quite a stretch to get up in front of top management," he says. "Just one reason why I tell colleagues who ask my advice on innovation: 'It's amazing but far from easy. You have to challenge yourself and work hard to move the idea forward. But it's great when you get results.'" The Advanced Solutions GBU together with the Electro-mobility team, is now piloting the electro-mobility innovation in selected markets.

The DLL Innovation Framework enables us **to transform ideas** into marketable products.

Drive **innovation** of products & services

"We're working towards **a different service model** to match changing customer requirements."

Rafe Rosato

Rafe Rosato
Head of Innovation

Drive **innovation** of products & services

The vision behind **innovation**

Within five years DLL wants 20 percent of new business volume or efficiency gains to be generated by transformative activities. This is an ambitious target, and one reason why Rosato is challenging members to come up with 1,000 ideas a year. "Innovation is not just the responsibility of my department," he says. "Everyone in the company has ideas for change. It's up to the Innovation Board to fan the flame of those ideas and foster the organization to implement them."

Some of these ideas are generated through the "game changer" network set up by the Innovation Board. Members are nominated from their regions as people considered capable of stepping outside their role and thinking differently. This includes people like Eduardo Vidal López and his team or Lukasz Pulawski, another The Next Best Idea winner from Poland who, along with his team, came up with a blockchain initiative to establish indisputable asset service records and field audits to enhance an asset's value in the secondary market.

While the objectives of the innovation strategy are to grow new business models, leverage new technologies and create a culture of innovation Rosato emphasizes that innovation is not new to DLL. "We've always been a company that's empowered and entrepreneurial and customer focused. That's what innovation is all about. What we're working towards is a different service model to match changing customer requirements and even demands that clients don't know they have yet."

Pay-per-use business models are a good example of changing the how, not the what. "For decades we've offered lease contracts with pay-per-copy or power-by-the hour," explains Rosato. "Now we're responding to the advent of the subscription model and demand for pay-per-use in a service agreement rather than a lease contract."

DLL has adopted three innovation horizons. Horizon 1 is "core" innovations to optimize existing products and services for existing clients. Horizon 2, or "adjacent" innovation projects will address investments to expand into "new to the company" business.
And Horizon 3 investments will go to "transformational" innovation projects to develop breakthroughs and invent things for markets that do not yet exist. "The core projects are adjustments that can be deployed while the business is running," says Rosato. "The other innovations really require incubation, testing, risk management and refinement."

The efforts of gamechangers like Vidal López, Pulawski and others with the drive to put ideas into practice illustrate the cooperative mentality at the core of the company. Concludes Rosato, "It's all about a group of people with good ideas coming together to say, 'Hey, how can we make changes that benefit the future of our customers and us all?.'"

Report of the **Supervisory Board**

General

As in 2018, the Supervisory Board was involved in numerous innovation initiatives. Further alignment with the strategy and focus of Rabobank was one of the major themes. The establishment of a new global business unit, "Advanced Solutions," which focuses on "pay-per-use" and other new business concepts, was discussed in depth.

Maturing the Compliance function and Customer Due Diligence, Anti-Money Laundering and Sanctions Screening had continuous attention of the Supervisory Board.

Composition and members of the Supervisory Board

The Supervisory Board consists of four members. With a view to the specialized nature of the business of the company and its strong international presence, the Supervisory Board has two external members, both bringing specific knowledge and (international) experience to the table, which supports DLL in achieving its ambitions for the future and adds to the diversity on the Board level.

The members of the Supervisory Board are:
- Berry Marttin, Chairman (member of the Rabobank Managing Board)
- Annelies Bouma, appointed on March 29, 2018 (external member)
- Ron De Feo, appointed on February 25, 2019 (external member)
- Bart Leurs, appointed on August 13, 2019 (member of the Rabobank Managing Board)

Rabobank representative Petra van Hoeken stepped down from the Supervisory Board on July 31, 2019.

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. This review highlights the most important elements of the supervisory role. The Supervisory Board does not have sub-committees. 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 August 2019.

Supervisory Board meetings

The Supervisory Board holds at least four regular meetings a year, attended by the members of the Executive Board. In 2019, the Supervisory Board met five times. An extra meeting was specifically dedicated to the Independent auditor's report on financial statements 2018 and DLL's Annual Report 2018.

At the regular meetings of the Supervisory Board, the commercial and financial performance of DLL and organizational and IT developments were discussed, as well as the level of customer and employee satisfaction. Discussions were based on the quarterly reports prepared by the Executive Board. Developments in Risk, Compliance and Audit were specifically addressed in the presence of DLL's Heads of Compliance and Audit.

The Supervisory Board approved DLL's updated strategy "Partnering for a better world" with four strategic focus areas, centering around Maximizing customer value, Becoming an employer of choice, Accelerating digital transformation and Driving innovation, and building on a strong foundation of financial stability, solid internal controls and compliance with laws and regulations. The strategy fits in well with Rabobank's mission of "Growing a better world together." Going forward, this strategy will serve as the central reference point in the Board's supervision. The Board further approved the Annual Plan and related budget for 2020.

The Supervisory Board continued discussions on a potential restructure of the bank-licensed activities in Europe, the objective being to use the banking license of De Lage Landen International B.V. in the most efficient way and simultaneously increase strategic flexibility of the organization. At the end of 2019, it was decided to put the restructure on hold in view of several complexities that surfaced during the process. DLL is now looking into alternative ways to optimize the efficiency of the banking license. The Board discussed and approved an organizational change in Europe to realize further alignment with DLL's global setup, the goal being to operate closer to the customers.

The Supervisory Board monitored major projects on the basis of quarterly project updates. This included among others the diversification of funding sources through securitization programs. The Supervisory Board monitored the development of DLL's portfolio and capital against the requirements set by DLL's strategy and shareholder.

Quarterly updates on DLL's main risk indicators were provided to the Supervisory Board. DLL's large credit exposures and the development of DLL's (credit) impairments were reported to the Supervisory Board on a quarterly basis as well. New regulatory requirements impacting DLL's risk position – such as a new Definition of Default introduced by EBA – are shared with the Supervisory Board when appropriate.

The DLL Risk Appetite Statement defines the type and level of risk, both financial and non-financial, that DLL is willing to accept relative to achieving its objectives. The Supervisory Board approved a revised DLL Risk Appetite Statement for 2020. This Statement translates into Risk Appetite Statements for DLL's country organizations with portfolios exceeding a threshold of EUR 150 million.

The Supervisory Board took note of the Top Risk Report 2019, prepared by DLL Group Risk as a part of the annual Risk Control Self-Assessment Cycle. This report addresses the main risks DLL is facing in realizing its strategic objectives. Progress of mitigating actions is being monitored on a quarterly basis by the Global Risk Committee. The Supervisory Board is updated on progress made through the Risk section of the quarterly Executive Board Report.

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

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

In 2019, the Supervisory Board continued to pay special attention to succession planning and diversity on the level of the Executive Board and senior management. Pending the appointment of a new CRO to succeed Ab Gillhaus who retired December 31, 2019, the Supervisory Board approved that the Risk function, including Legal and Compliance will report temporarily to the CEO.

The financial statements for 2018 were discussed and approved at the Supervisory Board meeting of April 12, 2019.

External independent auditor

The Supervisory Board approved PwC's engagement as independent auditor for the year 2019, discussed the resulting Audit Plan 2019 with the PwC team and approved this Plan. The Independent Auditor's Report on financial reporting 2018 was extensively discussed with a focus on key audit observations, the control environment and areas for further improvement of the internal control framework. The chairman of the Supervisory Board has one-on-one meetings with PwC.

Performance and development

The Chairman of the Supervisory Board has primary responsibility for the Supervisory Board's learning program. The aim of the program is to maintain and, where necessary, improve the required expertise of the Supervisory Board members. This includes being aware of the social role of financial institutions and of the interests of various stakeholders. The learning program aims to cover relevant developments in the company, corporate governance in general and the financial sector, the duty of care towards the client, integrity, risk management, financial reporting and audits. In 2019, specific attention was paid to CAMS (Customer Due Diligence, Anti-Money Laundering, Counter Terrorist Financing and Sanctions Screening), IT Strategy, the revision of the Basel Framework known as Basel IV and DLL's Risk Control Framework.

Self-assessment

In view of the changes in the composition of the Supervisory Board, with one resignation in 2019 and two of the current four members only recently appointed, the Board decided to defer a repeat (self-) assessment of its composition, performance and effectiveness. This notwithstanding, (the quality of) the interaction between the Supervisory Board and the Executive Board has been a regular theme of discussion. The next (self-)assessment will be conducted under the guidance of an external facilitator and will also address the future functioning of the Board considering the new composition with two shareholder representatives and two external members.

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 2019 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 2019 financial statements.

The Supervisory Board would like to propose to the general meeting of shareholders of DLL to adopt the financial statements of 2019.

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

Utrecht, April 22, 2020

Financial statements **2019**

Consolidated financial statements

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Primary financial statements

Consolidated statement of **financial position**

in millions of euros	Notes	2019*	2018*
Assets			
Cash and cash equivalents	3.6	423	399
Accounts receivable and other short- term assets	4.2	740	774
Derivatives	3.4	40	56
Due from banks	3.5	2,434	2,070
Due from customers	1.1	33,631	31,239
Fixed assets under operating lease	1.2	2,916	2,603
Goodwill and other intangible assets	4.1	76	83
Current tax receivables	2.6	120	115
Deferred tax assets	2.6	113	107
Other assets	4.2	196	199
Total assets		**40,689**	**37,645**
Liabilities			
Short-term loans and overdrafts	3.2	6,657	5,072
Accounts payable and other short-term liabilities	4.3	688	855
Issued debt securities	3.3	2,749	1,880
Provisions	4.4	90	96
Derivatives	3.4	119	79
Long-term borrowings	3.2	25,252	24,984
Current tax payables	2.6	52	24
Deferred tax liabilities	2.6	472	393
Other liabilities	4.3	428	331
Total liabilities		**36,507**	**33,714**
Equity			
Share capital and share premium	3.1	1,233	1,233
Retained earnings	3.1	2,399	2,141
Foreign currency translation reserve	3.1	80	84
Total equity attributable to equity holders of the parent		**3,712**	**3,458**
Non-controlling interest		470	473
Total equity		**4,182**	**3,931**
Total liabilities and equity		**40,689**	**37,645**

* As on December 31

Consolidated statement of **profit or loss**

for the year ended December 31

in millions of euros	Notes	2019	2018
Interest revenue	2.1	1,770	1,545
Interest expense	2.1	(759)	(595)
Net interest income	2.1	**1,011**	**950**
Revenue from operating leases		832	703
Depreciation and other operating lease expenses		(649)	(538)
Net operating lease income		**183**	**165**
Gains/(losses) from financial instruments	2.2	(11)	(3)
Fee and other income	2.3	266	246
Fee expenses		(33)	(25)
Total net income		**1,416**	**1,333**
Staff expenses	2.4	(508)	(486)
Other operating expenses	2.5	(258)	(238)
Total operating expenses		**(766)**	**(724)**
Credit losses and other impairments	1.3	(208)	(114)
Profit before tax		**442**	**495**
Income tax credit/(expense)	2.6	(145)	(115)
Profit for the year		**297**	**380**
Profit for the year attributable to:			
Shareholders of the parent		257	320
Non-controlling Interest		40	60

Consolidated statement of **other comprehensive income**

for the year ended December 31

in millions of euros	Notes	2019	2018
Profit for the year		**297**	**380**
Other comprehensive income/(expense) not to be reclassified to profit or loss in subsequent years			
Employee benefit:			
Remeasurement of post-employment benefit reserve, before tax		1	(1)
Income tax effect	2.6	-	-
		1	(1)
Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent years:			
Foreign currency translation reserves			
Gains/(losses) during the year		-	(30)
Recycling to profit or loss		-	-
		-	(30)
Other comprehensive income/(expense) for the year, net of tax		1	(31)
Total comprehensive income for the year, net of tax		**298**	**349**
Total comprehensive income attributable to:			
Shareholders of the parent		254	295
Non-controlling interest		44	54

Consolidated statement of **changes in equity**

in millions of euros	Note	Share capital and share premium*	Retained earnings*	FCTR*	Total	Non-controlling interest	Total equity
		Attributable to equity holders of the parent					
Balance at January 1, 2018		1,233	1,822	108	3,163	470	3,633
Profit for the year		-	320	-	320	60	380
Other comprehensive expense		-	(1)	(24)	(25)	(6)	(31)
Remeasurement of post-employment benefit reserve, net of tax		-	(1)	-	(1)	-	(1)
Fair value changes of derivatives designated for net investment hedging, net of tax		-	-	(53)	(53)	-	(53)
Exchange differences on translation of foreign operations		-	-	29	29	(6)	23
Total comprehensive income		-	319	(24)	295	54	349
Equity contributions**		-	-	-	-	5	5
Dividends	3.1	-	-	-	-	(56)	(56)
Balance at December 31, 2018		**1,233**	**2,141**	**84**	**3,458**	**473**	**3,931**
Balance at January 1, 2019		1,233	2,141	84	3,458	473	3,931
Profit for the year		-	257	-	257	40	297
Other comprehensive expense		-	1	(4)	(3)	4	1
Remeasurement of post-employment benefit reserve, net of tax		-	1	-	1	-	1
Fair value changes of derivatives designated for net investment hedging, net of tax		-	-	(73)	(73)	(2)	(75)
Exchange differences on translation of foreign operations		-	-	69	69	6	75
Total comprehensive income		-	258	(4)	254	44	298
Dividends	3.1	-	-	-	-	(47)	(47)
Balance at December 31, 2019		**1,233**	**2,399**	**80**	**3,712**	**470**	**4,182**

* Refer to note 3.1

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

Consolidated statement of **cash flows**

for the year ended December 31

in millions of euros	Notes	2019	2018
Cash flows from operating activities			
Profit before tax	2.6	**442**	**495**
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of fixed assets under operating lease	1.2	649	538
Impairment of fixed assets under operating lease	1.2	7	10
Loss/(gain) on disposal of fixed assets under operating lease		6	11
Depreciation of fixed assets for own use	4.2	21	10
Amortization and impairment of intangible assets	4.1	7	17
Reversal of impairment disposal group held for sale		-	(40)
Net foreign exchange differences	2.2	2	3
Unrealized gains and losses from derivatives		56	13
Movements in provisions	4.4	(2)	10
Credit losses: charges & recoveries	1.3	193	101
Interest income	2.1	(1,770)	(1,545)
Interest expenses	2.1	759	595
		370	**218**
Net change in operating assets and liabilities:			
Due from customers		(2,167)	(2,545)
Purchase of fixed assets under operating lease	1.2	(1,149)	(1,100)
Proceeds from sale of fixed assets under operating lease		231	364
Due from banks		(364)	(265)
Short term loans from banks and overdrafts		1,585	633
Other assets		28	(181)
Other liabilities		(70)	63
		(1,536)	**(2,813)**
Interest received		1,752	1,536
Interest paid		(759)	(595)
Income tax paid		(53)	(32)
Other		(22)	(16)
Net cash flows from operating activities		**(618)**	**(1,920)**
Cash flows from investing activities			
Purchase of fixed assets for own use	4.2	(10)	(9)
Proceeds from sale of fixed assets for own use		-	1
Purchase of intangible assets	4.1	(2)	(4)
Net cash flows from investing activities		**(12)**	**(12)**
Cash flows from financing activities			
Repayments of long-term Rabobank borrowings		(10,768)	(9,140)
Drawdowns of long-term Rabobank borrowings		10,969	9,323
Repayments/drawdowns of other long-term borrowings		(335)	584
Issue of debt securities	3.3	2,063	1,473
Repayments of debt securities	3.3	(1,228)	(235)
Equity contributions received*		-	5
Dividends paid		(47)	(56)
Net cash flows from financing activities		**654**	**1,954**
Net increase/(decrease) in cash and cash equivalents		24	22
Net exchange differences		-	-
Cash and cash equivalents at January 1		399	377
Cash and cash equivalents at December 31	3.6	**423**	**399**

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

Notes to the consolidated financial statements

Introduction

i. Corporate information

These consolidated financial statements of De Lage Landen International B.V. (the Company) and its subsidiaries (collectively DLL or the Group) for the year ended December 31, 2019 were authorized for issue in accordance with a resolution of the Executive Board (EB) on April 22, 2020.

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.

The Group offers customers various financial solution products including leasing and lending, with presence in over 30 countries all across the world.

DLL has had a banking license in the Netherlands since 1988 and is regulated by the European Central Bank and the Dutch Central Bank (De Nederlandsche Bank or DNB). This license is pass ported 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:
- De Lage Landen America Holdings B.V.
- De Lage Landen Corporate Finance B.V.
- De Lage Landen International B.V.
- De Lage Landen Vendorlease B.V.

ii. Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

These consolidated financial statements have been prepared on a historical cost basis, except for financial assets and liabilities that are measured at fair value (including derivatives and fair value financial assets) and defined benefit pension plans where the plan assets are measured at fair value. All figures are presented in euros with values rounded to the nearest million, except when indicated otherwise.

The Executive Board considers it appropriate to adopt the going concern basis of accounting in preparing these financial statements based on a financial forecast analysis that supports the going concern assumption. In these considerations the implications of the Coronavirus has been included. For more information see section v Events occurring after the reported period.

The consolidated financial statements provide comparative information for the year ended December 31, 2018, as required for financial statements prepared in accordance with IFRS.

As of January 1, 2019, IFRS 16 Leases, IFRIC 23 Uncertain Tax Positions and the amendments to IAS 19 Employee Benefits have become effective.

IFRS 16 Leases

IFRS 16 became effective on January 1, 2019, and DLL applies the modified retrospective approach which retains the prior period figures as reported under the previous standard and recognizes the effects of IFRS 16 in the opening balance as per January 1, 2019. The adoption of IFRS 16 Leases resulted in changes in accounting policies. The new accounting policies are set out in Section 4.2 Accounts receivable and other assets. DLL recognized the right of-use assets as part of the line-item Property and Equipment and a corresponding lease liability as part of line-item Other Liabilities in the Consolidated Statement of Financial Position. The lease liability is measured at the present value of the lease payments. On initial application, the right-of-use asset is measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The introduction of IFRS 16 did not have an impact on the opening balance of equity, but led to an increase of assets and liabilities as per January 1, 2019, for an amount of EUR 38 million. DLL applied the following practical expedients at the date of initial application: i) reliance on the assessment of whether leases are onerous by applying IAS 37 immediately before the date of initial application as an alternative to performing an impairment review, which then leads to an adjustment of the right-of-use asset by the amount of any provision for onerous leases and ii) exclusion of the initial direct costs from the measurement of the right-of-use asset.

in millions of euros	January 1, 2019
The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized	4.5
Off balance operating lease commitments as per December 31, 2018, discounted using the incremental borrowing rate on January 1, 2019	41
Change as a result of excluding non-lease components	-
Change as a result of excluding low-value and short-term leases	(3)
Lease liabilities recognized in the statement of financial position	38

Other amendments to IFRS
Amendments have been made to IAS 28, IAS 19, IFRS 9 and IFRIC 23 and the Annual Improvements to IFRS Standards 2015-2017 Cycle have been issued. The implementation of these guidelines and amendments has no impact on profit or equity.

Basis of preparation cash flow statement
Cash and cash equivalents include cash resources, cash in transit and deposits at central 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 income 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 loans and receivables. 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.

Refer to note 4.10 for standards that have been issued but that DLL has chosen not to early-adopt.

The policies adopted are the same as the previous financial year with the exception of the policies stated in "ii Basis of preparation" and under iii "Basis of consolidation."

iii. Basis of consolidation

These consolidated financial statements comprise the financial statements of the Group and its subsidiaries as on December 31, 2019. The Group structure at December 31, 2019, is presented in note 4.8.

The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB) and 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 between 20% to 50% of the voting rights. Share of profit from associates are 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 below summarize the key judgments made and key estimates used in the preparation of these consolidated financial statements.

Key judgments	Note
Classification of leases and loans to customers	1.1
Consolidation of special-purpose vehicles	3.3
Hedge accounting effectiveness	3.4

Key estimates	Note
Residual value reassessment	1.2
Allowance for impairment	1.3
Fair value of derivatives	3.4

v. Events occurring after reported period

The Coronavirus pandemic has developed rapidly in 2020, with a significant number of infections. Measures taken by various governments to contain the virus have affected economic activity. DLL has set up a Coronavirus Global Crisis Team that is working daily to monitor these risks, relevant developments and take appropriate steps to protect the health of the workforce, customers and business. Furthermore, DLL has taken a number of measures to monitor and prevent the effects of the Coronavirus such safety and health measures for our people (like social distancing and working from home) and is in the process of setting up payment relief programs for impacted customers.

The outbreak of this virus has disrupted global financial markets and negatively affected supply and demand across a broad range of industries. Therefore, while we expect this matter will likely negatively impact our future financial performance, the extent of such impact will depend on the outcome of certain developments, including but not limited to, the duration and spread of the outbreak as well as the impact on our customers, vendors, suppliers, and employees, all of which are uncertain and cannot be reasonably estimated. The main impact will be a slowdown of portfolio growth, resulting in a reduction in net income as well as an increase in credit impairments.

The CET1 ratio of 15.8%, which is considerably above minimum requirements, as well as the absolute equity of EUR 4.2 billion gives DLL a comfortable buffer to deal with any negative implications of the Coronavirus and all the measures taken by governments. Rabobank is and will continue to be our main source of funding. Availability of capital and liquidity is closely monitored in coordination with Rabobank.

At this moment, whilst uncertain, we do not believe, however, that the impact of the Coronavirus and all measures taken by governments would have a material adverse impact on our financial condition, liquidity or solvency.

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.

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	2019*	2018*
Finance lease receivables	17,003	16,224
Loans to customers	16,997	15,292
	34,000	**31,516**
Allowance for impairment finance lease receivables	(193)	(147)
Allowance for impairment loans to customers	(176)	(130)
	(369)	**(277)**
Total due from customers	**33,631**	**31,239**

* As on December 31

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

in millions of euros	2019*	2018*
Technology solutions	6,575	6,027
Construction, transportation and industrial equipment	9,099	7,299
Food and agricultural equipment	14,091	12,443
Health care and clean tech	3,501	3,158
Other	365	2,312
Total due from customers	**33,631**	**31,239**

* As on December 31

The decrease in the other category is mainly caused by the Dutch vendor finance portfolio that was included in the other category in prior years but is allocated to the various asset types in 2019.

Fair value of amounts due from customers
At December 31, 2019, the fair value of amounts due from customers was EUR 33,874 million (2018: EUR 30,975 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 finance receivable portfolios hedged

DLL applies a macro fair value hedge accounting model for the interest rate risk in the fixed-rate EUR and USD finance receivable portfolios. The difference between amortized cost and fair value (basis adjustment) for assets that have been designated for macro fair value hedge accounting is included in amounts due from customers and amounted to positive EUR 93 million as on December 31, 2019 (2018: EUR 28 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, 2019, EUR 3,349 million (2018: EUR 2,376 million) of assets have been pledged in various funding transactions. The increase compared to last year is fully caused by the securitization transactions conducted in 2019, which are detailed in note 3.3.

Unguaranteed residual value

The value of unguaranteed residual values included in the carrying amount at December 31, 2019, was EUR 2,365 million (2018: EUR 2,424 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 below summarizes outstanding gross investment in finance lease receivables as well as unearned finance income, all net of impairment:

in millions of euros	2019*	2018*
Less than 1 year	6,612	6,050
More than 1 year, less than 5 years	11,158	10,669
More than 5 years	527	680
Gross investment in leases	**18,297**	**17,399**
Unearned finance income	(1,487)	(1,322)
Net investment in leases	**16,810**	**16,077**

* As on December 31

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

in millions of euros	2019*	2018*
Less than 1 year	6,475	5,960
More than 1, less than 5 years	9,920	9,574
More than 5 years	415	543
Net investment in leases	**16,810**	**16,077**

* As on December 31

Key judgment: classification of a finance lease, operational leases and loans to customers

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 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 or end-customer bears substantially all of the economic risk associated with the underlying assets. DLL does not retain significant asset risk from these arrangements. Transactions where DLL retains significant asset risk 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).
– Net investment in leases is presented net of allowance for impairment. Refer also to note 1.3 Credit risk management on 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 like trucks, forklifts, tractors and copiers:

in millions of euros	2019	2018
Cost	3,772	3,537
Accumulated depreciation and impairment	(1,169)	(1,076)
Carrying amount at January 1	**2,603**	**2,461**
Purchases	1,149	1,100
Transfer to inventories	(82)	(13)
Disposals	(237)	(373)
Depreciation	(649)	(538)
Impairment	(7)	(10)
Other	81	(60)
Net exchange differences	58	36
Cost	4,359	3,772
Accumulated depreciation and impairment	(1,443)	(1,169)
Carrying amount at December 31	**2,916**	**2,603**

Under "other" reclassifications between operating leases and finance lease receivables are included due to incorrect classifications amounting to EUR 60 million in 2019 and EUR (72) million in 2018.

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

in millions of euros	2019*	2018*
Less than 1 year	672	574
More than 1 year, less than 5 years	1,065	989
More than 5 years	55	69
Total minimum lease payments	**1,792**	**1,632**

* As on December 31

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

Assets under operating lease pledged

As on December 31, 2019, DLL pledged EUR 488 million (2018: EUR 353 million) of assets under operating lease as collateral under term financing received from banks in the U.S. and the U.K. 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. Residual values are influenced by asset market prices and are therefore subject to management estimation. 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 according to the nature of the asset.
- 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

- 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.

1.3 Credit risk management

Credit risk defined

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

Information regarding credit risk associated with amounts outstanding from counterparties (including current accounts, derivatives and loans to Rabobank, other banks as well as accounts receivable, which are not linked to the lease portfolio) is disclosed in respective notes (refer to notes 3.6, 3.4, 3.5 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
- Local Credit Committees (LCC) operating at country level.

Authority limits are granted to the GCC by DLL's Executive Board, who in turn is granted authority by Rabobank. Decisions for exposures above GCC authority require an approval from Rabobank. Authority limits for LCCs and Group Risk departments within DLL are granted and reviewed annually by the Global Risk Committee (GRC) under authority of DLL's Executive Board. 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 accounts 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.

Group Risk 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 for 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.

	2019*		2018*	
in millions of euros	Maximum exposure	Collateral coverage (%)	Maximum exposure	Collateral coverage (%)
Due from customers	33,631	99.01%	31,239	98.27%
Fixed assets under operating lease	2,916	95.72%	2,603	93.42%
Total exposure	**36,547**	**98.75%**	**33,842**	**97.90%**

* 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 if 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 at December 31, 2019, was EUR 1,335 million, comprising 4% of the total portfolio (2018: EUR 1,297 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), that reflects the risk of failure or the Probability of Default (PD) of the loan relation over a period of one year. The table below shows the loan quality of the loan related balance sheet items after deduction of the impairment allowance. The loan-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 PD within a period of one year. The rating is determined, in principle, on a cyclically neutral basis. D1-D4 ratings refer to default classifications. D1 represents 90 days' past due (depending on local conditions this may be extended to more than 90 days); D2 indicates high probability that the debtor is unable to pay; D3 indicates that the debtor's assets will most likely need to be liquidated due to default; and D4 indicates bankruptcy status. The default ratings make up the total impaired exposure. The "vulnerable" category consists of performance ratings that are not (yet) classified as impaired.

Credit risk exposure within quality categories of portfolio assets

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

in millions of euros	Due from customers	FAOL*	Total exposure
December 31, 2019			
(Virtually) no risk	950	131	1,081
Adequate to good	31,761	2,723	34,484
Vulnerable	246	14	260
Defaulted	674	48	722
Total exposure	**33,631**	**2,916**	**36,547**
December 31, 2018			
(Virtually) no risk	866	121	987
Adequate to good	29,575	2,428	32,003
Vulnerable	330	24	354
Defaulted	468	30	498
Total exposure	**31,239**	**2,603**	**33,842**

* Fixed assets under operating lease.

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

		Non-credit impaired	Credit impaired	
	Subject to 12-month ECL	Subject to lifetime ECL	Subject to lifetime ECL	Total gross exposure
Gross carrying amount in millions of euros	Stage 1	Stage 2	Stage 3	
December 31, 2019				
(Virtually) no risk	925	25	-	950
Adequate to good	27,727	4,034	-	31,761
Vulnerable	-	246	-	246
Defaulted	-	-	674	674
Total gross exposure	**28,652**	**4,305**	**674**	**33,631**

		Non-credit impaired	Credit impaired	
	Subject to 12-month ECL	Subject to lifetime ECL	Subject to lifetime ECL	Total gross exposure
Gross carrying amount in millions of euros	Stage 1	Stage 2	Stage 3	
December 31, 2018				
(Virtually) no risk	816	50	-	866
Adequate to good	26,472	3,103	-	29,575
Vulnerable	2	328	-	330
Defaulted	4	-	464	468
Total gross exposure	**27,294**	**3,481**	**464**	**31,239**

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 and considered to be of good credit quality.
- **Past due but not impaired (underperforming)** are overdue balances for which no loss is anticipated.
- **Impaired (non-performing)** are receivables where DLL does not expect to recover all amounts due from customers. This category has low credit quality and includes all assets with default ratings.

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

in millions of euros	Due from customers
As on December 31, 2019	
Neither past due nor impaired	30,952
Past due but not impaired	2,005
< 30 days	1,292
30 to 60 days	467
61 to 90 days	104
> 90 days	142
Impaired*	674
Total exposure	**33,631**
As on December 31, 2018	
Neither past due nor impaired	28,689
Past due but not impaired	2,086
< 30 days	1,374
30 to 60 days	382
61 to 90 days	116
> 90 days	214
Impaired*	464
Total exposure	**31,239**

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

Allowance for 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. DLL presents allowance for impairment separately from the gross balance of respective assets rather than directly reducing their carrying amounts. Given the number of uncertainties 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 separate approaches for measuring and recognizing expected credit losses. DLL implemented these three-stage expected credit loss impairment models, which involve a significant degree of management judgement. The impairment methodology for loans and advances results in the recognition of allowances measured at an amount equal to 12-month expected credit losses (stage 1); allowances measured at an amount equal to lifetime expected credit losses for financial assets for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets (stage 2); and financial assets that are credit-impaired (stage 3).

Impairment methodology

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

If doubts arise, DLL monitors the exposures more frequently and maintains them on a watch list. When a loss event has occurred, an impairment allowance is calculated and recognized.

At initial recognition, an allowance is formed for the amount of the expected credit losses from possible defaults in the coming 12 months ("12-months Expected Credit Loss" (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. 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)** 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)** determined for impaired exposures that are not individually significant.
- **Allowance for not credit-impaired exposures** 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.

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

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

a) Methodology to determine expected credit losses

In order to determine ECLs DLL utilizes point-in-time PD, LGD and EAD models for the majority of the portfolio in scope. A macroeconomic scenario (unemployment) is incorporated into these models and probability weighted in order to determine the expected credit losses.

DLL uses internal models to estimate PD, LGD and EAD 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	2019	2018
Charge for the year	232	137
Recoveries	(39)	(36)
Collection and recovery costs	15	13
Total credit losses and other impairments	**208**	**114**

Composition of allowance for impairment

The following table presents movements in allowances of impairment as well as the composition of the allowance.

	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	2019
Balance on January 1	67	46	164	277
Charge for the year	14	30	44	88
Written off	-	-	(156)	(156)
Net exchange differences	-	-	-	-
Stage transfer due to change in credit risk	(1)	1	160	160
Balance on December 31	**80**	**77**	**212**	**369**

	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	2018
Balance on January 1	56	40	164	260
Charge for the year	4	-	105	109
Written off	-	-	(143)	(143)
Net exchange differences	(1)	-	(2)	(3)
Stage transfer due to change in credit risk	(4)	6	40	42
Other changes	12	-	-	12
Balance on December 31	**67**	**46**	**164**	**277**

In the following table an overview is given of the significant changes in the gross carrying amount of loans and advances to customers during the period that contributed to changes in the total impairment allowance.

	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	2019
Balance on January 1	27,294	3,481	464	31,239
New loans and advances originated	16,132	-	-	16,132
Loans and advances that have been derecognized	(11,839)	(2,015)	-	(13,854)
Write-offs	-	-	(141)	(141)
Other changes	(2,935)	2,839	351	255
Balance on December 31	**28,652**	**4,305**	**674**	**33,631**

	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	2018
Balance on January 1	24,965	2,619	435	28,019
New loans and advances originated	13,529	1,030	168	14,727
Loans and advances that have been derecognized	(10,412)	(906)	(235)	(11,553)
Write-offs	-	-	(88)	(88)
Other changes	(788)	738	184	134
Balance on December 31	**27,294**	**3,481**	**464**	**31,239**

Judgments and estimates on model based impairment allowances on financial assets

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

We use estimates and management judgment in determining the expected credit loss in model based impairment allowances for the following elements.

Significant increase in credit risk

Judgment is required to transfer assets from stage 1 to stage 2. To demonstrate the sensitivity of the ECL to the PD thresholds, an analysis was prepared, which assumed all assets were below the PD threshold and apportioned a 12 month ECL. On the same asset base, an analysis was made which assumed all assets were above the PD threshold and apportioned a lifetime ECL. These analyses resulted in ECLs of EUR 114 million and EUR 270 million respectively, compared to current ECL of EUR 157 million.

Forward-looking information and macro-economic scenarios

The estimation of expected credit losses for stages 1 and 2 and the assessment of significant increases in credit risk consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions (forward looking information). We use one, probability-weighted, global macroeconomic scenario (consisting of a baseline, a baseline minus and a baseline plus scenario) in our ECL models to determine the expected credit losses. Important variables are unemployment rates. These forward-looking macroeconomic forecasts require judgment and are largely based on information from internal Rabobank research. 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 is presented below.

in millions of euros	ECL unweighted	Probability	Weighted ECL December 31, 2019	Weighted ECL December 31, 2018
Unemployment				
Plus	126	15%		
Baseline	149	70%	149	100
Minus	176	15%		

Measurement of expected credit losses

The Probability of Default (PD), Loss Given Default (LGD) and the Exposure at Default (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 judgements and estimates. The mentioned inputs also require estimates in the following way:

– PD is an estimate of the likelihood of default over a given time horizon.
– LGD 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 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.

The table below shows the impact on the ECL in the baseline scenario resulting from changes in PD, collateral value and full prepayment rate.

in millions of euros	Impact on ECL per December 31, 2019
PD rating 1 notch deterioration (PD)	94
PD rating 1 notch improved (PD)	(53)
Collateral value down by 10% (LGD)	19
Collateral value up by 10% (LGD)	(19)

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

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

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

in millions of euros	2019*	2018*
Undrawn irrevocable credit facilities	4,990	4,295
Guarantees and other commitments	116	108
Total credit-related commitments	**5,106**	**4,403**

* As on December 31

Performance

2.1 Interest revenue and expense

in millions of euros	2019	2018
Interest revenue		
Interest income from customers	1,631	1,454
Interest income from loans to Rabobank	16	22
Interest income from derivatives with Rabobank	116	66
Other interest income	7	3
	1,770	**1,545**
Interest expense		
Interest expense on borrowings from Rabobank	(425)	(375)
Interest expense on derivatives with Rabobank	(136)	(81)
Interest expense on other borrowings	(131)	(104)
Interest expense on debt securities issued	(65)	(24)
Interest expense on derivatives with other banks	(1)	(2)
Other interest expense	(1)	(9)
	(759)	**(595)**
Net interest income	**1,011**	**950**

Accounting policy for interest revenue and expense
For all 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	2019	2018
Gains/(losses) from derivatives held for trading	(30)	(5)
Foreign exchange differences	(2)	(3)
Gains/(losses) from financial assets designated for fair value hedge accounting	63	37
Gains/(losses) on derivatives used to hedge the interest risk on the portfolio	(42)	(32)
Total gains/(losses) from financial instruments	**(11)**	**(3)**

Gains/(losses) from derivatives

Gains/(losses) from derivatives relate to derivative transactions that are undertaken by DLL for risk mitigation purposes. 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.

DLL uses a macro fair value hedging model to hedge the fixed-rate EUR and USD finance receivable portfolios. DLL opted to use the accounting policy choice of IFRS 9 to continue to apply the IAS 39 EU carve-out for such portfolio hedge accounting. 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 and 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 and compares fair value movement over the period due to actual movement of interest rate curves.

For the model to be effective, the offsetting fair value changes of hedged items and hedging instruments must be within the 80%-125% range for both tests (IAS 39). 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	2019	2018
Net early termination income	42	40
Other lease-related fee income	117	101
Insurance brokerage fee income	80	71
Other income	16	26
Net reinsurance income	11	8
Total fee and other income	**266**	**246**

Net early termination income

This is income arising from gains on lease contracts that were terminated early 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 the setting up of leasing contracts. 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.

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	2019	2018
Short-term employee benefit	400	370
Wages and salaries	302	270
Social Security costs	60	54
Temporary staff	38	46
Other short-term benefits	82	94
Pension – defined contribution plans	23	21
Pension – defined benefit plans	1	-
Other long-term employee benefits	2	1
Total staff expenses	**508**	**486**

The average number of employees (both internal and external) in DLL was 5,073 (2018: 4,875) of whom 822 (2018: 844) were employed in the Netherlands.

DLL's remuneration policy consists of fixed and variable remuneration components and various fringe benefits, including a pension scheme. 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).

Identified staff

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

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

The variable remuneration is measured 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 in the years before vesting.

On December 31, 2019, a liability of EUR 1,008 thousand was included (2018: EUR 1,706 thousand) in respect to the instrument portion of the variable remuneration of the identified staff. Total compensation on instruments incurred on this variable remuneration end 2019 was EUR 27 thousand (2018: EUR 87 thousand). The number of DRNs still outstanding is presented in the following table:

in thousands of DRNs	2019	2018
Opening balance at January 1	54	96
Awarded during the year	3	1
Paid in cash during the year	(22)	(32)
Changes from previous year	-	(11)
Closing balance at December 31	**35**	**54**

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

in thousands of euros			Year of payment			
As on December 31, 2019	2020	2021	2022	2023	2024	Total
Variable remuneration excluding DRNs	404	41	14	11	-	470
DRNs	550	420	40	14	11	1,035
Total	**954**	**461**	**54**	**25**	**11**	**1,505**
As on December 31, 2018	2019	2020	2021	2022	2023	Total
Variable remuneration excluding DRNs	500	361	28	2	-	891
DRNs	736	611	412	31	2	1,792
Total	**1,236**	**972**	**440**	**33**	**2**	**2,683**

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

Compensation of the Executive Board members:

in thousands of euros	2019	2018
Short-term employee benefits	3,927	3,534
Post-employment benefits	111	90
Total Executive Board compensation	**4,038**	**3,624**

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, 2019, a liability of EUR 178 thousand (2018: EUR 351 thousand) in instruments (DRNs) for EB members was recognised. At December 31, 2019, there were a total of 6,256 DRNs outstanding for the EB members (2018: 11,084 DRNs).

In the Netherlands, EB members participate in a collective defined contribution scheme. As of January 1, 2019, the maximum income on the basis of which the members of the EB can build up pension amounts to EUR 101,753. Any income exceeding this amount is not pensionable.

One member (2018: one member) of the EB received a total compensation exceeding EUR 1 million in 2019.

Compensation of the Supervisory Board members
In March 2019 and July 2019 two new Supervisory Board members have been appointed and one Supervisory Board member stepped down, which resulted into a Supervisory Board of four members. From the four members of the Supervisory Board (SB), two external board members receive a 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 2019 was EUR 183 thousand (2018: EUR 62.5 thousand).

DLL did not pay termination compensation to key management personnel in 2019 (2018: none).

2.5 Other operating expenses

in millions of euros	2019	2018
Administrative expenses	115	134
Administrative charges from parent company	43	44
Depreciation, amortization and impairment	30	(13)
IT related cost	70	73
Total other expenses	**258**	**238**

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

in millions of euros	2019	2018
Audit of financial statements	7	6
Other audit services	1	1
Permitted tax services	1	1
Other permitted (non-audit) services	-	-
Total expenses	**9**	**8**

The fees listed above relate to the procedures performed to DLL and its consolidated group entities by Pricewaterhouse-Coopers 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 audit of financial statements, regardless of whether the work was performed during the financial year. Next to the statutory audit of these financial statements our independent auditor, PricewaterhouseCoopers Accountants N.V., renders the following services to De Lage Landen International B.V. and its controlled entities: 1) review of the Financial Statements for one of its controlled entities, 2) audit and review procedures related to the (semi)annual financial reporting towards the parent company, 3) audit procedures in relation to the regulatory returns to be submitted to the regulators and 4) agreed-upon procedures on cost allocations within the group. The fees of Pricewaterhouse Coopers Accountants N.V. for the aforementioned services amounted to EUR 2 million (2018: EUR 2 million).

Administrative expenses
Administrative expenses include costs of travelling, marketing and advertising, consultant fees and the independent auditor's remuneration.

Administrative charges from parent
As the holder of a banking license, DLL is subject to bank taxes and resolution levies. These charges are paid by Rabobank for all Rabobank group companies collectively. Rabobank subsequently recharges applicable amounts to DLL as part of an administrative charge.

Depreciation, amortization and impairment
Depreciation, amortization and impairment expenses relate to usage of DLL-owned land, buildings and equipment; as well as the amortization and impairments of intangible assets. Refer to notes 4.1 and 4.2 for further description.

The amount for 2019 was EUR 29 million comparing to EUR (13) million for 2018. In 2018 a EUR 40 million impairment for a foreign subsidiary was reversed.

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	2019	2018
Current tax charge for the year	76	9
Deferred tax (credit)/charge for the year	63	116
Origination and reversal of temporary differences	66	120
Effect of changes in tax rates	(3)	(4)
Adjustments for prior years	6	(10)
Tax (credit)/charge for the year	**145**	**115**

Reconciliation of the total tax charge

The effective tax rate for 2019 was 33% and differs from the theoretical rate that would arise using the Dutch corporate tax rate. This difference is explained as follows:

in millions of euros	%	2019	%	2018
Operating profit before taxation		442		495
Applicable tax rate	25	111	25	124
Increase/(decrease) in taxes resulting from:				
Tax-exempt income	(2)	(7)	(3)	(17)
Tax rate differences	-	-	-	3
Non-deductible expenses	1	5	1	5
Recognition of previously unrecognized tax losses	-	(1)	-	(1)
Other permanent differences	-	2	-	2
Adjustments of previous years	1	6	-	(2)
Adjustments due to changes in tax rates	-	(3)	-	1
Other non-recurring tax items	8	32	-	-
Total income tax	**33**	**145**	**23**	**115**

The other non-recurring tax items mainly comprise the additions to the uncertain tax positions and a deferred tax charge due to a transfer of an entity within the Group.

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% (2018: 25%). There were no changes in the statutory tax rate in the Netherlands. The following table shows a reconciliation of the tax expense and the accounting profit multiplied by the domestic tax rate:

in millions of euros	2019	2018
Profit before income tax	442	495
Tax-exempt income	(40)	(67)
Non-deductible expenses	13	19
Non-recognizable fiscal losses	7	7
Utilization of previously unrecognized tax losses	(4)	(2)
Local tax credits	(13)	(35)
Other	(1)	(1)
Taxable income	**404**	**416**
Tax calculated using applicable tax rates	108	106
Effect of changes in tax rates	(3)	1
Adjustments for prior years	6	(2)
Other adjustments	34	10
Tax (credit)/ expense for the year	**145**	**115**

The other adjustments mainly comprise the additions to the uncertain tax positions and a deferred tax charge due to a transfer of an entity within the group.

The effect of changes in tax rate in 2019 is EUR (3) million (2018: EUR 1 million profit). 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 credit/(charge)		Other comprehensive income credit	
in millions of euros	2019*	2018*	2019	2018	2019	2018
Deferred tax assets						
Leases	34	1	18	23	-	-
Allowance for impairment	52	92	(3)	1	-	-
Provisions	6	5	-	(1)	-	-
Fixed assets for own use	-	-	6	-	-	-
Intangible assets	-	1	-	-	-	-
Uncertain tax positions	(3)	-	3	-	-	-
Other	9	(4)	19	4	-	-
Net operating losses	15	12	3	(4)	-	-
Total deferred tax assets	**113**	**107**	**46**	**23**	**-**	**-**

	Deferred tax assets/liabilities		Profit or loss credit/(charge)		Other comprehensive income credit	
in millions of euros	2019	2018	2019	2018	2019	2018
Deferred tax liabilities						
Leases	(677)	(570)	(81)	(191)	-	-
Allowance for impairment	9	13	(56)	42	-	-
Provisions	-	2	-	(4)	-	-
Fixed assets for own use	1	(5)	-	-	-	-
General reserves	2	7	(6)	(9)	-	-
Uncertain tax positions	1	-	1	-	-	-
Other	(20)	(21)	4	(39)	-	-
Net operating losses	212	181	29	62	-	-
Total deferred tax liabilities	(472)	(393)	(109)	(139)	-	-
Net deferred tax liabilities	**(359)**	**(286)**	**-**	**-**	**-**	**-**
Net deferred tax benefit/(expense)	**-**	**-**	**(63)**	**(116)**	**-**	**-**

* As on December 31

Unrecognized deferred tax assets

No deferred tax asset of EUR 7 million (2018: EUR 13 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 assets/(liabilities)

The movement in the net deferred tax assets/(liabilities) can be summarized as follows:

in millions of euros	2019	2018
Net deferred tax liabilities at January 1	(286)	(165)
Adjustment opening balance IFRS 9	-	4
Total net deferred tax liabilities at January 1	**(286)**	**(161)**
Profit or loss (charge)/credit	(63)	(116)
Other comprehensive income (charge)/credit	(1)	-
Net exchange differences	(7)	(14)
Other	(2)	5
Net deferred tax liabilities at December 31	**(359)**	**(286)**

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 budgets and 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 227 million (2018: EUR 192 million) of which EUR 1 million is expected to be recovered within a year (2018: EUR 8 million).

The Group has not recognized deferred tax assets in respect to tax losses of EUR 7 million (2018: EUR 13 million) as the Group considers it not probable that future taxable profits will be available to offset these tax losses (also taking into account expiry dates when applicable).

Funding & Liquidity

3.1 Equity and capital management

Components of equity

Share capital and share premium

At December 31, 2019, DLL's authorized capital was EUR 454 million (2018: EUR 454 million), divided into 950 ordinary A shares and 50 ordinary B shares (2018: 950 A and 50 B). The nominal value of each share is EUR 454,000 (2018: EUR 454,000). EUR 98 million (2018: 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 (2018: EUR 1,135 million). For the years 2019 and 2018 there is no difference in shareholders' rights related to the class A and class B shares.

Retained earnings

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

Foreign currency translation reserve (FCTR)

Exchange differences arising from translation of DLL's net investment in foreign operations and the associated fair value movements of the hedge instruments used in a hedge relationship are recognized as FCTR. Movements in FCTR are recorded as a component of other comprehensive income in the period in which they arise. The hedging reserve on December 31, 2019, amounts to EUR 61 million (2018: EUR 134 million) and the translation reserve on December 31, 2019 amounts to EUR (19) million (2018: EUR (50) million).

Dividends

In 2019 no dividend was paid to the sole shareholder Coöperatieve Rabobank U.A. (2018: no dividend).

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 requirements imposed on DLL. Effective and efficient capital management is realized by a strong focus on capital allocation. The EB controls the local business and actual capital levels to ensure sufficient capital is held to meet local regulatory requirements as well.

Regulatory capital requirements

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

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

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

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

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

in millions of euros	2019*	2018*
Common Equity Tier 1 capital (CET1)	3,302	2,966
Tier 1 capital (T1)	3,302	2,966
Total capital	3,306	2,972
Risk-weighted assets	20,937	19,406
CET1 ratio	15.77%	15.28%
T1 ratio	15.77%	15.28%
Total capital ratio	15.79%	15.31%

* As on December 31

Capital requirements in 2019 are managed actively by DLL following DLL's risk strategy, risk appetite and balance sheet management policy. Refer to note 1.3 for description of credit risk management and to note 3.7 for a description of market and liquidity risk management.

Regulatory capital buffers

The buffers in the next overview are applicable as of 2016 gradually phasing in until 2019. DLL has incorporated these increased buffer requirements in its capital management. The table shows the minimum legal buffers based on CRR/CRD IV.

	CET1	Tier 1	Own funds
Minimum (required)	4.5%	6.0%	8.0%
Pillar 2	0.0%	0.0%	0.0%
Capital conservation buffer*	2.50%	2.50%	2.50%
	7.00%	8.50%	10.50%
Countercyclical buffer		0.16%	
Systemic buffer	0.0%	0.0%	0.0%
		0.16%	

* This buffer is phased in from 0.625% in 2016 to the full buffer requirement of 2.5% in 2019.

The total required CET1 capital ratio as of December 31, 2019, is therefore 7.16%. Based on the outcome of the Supervisory Review and Evaluation Process, the ECB did not impose a Pillar 2 requirement or Pillar 2 guidance for 2019. The actual capital ratios of DLL exceed these minimum capital ratios. It is our ambition to maintain a strong capital position.

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

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

No changes have been made to the objectives, policies and processes of the capital management from the previous years. However, they are under constant review by the EB.

The actual capital ratios of DLL amply exceed these minimum capital ratios. It is our ambition to maintain a strong capital position.

Stress testing

Stress testing is an important risk management tool for DLL that provides a forward-looking assessment of risk and assists in the optimization of risk capital. It enables the exploration of vulnerabilities in business models while overcoming the limitations of risk models and historical data.

Stress tests are used to measure the impact of extreme, yet plausible events. Where necessary, measures are taken on the basis of the results of the stress tests that are in line with DLL's risk appetite.

Stress test governance

Given the importance of stress testing in terms of regulatory compliance and sound risk management, the stress testing process and governance warrant the involvement of senior and executive management via review and approval of the approach and results by DLL Global Risk Committee and DLL's EB.

Stress test activities

Stress tests occur in different scopes. The current types of stress tests that are executed within DLL can be categorized by a variety of determinants:
- Scenario (macroeconomic, non-macroeconomic);
- Initiator (external versus internal);
- Scope (firm-wide, portfolio-specific and risk-type-specific); and,
- Type (bottom-up, top-down, reverse stress test).

Applied scenarios include scenarios for a set of regular macroeconomic stress tests, thematic stress tests driven by macroeconomic developments, regulator-provided stress tests, as well as scenarios generated as a result of risk identification and ad hoc scenarios. In the various internal and external scenarios both macroeconomic and non-macroeconomic factors are taken into account. The macroeconomic factors include growth, unemployment, inflation and interest rates.

Once a scenario is generated, quantitative approaches are developed. The stress test models used for that are subject to review by the model validation team. Subsequently, the stress tests are executed.

The results of stress tests include impact on the CET1 ratio and its constituent parts (CET1 capital and Risk Weighted Assets) over a projected period of five years. In each scenario, the CET1 ratio is compared to the applied recovery trigger.

The results of stress testing in 2019 demonstrate that DLL's capital levels were above the required thresholds across all five years forecasted and under each scenario.

3.2 Short-term loans and long-term borrowings

in millions of euros	2019*	2018*
Short-term loans and overdrafts		
Short-term loans from Rabobank	6,609	5,032
Other short-term loans	48	40
	6,657	**5,072**
Long-term borrowings		
Long-term borrowings from Rabobank	22,068	21,556
Other long-term borrowings	3,184	3,428
	25,252	**24,984**
Total short-term loans and long- term borrowings	**31,909**	**30,056**

* As on December 31

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

Also included in the long-term borrowings from Rabobank as of December 31, 2019, are USD, CAD and GBP denominated loans of EUR 465 million (2018: EUR 1,170 million) The short term loans from Rabobank on December 31, 2019 amount to EUR 1,438 million (2018: EUR 460 million). This adds up to total loans of EUR 1,903 million (2018: EUR 1,630 million). As the second leg of this loan-deposit structure, DLL issued EUR-denominated loans to Rabobank in the amount of EUR 1,923 million (2018: EUR 1,549 million), included in due from banks (refer to note 3.5). This structure relates to a loan-deposit structure between DLL and Rabobank that is used to mitigate DLL's foreign currency risk in respect to net investments in foreign subsidiaries. These loans and deposits are floating rate transactions and carry interest rates based on 3M LIBOR and EURIBOR plus currency funding spreads and mature between 2019 and 2022. These loans are pledged as collateral for the corresponding borrowings. While the principal amounts and terms of these loans match, they do not qualify for offsetting and are recorded gross in the consolidated statement of financial position.

Other long-term borrowings are received by DLL local entities in several countries and include the following main borrowings:

- Long-term funding program from the National Bank for Economic and Social Development (BNDES) in Brazil, aimed to support financing of local industry, with a total agreed amount of EUR 991 million (2018: EUR 1,087 million) and a maturity ranging from 1 to 10 years. The carrying amount as on December 31, 2019 was EUR 971 million (2018: EUR 958 million) an annually pre-fixed rate of 0.00% to 12.07% or post-fixed rate of 4.70% plus Brazilian Long-term Interest Rate (4.87% for the year ended December 31, 2019) (2018: 4.60%).
- Long-term borrowing from the European Investment Bank (EIB) received for the purpose of supporting small and medium-sized borrowers with a total facility amount of EUR 970 million (2018: EUR 1,002 million) and a maturity ranging from 1 to 5 years. The carrying amount as on December 31, 2019 was EUR 970 million (2018: EUR 1,002 million) with interest rates ranging from 0.044% to 3.299% (2018: 0.044% – 3.063%).
- Long-term collateralized financing received in the U.S. from multiple financial counterparties with a maturity ranging from 1 to 4 years. The carrying amount as on December 31, 2019, was EUR 3,008 million with interest rates ranging between (0.57)% and 3.59% (2018: EUR 2,241 million, (0.57)% – 3.96%). DLL pledged operating lease receivables in the U.S. as collateral for this financing in the amount of EUR 470 million (2018: EUR 353 million), as well as finance receivables in the amount of EUR 2,909 million (2018: EUR 2,122 million); refer to note 1.1 and note 1.2.

Management monitors all contractual covenants regarding funding. In neither 2019 nor 2018 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, 2019, was EUR 25,186 million (2018: EUR 24,724 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 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 respective contract are discharged (for instance, by repayment of all amounts due) or cancelled 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	2019*	2018*
Securitization transactions:		
LEAP (Australia)	-	129
U.S. public finance securitizations	56	119
DLL 2017A	152	268
DLL 2018-1 LLC	327	549
DLL 2018-2 LLC	448	815
DLL UK Equipment Finance 2019 Plc	215	-
DLL 2019-1 LLC	330	-
DLL 2019-2 LLC	318	-
DLL 2019-3 LLC	903	-
Total issued debt securities	**2,749**	**1,880**

* As on December 31

DLL attracts external funding through securitizations as part of its overall funding strategy. The fair value of issued debt securities at December 31, 2019, was EUR 2,749 million (2018: EUR 1,880 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

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

DLL decides whether a 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 effective interest rate (EIR) method. Please refer to note 4.9 for description of the EIR method.

3.4 Derivatives

DLL enters into the vast majority of derivative transactions with Rabobank, except for the countries where Rabobank does not have an office or where Rabobank does not have the capability to offer financial derivatives to DLL. In such cases, DLL enters into derivative transactions with locally present high-profile banks (at least rated AA- for long term): as of December 31, 2019, the fair value of these derivatives was EUR 1 million (2018: EUR (2) million). There is no collateral posted or received regarding derivatives.

DLL uses derivative financial instruments to mitigate interest rate risk as well as foreign exchange risk to which DLL is exposed. All derivative transactions are therefore undertaken for risk mitigation purposes. DLL has implemented hedge accounting solutions for both foreign net investment hedging and macro fair value hedging. DLL uses the IAS 39 EU carve-out options, which allow the application of fair value portfolio hedge accounting to certain positions.

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. 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 by IAS39.

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, 2019, was EUR 21 million (2018: EUR 5 million). The result on the hedging instrument amounted to EUR (42) million (2018: EUR (32) million), with the positive result from the hedged position to be allocated to the hedged risk, amounting to EUR 63 million (2018: EUR 37 million). Refer to note 2.2.

Net investment hedges
DLL uses foreign forward-exchange contracts to hedge the currency translation risk of net investments in foreign operations. On December 31, 2019, forward contracts with a nominal amount of EUR 1,139 million (2018: EUR 1,072 million) were designated as net investment hedges. These resulted in exchange gains of EUR 73 million for the year (2018: EUR 53 million), which were recorded in equity. For the years ended December 31, 2019 and December 31, 2018, DLL reported no material ineffectiveness resulting from the net investment hedges.

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 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 (presented through OCI). 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:
- There must be formal documentation of the hedging instrument, the hedged item, the objective of the hedge, the hedging strategy and the hedge relationship;
- The hedge must be expected to be effective, within 80% to 125%, in covering changes in the hedged item's measured fair value allocable to the hedged risks during the reporting period;
- The hedge must be continuously effective from the moment of its inception; and
- There is an economic relationship between the hedged item and hedging instrument. As the hedging items (interest rate swaps) hedge the interest rate risk of the hedged items (lease assets) on a portfolio basis, specific rules have been implemented to include only permissible hedged items in the hedge accounting model.

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.

Hedges of 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.

Notionals and measured at fair value derivatives

in millions of euros	2019* Notional amounts	2019* Fair value assets	2019* Fair value liabilities	2018* Notional amounts	2018* Fair value assets	2018* Fair value liabilities
Derivatives held for trading	7,694	35	(40)	1,702	23	(18)
Derivatives held for hedging	8,764	5	(79)	14,003	33	(61)
Total derivative financial assets/liabilities	**16,458**	**40**	**(119)**	**15,705**	**56**	**(79)**
Derivatives held for trading						
- Foreign exchange forwards**	259	4	-	229	1	(1)
- Cross-currency swaps	335	14	(5)	285	13	(13)
- Interest rate swaps	7,100	17	(35)	1,188	9	(4)
Total derivative held for trading	**7,694**	**35**	**(40)**	**1,702**	**23**	**(18)**
Derivatives designated as fair value hedge						
- Cross-currency swaps	-	-	-	58	-	(3)
- Interest rate swaps	7,616	4	(75)	12,873	27	(52)
Total derivatives designated as fair value hedge	**7,616**	**4**	**(75)**	**12,931**	**27**	**(55)**
Derivatives designated as foreign net investment hedge						
- Foreign exchange forwards**	1,148	1	(4)	1,072	6	(6)
Total derivatives designated as foreign net investment hedge	**1,148**	**1**	**(4)**	**1,072**	**6**	**(6)**
Total derivative financial instruments	**8,764**	**5**	**(79)**	**14,003**	**33**	**(61)**

* As on December 31

** Including non-deliverable forwards.

Maturity profile and average interest rate of hedging instruments in fair value hedges

in millions of euros	Notional amounts	Remaining maturity: Less than 1 year	Remaining maturity: 1 - 5 years	Remaining maturity: Longer than 5 years
On December 31, 2019				
Hedging instrument-hedge of finance lease receivables and loans	7,616	55	1,240	6,321
Average fixed interest rate	0.57%	0.70%	0.66%	0.45%
On December 31, 2018				
Hedging instrument-hedge of finance lease receivables and loans	7,855	180	2,420	5,255
Average fixed interest rate	0.37%	0.82%	0.33%	0.21%

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, 2019			
Hedge of finance lease receivables and loans	1,665	5,951	(74)
Hedge of financial assets at fair value through OCI	-	-	-
Hedge of issued debt securities	-	-	-
On December 31, 2018			
Hedge of finance lease receivables and loans	6,040	1,814	(37)
Hedge of financial assets at fair value through OCI	-	-	-
Hedge of issued debt securities	-	-	-

Designated hedged items in fair value hedges of interest rate risk

in millions of euros	Carrying amount	Accumulated amount of fair value hedge adjusted on the hedged item included in the carrying amount of the hedged item	Change in fair value used for calculating hedge ineffectiveness	Accumulated amount for fair value hedge adjustments remaining for any hedged item that has ceased to be adjusted for hedging gain and losses
On December 31, 2019				
Finance lease receivables and loans	7,622	88	65	-
Financial assets at fair value through OCI	-	-	-	-
Issued debt securities	-	-	-	-
On December 31, 2018				
Finance lease receivables and loans	9,797	140	35	-
Financial assets at fair value through OCI	-	-	-	-
Issued debt securities	-	-	-	-

Hedge ineffectiveness of fair value hedges amounts to EUR 21 million and is included in the statement of income on line item "Gains/(losses) on financial assets and liabilities at fair value through profit or loss."

Net investment hedges

DLL uses forward currency contracts to hedge a portion of the currency translation risk of net investments in foreign operations. For the changes in the value of the hedging instrument recognized in other comprehensive income and the amount reclassified from the net investment hedge reserve to profit or loss, reference is made to note 3.1: Capital management, reserves and retained earnings. Hedge ineffectiveness amounts to EUR 40 thousand and is included in the statement of income on line item "Gains/(losses) on financial assets and liabilities at fair value through profit or loss."

2019	Remaining maturity per reporting date		
in millions of euros	Less than 1 year	1–5 years	More than 5 years
Maturities			
Notional amount of hedging instrument	2,596	488	-

in millions of euros	Notional amount	Carrying amount: Assets	Carrying amount: Liabilities	Change in fair value used for calculating hedge ineffectiveness for current year	Changes in the value of the hedging instrument recognized in other comprehensive income
Designed hedging instruments					
Foreign exchange derivatives	1,139	1,135	1,139	73	73
Foreign exchange loans	1,944	-	-	Included in foreign exchange derivatives	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	(69)	(115)	96

2018	Remaining maturity per reporting date		
in millions of euros	Less than 1 year	1–5 years	More than 5 years
Maturities			
Notional amount of hedging instrument	2,650	124	-

		Carrying amount		Change in fair value used for calculating hedge ineffectiveness for current year	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	1,072	1,069	1,072	53	53
Foreign exchange loans	1,702	-	1,702	Included in foreign exchange derivatives	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	(29)	(43)	93

3.5 Due from banks

in millions of euros	2019*	2018*
Loans to and receivables from Rabobank	2,399	2,018
Reverse repurchase agreements with Rabobank	11	34
Loans to and receivables from other banks	24	18
Total due from banks	**2,434**	**2,070**

* As on December 31

DLL issued EUR denominated loans to Rabobank entities amounting to EUR 1,923 million (2018: EUR 1,549 million), that relate to a loan-deposit structure between DLL and Rabobank, which is used to mitigate foreign currency risk of DLL's net investments in foreign subsidiaries. These loans and deposits are floating rate transactions carrying interest rates of EURIBOR and LIBOR, plus funding spreads where the durations exceed one year. Under these loan-deposit structures, DLL has received USD, CAD and GBP denominated long-term borrowings from Rabobank of EUR 465 million (2018: EUR 1,170 million) and short-term borrowings of EUR 1,438 million (2018: EUR 460 million) where the issued loans are pledged as collateral for these borrowings. These loans and deposits are all floating rate transactions that mature between 2019 and 2022. The loans are designated in three currencies:USD, GBP and CAD. They carry interest rates based off 3M USD LIBOR, 3M GBP LIBOR and 3M CDOR respectively plus currency funding spreads. The EUR designated deposits carry interest rates based on 3M EURIBOR plus EUR funding spreads. Refer to note 3.2.

While the principal amounts and terms of these loans match, they do not qualify for offsetting and are recorded gross in the consolidated statement of financial position. The loans to and receivables from Rabobank relate to liquidity management and are short-term balances of both fixed and floating loans issued primarily in USD and EUR. These loans bear interest rates ranging between (0.45)% and 2.64% (2018: between (0.37)% and 2.79%).

Securities received under reverse repurchase agreements are listed bonds issued by the Brazilian government with a fair value of EUR 11 million (2018: EUR 34 million).

For all due from banks, contractual maturities reflect their expected maturities. Contractual liquidity gap analysis as well as the principal and interest contractual cash flows of due from banks are presented in note 3.7.

The fair value of due from banks at December 31, 2019 was EUR 2,427 million (2018: EUR 2,059 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 effective interest rate (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	2019*	2018*
Current account Rabobank and its related entities	257	270
Current account other banks	166	129
Total cash and cash equivalents	**423**	**399**

* As on December 31

Cash and cash equivalents do not bear material credit risk as cash is primarily maintained on the accounts of Rabobank (S&P A+ rating). Current accounts with other banks are held with banks holding A ratings or higher. Cash is usually held in the functional currency of the subsidiary that holds the account.

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 comprises 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 hierarch; 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, after equity 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 fair value hedge accounting for interest rate risk on its derivative portfolio.

Interest rate risk sensitivity analysis
DLL tracks interest rate risk sensitivity through monthly calculation of an Earnings at Risk (EatR) sensitivity analysis. 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 (5-year) and floating rate (1-month) over a 1- and 2-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 1-year time horizon with a specific loss limit of EUR 10 million set for all scenarios that yield a negative result. This limit is monitored on a monthly basis and any breaches are reported to DLL's ALCO. There were no limit breaches in 2019 or 2018.

The monthly level of EatR is monitored by Group Treasury. Month on month there is some variation in terms of the total number. However, the level of EatR remains stable at a very small percentage of the total interest income (2019 0.5% vs 2018 0.35%). The EatR values on December 31, 2019, and December 31, 2018, are therefore representative of the entire respective years. DLL's total EatR for the down scenario on December 31, 2019, across currencies and aggregating the impact of both fixed and floating interest impacts, was EUR 4.97 million (2018: 3.8 million), while the steepening scenario was EUR 5.13 million (2018: no limit applied for steepening scenario).

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 analysis per time bucket and monitored by Group Treasury. On December 31, 2019, DLL's PV01 on the net interest rate gap was EUR (337,129) (2018: EUR (183,782)). The table below analyzes DLL's interest rate risk exposure by presenting carrying amounts of interest-bearing financial instruments and operating leases at the earlier of repricing or contractual maturity. For finance lease and loan receivables, DLL manages repricing risk with reference to expected maturity rather than contractual maturity. Derivatives are presented at their net notional position per interest rate type (refer to note 3.4 for gross notional positions).

in millions of euros	Carrying amount*	< 1 month	1 to 3 months	3 to 12 months	1 to 5 years	>5 years
As on December 31, 2019						
Interest-bearing assets						
Cash	423	423	-	-	-	-
Due from banks	2,434	2,073	317	40	3	1
Due from customers	33,631	7,607	1,571	6,937	16,548	968
Fixed assets under operating lease	2,916	51	270	694	1,837	64
	39,404	**10,154**	**2,158**	**7,671**	**18,388**	**1,033**
Interest-bearing liabilities						
Short-term loans and overdrafts	(6,657)	(5,573)	(993)	(91)	-	-
Issued debt securities	(2,749)	(362)	(213)	(882)	(1,292)	-
Long-term borrowings	(25,252)	(6,342)	(2,877)	(5,447)	(10,184)	(402)
	(34,658)	**(12,277)**	**(4,083)**	**(6,420)**	**(11,476)**	**(402)**
Derivatives						
Interest rate swap – net floating-rate notional	8,017	7,264	753	-	-	-
Interest rate swap – net fixed-rate notional	(8,017)	(188)	(299)	(997)	(6,131)	(402)
FX derivative net	1	1	(1)	1	-	-
Derivative FV adjustment	-	-	-	-	-	-
Cross-currency swap – net floating-rate notional	298	259	33	6	-	-
Cross-currency swap – net fixed-rate notional	(285)	(12)	(19)	(71)	(168)	(15)
	14	**7,324**	**467**	**(1,061)**	**(6,299)**	**(417)**
Net interest gap	**4,760**	**5,201**	**(1,458)**	**190**	**613**	**214**

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

in millions of euros	Carrying amount*	< 1 month	1 to 3 months	3 to 12 months	1 to 5 years	>5 years
As on December 31, 2018						
Interest-bearing assets						
Cash	399	399	-	-	-	-
Due from banks	2,070	635	1,405	26	3	1
Due from customers	31,239	6,633	1,510	6,598	15,664	834
Fixed assets under operating lease	2,603	40	214	621	1,649	79
	36,311	**7,707**	**3,129**	**7,245**	**17,316**	**914**
Interest-bearing liabilities						
Short-term loans and overdrafts	(5,072)	(3,668)	(1,317)	(87)	-	-
Issued debt securities	(1,880)	(310)	(138)	(517)	(915)	-
Long-term borrowings	(24,984)	(5,019)	(4,925)	(4,889)	(9,908)	(243)
	(31,936)	**(8,997)**	**(6,380)**	**(5,493)**	**(10,823)**	**(243)**
Derivatives						
Interest rate swap – net floating-rate notional	7,901	6,761	1,133	7	-	-
Interest rate swap – net fixed-rate notional	(7,901)	44	(80)	(1,473)	(5,850)	(542)
FX derivative net	2	2	(1)	1	-	-
Derivative FV adjustment	-	-	-	-	-	-
Cross currency swap – net floating-rate notional	308	242	66	-	-	-
Cross currency swap – net fixed-rate notional	(310)	(32)	(28)	(76)	(161)	(13)
	0	**7,017**	**1,090**	**(1,541)**	**(6,011)**	**(555)**
Net interest gap	**4,375**	**5,727**	**(2,161)**	**211**	**482**	**116**

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

Foreign exchange risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

DLL seeks to minimize its exposure to foreign exchange risk associated with its net investments in foreign operations. DLL's policy allows the use of foreign exchange derivatives (refer to note 3.4) and foreign currency debt in managing foreign exchange risk. DLL uses forward foreign-exchange contracts to hedge the currency translation risk of material net investments in foreign operations. The only exceptions with an exposure above EUR 1 million are DLL's investment in Brazil and Argentina, for that a decision was made by DLL's ALCO to not hedge these exposures due to high costs of doing so as well as inefficiencies of instruments used.

DLL also manages its forecasted net foreign currency exposures, above EUR 5 million or currency equivalent by mitigating risk from such deemed material exposures at the beginning of each year through the use of derivatives. Other foreign currency earnings are managed as earned also through the use of derivatives.

DLL subsidiaries are not permitted to have open foreign currency risk positions. Where unavoidable, limits are in place and breaches are monitored by DLL ALCO.

Foreign exchange risk sensitivity analysis

The table below indicates the currencies to which DLL has the largest exposures on December 31, 2019, 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 hedging model, which is applied for all major currencies, except for the currencies that would not be cost efficient (e.g., BRL).

Accordingly, changes in exchange rates will have very limited impact on the equity and profit for the year.

in millions of euros	Change in currency rate in %*	Effect on profit for the year	Effect on equity	Total effect
As on December 31, 2019				
USD	+/- 4%	59/(64)	(59)/64	0/0
BRL	+/- 5%	0/0	(9)/9	(9)/9
NOK	+/- 2%	1/(1)	(1)/1	0/0
CNY	+/- 2%	1/(1)	(1)/1	0/0
CAD	+/- 2%	0/(0)	(5)/5	0/0
As on December 31, 2018				
USD	+/- 4%	66/(72)	66/(72)	1/(1)
BRL	+/- 11%	0/0	(16)/20	(16)/20
NOK	+/- 3%	1/(1)	(1)/1	0/0
CNY	+/- 3%	2/(2)	(2)/2	0/0
CAD	+/- 3%	6/(6)	(5)/6	0/0

* 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 on a solo or consolidated basis). 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, 2019, was on a maximum of 7.16% during a monthly time bucket over the forward-looking maturity of the assets and liabilities (2018: 6.75%).

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 National Bank for Economic and Social Development (BNDES) in Brazil and European Investment Bank (EIB) in Europe. DLL executed three asset-backed securitization transactions in the U.S. in 2019 and one transaction in the U.K. and is investigating other similar opportunities for the future. DLL will continue to attract funding from MDBs and will work to grow such funding opportunities both in new territories and by increasing facilities in existing countries.

The table below 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. Loans within the consumer financing business (within due from customers) are categorized in >5 years. 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, 2019							
Assets							
Cash	423	423	-	-	-	-	-
Accounts receivable and other short-term assets	740	90	394	256	-	-	-
Derivatives	40	3	-	6	10	2	19
Due from banks	2,434	1,579	1	40	813	1	-
Due from customers	33,631	1,699	4,881	7,676	18,334	1,041	-
Fixed assets under operating lease	2,916	51	270	694	1,837	64	-
Goodwill and other intangible assets	76	-	-	-	-	-	76
Current tax receivable	120	-	-	-	-	-	120
Deferred tax asset	113	-	-	-	-	-	113
Other assets	196	-	-	-	-	-	196
	40,689	**3,845**	**5,546**	**8,672**	**20,994**	**1,108**	**524**
Liabilities							
Short-term loans and overdrafts	(6,657)	(5,433)	(1,133)	(91)	-	-	-
Accounts payable and other short-term liabilities	(688)	-	(688)	-	-	-	-
Issued debt securities	(2,749)	(83)	(249)	(1,006)	(1,411)	-	-
Provisions	(90)	-	-	-	-	-	(90)
Derivatives	(119)	(3)	(1)	(1)	(2)	-	(112)
Long-term borrowings	(25,252)	(1,002)	(1,593)	(7,517)	(14,656)	(484)	-
Current tax payable	(52)	-	-	-	-	-	(52)
Deferred tax liability	(472)	-	-	-	-	-	(472)
Other liabilities	(428)	-	-	-	-	-	(428)
	(36,507)	**(6,521)**	**(3,664)**	**(8,615)**	**(16,069)**	**(484)**	**(1,154)**
Liquidity gap	**4,182**	**(2,676)**	**1,882**	**57**	**4,925**	**624**	**(630)**

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, 2018							
Assets							
Cash	399	399	-	-	-	-	-
Accounts receivable and other short-term assets	774	202	402	170	-	-	-
Derivatives	56	576	511	16	21	3	(1,071)
Due from banks	2,070	530	8	1,030	396	106	-
Due from customers	31,239	1,199	4,446	7,283	17,419	892	-
Fixed assets under operating lease	2,603	41	214	620	1,649	79	-
Goodwill and other intangible assets	83	-	-	-	-	-	83
Current tax receivable	115	-	-	-	-	-	115
Deferred tax asset	107	-	-	-	-	-	107
Other assets	199	-	-	-	-	-	199
	37,645	**2,947**	**5,581**	**9,119**	**19,485**	**1,080**	**(567)**
Liabilities							
Short-term loans and overdrafts	(5,072)	(3,668)	(1,317)	(87)	-	-	-
Accounts payable and other short-term liabilities	(855)	-	(855)	-	-	-	-
Issued debt securities	(1,880)	(63)	(161)	(597)	(1,059)	-	-
Provisions	(96)	-	-	-	-	-	(96)
Derivatives	(79)	(579)	(515)	(16)	(17)	-	1,048
Long-term borrowings	(24,984)	(944)	(1,253)	(8,120)	(14,264)	(403)	-
Current tax payable	(24)	-	-	-	-	-	(24)
Deferred tax liability	(393)	-	-	-	-	-	(393)
Other liabilities	(331)	-	-	-	-	-	(331)
	(33,714)	**(5,254)**	**(4,101)**	**(8,820)**	**(15,340)**	**(403)**	**204**
Liquidity gap	**3,931**	**(2,307)**	**1,480**	**299**	**4,145**	**677**	**(363)**

The table below summarizes the maturity profile of undiscounted contractual cash flows of DLL's financial liabilities. Cash flows from gross settled, non-trading derivatives are shown separately by their contractual maturity. Repayments subject to notice are treated as if notice were immediate.

in millions of euros	Total	On demand	< 3 months	3 to 12 months	1 to 5 years	>5 years
As on December 31, 2019						
Undiscounted financial liabilities						
Short-term loans and overdrafts	(6,662)	(5,438)	(1,133)	(91)	-	-
Accounts payable*	(629)	-	(629)	-	-	-
Issued debt securities	(2,831)	(89)	(259)	(1,043)	(1,440)	-
Long-term borrowings	(26,033)	(1,033)	(1,655)	(7,782)	(15,065)	(498)
	(36,155)	**(6,560)**	**(3,676)**	**(8,916)**	**(16,505)**	**(498)**
Non-trading gross settled derivatives						
Derivative assets						
Contractual amounts receivable	739	226	234	120	142	17
Contractual amounts payable	(722)	(221)	(232)	(111)	(142)	(16)
	17	**5**	**2**	**9**	**-**	**1**
Derivative liabilities						
Contractual amounts receivable	882	609	161	41	63	8
Contractual amounts payable	(1,025)	(616)	(171)	(80)	(147)	(11)
	(143)	**(7)**	**(10)**	**(39)**	**(84)**	**(3)**
	(36,281)	**(6,562)**	**(3,684)**	**(8,946)**	**(16,589)**	**(500)**

* 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, 2018						
Undiscounted financial liabilities						
Short-term loans and overdrafts	(5,078)	(3,672)	(1,319)	(87)	-	-
Accounts payable*	(696)	-	(696)	-	-	-
Issued debt securities	(1,958)	(69)	(169)	(629)	(1,091)	-
Long-term borrowings	(26,038)	(974)	(1,327)	(8,429)	(14,732)	(576)
	(33,770)	**(4,715)**	**(3,511)**	**(9,145)**	**(15,823)**	**(576)**
Non-trading gross settled derivatives						
Derivative assets						
Contractual amounts receivable	781	351	143	99	164	24
Contractual amounts payable	(728)	(346)	(136)	(82)	(143)	(21)
	53	**5**	**7**	**17**	**21**	**3**
Derivative liabilities						
Contractual amounts receivable	956	261	430	76	179	10
Contractual amounts payable	(1,033)	(272)	(442)	(102)	(210)	(7)
	(77)	**(11)**	**(12)**	**(26)**	**(31)**	**3**
	(33,794)	**(4,721)**	**(3,516)**	**(9,154)**	**(15,833)**	**(570)**

* The effects of discounting are immaterial and therefore aggregated cash flows approximate carrying amount.

Liquidity management of credit-related commitments

Undrawn loan commitments are assessed and managed by DLL at the earliest date they can be drawn down by customers. For DLL, this is largely on demand. For issued financial guarantee contracts, the maximum amount of the guarantee is managed at the earliest period in which the guarantee could be called, which is also on demand. Refer to note 1.3 for DLL's credit risk management of these credit-related commitments.

Other

4.1 Goodwill and other intangible assets

in millions of euros	Goodwill	Other	Total
Cost	72	162	234
Accumulated amortization and impairment	-	(151)	(151)
Carrying amount as on January 1, 2019	**72**	**11**	**83**
Purchases	-	2	2
Impairment	(1)	-	(1)
Amortization	-	(7)	(7)
Net exchange differences	(1)	-	(1)
Cost	71	163	234
Accumulated amortization and impairment	(1)	(157)	(158)
Carrying amount as on December 31, 2019	**70**	**6**	**76**
Cost	75	165	240
Accumulated amortization and impairment	-	(141)	(141)
Carrying amount as on January 1, 2018	**75**	**24**	**99**
Acquisitions	-	4	4
Amortization	-	(17)	(17)
Net exchange differences	(3)	-	(3)
Cost	72	162	234
Accumulated amortization and impairment	-	(151)	(151)
Carrying amount as on December 31, 2018	**72**	**11**	**83**

Goodwill is allocated to the lowest identifiable cash-generating unit (CGU). The goodwill of EUR 70 million relates to the acquisition of operations in the Nordics in 2006.

Goodwill impairment testing

Goodwill is tested for impairment annually by comparing the carrying amount of the CGU to which goodwill was allocated with the best estimate of that CGU's recoverable amount that is determined based on its value in use. A discounted cash flow (DCF) model is applied in order to calculate the value in use. The two key parameters in application of the DCF are the discount rate and the cash flow forecasts.

Discount rate

The pre-tax discount rate is used to determine the present value of forecasted cash flows in order to derive the value in use of the CGU. As on December 31, 2019, the discount rate applied by DLL was 5.49% (2018: 5.31%). The discount rate is determined using the capital asset pricing model (CAPM), with key inputs being:

- **Risk-free rate**: 20-year (2018: 20-year) government bonds.
- **Beta**: an average across a selection of appropriate companies.
- **Equity market risk premium**: Publicly available research on market risk premiums prepared by external valuation experts.

Cash flow forecasts

For this purpose, the best estimate of the value in use is determined on the basis of a cash flow forecast as derived from DLL's annual planning cycle. The plans reflect management's best estimates of market conditions, market restrictions, growth in operations and other relevant factors. The cash flows are established through a bottom-up process, where future profitability is determined by estimating profitability at vendor level. The results per business unit and country are then endorsed by DLL's Executive Board. Projections are made for a four-year period. A terminal growth rate of 1.0% (2018: 1.0%) is applied for the periods into perpetuity.

Sensitivity analysis of assumptions

For the key parameters in the model, a sensitivity analysis is performed:

- **Discount rate**: The value in use equals the total of equity and goodwill invested (break-even point) when the discount rate is increased to 10.75% from the current 5.5% (2018: increased to 11.7% from the current 5.3%). This discount rate is reached when the 20-year government bond rate is 5.2% (2018: 7.0%). As of the goodwill testing date, the government bond was 0.0% (2018: 1.0%), indicating considerable headroom.
- **Terminal growth rate**: In an extreme case of a 0% terminal growth rate, the value in use is still above the carrying amount with a headroom of EUR 218 million (2018: EUR 237 million), resulting in no impairment.

Accounting policy for goodwill and other intangible assets

A. Goodwill

Consideration provided in a business combination in excess of the fair value of the identifiable net assets acquired is recognized as goodwill, subject to an assessment of its recoverability.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if there are indicators of impairment.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of DLL's CGUs, which are expected to benefit from the synergies of the combination. Each unit to which the goodwill is allocated represents the lowest level within DLL at which the goodwill is monitored for internal management purposes and is not larger than an operating segment in accordance with IFRS 8 Operating Segments. When subsidiaries are disposed, associated goodwill is written off against the net proceeds and included in the result from disposal that is recorded in the statement of profit or loss.

B. Other intangible assets

Other intangible assets comprise mainly purchased and self-developed software. Purchased software is recognized at cost when this can be reliably measured and it is probable that economic benefits will flow to DLL. Internally developed software is capitalized only if these are capable of being separated from DLL or arise from contractual or other legal rights. Internal development occurs in two phases: research (planning and investigation); and development (the application of this). DLL expenses research cost while it capitalizes development cost.

Following initial recognition, other intangible assets are amortized on a straight-line basis over their estimated useful lives and carried at cost less accumulated amortization and impairment losses. All other intangible assets are amortized over the definite useful economic life (ranging from 5 to 10 years and reviewed each year). Amortization of intangibles 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	2019*	2018*
Accounts receivables and other short-term assets		
Prepayments	86	249
VAT to be claimed	102	131
Inventory	105	89
Accounts receivable	197	135
Bond portfolio	250	170
	740	**774**
Other assets		
Fixed assets for own use	104	74
Investments in associates	24	24
Other	68	101
	196	**199**
Total other assets	**936**	**973**

* As on December 31

Inventory

Inventory represents assets for resale, which comprise equipment returned to DLL after related lease contracts have ended. These assets are remarketed by DLL in the short term.

Prepayments and VAT represents non-interest-bearing assets that are settled on a short term.

Accounts receivable

Accounts receivable represents non-interest bearing amounts due to DLL. Among others, these receivables relate to maintenance fees and commissions.

Accounts receivable typically have a maturity of 30-90 days. On December 31, 2019, there were no material accounts receivable aged beyond 90 days (2018: 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 and Dutch government bonds. The investments in Dutch bonds amount to EUR 91 million (2018: EUR 78 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 159 million (level 1) (2018: EUR 92 million). These investments are held as part of securitization transactions issued. The funds invest in AAA-rated instruments. The risk on the Dutch government bonds and U.S. money market funds is deemed very low. As a result no loss allowance is in place to cover the risk on these bonds.

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 2019. The table below presents key movements in the fixed assets balances:

in millions of euros	Land and buildings	Equipment	Right-of-use assets	Total
Cost	86	100	-	186
Accumulated depreciation and impairment	(45)	(67)	-	(112)
Carrying amount at January 1, 2019	**41**	**33**	**-**	**74**
Adoption IFRS 16	-	-	38	38
Purchases	-	7	3	10
Depreciation	(2)	(8)	(11)	(21)
Net exchange differences	-	-	3	3
Cost	86	93	44	223
Accumulated depreciation	(47)	(61)	(11)	(119)
Total carrying amount at December 31, 2019	**39**	**32**	**33**	**104**
Cost	86	93	-	179
Accumulated depreciation and impairment	(45)	(60)	-	(105)
Carrying amount at January 1, 2018	**41**	**33**	**-**	**74**
Purchases	-	9	-	9
Disposals	-	(1)	-	(1)
Depreciation	(2)	(8)	-	(10)
Net exchange differences	2	-	-	2
Total carrying amount at December 31, 2018	**41**	**33**	**-**	**74**

Right-of-use assets
DLL has several lease contracts as a lessee, predominantly related to property used as office and cars for employees. The consolidated statement of financial position shows the following amounts relating to leases:

in millions of euros	2019*
Property lease	27
Car lease	6
Total right-of-use assets	**33**
Total lease liabilities	**34**

* As on December 31

Additions to right-of-use assets during 2019 were EUR 3.2 million. The consolidated statement of income shows the following amounts relating to right-of-use assets:

in millions of euros	2019
Property lease	8
Car lease	3
Depreciation charge of right-of-use assets	**11**
Interest expense	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 2019 was EUR 13 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 bonuses, commissions and non-lease receivables related to operating lease contracts (maintenance).

Accounting policy for accounts receivable
Accounts receivable are recognized for services performed by DLL or goods transferred, for which DLL has not yet received payment for the revenues earned. They are carried at amortized cost, which approximates the nominal value due to its short-term nature.

Accounting policy for prepayments and VAT
Prepayments and VAT are carried at nominal value due to its short-term nature.

Accounting policy for inventory
Inventory is valued at the lower of cost and net realizable value. The cost is determined as the net book value of a respective asset when this asset is returned to DLL after the related lease contract has ended, minus the estimated selling price in the ordinary course of remarketing, less estimated selling costs.

Accounting policy for bond portfolio measured at fair value
Financial assets measured at fair value include government bonds that are held to meet liquidity requirements in a regulated subsidiary of DLL and U.S. money market funds.

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 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	5-20 years

An item of fixed assets for own use is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognized.

The residual values, useful lives and method of depreciation are reviewed regularly and at least at each financial year-end. These are adjusted prospectively, if necessary.

Accounting policy for right-of-use assets
DLL as a lessee recognizes a right-of-use asset representing its right to use the underlying leased asset and a corresponding liability representing its obligation to make lease payments at the date at which the leased asset is available for use. Each lease payment is allocated between the lease liability and interest expense. The interest expenses are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use assets are depreciated over the lease term on a straight-line basis.

The lease liability is measured at the present value of the lease payments. The lease payments comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:
- Fixed payments less any lease incentives received.
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.
- Amounts expected to be payable by the lessee under residual value guarantees.
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option.
- 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 lessee's incremental borrowing rate is used, being the rate that the lessee 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. By using the FTP rate as a basis the discount rate will be defined for each time bucket and consists of the following elements:
- Base rate: the risk-free rate.
- Credit spread: based on credit risk of the group company.
- Country specific risk: based on location of the group company.
- Currency risk: based on the functional currency of the group company.

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	2019*	2018*
Accounts payable and other short-term liabilities		
Accounts payable	562	696
Accrued expenses	67	102
VAT payable	59	57
	688	**855**
Other liabilities		
Deferred income	150	118
Net defined benefit plan liability	25	26
Lease liabilities	34	-
Other	219	187
	428	**331**
Total other liabilities	**1,116**	**1,186**

* As on December 31

Accounts payable
Accounts payables are non-interest bearing short-term obligations due from DLL that and are normally settled on 60-day terms. Furthermore, due to the short-term nature of these accounts payable, their carrying amount approximates their fair value.

Net defined benefit plan liabilities
A defined benefit pension plan is a retirement plan that defines an amount of pension benefit an employee is entitled to receive on retirement, dependent on one or more factors such as age, years of service and salary.

DLL has two defined benefit pension plans in the U.K. and in Sweden:

in millions of euros	2019*	2018*
DLL UK		
Plan assets	10	10
Plan liabilities	(15)	(20)
Net defined benefit plan liability	(5)	(10)
DLL Sweden		
Net defined benefit plan liability	(20)	(16)
Total net defined benefit plans liabilities	**(25)**	**(26)**

* As on December 31

DLL UK
The defined benefit plan in the UK 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 run off scheme with no active members, only deferred members and retired members at December 31, 2019. DLL has a constructive obligation to fund any deficits on the plan in relation to its (former) staff.

DLL Sweden
Unlike the UK defined benefit plan, 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 2019 there were no material changes to underlying assumptions.

Both defined benefit plans demonstrated no material sensitivity to a reasonably possible change in the key underlying assumptions (discount rate, income increase, inflation rate and mortality) on December 31, 2019 (nor on December 31, 2018).

Valuation of net defined benefit liabilities
The value of a defined benefit pension liability is determined through a full actuarial valuation by a qualified independent actuary. This valuation, performed annually, involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. These assumptions are developed by a qualified independent actuary and validated by the management of DLL Sweden (for DLL Sweden pension plan) or the management of Rabobank London Branch (for the DLL UK pension plan). Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Accounts payable and other liabilities
These mainly consist of wage tax and social security to be paid and accrued expenses related to external service providers and pensions.

Accounting policy for accounts payable
Accounts payable are recognized for services consumed by DLL or goods received for which DLL has not yet paid. They are carried at amortized cost, which approximates the nominal value due to its short-term nature.

Accounting policy for net defined benefit plan liabilities
- The cost of providing benefits is determined separately for each plan using the projected unit credit method.
- Plan assets (only applicable to DLL UK) 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	2019*	2018*
Provision for restructuring	6	12
Provision for tax and legal claims	10	16
	16	**28**
Insurance-related provisions	74	68
Total provisions	**90**	**96**

* 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 in 2020. Staff are notified before any provision for restructuring is created.

Provision for tax and legal claims

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. Fines and interest charged by tax authorities are included in the provision for tax claims if the outflow is probable.
Changes in provisions (other than insurance provisions, which are presented separately below) were as follows:

in millions of euros	Provision for restructuring	Provision for tax and legal claims	Total
As on January 1, 2019	12	16	28
Added	-	6	6
Released/reclassified	(1)	(7)	(8)
Utilized	(5)	(5)	(10)
As on December 31, 2019	**6**	**10**	**16**
As on January 1, 2018	7	23	30
Added	10	4	14
Released/reclassified	-	(4)	(4)
Utilized	(5)	(4)	(9)
Net exchange differences	-	(3)	(3)
As on December 31, 2018	**12**	**16**	**28**

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 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	2019*	2018*
Unearned premium reserve	54	46
Loss reserves	20	22
Total insurance-related provisions	**74**	**68**

* As on December 31

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

Over 54% (2018: over 52%) of total premiums written are related to reinsurance of physical damage of motor vehicles (predominantly agricultural equipment).

Changes in insurance-related provisions are presented below:

in millions of euros	2019*	2018*
Unearned premium reserve		
Opening balance	46	37
Premiums written	26	23
Premiums earned	(18)	(16)
Net exchange differences	-	2
Closing balance	**54**	**46**
Loss reserve		
Opening balance	22	23
Movement in provision	(2)	(1)
Net exchange differences	-	-
Closing balance	**20**	**22**

* As on December 31

The total amount of premiums written by DLL RE was EUR 26 million (2018: EUR 23 million) net of movements in unearned premium reserve, loss reserves as detailed above and total amount of claims paid of EUR 10 million (2018: EUR 10 million) is included in other income.

Insurance risk management
The DLL RE business assumes risk of losses from persons or organizations that are directly exposed to an underlying loss. Insurance risk arises from this risk transfer due to inherent uncertainties about the occurrence, amount and timing of insurance liabilities. The four key components of insurance risk are underwriting, reinsurance, claims management and reserving. DLL RE manages the insurance risk through underwriting limits, approval procedures and limits for transactions that involve new products or that exceed those limits, pricing guidelines, centralized management of reinsurance and monitoring of emerging issues.

Underwriting risk is the key risk involved in DLL RE's reinsurance business. Underwriting risk is the risk that DLL RE does not charge 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 Board.

DLL's underwriting strategy it to provide insurance products associated with DLL's existing business operations, adding value to the Group. Primary opportunities are set out in the DLL RE business plan, which outlines the classes of business to be written and respective territories. DLL RE currently does not retrocede any of its risks to third parties.

The principal assumptions underlying the DLL RE reserving policy are based on the probability that the expected future claims, in frequency and severity, shall be met by the claims liabilities provided. The provisions for outstanding claims and unexpired risks are established accordingly. DLL uses actuarial techniques for calculating loss reserves.

Accounting policy for provisions
Provisions other than insurance-related are recognized at nominal value when DLL has a legal or constructive obligation and future cash outflows associated with settlement of that obligation are probable and can be estimated. Expense relating to provisions is recorded in the profit or loss. Provisions for legal claims, service warranties 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 identified but not yet reported (IBNR) losses. The outstanding claims provision represent the estimated ultimate cost of settling all claims arising from events that have occurred up to the reporting date and have been identified by DLL. The IBNR reserve represents an estimate of loss and claims adjustment expenses associated with future likely claims activity based on historical actual results that establish a reliable pattern. This pattern is used to estimate IBNR amounts and the timing of those amounts for financial statements purposes.

4.5 Related party transactions

DLL identified the following related parties:

Parent company
The immediate and ultimate parent of DLL is Coöperatieve Rabobank U.A. (refer to i. Corporate Information, for further details).

Companies under common control
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 and members of DLL's Supervisory Board.

Defined benefit pension funds
DLL's post-employment benefit plans for its employees are administered through the following separate pension funds in the UK and Sweden, respectively:
- Rabobank London Branch Pension Fund
- PRI Pensionsgaranti

From time to time DLL enters into transactions with its related parties. All related party transactions were made at arm's length on normal commercial terms and conditions and at market rates. Information about such transactions and associated balances, income and expenses are disclosed in these financial statements as follows:

Related party and type of transaction	Note
Rabobank and members of Rabobank Group	
Borrowings	3.2
Associated interest expenses	2.1
Derivatives	3.4
Associated gains and losses	2.2
Due from banks	3.5
Associated interest income	2.1
Issued debt securities	3.3
Cash and cash equivalents	3.6
Administrative cost from the parent	2.5
Net defined benefit liability	4.3
Associates	
Investment in associates	4.2
Share of profit or loss of associates	4.2
Key management personnel of DLL	
Short- and long-term benefits and other remuneration	2.4

4.6 Commitments and contingencies

Commitments

Financial guarantees and undrawn irrevocable credit facilities

To meet the financial needs of customers, DLL enters into various revocable and irrevocable commitments in the ordinary course of conducting its business. These commitments include financial guarantees and commitments to provide financing to customers. Even though these obligations are not recognized on the balance sheet, DLL is exposed to credit risk on these instruments and therefore includes them in its credit risk management process (refer to note 1.3). Given that these instruments can lead to a cash outflow, they are included in the liquidity management purposes framework of DLL (refer to note 3.7).

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, 2019, DLL had no material unresolved legal claims and disputes (2018: 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, a contingent liability is disclosed. However, in the event DLL is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then DLL does not include detailed, case-specific disclosures.

Contingent liabilities disclosed by DLL are assessed continually to determine whether an outflow of funds was 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, 2019. 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, 2019
Australia	De Lage Landen Pty Limited	Vendor financing	100
Brazil	Banco De Lage Landen Brasil S.A.	Vendor financing	78.6
Canada	De Lage Landen Commercial Finance Inc.	Vendor financing	100
Canada	De Lage Landen Financial Services Canada Inc.	Vendor financing	100
France	AGCO Finance S.A.S.	Vendor financing	51
Germany	De Lage Landen Leasing GmbH	Vendor financing	100
Ireland	DLL Ireland Designated Activity Company	Treasury entity	100
The Netherlands	De Lage Landen Vendorlease B.V.	Vendor financing	100
Sweden	De Lage Landen Finans AB	Vendor financing	100
United Kingdom	De Lage Landen Leasing Limited	Vendor financing	100
United States of America	De Lage Landen Financial Services, Inc.	Vendor financing	100
United States of America	DLL Finance LLC	Vendor financing	100
United States of America	AGCO Finance LLC	Vendor financing	51

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

in millions of euros		2019*				2018*			
Group entity	Country	%	Dividends paid to NCI	NCI equity stake	Profit allocated to NCI	%	Dividends paid to NCI	NCI equity stake	Profit allocated to NCI
Individually material for the Group:									
AGCO Finance S.A.S.	France	49%	4	97	(5)	49%	2	106	8
AGCO Finance LLC	USA	49%	4	53	8	49%	2	50	5
De Lage Landen Participações Limitada	Brazil	21%	3	58	7	22%	1	58	5
AGCO Finance GmbH	Germany	49%	16	33	2	49%	6	47	3
AGCO Finance Canada, Ltd	Canada	49%	2	14	2	49%	2	12	2
Philips Medical Capital, LLC	USA	40%	6	27	7	40%	7	25	8
Cargobull Finance Holding B.V	The Netherlands	49%	-	66	6	49%	22	60	7
Mahindra Finance USA LLC	USA	49%	-	58	7	49%	-	50	6
Other individually immaterial non-controlling interest			12	64	6		14	65	16
Total			**47**	**470**	**40**		**56**	**473**	**60**

* As on December 31

Summarized financial information of subsidiaries that have material non-controlling interest is provided below:

Summarized statement of financial position for AGCO Finance S.A.S.:

in millions of euros	2019*	2018*
Assets		
Due from customers	1,553	1,391
Other assets	261	207
Total assets	**1,814**	**1,598**
Liabilities		
Borrowings	1,554	1,348
Other liabilities	61	33
Total liabilities	**1,615**	**1,381**
Net assets	**199**	**217**
Non-controlling interest share of net assets	**97**	**106**

* As on December 31

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

in millions of euros	2019	2018
Interest income from customers	43	41
Profit/(loss) for the year	(10)	16
Other comprehensive income	-	-
Profit allocated to non-controlling interest	**(5)**	**8**

Summarized statement of financial position for AGCO Finance LLC:

in millions of euros	2019*	2018*
Assets		
Due from customers	1,516	1,243
Other assets	339	251
Total assets	**1,855**	**1,494**
Liabilities		
Borrowings	1,669	1,327
Other liabilities	78	64
Total liabilities	**1,747**	**1,391**
Net assets	**108**	**103**
Non-controlling interest share of net assets	**53**	**50**

* As on December 31

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

in millions of euros	2019	2018
Interest income from customers	79	67
Profit/(loss) for the year	16	10
Other comprehensive income	-	-
Profit allocated to non-controlling interest	**8**	**5**

Summarized statement of financial position for De Lage Landen Participações Limitada:

in millions of euros	2019*	2018*
Assets		
Due from customers	1,255	1,163
Other assets	35	66
Total assets	**1,290**	**1,229**
Liabilities		
Borrowings	1,029	981
Other liabilities	16	18
Total liabilities	**1,045**	**999**
Net assets	**245**	**230**
Non-controlling interest share of net assets	**58**	**58**

* As on December 31

Summarized profit or loss and other comprehensive income for De Lage Landen Participações Limitada:

in millions of euros	2019	2018
Interest income from customers	102	92
Profit/(loss) for the year	26	19
Other comprehensive income	-	-
Profit allocated to non-controlling interest	**7**	**5**

Summarized statement of financial position for AGCO Finance GmbH:

in millions of euros	2019*	2018*
Assets		
Due from customers	300	532
Other assets	68	89
Total assets	**368**	**621**
Liabilities		
Borrowings	300	524
Other liabilities	2	2
Total liabilities	**302**	**526**
Net assets	**66**	**95**
Non-controlling interest share of net assets	**33**	**47**

* As on December 31

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

in millions of euros	2019	2018
Interest income from customers	13	23
Profit/(loss) for the year	4	6
Other comprehensive income	-	-
Profit allocated to non-controlling interest	**2**	**3**

Summarized statement of financial position for AGCO Finance Canada, Ltd:

in millions of euros	2019*	2018*
Assets		
Due from customers	446	442
Other assets	81	52
Total assets	**527**	**494**
Liabilities		
Borrowings	478	450
Other liabilities	21	19
Total liabilities	**499**	**469**
Net assets	**28**	**25**
Non-controlling interest share of net assets	**14**	**12**

* As on December 31

Summarized profit or loss and other comprehensive income for AGCO Finance Canada, Ltd:

in millions of euros	2019	2018
Interest income from customers	25	23
Profit/(loss) for the year	5	5
Other comprehensive income	-	-
Profit allocated to non-controlling interest	**2**	**2**

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

in millions of euros	2019*	2018*
Assets		
Due from customers	443	432
Other assets	85	80
Total assets	**528**	**512**
Liabilities		
Borrowings	443	426
Other liabilities	18	23
Total liabilities	**461**	**449**
Net assets	**67**	**63**
Non-controlling interest share of net assets	**27**	**25**

* As on December 31

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

in millions of euros	2019	2018
Interest income from customers	27	23
Profit/(loss) for the year	18	19
Other comprehensive income	-	-
Profit allocated to non-controlling interest	**7**	**8**

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

in millions of euros	2019*	2018*
Assets		
Due from customers	661	655
Other assets	181	191
Total assets	**842**	**846**
Liabilities		
Borrowings	688	700
Other liabilities	20	23
Total liabilities	**708**	**723**
Net assets	**134**	**123**
Non-controlling interest share of net assets	**66**	**60**

* As on December 31

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

in millions of euros	2019	2018
Interest income from customers	24	24
Profit/(loss) for the year	11	14
Other comprehensive income	-	-
Profit allocated to non-controlling interest	**6**	**7**

Summarized statement of financial position for Mahindra Finance USA LLC:

in millions of euros	2019*	2018*
Assets		
Due from customers	939	921
Other assets	5	13
Total assets	**944**	**934**
Liabilities		
Borrowings	819	822
Other liabilities	6	9
Total liabilities	**825**	**831**
Net assets	**119**	**103**
Non-controlling interest share of net assets	**58**	**50**

* As on December 31

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

in millions of euros	2019	2018
Interest income from customers	59	53
Profit/(loss) for the year	13	12
Other comprehensive income	-	-
Profit allocated to non-controlling interest	**7**	**6**

4.8 Country-by-country reporting

DLL is active across over 30 countries, grouped in five main geographical areas. The country of domicile of DLL is the Netherlands. The table below includes specific information for each country, with allocation per country based on the location of the relevant subsidiary from which the transactions are initiated. The activities for all countries are leasing, except for Ireland, where DLL's central Treasury is located. When completing the table, the guidance of and definitions from the OECD/G20 Base Erosion and Profit Shifting Project on country-by-country reporting are applied.

December 31, 2019 (in millions of euros)

Geographic location Country	Revenues	Average number of FTEs	Profit/(loss) before tax	Income taxes
The Netherlands				
The Netherlands	12.1	822	(139.5)	37.5
Rest of Europe				
Germany	98.2	294	32.2	(9.1)
France	41.4	140	6.2	(23.8)
Ireland	117.8	76	101.1	(12.5)
United Kingdom	83.2	231	31.0	(5.8)
Spain	33.0	128	9.2	(3.9)
Italy	62.4	138	29.8	(2.9)
Portugal	4.8	19	1.0	(0.3)
Austria	2.9	4	0.3	0.1
Switzerland	4.1	7	1.5	(0.2)
Sweden	32.6	152	4.5	(3.0)
Norway	21.9	46	7.5	(1.7)
Finland	6.5	13	1.6	(0.3)
Denmark	16.5	30	5.7	(0.3)
Russia	26.7	69	20.5	(5.8)
Poland	20.2	89	9.1	(1.9)
Hungary	4.5	41	0.2	0.1
Turkey	4.5	22	2.3	(0.2)
Belgium	16.9	55	3.1	(1.0)
Romania	0.3	3	0.1	0.0
North America				
United States	526.7	1,459	205.8	(55.9)
Canada	79.1	220	37.8	(9.6)
Latin America				
Brazil	67.4	209	38.5	(12.9)
Argentina	2.4	19	(0.7)	(0.2)
Mexico	17.8	73	3.9	(1.9)
Chile	7.5	33	1.3	(0.8)
Asia Pacific				
Australia	61.9	155	28.4	(8.4)
New Zealand	14.9	6	9.2	(2.6)
China	12.9	30	1.3	(1.2)
India	12.5	463	(4.4)	(1.9)
Singapore	3.5	17	(0.5)	0.0
South Korea	7.7	24	2.6	(0.5)
United Arab Emirates	(0.2)	1	(0.5)	0.0

December 31, 2018 (in millions of euros)

Geographic location Country	Revenues	Average number of FTEs	Profit/(loss) before tax	Income taxes
The Netherlands				
The Netherlands	9.4	844	(104.9)	32.6
Rest of Europe				
Germany	90.4	292	35.3	(11.7)
France	62.6	134	27.4	(1.4)
Ireland	95.6	73	81.9	(10.0)
United Kingdom	81.7	219	40.5	(6.8)
Spain	28.8	118	10.2	(3.0)
Italy	59.1	128	29.0	(2.8)
Portugal	4.4	19	1.3	(0.4)
Austria	2.2	3	0.8	(0.2)
Switzerland	3.8	6	2.0	(0.4)
Sweden	32.5	143	9.4	(2.0)
Norway	18.0	39	6.7	(1.6)
Finland	6.1	10	2.3	(0.5)
Denmark	15.4	27	6.2	(1.4)
Russia	23.5	64	20.0	(3.6)
Poland	18.1	86	6.7	(1.7)
Hungary	6.5	41	1.7	(0.2)
Turkey	4.7	23	1.9	(0.2)
Belgium	16.6	56	5.4	(1.6)
Romania	0.3	3	0.1	0.0
North America				
United States	505.1	1,425	211.8	(42.4)
Canada	75.4	195	44.6	(11.8)
Latin America				
Brazil	63.4	212	34.7	(15.4)
Argentina	2.6	19	(1.9)	0.6
Mexico	13.0	64	4.8	(1.4)
Chile	6.3	32	1.2	0.0
Asia Pacific				
Australia	49.6	129	18.7	(5.6)
New Zealand	11.4	5	4.5	(1.3)
China	20.7	69	(0.2)	(5.0)
India	8.4	370	(6.1)	0.0
Singapore	3.2	19	0.7	0.0
South Korea	6.4	22	1.9	(0.4)
United Arab Emirates	0.1	2	(0.4)	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 FCTR).

When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Fair value measurement

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the item, or in the case of absence of a principle 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 of 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 an asset) or settlement date (the date on which the asset is actually delivered). All instruments that are measured at amortized cost are recognized by DLL at settlement date. 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 effective interest rate (EIR) is the rate that exactly discounts estimated future cash payments or receipts though 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.

4.10 IFRS Standards issued but not yet effective

The below Standards and Amendments have been issued by the International Accounting Standards Board but are yet not effective. DLL has elected not to early-adopt these Standards and Amendments.

Standard	Issue date	Effective date	Expected effects
New standards			
IFRS 17 Insurance contracts	May 18, 2017	January 1, 2021*	IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. The impact of this standard is for DLL to be implemented on January 1, 2021. The amendments to IFRS 4 permit entities that predominantly undertake insurance activities the option to defer the effective date of IFRS 17 until January 1, 2021. The effect of such a deferral is that the entities concerned may continue to report under IAS 39 Financial Instruments: Recognition and Measurement. DLL RE as consolidated by DLL will make use of the exemption for IFRS 17 until the January 1, 2021.
Amendments			
IFRS 9 Financial instruments IAS 39 Financial instruments, Recognition and Measurement IFRS 7 Financial instruments, disclosures	September 26, 2019	January 1, 2020	Interest Rate Benchmark Reform: these amendments will affect DLL because they apply the hedge accounting requirements of IFRS 9 and IAS 39 to hedging relationships that are affected by the interest rate benchmark reform. The amendments modify specific hedge accounting requirements, so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark is not altered as a result of the interest rate benchmark reform. The changes will mandatorily apply to all hedging relationships that are directly affected by the interest rate benchmark reform. If a hedging relationship no longer meets the requirements for hedge accounting for reasons other than those specified by the amended Standards, then discontinuation of hedge accounting is still required. The amendments are effective for annual periods beginning on or after January 1, 2020, with earlier application permitted. DLL will not early adopt these amendments, nor does it expect that the implementation of these amendments will significantly affect profit or equity.
IFRS 3 Business combinations	October 22, 2018	January 1, 2020	The new requirements are currently being analyzed and their impact is not yet known; DLL does not expect that the implementation of these amendments will significantly affect profit or equity.
IAS 1 Presentation of the financial statements	October 31, 2018	January 1, 2020	The new requirements are currently being analyzed and their impact is not yet known; DLL does not expect that the implementation of these amendments will significantly affect profit or equity.
IAS 8 Accounting policies changes in accounting estimates and errors	October 31, 2018	January 1, 2020	The new requirements are currently being analyzed and their impact is not yet known; DLL does not expect that the implementation of these amendments will significantly affect profit or equity.

* Effective date is subject to the endorsement by the European Union.

C1 – List of acronyms

AGCO	AGCO Finance
ALCO	Asset and Liability Committee
CC	Corporate Center and other business
CGU	Cash Generating Unit
CRD IV	Capital Requirements Directive IV
CRR	Capital Requirements Regulation
CT&I	Construction, Transportation and Industrial segment
DCF	Discounted Cash Flow
DLL	De Lage Landen International B.V.
DNB	De Nederlandsche Bank/Dutch Central Bank
DRN	Deferred Remuneration Note
EAD	Exposure at Default
EB	Executive Board
EIR	Effective Interest Rate
F&A	Food and Agriculture segment
FCTR	Foreign Currency Translation Reserve
FTEs	Full-Time Equivalent
GBU	Global Business Unit
GCC	Global Credit Committee
GRC	Global Risk Committee
HC&CT	Healthcare and Clean technology segment
EatR	Earnings at Risk
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
LCC	Local Credit Committee
LGD	Loss Given Default
NCI	Non-controlling interest
NRV	Net Realizable Value
OE	Office equipment segment
PD	Probability of Default
PwC	PricewaterhouseCoopers Accountants N.V.
RC	Rabobank Certificate
RRR	Rabobank Risk Rating
S&P	Standard & Poor's
SB	Supervisory Board
SPV	Special purpose vehicle
SREP	Supervisory Review and Evaluation Process

Company
financial statements

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Company statement of **financial position**

(before profit appropriation) as on December 31

in millions of euros	Notes	2019*	2018
Assets			
Cash and cash equivalents	2	173	264
Loans to banks	3	1,923	1,549
Loans to subsidiaries	4	1,415	1,321
Due from customers	5	3,981	3,314
Derivatives	6	4	8
Investments in subsidiaries	7	4,582	4,736
Investments in associates	8	24	24
Goodwill and other intangible assets	9	6	11
Tangible fixed assets	10	93	81
Other assets	11	1,145	1,549
Total assets		**13,346**	**12,857**
Liabilities			
Borrowings	12	9,253	9,074
Deposits from customers	13	17	4
Derivatives	6	1	4
Other liabilities	14	360	311
Provisions	15	3	6
Total liabilities		**9,634**	**9,399**
Equity			
Share capital	22	98	98
Share premium	22	1,135	1,135
Revaluation reserves	22	51	123
Legal and statutory reserves	22	18	(51)
Other reserves	22	2,153	1,833
Unappropriated result	22	257	320
Total equity		**3,712**	**3,458**
Total liabilities and equity		**13,346**	**12,857**

* As on December 31

Company statement of **profit or loss**

for the year ended December 31

in millions of euros	Notes	2019	2018
Interest revenue	16	131	112
Interest expenses	16	(100)	(87)
Fee income		23	25
Fee expenses		(6)	(3)
Gains/(losses) from financial instruments		3	-
Other operating income	17	112	103
Total operating income		**163**	**150**
Result from subsidiaries		**358**	**418**
Staff expenses	18	(112)	(127)
Depreciation, amortization and impairment of tangible fixed and intangible assets	9/10	(24)	(29)
Other operating expenses	19	(88)	(101)
Credit losses on due from customers		(63)	(18)
Total operating expenses		**(287)**	**(275)**
Profit before tax		**234**	**293**
Tax income		23	27
Profit after tax		**257**	**320**

Notes to the **company financial statements**

1. General

These company financial statements, are prepared for De Lage Landen International B.V. (DLL, KvK 17056223 0000, seated in Eindhoven) for the year ended December 31, 2019, 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 one exception regarding the measurement of interests in group companies as these are measured at net asset value.

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 in Italy, Germany, Spain and Portugal.

DLL offers customers various financial solution products including leasing and lending.

The accounting policies set out in preparing the DLL consolidated financial statements for the year ended December 31, 2019, are also applied in these company financial statements. Accordingly, in certain notes to these company financial statements reference is made to the notes to the consolidated financial statements.

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).

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:

- De Lage Landen America Holdings B.V.
- De Lage Landen Corporate Finance B.V.
- De Lage Landen International B.V.
- De Lage Landen Vendorlease B.V.

Basis of preparation

In these company financial statements DLL applied the accounting policies it used in its consolidated financial statements prepared under International Financial Reporting Standards (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 that supports the going concern assumption. In these considerations, the implications of the Coronavirus has been included. For more information see section 24 Events occurring after the reported period.

The company financial statements provide comparative information for the year ended December 31, 2018, as required for financial statements prepared in full accordance with IFRS. IFRS 16 Leases, IFRIC 23 Uncertain Tax Positions and the amendments to IAS 19 Employee Benefits have become effective.

IFRS 16 became effective on January 1, 2019, and DLL applies the modified retrospective approach which retains the prior period figures as reported under the previous standard and recognizes the effects of IFRS 16 in the opening balance as per January 1, 2019. The adoption of IFRS 16 Leases resulted in changes in accounting policies. The new accounting policies are set out in Section 4.2 of the consolidated financial statements “Accounts receivable and other assets.” DLL recognized the right of-use assets as part of the line-item Property and Equipment and a corresponding lease liability as part of line-item Other Liabilities in the Consolidated Statement of Financial Position. The lease liability is measured at the present value of the lease payments. On initial application, the right-of-use asset is measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The introduction of IFRS 16 did not have an impact on the opening balance of equity, but led to an increase of assets and liabilities as per January 1, 2019, for an amount of EUR 8 million. DLL applied the following practical expedients at the date of initial application: i) reliance on the assessment of whether leases are onerous by applying IAS 37 immediately before the date of initial application as an alternative to performing an impairment review which then leads to an adjustment of the right-of-use asset by the amount of any provision for onerous leases and ii) exclusion of the initial direct costs from the measurement of the right-of-use asset.

Amendments have been made to IAS 28, IAS 19, IFRS 9 and IFRIC 23 and the Annual Improvements to IFRS Standards 2015-2017 Cycle have been issued. The implementation of these amendments has no impact on profit or equity.

The policies adopted are the same as previous financial year with the exception of the policies stated above.

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	2019*	2018*
Current account Rabobank and its related entities	53	72
Current account DLL group entities	118	191
Other banks	2	1
Total cash and cash equivalents	**173**	**264**

* As on December 31

Current accounts with DLL group entities represents intra group treasury balances which are readily available.

3. Loans to banks

The following table provides an overview of movements of loans to banks:

in millions of euros	2019	2018
Opening balance	1,549	1,344
Loans issued	8,874	4,621
Loans repaid	(8,500)	(4,416)
Interest accrued	-	(2)
Interest received	-	2
Closing balance	**1,923**	**1,549**

The maturity of these loans is as follows:

in millions of euros	2019*	2018*
Less than 3 months	1,453	462
More than 3 months, less than 1 year	-	1,004
More than 1 year, less than 5 years	470	83
More than 5 years	-	-
Total loans to banks	**1,923**	**1,549**

* As on December 31

DLL issued EUR denominated loans and deposits to Rabobank entities in the amount of EUR 1,923 million (2018: EUR 1,549 million) that relate to a loan-deposit structure between DLL and Rabobank, which is used to mitigate foreign currency risk of DLL's net investments in foreign operations. These loans and deposits are fixed and floating rate transactions, carry interest rates based of 3M LIBOR or EURIBOR plus currency funding spreads, mature between 2020 and 2022, and have a fair value of EUR 1,922 million (2018: EUR 1,553 million). As the second leg of this loan-deposit structure, DLL received USD, CAD and GBP denominated long-term borrowings from Rabobank amounting to EUR 465 million (2018: EUR 1,170 million), where the issued loans are pledged as collateral for these borrowings. Refer to note 12. The principal amounts and terms of these loans match, however they do not qualify for offsetting and are recorded gross in the statement of financial position.

4. Loans to subsidiaries

The following table provides an overview of movements of loans to subsidiaries.

in millions of euros	2019	2018
Opening balance	1,321	956
Loans issued	1,384	1,442
Loans repaid	(1,290)	(1,079)
Interest accrued	20	15
Interest received	(20)	(13)
Closing balance	**1,415**	**1,321**

The maturity of these loans is as follows:

in millions of euros	2019*	2018*
Less than 3 months	200	160
More than 3 months, less than 1 year	292	1
More than 1 year, less than 5 years	892	1,050
More than 5 years	31	110
Total loans to subsidiaries	**1,415**	**1,321**

* As on December 31

The loans to subsidiaries have a fair value as on December 31, 2019, of EUR 1,431 million (2018: EUR 1,328 million).

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	2019*	2018*
Finance lease receivables	2,232	1,981
Loans to customers	1,906	1,437
	4,138	**3,418**
Allowance for impairment**	(157)	(104)
Total due from customers	**3,981**	**3,314**

* As on December 31

** For a description of credit risk management policies and governance as well as policies for the allowance for impairment, refer to note 1.3 in the consolidated financial statements. The allowance for impairment also includes stage 1 and 2 provision of portfolios of other subsidiaries.

Unguaranteed residual value

The value of unguaranteed residual values at December 31, 2019, was EUR 252 million (2018: EUR 196 million).

Investment in finance leases

The table below summarizes outstanding gross investment in finance lease receivables as well as unearned finance income:

in millions of euros	2019*	2018*
Less than 1 year	762	667
More than 1 year, less than 5 years	1,424	1,316
More than 5 years	63	57
Gross investment in leases	**2,249**	**2,040**
Unearned finance income	(115)	(126)
Net investment in leases	**2,134**	**1,914**

* 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 EUR and USD 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 positive EUR 15 million as on December 31, 2019 (2018: positive EUR 9 million).

6. Derivatives

The following table provides an overview of derivatives.

in millions of euros	2019*	2018*
Derivative assets at fair value through profit or loss		
Foreign exchange forwards (including non-deliverable forwards)	-	-
Interest rate swaps	-	1
Total derivative assets at fair value through profit or loss	**-**	**1**
Derivative assets designated as foreign net investment hedge		
Foreign exchange forwards (including non-deliverable forwards)	4	7
Total derivative assets designated as foreign net investment hedge	**4**	**7**
Total derivative assets	**4**	**8**
Derivative liabilities at fair value through profit or loss		
Foreign exchange forwards (including non-deliverable forwards)	-	-
Interest rate swaps	-	-
Total derivative liabilities at fair value through profit or loss	**-**	**-**
Derivative liabilities designated as foreign net investment hedge		
Foreign exchange forwards (including non-deliverable forwards)	(1)	(4)
Total derivative liabilities designated as foreign net investment hedge	**(1)**	**(4)**
Total derivative liabilities	**(1)**	**(4)**
Derivative notional amounts		
Foreign exchange forwards (including non-deliverable forwards)	927	871
Interest rate swaps	136	296
Total derivative notional amounts	**1,063**	**1,167**

* 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 other comprehensive income. The gains/(losses) from derivatives for the year ended December 31, 2019, were EUR 1 million (2018: EUR 5 million).

For more detailed information on the treatment of derivatives please refer to note 3.4 of the consolidated financial statements.

7. Investments in subsidiaries

Investments in subsidiaries are valued at net asset value. A full list of subsidiaries and associates is presented in note 23. Movements in investments in subsidiaries are as follows:

in millions of euros	2019	2018
Opening balance	4,736	4,449
Investments	64	336
Disposals	-	(160)
Dividends	(631)	(326)
Result for the year	358	418
Exchange rate differences	58	18
Other	(3)	1
Closing balance	**4,582**	**4,736**

8. Investments in associates

A full list of associates is presented in note 23. Movements in investments in associates are as follows:

in millions of euros	2019	2018
Opening balance	24	24
Acquisitions and investments	-	-
Closing balance	**24**	**24**

9. Goodwill and other intangible assets

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

In millions of euros	Goodwill	Other	Total
Cost	2	146	148
Accumulated amortization and impairment	-	(137)	(137)
Net book value as on January 1, 2019	**2**	**9**	**11**
Purchases	-	1	1
Amortization	-	(6)	(6)
Net book value as on December 31, 2019	**2**	**4**	**6**
Cost	2	143	145
Accumulated amortization and impairment	-	(122)	(122)
Net book value as on January 1, 2018	**2**	**21**	**23**
Purchases	-	3	3
Amortization	-	(15)	(15)
Net book value as on December 31, 2018	**2**	**9**	**11**

10. 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 and 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 for 2018 and 2019:

in millions of euros	2019*	2018*
Fixed assets under operating lease	69	60
Land and buildings	11	13
Equipment	7	8
Fixed assets	**87**	**81**
Right-of-use assets	6	-
Total fixed assets	**93**	**81**

* As on December 31

The table below summarizes future minimum lease payments under non-cancellable operating leases:

in millions of euros	2019*	2018*
Less than 1 year	14	12
More than 1 year, less than 5 years	22	20
More than 5 years	-	-
Total minimum lease payment	**36**	**32**

* As on December 31

in millions of euros	FAOL*	Land and buildings	Equipment	Right-of-use assets	Total
Cost	82	39	24	-	145
Accumulated depreciation	(22)	(26)	(16)	-	(64)
Carrying amount as on January 1, 2019	**60**	**13**	**8**	**-**	**81**
Adoption IFRS 16	-	-	-	8	8
Additions	38	-	1	-	39
Disposals	(17)	-	-	-	(17)
Depreciation charge	(12)	(2)	(2)	(2)	(18)
Cost	98	39	25	8	170
Accumulated depreciation	(29)	(28)	(18)	(2)	(77)
Carrying amount as on December 31, 2019	**69**	**11**	**7**	**6**	**93**
Cost	67	38	20	-	125
Accumulated depreciation	(16)	(25)	(13)	-	(54)
Carrying amount as on January 1, 2018	**51**	**13**	**7**	**-**	**71**
Additions	28	1	4	-	33
Disposals	(9)	-	-	-	(9)
Depreciation charge	(10)	(1)	(3)	-	(14)
Cost	82	39	24	-	145
Accumulated depreciation	(22)	(26)	(16)	-	(64)
Carrying amount as on December 31, 2018	**60**	**13**	**8**	**-**	**81**

* Fixed assets under operating lease

11. Other assets

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

in millions of euros	2019*	2018*
Receivables group companies	979	1,321
Current tax receivables	43	23
Prepayments	28	86
Transitory assets	1	27
VAT to be claimed	31	55
Deferred tax assets	45	33
Other	18	4
Total other assets	**1,145**	**1,549**

* As on December 31

In general, other assets consist of current assets with exception of deferred tax assets that can have a settlement period of more than one year.

Deferred tax assets in De Lage Landen International B.V. 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. 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.

12. Borrowings

The following table provides an overview of borrowings.

in millions of euros	2019*	2018*
Short-term loans and overdrafts		
Short-term loans from Rabobank	2,447	1,655
Other short-term loans	240	257
	2,687	**1,912**
Long-term borrowings		
Long-term borrowings from Rabobank	857	1,865
Long-term borrowings from the group companies	4,549	4,147
Other long-term borrowings	1,160	1,150
	6,566	**7,162**
Total borrowings	**9,253**	**9,074**

* As on December 31

Short-term loans and overdrafts represent primarily balances outstanding under overdraft facilities from Rabobank and other banks where DLL has current accounts.

Included in the long-term borrowings from Rabobank as on December 31, 2019, are USD, CAD and GBP denominated loans of EUR 465 million (2018: EUR 1,170 million). As the second leg of this loan-deposit structure, DLL issued EUR denominated loans to Rabobank in the amount of EUR 1,923 million (2018: EUR 1,549 million), included in due from banks (refer to note 3. This structure relates to a loan-deposit structure between DLL and Rabobank that is used to mitigate DLL's foreign currency risk in respect to net investments in foreign subsidiaries. These loans and deposits are floating-rate transactions and carry interest rates based on 3M LIBOR or EURIBOR plus currency funding spreads and mature between 2020 and 2022. These loans are pledged as collateral for the corresponding borrowings. While the principal amounts and terms of these loans match, they do not qualify for offsetting and are recorded gross in the statement of financial position. Interest rates on these borrowings are between 0.76% and 8.09% (2018: (0.76%/8.09%). The long-term borrowings from Rabobank have a fair value as on December 31, 2019, of EUR 857 million (2018: EUR 1,875 million).

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 5.22% (2018: (0.69)%/5.22%). The long-term borrowings from group companies have a fair value as on December 31, 2019, of EUR 4,565 million (2018: EUR 4,173 million).

Other long-term borrowings are long-term loans received by DLL from third parties and bear an interest rate between 0% and 4.55% (2018: 0%/4.55%). The other long-term borrowings have a fair value of EUR 1,164 million (2018: EUR 1,148 million).

The table below summarizes the aging of the total borrowings:

in millions of euros	2019*	2018*
Less than 1 year	3,860	4,054
More than 1 year, less than 5 years	2,985	2,244
More than 5 years	2,408	2,776
Total borrowing	**9,253**	**9,074**

* As on December 31

13. Deposits from customers

Deposits from customers mainly consist of 1 year interest bearing deposits from retail customers.

14. Other liabilities

The following table provides an overview of the items comprising other liabilities.

in millions of euros	2019*	2018*
Payables to group companies	191	141
Accounts payable to suppliers	87	104
Accrued expenses	16	20
Staff-related expenses	16	20
Current tax liabilities	18	8
Deferred income	7	6
Lease liabilities	6	-
Other	19	12
Total other liabilities	**360**	**311**

* As on December 31

In general, other liabilities consist of current liabilities with exception of deferred tax liabilities, deferred income and lease liabilities that can have a settlement period of more than one year.

15. 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	2019*	2018*
Provision for restructuring	3	4
Provision for tax claims	-	2
Total provisions	**3**	**6**

* As on December 31

Changes in provisions were as follows:

in millions of euros	Restructuring	Tax claims	Total
As on January 1, 2019	**4**	**2**	**6**
Additions	-	-	-
Released	(1)	(2)	(3)
As on December 31, 2019	**3**	**-**	**3**
As on January 1, 2018	**4**	**2**	**6**
Additions	2	2	4
Released	(2)	(2)	(4)
As on December 31, 2018	**4**	**2**	**6**

16. Interest revenue and expense

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

in millions of euros	2019	2018
Interest revenue		
Interest income from finance leases	84	89
Interest income from loans to customers	41	15
Interest income from loans to banks	-	2
Interest income from subsidiaries	6	6
	131	**112**
Interest expenses		
Interest expense on borrowings from Rabobank	(52)	(43)
Interest expense on other borrowings	(47)	(38)
Interest expense on subsidiaries	(1)	(6)
	(100)	**(87)**
Net interest income	**31**	**25**

17. Other operating income

The following table provides an overview of other operating income.

in millions of euros	2019	2018
Administrative income from subsidiaries	90	72
Other operating income	25	31
Result on disinvestment	(3)	-
Total other operating income	**112**	**103**

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.

18. Staff expenses

The following table provides an overview of staff expenses.

In millions of euros	2019	2018
Short-term employee benefits	82	86
Wages and salaries	54	52
Social Security costs	9	8
Temporary staff	19	26
Other short-term benefits	23	33
Pension-defined contribution plan expenses	7	8
Total staff expenses	**112**	**127**

The average number of staff (FTEs) of employees at DLL was 929 (2018: 933) of whom 608 (2018: 640) 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 the note 2.4 in 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.

19. Other operating expenses

The following table provides an overview of other operating expenses.

in millions of euros	2019	2018
Administration expenses	24	41
IT-related cost	39	38
Administrative charges Rabobank	25	22
Total other operating expenses	**88**	**101**

20. Independent auditor remuneration

Included in other operating expenses are amounts that DLL paid to its independent auditor PricewaterhouseCoopers Accountants N.V. For details on these fees and their composition, please refer to note 2.5 in the consolidated financial statements.

21. 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, 2019, DLL had no material unresolved legal claims (2018: 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
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). The irrevocable facilities as per December 31, 2019, amount to EUR 30 million for De Lage Landen International B.V. (2018: EUR 30 million).

Master Guarantee Agreement
In 2016, DLL and Rabobank signed a master guarantee agreement (Master Guarantee Agreement) under which DLL may agree to guarantee specific obligations of any Group entity owed towards Rabobank. The only obligations presently subject to the Master Guarantee Agreement are the obligations of the Group's treasury function, DLL Ireland DAC and De Lage Landen Finansal Kiralama A.S. (DLL Turkey) under a loan facility agreement with Rabobank. The maximum amount of the loan facility agreement of De Lage Landen International B.V. at year end 2019 is EUR 20,581 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.

22. Shareholders' Equity

Share capital and share premium
At December 31, 2019, DLL's authorized capital was EUR 454 million (2018: EUR 454 million), divided into 950 ordinary A shares and 50 ordinary B shares (2018: 950 A and 50 B). The nominal value of each share is EUR 454,000. EUR 98 million (2018: 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 (2018: EUR 1,135 million). For the years 2019 and 2018 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 difference are recognized in legal and statutory reserves, which is the sole item comprising the legal reserve.

There are no statutory reserves prescribed in the Articles of Association of the Company.

DLL uses a Foreign Net Investment hedging model. 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 2019, the hedge relations were highly effective within the effectiveness range set based on IFRS 9 regulations. In 2019, an amount of EUR 73 million after taxation in the revaluation reserves was accounted for due to changes in the fair value of derivatives in net investment hedges. Please refer to note 1.3 in 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 period ended December 31, 2019, to the other reserves. This proposal is not reflected in the statement of financial position.

The table on the next page presents the composition of shareholder's equity and a reconciliation of opening and closing balances for the years ended December 31, 2019, and 2018.

in millions of euros	Share capital	Share premium	Revaluation reserves	Legal and statutory reserves	Other reserves	Unappropriated results	Total equity
Balance on January 1, 2018	**98**	**1,135**	**177**	**(80)**	**1,283**	**552**	**3,165**
Appropriation of results	-	-	-	-	552	(552)	-
Profit for the year	-	-	-	-	-	320	320
Remeasurement of post-employment benefit reserve, net of tax	-	-	(1)	-	-	-	(1)
Fair value changes of derivatives designated for net investment hedging, net of tax	-	-	(53)	-	-	-	(53)
Exchange differences on translation of foreign operations, net of tax	-	-	-	29	-	-	29
Total amount recognized in equity	**-**	**-**	**(54)**	**29**	**-**	**320**	**295**
Other movements	-	-	-	-	(2)	-	(2)
Balance on December 31, 2018	**98**	**1,135**	**123**	**(51)**	**1,833**	**320**	**3,458**
Balance on January 1, 2019	**98**	**1,135**	**123**	**(51)**	**1,833**	**320**	**3,458**
Appropriation of results	-	-	-	-	320	(320)	-
Profit for the year	-	-	-	-	-	257	257
Remeasurement of post-employment benefit reserve, net of tax	-	-	1	-	-	-	1
Fair value changes of derivatives designated for net investment hedging, net of tax	-	-	(73)	-	-	-	(73)
Exchange differences on translation of foreign operations, net of tax	-	-	-	69	-	-	69
Total amount recognized in equity	**-**	**-**	**(72)**	**69**	**-**	**257**	**254**
Balance on December 31, 2019	**98**	**1,135**	**51**	**18**	**2,153**	**257**	**3,712**

23. 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
AGCO Capital Argentina S.A.	Buenos Aires, Argentina	51
AGCO Finance AG	Zürich, Switzerland	51
AGCO Finance B.V.	Eindhoven, The Netherlands	51
AGCO Finance Canada, Ltd	Regina, Canada	51
AGCO Finance Designated Activity Company	Dublin, Ireland	51
AGCO Finance GmbH	Düsseldorf, Germany	51
AGCO Finance GmbH, Landmaschinenleasing	Vienna, Austria	51
AGCO Finance Limited	Kenilworth, United Kingdom	51
AGCO Finance Limited	Te Awamutu, New Zealand	51
AGCO Finance LLC	Moscow, Russia	51
AGCO Finance LLC	Johnston, United States of America	51
AGCO Finance N.V.	Mechelen, Belgium	51
AGCO Finance Pty Limited	Sydney, Australia	51
AGCO Finance S.A.S.	Beauvais, France	51
AGCO Finance Sp. z o.o.	Warsaw, Poland	51
ALLCO-DLL Solar Trust	Wilmington, United States of America	100
AM-DLL Solar Trust	Wilmington, United States of America	100
Banco De Lage Landen Brasil S.A.	Porto Alegre, Brazil	78.6
BBT 2016-1 Trust	New York, United States of America	100
BBT 2018-1 Trust	New York, United States of America	100
BSE-DLL Solar Trust	Wilmington, United States of America	100
Cargobull Commercial Solutions, S.L.U.	Madrid, Spain	51
Cargobull Finance A/S	Padborg, Denmark	51
Cargobull Finance AB	Helsingborg, Sweden	51
Cargobull Finance GmbH in Liqu.	Wals bei Salzburg, Austria	51
Cargobull Finance GmbH	Düsseldorf, Germany	51
Cargobull Finance Holding B.V.	Eindhoven, The Netherlands	51
Cargobull Finance Limited	Watford, United Kingdom	51
Cargobull Finance S.p.A. con Socio Unico in liquidazione	Milan, Italy	51
Cargobull Finance Sp. z o.o.	Warsaw, Poland	51
CBSC Capital Inc.	Brampton, Canada	51
De Lage Landen (China) Co., Ltd.	Shanghai, China	100
De Lage Landen (China) Factoring Co., Ltd.	Shanghai, China	100
De Lage Landen AB	Stockholm, Sweden	100
De Lage Landen America Holdings B.V.	Eindhoven, The Netherlands	100
De Lage Landen Asia Participations B.V.	Eindhoven, The Netherlands	100
De Lage Landen Austria GmbH	Vienna, Austria	100
De Lage Landen Chile S.A.	Santiago, Chile	100
De Lage Landen China Participations B.V.	Eindhoven, The Netherlands	100
De Lage Landen Co., Ltd	Seoul, Republic of Korea	100
De Lage Landen Commercial Finance Inc.	Oakville, Canada	100
De Lage Landen Corporate Finance B.V.	Eindhoven, The Netherlands	100
De Lage Landen Cross-Border Finance, LLC	Wayne, United States of America	100
De Lage Landen Erste Vorratsgesellschaft mbH	Düsseldorf, Germany	100
De Lage Landen Europe Participations B.V.	Eindhoven, The Netherlands	100
De Lage Landen Facilities B.V.	Eindhoven, The Netherlands	100
De Lage Landen Finance Limited Liability Company	Seoul, Republic of Korea	100
De Lage Landen Finance Zrt.	Budapest, Hungary	100
De Lage Landen Finance, LLC	Johnston, United States of America	100
De Lage Landen Financial Services Canada Inc.	Oakville, Canada	100
De Lage Landen Financial Services India Private Limited	Mumbai, India	100
De Lage Landen Financial Services, Inc.	Wayne, United States of America	100
De Lage Landen Finans AB	Stockholm, Sweden	100
De Lage Landen Finansal Kiralama Anonim Şirketi	Istanbul, Turkey	100

Name	Registered office	% Capital
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.	Le Bourget, France	100
De Lage Landen Limited	Watford, United Kingdom	100
De Lage Landen Limited	Te Awamutu, New Zealand	100
De Lage Landen Participações Limitada	Porto Alegre, Brazil	78.6
De Lage Landen Pte. Limited	Singapore, Singapore	100
De Lage Landen Pty Limited	Sydney, Australia	100
De Lage Landen Public Finance LLC	Wayne, United States of America	100
De Lage Landen Remarketing Solutions B.V.	Eindhoven, The Netherlands	100
De Lage Landen Renting Solutions, S.L.U.	Madrid, Spain	100
De Lage Landen Renting Solutions S.r.l.	Milan, Italy	100
De Lage Landen South Africa (Proprietary) Limited	Tokai, South Africa	100
De Lage Landen Vendorlease B.V.	Eindhoven, The Netherlands	100
De Lage Landen, S.A. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad no Regulada	Huixquilucan, Mexico	100
DLL 2018-1 LLC	Wayne, United States of America	100
DLL 2018-2 LLC	Wayne, United States of America	100
DLL 2019-1 LLC	Wayne, United States of America	100
DLL 2019-2 LLC	Wayne, United States of America	100
DLL 2019-3 LLC	Wayne, United States of America	100
DLL Capital Receivables 2017-A LLC	Wayne, United States of America	100
DLL Company One BV	Eindhoven, The Netherlands	100
DLL Corretora de Seguros Ltda.	Barueri, 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 Leasing Argentina S.A.	Buenos Aires, Argentina	100
DLL Ireland Designated Activity Company	Dublin, Ireland	100
DLL Leasing Designated Activity Company	Dublin, Ireland	100
DLL Leasing S.A. de C.V.	Huixquilucan, Mexico	100
DLL Limited Partnership	Oakville, Canada	100
DLL Polska Corporate Sp. z o.o.	Warsaw, Poland	100
DLL Polska Participations Sp. z o.o.	Warsaw, Poland	100
DLL Polska Participations Sp. z o.o. Sp. K.	Warsaw, Poland	100
DLL Re Designated Activity Company	Dublin, Ireland	100
DLL Securitization Trust 2017-A	Wilmington, United States of America	100
DLL UK Equipment Finance 2019-1 PLC	London, United Kingdom	100
DLL UK Equipment Finance Holdings Limited	London, United Kingdom	100
DLL U.S. Holding Company, Inc.	Wilmington, United States of America	100
Komatsu Administration France S.A.S.	Le Bourget, France	95
Komatsu Financial Germany GmbH	Düsseldorf, Germany	95
Komatsu Financial Italy S.p.A. in liquidazione	Milan, Italy	97
LEAP Warehouse Trust No. 1	Sydney, Australia	100
Limited Liability Company Cargobull Finance	Moscow, Russia	100
Limited Liability Company De Lage Landen Leasing	Moscow, Russia	100
Mahindra Finance USA LLC	Johnston, United States of America	51
2732932 Ontario Limited	Oakville, Canada	100
MP2-DLL Solar Trust	Wilmington, United States of America	100
NSE-DLL Solar Trust	Wilmington, United States of America	100
OOO DLL Finance	Moscow, Russia	100
Philips Medical Capital, LLC	Wayne, United States of America	60
SE DLL Solar Trust	Wilmington, United States of America	100
TE-DLL Solar Trust	Wilmington, United States of America	100
Truckland Lease B.V.	Eindhoven, The Netherlands	51

24. Events occurring after reported period

The Coronavirus pandemic has developed rapidly in 2020, with a significant number of infections. Measures taken by various governments to contain the virus have affected economic activity. DLL has set up a Coronavirus Global Crisis Team that is working daily to monitor these risks, relevant developments and take appropriate steps to protect the health of the workforce, customers and business. Furthermore, DLL has taken a number of measures to monitor and prevent the effects of the Coronavirus such safety and health measures for our people (like social distancing and working from home) and is in the process of setting up payment relief programs for impacted customers.

The outbreak of this virus has disrupted global financial markets and negatively affected supply and demand across a broad range of industries. Therefore, while we expect this matter will likely negatively impact our future financial performance, the extent of such impact will depend on the outcome of certain developments, including but not limited to, the duration and spread of the outbreak as well as the impact on our customers, vendors, suppliers, and employees, all of which are uncertain and cannot be reasonably estimated. The main impact will be a slowdown of portfolio growth, resulting in a reduction in net income as well as an increase in credit impairments.

The CET1 ratio of 15.8%, which is considerably above minimum requirements, as well as the absolute equity of EUR 4.2 billion gives DLL a comfortable buffer to deal with any negative implications of the Coronavirus and all the measures taken by governments. Rabobank is and will continue to be our main source of funding. Availability of capital and liquidity is closely monitored in coordination with Rabobank.

At this moment, whilst uncertain, we do not believe, however, that the impact of the Coronavirus and all measures taken by governments would have a material adverse impact on our financial condition, liquidity or solvency.

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 behalf of the Executive Board
B. Stephenson, *Chairman*
M.M.A. Dierckx, *CFO*
M. Janse, *COO*
T.L. Meredith, *CCO*

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

Eindhoven, April 22, 2020

Other **information**

Independent auditor's report

Independent auditor's report

To: the general meeting and supervisory board of De Lage Landen International B.V.

Report on the financial statements 2019

Our opinion

In our opinion:

- De Lage Landen International B.V.'s consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019 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
- De Lage Landen International B.V.'s company financial statements give a true and fair view of the financial position of the Company as at 31 December 2019 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2019 of De Lage Landen International B.V., Eindhoven ('the Company'). The financial statements include the consolidated financial statements of De Lage Landen International B.V. together with its subsidiaries ('the Group') and the company financial statements.

The consolidated financial statements comprise:

- The consolidated statement of financial position as at 31 December 2019;
- the following statements for 2019: the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows; and
- the notes, comprising significant accounting policies and other explanatory information.

The company financial statements comprise:

- The company statement of financial position as at 31 December 2019;
- the company statement of profit or loss for the year then ended; and
- the notes, comprising the accounting policies applied and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

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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 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 requirements in the Netherlands. Furthermore, we have complied with the ‘Verordening gedrags- en beroepsregels accountants’ (VGBA, Dutch Code of Ethics).

Our audit approach

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 industry verticals. The Group has operations in more than 30 countries. The Group comprises of several components for which we considered our group audit scope and approach as set out in the section 'The scope of our group audit'.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the executive board made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In note IV 'Key judgements and estimates' of the consolidated financial statements, the executive board describes these main areas of judgement and key estimates in applying accounting policies.

We identified the classification of client contracts as operating lease, finance lease or loans as a key audit matter in view of the potential impact on measurement and revenue recognition, the considerable level of management judgement coupled with the magnitude of the balances. Given the relevance and overall size of these balances in combination with the level of management judgement and inherent estimation uncertainty and the related higher inherent risk of material misstatement, we also considered the measurement of balances due from customers and the measurement of assets under operating lease a key audit matter. We have also identified the application of macro fair value hedge accounting and the measurement of the derivatives as a key audit matter in view of the complexity of hedge accounting, the magnitude of the notional amounts and the estimation uncertainty.

Refer to section ‘Our focus on the risk of fraud and non-compliance with laws and regulations’ for our audit approach on compliance with laws and regulations.

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In view of the importance of the IT environment on our audit of the financial statements, we, with the support of our IT specialists, assessed the IT environment. We addressed information technology general controls ('ITGCs') which are the policies and procedures used by the Company to ensure information technology ('IT') operates as intended and provides reliable data for financial reporting purposes. The IT environment of the Company and its components has been assessed in the context of and where relevant for the audit of the financial statements.

We ensured that audit teams, both at group and at component levels, had the appropriate skills and competences, necessary for the audit of a financial services company, offering leasing and lending services, holding banking licenses in several jurisdictions (including in the Netherlands) and an insurance license (Ireland). We also made use of specialists in the areas of IT, taxation, credit risk provisioning, regulatory reporting, financial instruments and hedge accounting as well as experts in the areas of employee benefits.

The outline of our audit approach was as follows:

Materiality

- Overall materiality: € 22.0 million rounded.

Audit scope

- We performed audit work on the 22 individually significant components in 14 countries.
- Besides the audit of the Dutch holding entity, the consolidation and various accounting areas centralised on group level, we performed the audit of the Dutch component in scope.
- We conducted site visits to the operations in Ireland, Sweden, Australia and the United States.
- Audit coverage: 87% of consolidated total net income, 89% of consolidated total assets and 88% of consolidated profit before tax.

Key audit matters

- Classification of client contracts as operational leases, finance leases or loans to customers.
- Measurement of balances due from customers.
- Measurement of assets under operating lease.
- Application of macro fair value hedge accounting and measurement of derivatives

Materiality

The scope of our audit is influenced by the application of materiality, which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statements line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Overall group materiality	€ 22.0 million rounded (2018: € 23.0 million rounded).
Basis for determining materiality	We used our professional judgement to determine overall materiality. As a basis for our judgement, we used 5% of the profit before taxes 2019.
Rationale for benchmark applied	We have applied this 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.
Component materiality	To each component in our audit scope, we, based on our judgement, allocated materiality that is less than our overall group materiality. The range of materiality allocated across components was between € 2 million and € 20 million.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons. We agreed with the supervisory board that we would report to them misstatements identified during our audit affecting profit or loss or equity with more than € 1 million (2018: € 1 million), reclassifying misstatements above € 1 million (2018: € 1 million) and exceeding 1% (2018: 1%) of the respective financial position or profit or loss financial statements line item and as well as 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 performed 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.

Twenty-two components in fourteen 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:

Total net income	87%
Total assets	89%
Profit before tax	88%

None of the remaining components individually represented more than 1% of total group net income, group profit before tax or total 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 these components.

For the individually financially significant Dutch components, the group engagement team performed the audit work. In the locations where component auditors performed the work, we determined the level of involvement we 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. In this respect we performed, amongst others, the following procedures:

- We issued detailed audit instructions to the component auditors prescribing the scope of work to be performed, the 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 discussed with component auditors the developments affecting the component, their risk assessment, their audit approach;
- we performed file reviews of certain component auditors;
- we assessed the component auditors' reports and observations were discussed with the component auditors and with group management;
- we closely collaborated during the years 2019 and 2020 to date with our component teams and had ongoing interactions with them, regarding amongst others, our audit instructions, their audit findings regarding the control environment, accounting treatments and other matters; and
- we performed site visits to Ireland, Sweden, Australia and the United States. During these visits, we met with local management and the component audit teams to further understand the audit approach and discuss the local business and control environment including financial results.

The group engagement team performed audit procedures on the consolidation, financial statements disclosures and various specific items at the Group's head office in Eindhoven where central functions, such as IT, reporting, control, risk, tax, legal, compliance and internal audit are located. Items included in the audit procedures by the group engagement team, amongst others, were:

- Entity level controls;
- residual value reassessment of fixed assets under operating leases and finance leases;
- impairment testing of goodwill;
- measurement of derivatives and the application of macro fair value hedge accounting;
- measurement of the provisions for uncertain tax exposures; and
- credit risk provisioning.

The internal audit department performs audits at group and component level in a variety of areas and on themes selected. Whilst we did not rely on the work performed by the internal audit department, we assessed the impact, if any, on our audit.

By performing the procedures above at component-level, combined with the additional procedures at group level, we have obtained sufficient and appropriate audit evidence on the Group's financial information as a whole to provide a basis for our opinion on the (consolidated) financial statements.

Our focus on the risk of fraud and non-compliance with laws and regulations

Fraud

The objectives of our audit, in respect to fraud are:

- To identify and assess the risks of material misstatement of the financial statements due to fraud;
- to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate audit responses; and
- to respond appropriately to fraud or suspected fraud identified during the audit.

As in all of our audits, in assessing the risks of material misstatement in the financial statements, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the executive board that may represent a risk of material misstatement due to fraud. We evaluated (throughout the Group) the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls that mitigate fraud risks, performed data analysis of specific journal entries and evaluated key estimates and judgements for bias by the executive board, and we incorporated elements of unpredictability in our audit. We refer to the key audit matters 'measurement of balances due from customers' and 'the measurement of assets under operating lease' as an example of our approach to an area with higher risk due to accounting estimates involving significant management judgements. We also discussed and agreed our fraud risk assessment and audit approach with an expert from our forensic department.

As part of our procedures we met throughout the year with members of the executive board and the heads of Compliance, Legal, Finance, Control, Risk and Internal Audit. We met with those officials on a regular basis to understand and discuss the emerging matters and potential exposures that they identify. We challenged their views on these exposures based upon our knowledge of the Company's business model, relevant industry trends and the regulatory environment.

We read the minutes of the executive board and the supervisory board meetings throughout the year and up to our signing date of our auditor's report. We held regular bilateral meetings with the chairman of the supervisory board.

The compliance and legal departments investigate, amongst others, reported internal integrity and fraud matters. We assessed the process that the Company has in place and discussed the investigation approach. We inspected a number of individual cases, evaluated the respective impact, assessed the documentation, conclusions, reporting and responses of the Company.

The primary responsibility for the prevention and detection of fraud lies with the executive board with the oversight of the supervisory board.

Laws and regulations

There is an industry risk that emerging compliance or litigation areas have not been identified and or addressed by management for financial statements purposes. This includes the consideration whether there is a need for the recognition of a provision or a contingent liability disclosure on the future outcome of legal or regulatory processes.

The objectives of our audit, in respect to non-compliance with laws and regulations are:

- To identify and assess the risk of material misstatement of the financial statements due to non-compliance with laws and regulations; and
- to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether due to fraud or error when considering the applicable legal and regulatory framework.

In line with Standard 250 we made in our audit approach a distinction between those laws and regulations which:

- Have a direct effect on the determination of material amounts and disclosures in the financial statements. For this category we obtained audit evidence regarding compliance with those laws and regulations; and
- do not have a direct effect on the determination of material amounts and disclosures in the financial statements, but where compliance may be fundamental to the operating aspects of the business, to the Company's ability to continue its business or to avoid material penalties. For this category, we performed specific audit procedures to identify non-compliance with those laws and regulations that may have a material effect on the financial statements. In this context we took note, amongst others, of the measures taken and to be taken as part of the so-called group-wide CARE project which is focussed on meeting the Wwft (Dutch money laundering and terrorist financing act) requirements.

The primary responsibility for the prevention and detection of non-compliance with laws and regulations lies with the executive board with the oversight of the supervisory board.

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 included a summary of the audit procedures we performed on those matters. We addressed the key audit matters in the context of our audit of the financial statements as a whole and in forming our opinion thereon.

We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comments or observations we made on the results of our procedures should be read in this context. The key audit matters are similar to last year.

Key audit matter	Our audit work and observations
Classification of client contracts as operational leases, finance leases or loans to customers *[reference to notes 1.1 and 1.2 in the annual report]* Balances due from customers, including finance leases and loans, amounting to € 33.631 million and fixed assets under operating lease amounting to € 2.916 million are included in the consolidated statement of financial position. When DLL enters into a contract with a client, an assessment is made whether this contract qualifies as a lease in accordance with IFRS 16 'leases' or a loan in accordance with IFRS 9 'financial instruments'. Appropriately classifying contracts is important as the classification determines the subsequent measurement and as such the revenue recognition. Under IFRS 16 a distinction is made between operating leases and finance leases. To classify a lease contract either as a finance or an operating lease, management assesses the key contractual elements such as for example transfer of ownership of the leased asset, purchase option of the leased asset, minimum lease payments compared to the fair value of the leased asset at date of inception of the lease. For loans a business model assessment is required. IFRS 9 prescribes two business models: holding financial assets to collect contractual cash flows; holding financial assets to collect contractual cash flows and selling; and fair value through profit & loss, as the residual category which is used for financial assets that are held for trading or do not fall into one of the two prescribed business models. Respective criteria and assessment should be derived from the contracts' terms and conditions. DLL's IT systems require certain work-arounds and management's assessments to facilitate and ensure proper classification and measurement of client contracts. Due to the importance of appropriate classification of contracts, the potential impact on measurement and revenue recognition, the considerable level of management judgement coupled with the magnitude of the balances, we considered the classification of client contracts a key audit matter.	*Internal controls* We evaluated the design of the internal controls and subsequently tested the operating effectiveness of controls regarding client contract classification, primarily regarding the internal control measures around the assessment of transfer of risks and rewards and/or ownership to classify a lease contract as either a finance lease, an operational lease or a loan to a customer. We tested the IT environment and relevant IT applications that support data and reports utilised to determine and record the lease classification. We found that we could rely on the internal controls for the majority of our audit procedures and we determined substantive audit procedures necessary to obtain sufficient and appropriate audit evidence, as further outlined below. *Substantive audit procedures* We evaluated management's classification assessment against the requirements of IFRS 16 and IFRS 9. We tested on a sample basis the classification of client contracts as a finance lease or operating lease and focussed on the key contractual elements such as whether the lease term represents the major part of the leased asset, whether the present value of the minimum lease payments at inception date of the lease contract represents at least substantially the fair value of the leased asset and the impact of purchase options for the lessee or vendor. We tested, on a sample basis, the classification of contracts as a finance lease or as a loan based on the transfer of legal ownership at inception, as determined in the client contract. Reconciliations made by management between contract management systems and general ledgers were tested. Moreover, we assessed the group accounting policies in relation to classification. Furthermore, we tested manual journal entries made by management to appropriately classify contracts as an operational lease, finance lease or loan.

Key audit matter	*Our audit work and observations*
	Based on our substantive audit procedures we identified findings in two locations that affected the classification of client contracts and resulted in extending our audit procedures on this theme. In response to this management adjusted the presentation of these contracts in the financial statements.
Measurement of balances due from customers *[reference to notes 1.1 and 1.3 in the annual report]* Balances due from customers amounting to € 33.631 million are included in the consolidated statement of financial position. This line item consists of finance lease receivables and loans to customers. The Group is exposed to credit risk in relation to these balances. To account for the expected credit losses, loan loss provisions are recognized. In accordance with IFRS 9, management distinguishes the following provisions: • Performing finance leases and loans (stage 1) – € 80 million as at year-end 2019 • Underperforming finance leases and loans (stage 2) – € 77 million as at year-end 2019 • Credit-impaired finance leases and loans (stage 3) – € 212 million as at year-end 2019 The stage 1, 2 and 'small ticket' stage 3 (exposures below € 250,000) provisions are based on quantitative models. The 'large ticket' stage 3 provision is based on individual management judgement, including relevant governance and guidelines (such as authorizations and monitoring by risk committee). Determining loan loss provisions requires a significant degree of management judgement based on an assessment of credit risks, including determination of a significant increase of credit risk, in the portfolios, such as for example: • Key parameters for the model-based provisions (e.g. probability of default, loss given default) • Expectations with respect to macro-economic scenarios • Judgement applied in the credit risk models • Judgement of the 'large ticket' stage 3 provision • The distinction between stage 1 performing loans and stage 2 underperforming loans	*Internal controls* We evaluated the design of the internal controls and subsequently tested the operating effectiveness of controls regarding the development and validation of the IFRS 9 credit risk models, primarily regarding the internal control measures around the key model parameters (e.g. probability of default, loss given default) and the application of forward looking macro-economic scenarios. In addition, we tested the IT environment and relevant IT applications that support data and reports utilised to determine the measurement. We focussed on the data lineage of contract- and default data used in the development of key model parameters and the client exposures allocation to stage 1, 2 or 3. We found that we could rely on the internal controls for the majority of our audit procedures and we determined substantive audit procedures necessary to obtain sufficient and appropriate audit evidence, as further outlined below. *Substantive audit procedures* With the assistance of our credit risk-provisioning specialists, we evaluated model governance and methodology, tested input variables (including expected cash flows contractual as well as from collateral recovery) and challenged management's rationales supporting the key model parameters, expectations with respect to macro-economic scenarios and the judgement applied in the credit risk models. We assessed whether the model methodology is in line with market and industry practices and as such if they are fit for purpose. For a sample of underlying models we reperformed management's back testing procedures.

Key audit matter	Our audit work and observations
(loans with a significant increase in credit risk since inception) for non-defaulted contracts • The distinction between stage 2 underperforming loans and stage 3 non-performing loans (credit impaired assets) and the identification of respective qualitative impairment triggers In certain finance lease contracts, DLL is exposed to residual value risk. For these finance leases a process is in place to determine and monitor residual values. Given the relevance and overall size of these balances and related provisions in combination with the significant level of management judgement and inherent estimation uncertainty, we considered the measurement of balances due from customers a key audit matter.	We evaluated the actual credit losses 2019 and compared these to the level of provisioning at year end 2018 and obtained explanations for identified trends. We inquired with management the credit risk development in the various portfolios, sectors and jurisdictions. For a sample of large ticket stage 3 balances, we assessed whether management's key judgements were reasonable. Reconciliations made by management between contract management systems, risk management system and general ledgers were tested. Our audit procedures did not result in findings that would materially affect the measurement of balances due from customers.
Measurement of assets under operating lease *[reference to note 1.2 in the annual report]* In the consolidated statement of financial position, the carrying value of fixed assets under operating lease amounts to € 2.916 million. The fixed assets under operating lease contracts are measured at cost less any accumulated depreciation and any impairment losses. Management has a process in place in which it evaluates the residual values at least on an annual basis, typically during the fourth quarter. The carrying value of the fixed assets leased out 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) economic developments.	*Internal controls* We evaluated the design of the internal controls and subsequently tested the operating effectiveness of controls regarding the residual value setting at inception date of the lease contracts. Furthermore, we focussed on the annual process to reassess the recoverability of estimated residual values and the identification of impairment triggers as per IAS 36. In addition, we evaluated the IT environment and relevant IT applications that support data and reports utilised in the annual process to reassess the recoverability of estimated residual values and the identification of impairment triggers. We focussed on the data lineage of contract and asset data used in the residual value setting process and annual impairment trigger assessment. We concluded that we could rely on the internal controls for the majority of our audit procedures and we determined substantive audit procedures necessary to obtain sufficient and appropriate audit evidence, as further outlined below.

Key audit matter	***Our audit work and observations***
IAS 16 'Property, Plant and Equipment', requires a review of the residual value and the useful life of an asset at least at each financial year-end. When expectations differ from previous estimates, the change(s) shall be accounted for as 'changes of an accounting estimate'. A change in the estimated residual value results in a prospective depreciation adjustment and consequently affects the carrying value and depreciation expense of the assets over the remaining lease period. Furthermore, IAS 36 'Impairment of assets' requires a periodical assessment for impairment triggers which in turn might lead to adjustment of the carrying value of the fixed assets under operating leases. Given the magnitude of the residual values embedded in the carrying value of the assets under operating lease, the large variety of asset classes and the number of regions in which the Group operates and the significant level of management judgement involved in determining expected residual values and impairments, we considered the measurement of assets under operating lease a key audit matter.	*Substantive audit procedures* We tested the annual residual value assessment, performed by management, consisting of quantitative (such as an evaluation of residual value results recognized during the year to assess the proper residual value setting) and qualitative (such as testing management's expectations regarding market trends and external outlook for asset classes) factors. This to determine the expected residual value at expiration date, and where applicable to determine the impact on future deprecation during the remaining economic life of the asset and potential impairment triggers. For a sample of adjustments to residual values, we assessed the adjustments recorded against the underlying data (i.e. residual value realizations) and evaluated management's assessments about market developments. Reconciliations made by management between contract management systems and general ledgers were tested. Our audit procedures did not indicate findings that would materially affect the measurement of fixed assets under operating lease.
Application of macro fair value hedge accounting and measurement of derivatives *[reference to note 3.4 in the annual report]* Management used 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. In the macro fair value hedges the Group recognized 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 $-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.	*Internal controls* As part of our site visit to DLL's treasury department in Ireland we evaluated the design of the internal controls and subsequently tested the operating effectiveness of controls regarding the macro fair value hedge accounting and the measurement of interest rate derivatives. We focused on the adequacy of hedge documentation, the monthly effectiveness testing, the controls in place to ensure proper recording of the derivative transactions, and 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.

Key audit matter	*Our audit work and observations*
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. The 2019 financial period was the first year that the derivatives fair values were measured in the financial statements based on DLL's back-office system, whereas the fair values from the parent company's system were used in 2018. In view of the magnitude of the interest rate derivatives' notional amounts and the hedged items, the complexity of macro fair value hedge accounting, the potential significant impact on recognizing 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.	*Substantive audit procedures* We, assisted by our hedge accounting specialists, tested methodologies and models used by the Group for determining hedge effectiveness on the basis of the IAS 39 requirements; and evaluated the results of the hedge effectiveness tests for macro fair value hedging for the €- and $-models. In addition, we tested on a sample basis 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. We validated the hedge documentation and the effectiveness testing conducted throughout the year. Next to that, we tested whether the hedge effectiveness is within the bandwidth as defined in IAS 39 during the year. We tested the results on the hedge relationships in the statement of profit or loss by reconciling these to the hedge accounting model output. Lastly, our derivative valuation specialists tested the measurement of derivatives that comprised of i) substantively assessing the Group's valuation models against market practice; and ii) substantively repricing a sample of individual derivative trades based on our independent valuation models. Our substantive 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.

Emphasis of matter related to the uncertainty regarding the effects of the corona virus (COVID-19)

We draw attention to note V 'Events occurring after reported period' of the consolidated financial statements and to note 24 'Events occurring after reported period' of the company financial statements in which the executive board has described the possible impact and consequences of the corona virus (COVID-19) on the Group and the environment in which the Group operates as well as the measures taken and planned to deal with these events or circumstances. These notes also indicate that uncertainties remain and that currently it is not reasonably possible to estimate the future impact. Our opinion is not modified in respect of this matter.

pwc

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The management report;
- the supervisory report; and
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

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 the 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 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 performed in our audit of the financial statements.

The executive board is responsible for the preparation of the other information, including the management 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 the Company on 9 December 2016 by the supervisory board of De Lage Landen International B.V. following the passing of a resolution at the general meeting of the shareholder held on 18 June 2015. Our appointment has been renewed annually by the shareholders representing a total period of uninterrupted engagement appointment of four 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 Company and its controlled entities, 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 with 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 events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement 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 to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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, 22 April 2020
PricewaterhouseCoopers Accountants N.V.

Original has been signed by C.C.J. Segers RA

Appendix to our auditor's report on the financial statements 2019 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. 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Articles of association regulation concerning **profit appropriation**

Articles 11 of the articles of association determines profit, loss and distribution on shares. On a proposal by the Executive Board, the General Meeting allocates the profits determined by the adoption of the annual accounts, determines how a shortfall will be accounted for and declares interim distributions from the profits or distributions from the reserves. Profit or reserves may only be distributed to the extent that the Company's equity exceeds the total amount of the reserves referred to in article 2:216 (1) BW.

Notwithstanding the provisions of article 2:216 (1) BW, a resolution to distribute profits or reserves is subject to the Executive's Board's approval. If at the time when the profits are allocated, no resolution is adopted on the distribution or the addition to the reserves of these profits, the profits will be added to the reserves.

Colophon

Published by
DLL

About the Annual Report 2019
DLL has integrated both the financial information and the management report information in the Annual Report 2019.

The Annual Report 2019 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 2019 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 2019 is available on our website:
www.dllgroup.com

Contact
DLL has exercised the utmost care in the preparation of the Annual Report 2019. 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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