Pillar 3
Report 2022

Contents

Notes to the reader

This document presents DLL's consolidated Capital Adequacy and Risk Management report (hereafter referred to as Pillar 3) for the period ending December 31, 2022.

De Lage Landen International B.V. (DLL) is a global provider of asset-based financial solutions working across 9 key industries: Agriculture, Food, Healthcare, Clean technology, Construction, Transportation, Industrial equipment, Office equipment and Technology. DLL is present in over 25 countries and operates via a Vendor Finance model, where DLL enters into partnerships with global manufacturers offering integrated solutions to their customers for the entire asset life cycle.

DLL is a credit institution under the Capital Requirements Regulation (CRR) and is a 100% subsidiary of the Coöperatieve Rabobank U.A. (Rabobank). DLL operates through local legal entities, which may conduct business using local licenses and under supervision of local regulators (e.g., DLL Finans AB in Sweden and Banco De Lage Landen Brasil S.A. in Brasil). For (part of) the business in Germany, Italy, Spain and Portugal, business is executed in branches of DLL where the passporting rights of DLL are leveraged. DLL holds 100% of the shares of its subsidiaries, except for "joint ventures," where DLL still controls the entities by having a majority in voting rights and economic interest.

DLL is a subsidiary institution that holds financial institutions in third countries. Therefore DLL applies the requirements laid down in Articles 89, 90 and 91 and Parts Three, Four and Seven and the associated reporting requirements laid down in Part Seven A on the basis of it's sub-consolidated situation. DLL classifies as large subsidiary of an EU parent institution and therefore has to comply with the disclosure requirements explained in article 13 paragraph 1 of the CRR on a sub-consolidated basis. The information in Pillar 3 has not been audited by DLL's independent external auditors. However, the Pillar 3 disclosures are subject to DLL's internal controls and validation mechanisms to provide assurance over the information disclosed in this report as well as with regards to compliance with laws and regulations.

Key metrics and risk-weighted exposure

EU KM1 – Key metrics template

Key metrics			
Amounts in millions of euros	**2022-12**	**2022-06**	**2021-12**
Available own funds (amounts)			
Common Equity Tier 1 (CET1) capital	3,494	3,597	2,990
Tier 1 capital	3,494	3,597	2,990
Total capital	3,506	3,679	3,046
Risk-weighted exposure amounts			
Total risk-weighted exposure amount	27,887	27,531	20,101
Capital ratios (as a percentage of risk-weighted exposure amount)			
Common Equity Tier 1 ratio (%)	12.53%	13.06%	14.88%
Tier 1 ratio (%)	12.53%	13.06%	14.88%
Total capital ratio (%)	12.57%	13.36%	15.15%
Additional own funds requirements based on SREP			
Additional CET1 SREP requirements (%)	0.00%	0.00%	0.00%
Additional AT1 SREP requirements (%)	0.00%	0.00%	0.00%
Additional T2 SREP requirements (%)	0.00%	0.00%	0.00%
Total SREP own funds requirements (%)	8.00%	8.00%	8.00%
Combined buffer requirement			
Capital conservation buffer (%)	2.50%	2.50%	2.50%
Conservation buffer identified due at the level of a Member State (%)	0.00%	0.00%	0.00%
Institution specific countercyclical capital buffer (%)	0.05%	0.02%	0.01%
Systemic risk buffer (%)			
Global Systemically Important Institution buffer (%)	0.00%	0.00%	0.00%
Other Systemically Important Institution buffer	0.00%	0.00%	0.00%
Combined buffer requirement (%)	2.55%	2.52%	2.51%
Overall capital requirements (%)	10.55%	10.52%	10.51%
CET1 available after meeting the total SREP own funds requirements (%)	4.57%	5.36%	7.15%

Key metrics			
Amounts in millions of euros	**2022-12**	**2022-06**	**2021-12**
Leverage ratio			
Leverage ratio total exposure measure	44,840	45,142	42,857
Leverage ratio (%)	7.79%	7.97%	6.98%
Own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)			
Additional CET1 leverage ratio requirements (%)	0.00%	0.00%	0.00%
Additional AT1 leverage ratio requirements (%)	0.00%	0.00%	0.00%
Additional T2 leverage ratio requirements (%)	0.00%	0.00%	0.00%
Total SREP leverage ratio requirements (%)	0.00%	0.00%	0.00%
Applicable leverage buffer	0.00%	0.00%	0.00%
Overall leverage ratio requirements (%)	3.00%	3.00%	3.00%
Liquidity Coverage Ratio			
Total high-quality liquid assets (HQLA) (Weighted value-average)			
Cash outflows - Total weighted value			
Cash inflows - Total weighted value			
Total net cash outflows (adjusted value)			
Liquidity coverage ratio (%)			
Net Stable Funding Ratio			
Total available stable funding			
Total required stable funding			
NSFR ratio (%)			

Liquidity Coverage Ratio and Net Stable Funding Ratio are not applicable to DLL.

On December 31, 2022, our CET1 ratio amounted to 12,53%. During 2022 DLL successfully delivered, and received regulatory approval for a Return to Compliance (RtC) plan. The plan, based on a self-assessment of the compliance gaps, led to an add-on of EUR 5.1 billion in risk-weighted exposure amounts. The growth of our business in 2022 led to a further growth of our risk-weighted exposure amounts, whereas addition of the 2021 net profits increased the capital position. Due to these developments, the total capital ratio decreased to 12.57%. DLL has not yet included the 2022 profits in the CET1 capital.

EU OVC – ICAAP information

The Executive Board of DLL is responsible for DLL's capital management within the framework as set by its parent, Rabobank. It is the responsibility of the Executive Board to manage physical capital levels to ensure sufficient capital is held to meet (regulated) requirements and to assure mid- and long-term continuity. Capital requirements are managed actively through DLL's risk strategy, risk appetite and balance sheet management.

In the yearly Internal Capital Adequacy Assessment Process (ICAAP), DLL assesses the capital adequacy in the context of the current and foreseeable business environment in which it operates and the associated risk exposures as part of the Supervisory Review and Evaluation Process (SREP).

EU OV1 – Overview of risk-weighted exposure amounts

Overview of risk-weighted exposure amounts			
	Risk-weighted exposure amounts (RWEAs)		Own funds requirements
Amounts in millions of euros	2022-12	2021-12	2022-12
Credit risk (excluding CCR)	**19,696**	**17,154**	**1,576**
Of which the standardized approach	5,677	4,009	454
Of which the foundation IRB (FIRB) approach	-	-	-
Of which slotting approach	-	-	-
Of which equities under the simple risk-weighted approach	-	-	-
Of which the advanced IRB (AIRB) approach	14,019	13,145	1,122
Counterparty credit risk - CCR	**165**	**150**	**13**
Of which the (simplified) standardized approach	165	150	13
Of which internal model method (IMM)	-	-	-
Of which exposures to a CCP	-	-	-
Of which credit valuation adjustment - CVA	-	-	-
Of which mark to market method	-	-	-
Settlement risk	**-**	**-**	**-**
Securitization exposures in the non-trading book (after the cap)	**-**	**-**	**-**
Of which SEC-IRBA approach	-	-	-
Of which SEC-ERBA (including IAA)	-	-	-
Of which SEC-SA approach	-	-	-
Of which 1250%/deduction	-	-	-
Market risk	**-**	**-**	**-**
Of which the standardized approach	-	-	-
Of which IMA	-	-	-
Large exposures	**-**	**-**	**-**
Operational risk	**2,973**	**2,797**	**238**
Of which basic indicator approach	2,973	2,797	238
Of which standardized approach	-	-	-
Of which advanced measurement approach	-	-	-
Additional risk exposure amount due to Article 3 CRR	**5,054**	**-**	**404**
Of which amounts below the thresholds for deduction credit risk	342	300	27
Total	**27,887**	**20,101**	**2,231**

Own Funds

EU CC1 – Composition of regulatory own funds

Composition of regulatory own funds	
Amounts in millions of euros	**2022-12**
Capital instruments and the related share premium accounts	1,233
Retained earnings	2,290
Accumulated other comprehensive income (and other reserves)	56
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**3,579**
Intangible assets (net of related tax liability)	(5)
Deferred tax assets that rely on future profitability	(18)
IRB shortfall of credit risk adjustments to expected losses	(45)
Other regulatory adjustments on CET1 capital	(17)
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**(85)**
Common Equity Tier 1 (CET1) capital	**3,494**
Tier 1 capital (T1 = CET1 + AT1)	**3,494**
IRB Excess of provisions over expected losses eligible	12
Tier 2 (T2) capital	**12**
Total capital (TC = T1 + T2)	**3,506**
Total risk exposure amount	**27,887**

Composition of regulatory own funds	
Amounts in millions of euros	**2022-12**
Capital ratios and buffers	
Common Equity Tier 1 ratio	12.53%
Tier 1 ratio	12.53%
Total Capital ratio	12.57%
CET1 overall capital requirement	7.05%
of which capital conservation buffer	2.50%
of which countercyclical buffer	0.05%
Common Equity Tier 1 available to meet buffers	4.57%

EU CC2 – Reconciliation of regulatory own funds to balance sheet in the audited financial statements

Balance sheet as on December 31	
Amounts in millions of euros	**2022-12**
Cash and cash equivalents	402
Accounts receivable and other short-term assets	698
Derivatives	182
Due from banks	1,104
Due from customers	37,907
Fixed assets under operating lease	2,563
Goodwill and other intangible assets	5
Current tax receivables	120
Deferred tax assets	143
Other assets	193
Total assets	**43,317**
Short-term loans and overdrafts	6,309
Accounts payable and other short-term liabilities	748
Issued debt securities	2,095
Provisions	132
Derivatives	66
Long-term borrowings	28,789
Current tax payables	69
Deferred tax liabilities	186
Other liabilities	547
Total liabilities	**38,941**
Capital instruments and share premium	1,233
Retained earnings	2,562
Foreign currency translation reserve	53
Non-controlling interest	528
Total shareholders' equity	**4,376**
Total liabilities and shareholders' equity	**43,317**

The retained earnings of EUR 2,562 million as reflected in the DLL financial statements include EUR 271 million of result for the year 2022, which are not yet included in the CET1 capital as reflected in this report.

Countercyclical buffer

EU CCyB1 – Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

on December 31, 2022

	General credit exposures		Trading book exposure				Own fund requirements						
Amounts in millions of euros	Exposure value for SA	Exposure value for IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Securitisation exposure	Total exposure value	Of which General credit exposures	Of which Trading book exposures	Of which Securitization exposures	Total	Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
Argentina	28	-	-	-	-	28	1	-	-	1	18	0.10%	0.00%
Austria	16	107	-	-	-	122	6	-	-	6	72	0.39%	0.00%
Australia	517	2,037	-	-	-	2,555	113	-	-	113	1,413	7.65%	0.00%
Belgium	53	319	-	-	-	371	13	-	-	13	167	0.90%	0.00%
Brazil	4	1,914	-	-	-	1,918	64	-	-	64	799	4.33%	0.00%
Bahamas	-	0	-	-	-	0	0	-	-	0	0	0.00%	0.00%
Canada	121	2,144	-	-	-	2,265	49	-	-	49	612	3.31%	0.00%
Switzerland	127	2	-	-	-	129	8	-	-	8	99	0.54%	0.00%
Chile	184	-	-	-	-	184	11	-	-	11	140	0.76%	0.00%
China	-	0	-	-	-	0	0	-	-	0	0	0.00%	0.00%
Colombia	1	-	-	-	-	1	0	-	-	0	1	0.01%	0.00%
Costa Rica	-	0	-	-	-	0	0	-	-	0	0	0.00%	0.00%
Curaçao	-	0	-	-	-	0	0	-	-	0	0	0.00%	0.00%
Czech Republic	-	1	-	-	-	1	0	-	-	0	1	0.01%	1.50%
Germany	397	3,008	-	-	-	3,405	85	-	-	85	1,058	5.73%	0.00%
Denmark	54	348	-	-	-	402	13	-	-	13	162	0.88%	2.00%
Egypt	-	0	-	-	-	0	0	-	-	0	0	0.00%	0.00%

Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer on December 31, 2022	General credit exposures		Trading book exposure				Own fund requirements						
Amounts in millions of euros	Exposure value for SA	Exposure value for IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Securitisation exposure	Total exposure value	Of which General credit exposures	Of which Trading book exposures	Of which Securitization exposures	Total	Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
Spain	64	817	-	-	-	881	32	-	-	32	399	2.16%	0.00%
Finland	5	89	-	-	-	95	3	-	-	3	36	0.20%	0.00%
France	147	2,317	-	-	-	2,464	58	-	-	58	729	3.95%	0.00%
United Kingdom	376	1,936	-	-	-	2,312	67	-	-	67	837	4.53%	0.00%
Guyana	-	0	-	-	-	0	0	-	-	0	0	0.00%	0.00%
Hong Kong	7	0	-	-	-	7	0	-	-	0	5	0.03%	1.00%
Hungary	118	1	-	-	-	118	8	-	-	8	95	0.52%	0.00%
Ireland	373	101	-	-	-	474	25	-	-	25	308	1.67%	0.00%
India	1	-	-	-	-	1	0	-	-	0	1	0.01%	0.00%
Italy	159	1,864	-	-	-	2,024	85	-	-	85	1,057	5.73%	0.00%
Japan	-	0	-	-	-	0	0	-	-	0	0	0.00%	0.00%
Republic of Korea	244	0	-	-	-	244	15	-	-	15	187	1.01%	0.00%
Cayman Islands	-	0	-	-	-	0	0	-	-	0	0	0.00%	0.00%
Luxembourg	1	4	-	-	-	5	0	-	-	0	2	0.01%	0.50%
Monaco	-	0	-	-	-	0	0	-	-	0	0	0.00%	0.00%
Mexico	204	0	-	-	-	204	13	-	-	13	162	0.88%	0.00%
New Caledonia	1	-	-	-	-	1	0	-	-	0	0	0.00%	0.00%
Netherlands	168	5,511	-	-	-	5,679	295	-	-	295	3,682	19.94%	0.00%
Norway	93	501	-	-	-	595	17	-	-	17	213	1.16%	2.00%
New Zealand	464	80	-	-	-	545	32	-	-	32	400	2.17%	0.00%
Peru	6	-	-	-	-	6	0	-	-	0	6	0.03%	0.00%
Philippines	-	0	-	-	-	0	0	-	-	0	0	0.00%	0.00%
Poland	395	-	-	-	-	395	25	-	-	25	307	1.66%	0.00%
Puerto Rico	0	0	-	-	-	0	0	-	-	0	0	0.00%	0.00%
Portugal	15	84	-	-	-	99	5	-	-	5	63	0.34%	0.00%
Reunion	-	0	-	-	-	0	0	-	-	0	0	0.00%	0.00%
Russian Federation	8	-	-	-	-	8	1	-	-	1	8	0.04%	0.00%

Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer on December 31, 2022	General credit exposures		Trading book exposure				Own fund requirements						
Amounts in millions of euros	Exposure value for SA	Exposure value for IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Securitisation exposure	Total exposure value	Of which General credit exposures	Of which Trading book exposures	Of which Securitization exposures	Total	Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
Sweden	60	695	-	-	-	755	20	-	-	20	249	1.35%	1.00%
Singapore	83	0	-	-	-	83	6	-	-	6	72	0.39%	0.00%
El Salvador	-	0	-	-	-	0	0	-	-	0	0	0.00%	0.00%
Türkiye	28	-	-	-	-	28	2	-	-	2	27	0.15%	0.00%
Taiwan	-	0	-	-	-	0	0	-	-	0	0	0.00%	0.00%
United States	709	13,630	-	-	-	14,339	406	-	-	406	5,072	27.47%	0.00%
South Africa	-	0	-	-	-	0	0	-	-	0	0	0.00%	0.00%
Total	**5,232**	**37,510**	**-**	**-**	**-**	**42,743**	**1,477**	**-**	**-**	**1,477**	**18,461**	**100.00%**	

EU CCyB2 – Amount of institution-specific countercyclical capital buffer

Amount of institution-specific countercyclical buffer	
Amounts in millions of euros	**2022-12**
Total risk exposure amount	27,887
Institution-specific countercyclical capital buffer rate	0.0547%
Institution-specific countercyclical capital buffer requirement	15

Leverage ratio

EU LRA – Disclosure of LR qualitative information

During 2022, the leverage ratio increased due to profit retention. The current level of the leverage ratio of DLL is well above the regulatory minimum requirement, therefore no explicit target has been defined. The leverage ratio has also never been below the minimum level. Our strategy is based on performance improvement, selective asset growth, and reduction of specific portfolios, which will further improve the leverage ratio. The leverage ratio is a less binding constraint for DLL in relation to the minimum requirements. Potential changes in regulation relating to the leverage ratio are monitored and their potential impact is assessed. The risk profile of the bank (such as the risk-weighted exposure amounts) is our primary driver in controlling the business.

EU LR1-LRSum – Summary reconciliation of accounting assets and leverage ratio exposures

Reconciliation balance sheet and LR exposures	
Amounts in millions of euros	2022-12
Total assets as per published financial statements	43,317
Adjustment for entities that are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-
(Adjustment for securitized exposures that meet the operational requirements for the recognition of risk transference)	-
(Adjustment for temporary exemption of exposures to central bank (if applicable))	-
(Adjustment for fiduciary assets recognized on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with point (i) of point (i) of Article 429a(1) CRR)	-
Adjustment for regular-way purchases and sales of financial assets subject to trade-date accounting	-
Adjustment for eligible cash-pooling transactions	-
Adjustments for derivative financial instruments	185
Adjustment for securities financing transactions (SFTs)	-
Adjustment for off-balance-sheet items (i.e., conversion to credit equivalent amounts of off-balance-sheet exposures)	1,405
(Adjustment for prudent valuation adjustments and specific and general provisions that have reduced Tier 1 capital)	-
(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-
(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (j) of Article 429a(1) CRR)	-
Other adjustments	(67)
Leverage ratio total exposure measure	**44,840**

EU LR2-LRCom – Leverage ratio common disclosure

Leverage ratio common disclosure			
Amounts in millions of euros		2022-12	2021-12
On-balance-sheet exposures (excluding derivatives and SFTs)			
1	On-balance-sheet items (excluding derivatives and SFTs, but including collateral)	43,135	41,534
2	Gross-up for derivatives collateral provided	-	-
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
4	(Adjustment for securities received under securities financing transactions that are recognized as an asset)	-	-
5	(General credit risk adjustments to on-balance-sheet items)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	(67)	(57)
7	Total on-balance-sheet exposures (excluding derivatives and SFTs)	43,068	41,477
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (i.e., net of eligible cash variation margin)	248	-
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardized approach	-	53
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	119	-
EU-9a	Derogation for derivatives: potential future exposure contribution under the simplified standardized approach	-	287
EU-9b	Exposure determined under Original Exposure Method	-	-
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-	-
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardized approach)	-	-
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (original exposure method)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	Total derivatives exposures	367	340
Securities financing transaction (SFT) exposures			
14	Gross SFT assets	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	Counterparty credit risk exposure for SFT assets	-	-
EU-16a	Derogation for SFTs: counterparty credit risk exposure	-	-
17	Agent transaction exposures	-	-
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	-	-
18	Total securities financing transaction exposures	-	-

Leverage ratio common disclosure			
Amounts in millions of euros		**2022-12**	**2021-12**
Other off-balance-sheet exposures			
19	Off-balance-sheet exposures at gross notional amount	8,767	6,554
20	(Adjustments for conversion to credit equivalent amounts)	(7,362)	(5,514)
21	(General provisions associated with off-balance-sheet exposures deducted)	-	-
22	Off-balance-sheet exposures	1,405	1,040
Excluded exposures			
EU-22a	(Exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-	-
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a (1) CRR (on and off balance sheet))	-	-
EU-22c	(Excluded exposures of public development banks - Public sector investments)	-	-
EU-22d	(Excluded promotional loans of public development banks)	-	-
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks)	-	-
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-	-
EU-22g	(Excluded excess collateral deposited at triparty agents)	-	-
EU-22h	(Excluded CSD related services of CSD/institutions)	-	-
EU-22i	(Excluded CSD related services of designated institutions)	-	-
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	-	-
EU-22k	(Total exempted xposures)	-	-
Capital and total exposure measure			
23	Tier 1 capital	3,494	2,990
24	Leverage ratio total exposure measure	44,840	42,857
Leverage ratio			
25	Leverage ratio	7.79%	6.98%
EU-25	Leverage ratio (without the adjustment due to excluded exposures of public development banks - Public sector investments) (%)	7.79%	6.98%
25a	Leverage ratio (excluding any exemption of central bank reserves)	7.79%	6.98%
26	Regulatory minimum leverage ratio requirement (%)	3.00%	3.00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%
EU-26b	of which: to be made up of CET1 capital (percentage points)	0.00%	0.00%
27	Leverage ratio buffer requirement (%)	0.00%	0.00%
EU-27a	Overall leverage ratio requirement (%)	3.00%	3.00%
Choice on transitional arrangements and relevant exposures			
EU-27	Choice on transitional arrangements for the definition of the capital measure	Fully phased in	Fully phased in

Leverage ratio common disclosure			
Amounts in millions of euros		2022-12	2021-12
Disclosure of mean values			
28	Mean of daily values of gross SFT assets	-	-
29	Quarter-end value of gross SFT assets	-	-
30	Total exposures (including any exemption of central bank reserves)	44,840	42,857
30a	Total exposures (excluding any exemption of central bank reserves)	44,840	42,857
31	Leverage ratio (including any exemption of central bank reserves)	7.79%	6.98%
31a	Leverage ratio (excluding any exemption of central bank reserves)	7.79%	6.98%

EU LR3-LRSpl – Split-up of on-balance-sheet exposures (excluding derivatives, SFTs and exempted exposures)

Split-up of on-balance-sheet exposures	
Amounts in millions of euros	2022-12
Total on-balance-sheet exposures, of which:	**43,135**
Trading book exposures	-
Banking book exposures, of which:	43,135
Covered bonds	-
Exposures treated as sovereigns	606
Exposures to regional governments, MDB	-
Institutions	1,658
Secured by mortgages of immovable properties	-
Retail exposures	27,220
Corporate	12,680
Exposures in default	570
Other exposures	400

Credit risk

Credit risk is defined as the risk of DLL facing an economic loss because its counterparties cannot perform their contractual obligations.

Management of credit risk within the bank is governed by the DLL Group credit risk policy and standards that are further detailed in underlying specific credit risk procedures and local policies and/or manuals.

The primary responsibility for managing and monitoring credit risk lies with the countries as the first line of responsibility. The countries are required to identify, assess, manage, monitor, and report potential risks in the credit portfolios. Monitoring takes place on an ongoing basis to limit credit risk exposures to a level that is in line with the risk appetite.

In addition, risks in the credit portfolio are measured and monitored DLL-wide and at country level on a monthly basis, as well as by quarterly and ad-hoc portfolio reporting and analysis, with specific attention to risk developments and concentrations.

EU CRB – Additional disclosure related to the credit quality of assets

Credit risk quality
DLL has several parameter frameworks for assessing the credit quality of obligors/facilities. Particularly in recent years, external regulation (e.g., regarding forbearance and non-performing) has forced the banking industry to extend the number of credit risk parameter frameworks.

Credit risk classification
The Credit Risk Classification (CRC) framework is being used to assess the credit quality of our clients. The CRC consists of four classifications: Good, Early Warning (EW), Financial Difficulties (FD), and Default. The four classes determine the required intensiveness and the appropriate level of account management. The determination of the CRC should be based on ability of the obligor to meet its financial commitments on a going-concern basis and should not take into account any elements related to the security position of the bank towards the obligor (e.g., collateral, guarantees etc.). The CRC helps to:

- Increase objectivity by using decision trees and improving and clarifying definitions;
- Simplify our broader Credit Risk Parameter framework by aligning the frameworks used within the bank (CRC, RRR, Forbearance, and IFRS 9 Stages);
- Identify signals earlier, report with more transparency on portfolio quality and manage clients more effectively; and
- Achieve a more forward-looking approach to credit classifications.

Past-due, defaults and loan impairment allowances
For the purpose of reporting, DLL distinguishes several types of loans for which servicing commitments are not being met, like:

- Past-due loans: Interest, repayments or overdrafts on a loan have been due for payment for more than one day;
- Defaulted loans: It is unlikely that the obligor/facility will pay its debt obligations (principal, interest and/or fees) in full, without recourse by the bank to actions such as realizing security (if held) or granting viable forbearance measures and/or the obligors has arrears exceeding the regulatory defined materiality thresholds for 90 or more consecutive days.

D1-D4, default, and Stage 3 are always fully aligned and therefore:

- When an obligor/facility is Defaulted, an IFRS 9 Stage 3 loan loss provision should be determined, and a RRR of D1, D2, D3 or D4 is applicable;
- When an obligor/facility is non-Defaulted, a RRR of R0-R20 is applicable,
- When an obligor/facility is non-Defaulted, IFRS 9 stage 1 or 2 is applicable.

In relation to the IFRS 9 staging:

- Obligors in the CRC Good category are always in IFRS stage 1;
- Obligors that are classified as CRC FD (and thus non-defaulted) always belong to Stage 2, but not vice versa (Stage 2 and FD triggers are not fully aligned);
- Obligors with Facilities in Stage 2 but not CRC FD should always be classified as CRC EW.

The obligor is cured from default when all the requirements of the (i) Financial Exit Criteria and (ii) Probation Period for Default are met.

Classification
DLL classifies its financial assets within the following measurement categories:
- Those to be measured subsequently at fair value (either through OCI or through profit or loss) and
- Those to be measured at amortized cost.

The classification depends on:

1. Business model assessment; Assessment of how the business is managed and how the business is seen from a strategic point of view:
- Hold to collect: Where the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; or
- Hold to collect and sell: Where the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; or
- Other business model.

2. Contractual cash flow assessment: Assessment of whether the cash flows of the financial assets are Solely Payments of Principal and Interest (SPPI).

The business model assessment can be made on a portfolio basis, whereas the contractual cash flow assessment is made for each individual financial asset. DLL only reclassifies debt instruments when the business model for managing those assets changes.

A debt instrument that is held within a "hold to collect" business model and meets the SPPI test is measured at amortized cost unless the asset is designated at fair value through profit or loss.

A debt instrument that is held within a "hold to collect and sell" business model and meets the SPPI test is measured at fair value with fair value adjustments recognized in other comprehensive income unless the asset is designated at fair value through profit or loss.

All other debt instruments are mandatorily measured at fair value through profit or loss. All equity instruments in the scope of IFRS 9 are measured at fair value with fair value adjustments recognized in profit or loss or in other comprehensive income. The option to designate an equity instrument at fair value through other comprehensive income is available at initial recognition and is irrevocable.

Measurement
At initial recognition, DLL measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets measured at fair value through profit or loss are expensed to profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows meet the SPPI requirements. Derivative financial instruments are initially recognized and subsequently measured at fair value through profit or loss.

Impairment allowances on financial assets
The rules governing impairments apply to financial assets at amortized cost and financial assets at fair value through OCI, as well as to lease receivables, contract assets, trade receivables, certain loan commitments, and financial guarantees. 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 has increased significantly since origination (but remains non-credit impaired), an allowance is 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. The interest income for these instruments will be recognized by applying the effective interest rate on the net carrying amount (including the allowance). Financial instruments become credit-impaired when one or more events have occurred that had a detrimental impact on estimated future cash flows.

Two fundamental drivers of the IFRS 9 impairments requirements are a) the methodology for the measurement of 12-month and Lifetime ECL 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 x LGD x EAD models for the majority of the portfolio in scope. Three global macroeconomic scenarios are incorporated into these models and probability weighted in order to determine the expected credit losses. When unexpected external developments or data quality issues are not sufficiently covered by the outcome of the ECL models, an adjustment will be made.

b) Stage determination criteria
A framework of qualitative and quantitative factors has been developed 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). The criteria for allocating a financial instrument to stage 3 are fully aligned with the criteria for assigning a defaulted status. In order to allocate financial instruments between stages 1 and 2, DLL uses criteria, such as days past due status, CRC, deterioration of the lifetime PD since origination, unit of account, and Purchased & Originated Credit Impaired (POCI). 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 will be made on groups of financial instruments with shared credit risk characteristics.

After a loan or lease has been granted, continuous client monitoring takes place. New financial and non-financial information is assessed. DLL ascertains whether the client complies with the agreement made and whether it can be expected that the client will remain compliant in the future. If this is expected not to be the case, credit management is intensified, monitoring becomes more frequent, and a closer eye is kept on credit terms. If it is likely that a debtor will be unable to pay the amounts owed to DLL in accordance with the contractual obligations, this will give rise to an impairment (impaired loan). If necessary, an allowance is made that is charged to income.

Forbearance

The forbearance portfolio is composed of DLL obligors for whom forbearance measures have been put in place. Forbearance measures consist of concessions granted to an obligor that faces or is expected to face financial difficulties. DLL distinguishes two types of Concessions:

- Modification: Acontractual adjustment of the previous terms and conditions of contractual obligations of an (joint) obligor, including the exercise of embedded clauses by the obligor.
- Refinancing: The use of new contractual obligation(s) to ensure:
  - The total or partial payment of other debt contracts, and/or
  - Additional financing.

The forborne portfolio is managed by C&R as the clients concerned have an CRC of Financial Difficulty or Default applies.

EU CR1 – Performing and non-performing exposures and related provisions

Performing and non-performing exposures and related provisions															
	Gross carrying amount/nominal amount						Accumulated impairment							Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment			Accumulated partial write-off	On performing exposures	On non-performing exposures
Amounts in millions of euros		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
Cash balances at central banks and other demand deposits	409	409	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans and advances	38,927	32,430	6,497	741	-	741	(189)	(67)	(122)	(206)	-	(206)	-	35,871	407
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	232	158	73	3	-	3	(1)	(0)	(0)	(1)	-	(1)	-	215	2
Credit institutions	1,319	1,288	31	1	-	1	(0)	(0)	(0)	(0)	-	(0)	-	86	0
Other financial corporations	844	736	108	9	-	9	(3)	(1)	(2)	(2)	-	(2)	-	788	4
Non-financial corporations	35,247	29,004	6,243	692	-	692	(183)	(64)	(120)	(192)	-	(192)	-	33,507	376
Of which SMEs	28,689	23,976	4,714	649	-	649	(149)	(54)	(95)	(185)	-	(185)	-	27,151	344
Households	1,286	1,244	42	37	-	37	(1)	(1)	(0)	(10)	-	(10)	-	1,277	25
Debt securities	248	248	-	-	-	-	-	-	-	-	-	-	-	-	-
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	58	58	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	190	190	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance-sheet exposures	8,767	8,767	-	-	-	-	-	-	-	-	-	-	-	-	-
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	4	4	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	1	1	-	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	62	62	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	8,700	8,700	-	-	-	-	-	-	-	-	-	-	-	-	-
Households	0	0	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**48,351**	**41,854**	**6,497**	**741**	**-**	**741**	**(189)**	**(67)**	**(122)**	**(206)**	**-**	**(206)**	**-**	**35,871**	**407**

The main topics regarding 2022 for the non-performing loan (NPL) portfolio are:

- The NPL ratio remained stable during the year;
- Total stage 3 defaulted exposures slightly increased compared to year-end 2021;
- A favorable economic environmentin most of our geographies contributed to further decline in NPL stock.

Based on the DLL business model, a defaulted obligor/facility is a non-performing obligor/facility; whereas a non-defaulted obligor/facility is a performing obligor/facility.

EU CQ1 – Credit quality of forborne exposures

Credit quality of forborne exposures

	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment		Collateral received and financial guarantees received on forborne exposures	
		Non-performing forborne						
Amounts in millions of euros	Performing forborne		Of which defaulted	Of which impaired	On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received
Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
Loans and advances	164	111	111	111	(2)	(25)	198	70
Central banks	-	-	-	-	-	-	-	-
General governments	0	-	-	-	(0)	-	0	-
Credit institutions	-	-	-	-	-	-	-	-
Other financial corporations	3	0	0	0	(0)	(0)	2	0
Non-financial corporations	161	110	110	110	(2)	(25)	196	70
Households	0	0	0	0	(0)	(0)	0	0
Debt securities	-	-	-	-	-	-	-	-
Loan commitments given	-	-	-	-	-	-	-	-
Total	**164**	**111**	**111**	**111**	**(2)**	**(25)**	**198**	**70**

With governmental measures to mitigate the COVID-19 impact coming to an end, also most support measures offered by DLL have ended. This has resulted in a decrease in the forborne portfolio, both for performing and non-performing exposures.

EU CQ3 – Credit quality of performing and non-performing exposures by past due days

Credit quality of performing and non-performing exposures by past due days												
	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
Amounts in millions of euros		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
Cash balances at central banks and other demand deposits	409	409	-	-	-	-	-	-	-	-	-	-
Loans and advances	38,927	38,627	299	741	482	115	64	42	29	4	5	-
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
General governments	232	219	12	3	2	1	0	0	0	-	-	-
Credit institutions	1,319	1,317	2	1	0	0	0	-	-	-	-	-
Other financial corporations	844	838	6	9	5	2	1	0	0	0	0	-
Non-financial corporations	35,247	34,976	271	692	448	105	60	41	29	4	5	-
Of which SMEs	28,689	28,467	223	649	415	100	57	41	29	4	5	-
Households	1,286	1,278	8	37	27	7	3	-	-	-	-	-
Debt securities	248	248	-	-	-	-	-	-	-	-	-	-
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
General governments	58	58	-	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	190	190	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance-sheet exposures	8,767	-	-	-	-	-	-	-	-	-	-	-
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
General governments	4	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	1	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	62	-	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	8,700	-	-	-	-	-	-	-	-	-	-	-
Households	0	-	-	-	-	-	-	-	-	-	-	-
Total	**48,351**	**39,284**	**299**	**741**	**482**	**115**	**64**	**42**	**29**	**4**	**5**	**-**

The majority of the non-performing exposures fall in the category "Unlikely to pay that are not past due or past due ≤ 90 days." Furthermore, DLL uses the same definition for non-performing exposures as for defaulted exposure.

EU CQ4 – Quality of non-performing exposures by geography

Quality of non-performing exposures by geography							
	Gross carrying/nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing		Of which subject to impairment			
Amounts in millions of euros			Of which defaulted				
On-balance-sheet exposures	**39,584**	**741**	**741**	**38,470**	**(1,123)**	**-**	**-**
United States	13,834	331	331	13,834	(116)	-	-
Germany	3,504	52	52	3,504	(32)	-	-
France	2,761	57	57	2,761	(36)	-	-
Australia	2,384	15	15	2,384	(14)	-	-
United Kingdom	2,318	34	34	2,318	(18)	-	-
Italy	2,110	60	60	2,110	(37)	-	-
Canada	2,299	16	16	2,299	(12)	-	-
Netherlands	2,772	22	22	1,533	(10)	-	-
Other countries	7,601	154	154	7,727	(849)	-	-
Off-balance-sheet exposures	**8,767**	-	-	-	-	-	-
United States	4,750	-	-	-	-	-	-
Canada	843	-	-	-	-	-	-
Germany	727	-	-	-	-	-	-
France	536	-	-	-	-	-	-
United Kingdom	310	-	-	-	-	-	-
Australia	273	-	-	-	-	-	-
Other countries	1,327	-	-	-	-	-	-
Total	**48,351**	**741**	**741**	**38,470**	**(1,123)**	**-**	**-**

Impairment charges were lower compared to 2021, a decrease that can be explained by the resilience of the economies in which DLL operates as well as their continued recovery from the COVID-19 pandemic.

EU CQ5 – Credit quality of loans and advances to non-financial corporations by industry

Credit quality of loans and advances to non-financial corporations by industry

	Gross carrying amount					
		Of which non-performing				
Amounts in millions of euros			Of which defaulted	Of which loans and advances subject to impairment	Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
Agriculture, forestry and fishing	11,445	186	186	11,445	(89)	-
Mining and quarrying	252	7	7	252	(4)	-
Manufacturing	3,219	73	73	3,219	(49)	-
Electricity, gas, steam and air conditioning supply	112	2	2	112	(1)	-
Water supply	222	2	2	222	(2)	-
Construction	1,934	64	64	1,934	(24)	-
Wholesale and retail trade	7,150	53	53	7,150	(45)	-
Transport and storage	1,552	47	47	1,552	(37)	-
Accommodation and food service activities	183	7	7	183	(7)	-
Information and communication	800	20	20	800	(13)	-
Financial and insurance actvities	-	-	-	-	-	-
Real estate activities	316	11	11	316	(5)	-
Professional, scientific and technical activities	1,258	30	30	1,258	(17)	-
Administrative and support service activities	2,764	60	60	2,764	(26)	-
Public administration and defense, compulsory social security	-	-	-	-	-	-
Education	540	10	10	540	(6)	-
Human health services and social work activities	3,022	74	74	3,022	(30)	-
Arts, entertainment and recreation	433	25	25	433	(11)	-
Other services	736	21	21	736	(10)	-
Total	**35,938**	**692**	**692**	**35,938**	**(376)**	**-**

The credit quality of our portfolio remained stable compared to 2021. Both the total portfolio and the non-perfoming portfolio increased, whilst the non-performing portfolio as a percentage of the total portfolio slightly decreased. Impairments were slightly lower when compared to 2021.

During the year, the macro-economic outlook detoriated. The Russian invasion of Ukraine triggered a steep increase in oil and gas prices, which in turn caused global inflation to rise to sometimes double-digit percentages. Central Banks throughout the world responded by increasing interest rates.

F&A sectors are in general less affected by general economic developments, which was also evidenced in the pandemic compared to non F&A sectors. DLL has identified vulnerable sectors for which the outlook is less positive, which are all in the non F&A sectors.

EU CQ7 – Collateral obtained by taking possession and execution processes

Collateral obtained by taking possession and execution processes

	Collateral obtained by taking possession	
Amounts in millions of euros	Value at initial recognition	Accumulated negative changes
Property, plant and equipment (PP&E)	-	-
Other than PP&E	11	(1)
Residential immovable property	-	-
Commercial Immovable property	-	-
Movable property (auto, shipping, etc.)	11	(1)
Equity and debt instruments	-	-
Other collateral	-	-
Total	**11**	**(1)**

When a foreclosure is executed, DLL normally tries to auction the asset that served as security for the loan or lease, which does not lead to the recognition of the collateral on our own book. Therefore, the number reported in the template is very limited.

Disclosure of the usage of credit risk mitigation techniques

DLL employs a range of mitigation techniques to reduce credit risk, which are covered below.

EU CRC – Qualitative disclosure requirements related to CRM techniques

For credit risk mitigation, DLL, being an asset-based finance company, mainly relies on the asset that is financed, being at the same time the primary source of collateral (credit risk mitigation). Balance sheet netting is not applied.

DLL has a specialized asset management department that is responsible for asset valuation and residual value estimation. These estimations are taken into account during underwriting new business. Value lines are available for every relevant asset, reflecting the value of the asset during the economic lifetime of the asset.

Assets that are financed by DLL (and that are the prime source of collateral for DLL) fall into the following industries: Agriculture, Food, Healthcare, Clean technology, Construction, Transportation, Industrial equipment, Office equipment and Technology.

DLL has a highly diversified portfolio, in terms of number of obligors, number of contracts, countries where exposures are booked and assets that are financed. Credit risk concentration from a credit risk mitigation perspective is not applicable.

EU CR3-CRM techniques overview – Disclosure of the use of credit risk mitigation techniques

CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

		Secured carrying amount			
				Of which secured by financial guarantees	
Amounts in millions of euros	Unsecured carrying amount		Of which secured by collateral		Of which secured by credit derivatives
Loans and advances	973	37,954	36,279	-	-
Debt securities	248	-	-	-	-
Total	**1,221**	**37,954**	**36,279**	**-**	**-**
Of which non-performing exposures	-	741	407	-	-
Of which defaulted	-	741	-	-	-

The use of the standardized approach to credit risk

DLL's policy is aimed at applying the Advanced Internal Ratings-Based Approach (A-IRB) approach to its credit portfolio as much as possible. However, there are exceptions where it is allowed, necessary or forced to apply less sophisticated approaches (SA instead A-IRB) to certain portfolios.

DLL hardly use external ratings for risk weighting under the standardized approach. Permission has been asked to the ECB to move a portfolio of Institutions and CG&CB to SA in 2022.

EU CR4 – Standardized approach – Credit risk exposure and CRM effects

Standardized approach - credit risk exposure and CRM effects

	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
Amounts in millions of euros	On-balance	Off-balance	On-balance	Off-balance	RWAs	RWAs density
Central governments or central banks	606	-	606	-	416	68.6%
Regional government or local authorities	-	-	-	-	-	0.0%
Public sector entities	-	-	-	-	-	0.0%
Multilateral development banks	-	-	-	-	-	0.0%
International organizations	-	-	-	-	-	0.0%
Institutions	2,007	-	2,007	-	984	49.0%
Corporates	2,177	8,767	2,177	863	2,920	96.0%
Retail	2,149	-	2,149	-	1,479	68.8%
Secured by mortgages on immovable property	-	-	-	-	-	0.0%
Exposures in default	42	-	42	-	42	100.0%
Exposures associated with particularly high risk	-	-	-	-	-	0.0%
Covered bonds	-	-	-	-	-	0.0%
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	0.0%
Collective investment undertakings	-	-	-	-	-	0.0%
Equity	-	-	-	-	-	0.0%
Other items	-	-	-	-	-	0.0%
Total	**6,982**	**8,767**	**6,982**	**863**	**5,842**	**74.5%**

Compared to the December end 2021 situation there are some changes in the SA exposures disclosed, which are mainly due to the following:

- The treatment of exposures on Institutions and Central Governments & Central Banks (CG&CB): during 2022 it was agreed and approved by the European Central Bank that IRB exposures on Institutions and CG&CB must be treated under Permanent Partial Use (PPU) Standardized Approach (SA) which triggers an increase in the SA exposures and the Risk Weighted Assets reported for these exposure classes.
- During 2022 DLL started to collect data on quotations that are considered to be committed. These are off balance sheet exposures for which the undrawn amounts and the Risk Weighted Assets are now reported.
- Organic movements (mainly growth) in the portfolios that are under SA.

The use of the IRB approach to credit risk

DLL's policy is aimed at applying the Advanced Internal Ratings-Based (A-IRB) approach to its credit portfolio as much as possible. However, there are exceptions where it is allowed, necessary or forced to apply less sophisticated approaches (SA instead A-IRB) to certain portfolios.

For the A-IRB portfolio, internally developed Probability of Default (PD) and Loss Given Default (LGD) models are available. During the PD and LGD model development recoveries of all credit risk mitigation techniques are taken into account. DLL does not make use of credit derivatives.

EU CR8-RWEA flow statements of credit risk exposures under the IRB approach

RWEA flow statements of credit risk exposures under the IRB approach

Amounts in millions of euros	**RWA**
RWA as on December 2021	**13,145**
Asset size	705
Asset quality	(127)
Model updates	195
Methodology and policy	(322)
Foreign exchange movements	271
Other	153
RWA as on December 2022	**14,019**

This table shows that the majority of the RWEA movement of IRB treated exposures can be explained by asset size growth which is related to organic growth of DLL's IRB portfolio. The RWA movement related to the methodology change is triggered by the changed methodology for exposures on obligors that classify as Central Governments and Central Banks and Institutions; for the first time on June end 2022 data these are treated under Permanent Partial Use (PPU) SA. For this reason IRB RWEA decreases which is offset by an increase in a SA RWEA increase.

EU CR7-IRB approach – Effect on the RWEAs of credit derivatives used as CRM techniques

IRB approach – Effect on the RWEAs of credit derivatives

Amounts in millions of euros	**Pre-credit derivatives RWA**	**Actual RWA**
Exposures under FIRB	**-**	**-**
Central governments or central banks	-	-
Institutions	-	-
Corporates	-	-
of which SMEs	-	-
of which Specialized lending	-	-
Exposures under AIRB	**10,881**	**10,881**
Central governments or central banks	-	-
Institutions	-	-
Corporates	4,537	4,537
of which Corporates – SMEs	1,502	1,502
of which Corporates – Specialized lending	-	-
Retail	6,344	6,344
of which Retail – SMEs – Secured by immovable property	-	-
of which Retail – non-SMEs – Secured by immovable property	-	-
of which Retail – Qualifying revolving	-	-
of which Retail – SMEs – Other	6,013	6,013
of which Retail – Non-SMEs – Other	331	331
TOTAL (including FIRB exposures and AIRB exposures)	**10,881**	**10,881**

DLL does not make use of credit derivatives, hence there is no impact on the RWA.

EU CR7-A-IRB approach – Disclosure of the extent of the use of CRM techniques

IRB - usage of CRM techniques

		Credit risk Mitigation techniques											CRM methods in the calculation of RWA	
		Funded credit Protection (FCP)									Unfunded credit Protection (UFCP)			
			Other eligible collaterals (%)				Other funded credit protection (%)							
Amounts in millions of euros	Total exposures	Financial collaterals (%)		Immovable property collaterals (%)	Receivables (%)	Other physical collateral (%)		Cash on deposit (%)	Life insurance policies (%)	Instruments held by a third party (%)	Guarantees (%)	Credit Derivatives (%)	RWEA without substitution effects	RWEA with substitution effects
Central governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporates	10,628	-	-	-	-	-	-	-	-	-	-	-	4,536	4,536
Of which Corporates – SMEs	3,818	-	-	-	-	-	-	-	-	-	-	-	1,502	1,502
Of which Corporates – Specialized lending	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which Corporates – Other	6,810	-	-	-	-	-	-	-	-	-	-	-	3,034	3,034
Retail	25,842	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which Retail – Immovable property SMEs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which Retail – Immovable property non-SMEs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which Retail – Qualifying revolving	-	-	-	-	-	-	-	-	-	-	-	-	6,344	6,344
Of which Retail – Other SMEs	24,522	-	-	-	-	-	-	-	-	-	-	-	6,013	6,013
Of which Retail – Other non-SMEs	1,319	-	-	-	-	-	-	-	-	-	-	-	331	331
Total	**36,470**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**10,881**	**10,881**

Although DLL is an asset based financing company, which mainly has loans and leases that are backed by collateral, not all CRR requirements to recognize loans and leases as collateralized are met.

Remuneration

EU REMA – Remuneration Policy

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 consider the longer-term impact in the interests of both Rabobank Group and its clients.

Identified Staff
Employees who can have a significant impact on DLL's risk profile are designated as "Identified Staff." In 2022, 54 roles within DLL were determined to be Identified Staff (excluding Supervisory Board members). In general, these members are not eligible for variable remuneration. In exceptional cases where they are eligible, their incentive is governed by the principles laid down in the Rabobank Group Remuneration Policy. 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.

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 based on 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 deferred part of the variable pay vests for identified staff in equal parts during four years after the end of the relevant performance period, provided that (i) the participant is still employed by DLL at that time, and (ii) the ex-post evaluation does not give cause to adjust the deferred part of the variable pay (malus).

With respect to the application of malus the following assessment framework is applied to all Identified Staff:
- Proof of material errors by the employee;
- Award of the variable pay on the basis of incorrect, misleading information or as a result of fraudulent conduct by the relevant employee;
- Participation in or responsibility for conduct that has led to considerable loss and/or damage to the reputation of Rabobank;
- Proof of the employee not meeting the applicable standards with respect to ability and correct conduct;

- Overall financial performance. The minimum requirement is that after award and payment of variable pay, Rabobank's CET1 capital ratio must be at or above the threshold laid down under the applicable legislation (Basel). If and to the extent that this minimum requirement is not met, variable pay will not be awarded or paid (in full);
- A significant breach in risk management;
- A significant negative change in the CET1 capital ratio of Rabobank.

DLL offers no fixed or variable pay in the form of options or shareholding rights to employees.

Guaranteed variable remuneration is only permitted in the form of a sign-on bonus in the first year of employment. These bonuses can only be awarded if Rabobank has a strong and solid capital basis.

Severance payments must be demonstrably related to the performance of the employee over time. For daily policy-makers (Dagelijks Beleidsbepalers) severance payments are capped at a maximum of 100% of the fixed pay on an annual basis.

EU REM1 – Remuneration awarded for the financial year

Remuneration awarded for the financial year					
Amounts in EUR thousands		MB Supervisory function	MB Management function	Other senior management	Other identified staff
Fixed remuneration	Number of Identified Staff	4	6	48	-
	Total fixed remuneration	227	3,575	17,726	-
	Of which cash-based	-	-	-	-
	(Not applicable in the EU)	-	-	-	-
	Of which shares or equivalent ownership interests	-	-	-	-
	Of which share-linked instruments or equivalent non-cash instruments	-	-	-	-
	Of which other instruments	-	-	-	-
	(Not applicable in the EU)	-	-	-	-
	Of which other forms	-	-	-	-
	(Not applicable in the EU)	-	-	-	-
Variable remuneration	Number of identified staff	-	-	-	-
	Total variable remuneration	-	-	-	-
	Of which cash-based	-	-	-	-
	Of which deferred	-	-	-	-
	Of which shares or equivalent ownership interests	-	-	-	-
	Of which deferred	-	-	-	-
	Of which share-linked instruments or equivalent non-cash instruments	-	-	-	-
	Of which deferred	-	-	-	-
	Of which other instruments	-	-	-	-
	Of which deferred	-	-	-	-
	Of which other forms	-	-	-	-
	Of which deferred	-	-	-	-
Total		**227**	**3,575**	**17,726**	**-**

EU REM2 – Special payments to staff whose professional activities have a material impact on institutions' risk profile (Identified Staff)

Special payments to staff whose professional activities have a material impact on institutions' risk profile (Identified Staff)				
Amounts in EUR thousands	**MB Supervisory function**	**MB Management function**	**Other senior management**	**Other identified staff**
Guaranteed variable remuneration awards				
Guaranteed variable remuneration awards - Number of Identified Staff	-	-	-	-
Guaranteed variable remuneration awards -Total amount	-	-	-	-
Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
Severance payments awarded in previous periods, that have been paid out during the financial year				
Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	-	-	-	-
Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	-	-	-	-
Severance payments awarded during the financial year				
Severance payments awarded during the financial year - Number of Identified Staff	-	-	1	-
Severance payments awarded during the financial year - Total amount	-	-	60	-
Of which paid during the financial year	-	-	60	-
Of which deferred	-	-	-	-
Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
Of which highest payment that has been awarded to a single person	-	-	-	-

EU REM3 – Deferred remuneration

Deferred remuneration								
Amounts in EUR	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e.changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
MB Supervisory function								
Cash-based	-	-	-	-	-	-	-	-
Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
Other instruments	-	-	-	-	-	-	-	-
Other forms	-	-	-	-	-	-	-	-
MB Management function								
Cash-based	-	-	-	-	-	-	-	-
Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
Other instruments	4,141	4,141	-	-	-	-	4,141	-
Other forms	-	-	-	-	-	-	-	-
Other senior management								
Cash-based	24,759	23,930	829	-	-	-	-	829
Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
Other instruments	45,141	40,052	5,088	-	-	-	40,052	5,088
Other forms	-	-	-	-	-	-	-	-
Other Identified Staff								
Cash-based	-	-	-	-	-	-	-	-
Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
Other instruments	-	-	-	-	-	-	-	-
Other forms	-	-	-	-	-	-	-	-
Total amount	**74,040**	**68,123**	**5,917**	**-**	**-**	**-**	**44,193**	**5,917**

EU REM4 – Remuneration of 1 million EUR or more per year

Remuneration of EUR 1 million or more per year	
EUR	**Identified Staff that are high earners as set out in Article 450(i) CRR**
1.500.000 to below 2.000.000	-

EU REM5 – Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (Identified Staff)

Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (Identified Staff)	Management body remuneration			Business areas						
Amounts in EUR thousands	MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
Total number of Identified Staff	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**58**
Of which members of the MB	4	6	10	-	-	-	-	-	-	-
Of which other senior management	-	-	-	-	-	-	-	19	29	-
Of which other Identified Staff	-	-	-	-	-	-	-	-	-	-
Total remuneration of Identified Staff	**227**	**3,575**	**3,802**	**-**	**-**	**-**	**-**	**4,271**	**13,456**	**-**
Of which variable remuneration	-	-	-	-	-	-	-	-	-	-
Of which fixed remuneration	227	3,575	3,802	-	-	-	-	4,271	13,456	-

Declaration Executive Board

The Executive Board of DLL declares that the risk management arrangements of DLL are adequate and assures that the risk management systems put in place are adequate to DLL's profile and strategy.

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

Eindhoven, April 25, 2023

Appendix

EU CCA – Main features of regulatory own funds instruments and eligible liabilities instruments

Main features of regulatory own funds instruments	
Issuer	De Lage Landen International B.V.
Unique identifier (e.g; CUSIP, ISIN or Bloomberg identifier for private placement)	Shares number A1 – A215 and B1 – B2
Public or private placement	Private
Governing law(s) of the instrument	Governed by laws of the Netherlands
Contractual recognition of write-down and conversion powers of resolution authorities	n/a
Regulatory treatment	
Current treatment taking into account, where applicable, transitional CRR rules	Common Equity Tier 1
Post-transitional CRR rules	Common Equity Tier 1
Eligible at solo/(sub-)consolidated/solo&(sub-)consolidated	Subconsolidated
Instrument type (types to be specified by each jurisdiction)	CET1 instruments as published on EBA list
Amount recognized in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	EUR 1,233 million
Nominal amount of instrument	EUR 98 million
Issue price	EUR 98 million (excluding share premium)
Redemption price	n/a
Accounting classification	Shareholders' Equity
Original date of issuance	05/04/1974 (April 5, 1974)
Perpetual or dated	Perpetual
Original maturity date	No maturity
Issuer call subject to prior supervisory approval	n/a
Optional call date, contingent call dates and redemption amount	n/a
Subsequent call dates, if applicable	n/a

Main features of regulatory own funds instruments	
Coupons/dividends	
Fixed or floating dividend/coupon	n/a
Coupon rate and any related index	n/a
Existence of a dividend stopper	n/a
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
Existence of step up or other incentive to redeem	No
Noncumulative or cumulative	Non-cumulative
Convertible or non-convertible	n/a
If convertible, conversion trigger(s)	n/a
If convertible, fully or partially	n/a
If convertible, conversion rate	n/a
If convertible, mandatory or optional conversion	n/a
If convertible, specify instrument type convertible into	n/a
If convertible, specify issuer of instrument it converts into	n/a
Write-down features	n/a
If write-down, write-down trigger(s)	n/a
If write-down, full or partial	n/a
If write-down, permanent or temporary	n/a
If temporary write-down, description of write-up mechanism	n/a
Type of subordination (only for eligible liabilities)	n/a
Ranking of the instrument in normal insolvency proceedings	n/a
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	None
Non-compliant transitioned features	n/a
If yes, specify non-compliant features	n/a
Link to the full term and conditions of the intrument (signposting)	n/a

Colophon

Published by
DLL

About the Pillar 3 report 2022
The Pillar 3 report 2022 is based on the requirements explained in article 13 paragraph 1 of the CRR, and has been prepared on a sub-consolidated basis. The information in Pillar 3 has not been audited by DLL's independent external auditors.

Contact
DLL has exercised the utmost care in the preparation of the Pillar 3 report 2022. If you have questions or suggestions on how we can improve our reporting, please send them by email to communication@dllgroup.com.

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