Annual Report 2016

See what counts.

financial solutions partner

Contents

Value proposition

Our value proposition enables DLL to provide the solutions that our vendor partners need to support and boost their business.

17

Sustainable business solutions

We continually look for innovative ways to encourage new, sustainable business models.

24

Risk appetite

DLL aims for a risk profile that strikes an optimal balance between risk and reward.

28

Management **Report**

Chairman's **foreword**

The 2016 business year was a pivotal one for DLL, marked by significant milestones in the history of the company. In addition to delivering a healthy financial and commercial performance, we started the expansion of our Executive Board, made meaningful contributions to the markets and communities that we operate within and sharpened our focus on our award-winning global vendor finance business. In order to achieve these objectives, we had to make some significant strategic choices.

Most notable was the sale of our international car leasing business, Athlon Car Lease International B.V. and its subsidiaries, to Mercedes-Benz Financial Services Nederland B.V., part of Daimler group. This was the right step for Athlon, safeguarding its future success via expanded international coverage, a wider range of products and providing more value to its customers. It was also the right step for DLL, allowing us to focus the vast majority of our resources, investments and innovation on our core business of vendor finance.

We also targeted the migration of our domestic Dutch leasing activities focused on supporting the customers and channels of our parent, Rabobank, plus our Dutch consumer finance business (collectively referred to as 'Financial Solutions'), from DLL to Rabobank. This move of our non-vendor finance activities in the Netherlands will bring these products closer to the bank, and we believe certain synergies can be realized that will deliver more value for local Dutch customers. Following the necessary regulatory approvals, we completed this transfer to Rabobank in April 2017.

In this year of change, our ongoing attention to the customer experience was rewarded with significant improvements in our Net Promoter Score (NPS) ®, which grew to +34 (up from +26 in 2015) surpassing comparable industry benchmarks. Moreover, the vast majority of the customers we surveyed told us they were 'satisfied' or 'very satisfied' with the products and services they receive from DLL. This very positive feedback from our primary customers, the manufacturers, dealers and distributors who partner with DLL, tells us that we are moving in the right direction.[1]

Our competitors also acknowledged that we were doing the right thing. At the annual Leasing Life conference, a jury of industry peers selected DLL as the winner of the prestigious Vendor Finance Provider of the Year Award for 2016. The jury noted, "Through high quality feedback and endorsements from clients and their unconditional focus on vendor partnerships, DLL far surpassed the competition within the vendor finance provider category, making them the winner."

These accolades demonstrate that we place our customers at the center of everything we do. We aim to serve our vendor partners intelligently by providing comprehensive solutions that help them succeed year in and year out. 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 rather managing a multi-year relationship and developing a mutually beneficial strategy that will help our partners grow their market share and profitability over the long term.

This year of change was not reserved only to DLL. We continue to see transformative changes take root within our industry, and the related industries

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.

of our vendor partners. As the world's population continues to increase and consumption grows, so too does the need for sustainable business models that take responsibility for the planet's precious and finite natural resources. Working out how to deliver goods and services profitably and smartly to the rising billions while preserving the planet is one of the major challenges of our times.

At DLL, we believe that equipment leasing and finance is at the heart of this discussion, because the management and reuse of assets is a key enabler of the circular economy. Already, we have begun working with some of our vendor partners to help them develop second and third life product cycles, adding new revenue streams that support sustainability.

I was very pleased to see that our efforts to be a thought leader in this area were recognized. At the 2016 World Economic Forum (WEF) in Davos, DLL became the first financial institution to receive the 'Circular Economy Investor Award'. This recognition is a testament to our belief that the finance industry can play an integral and leading role in creating a more sustainable global economy by actively promoting the reuse of assets.

Also our results have been very strong in 2016. Our profit from continuing operations increased by 32 percent to EUR 368 million. Our net profit, including the Athlon and Financial Solutions results amounted to a record high EUR 775 million. Our vendor finance portfolio increased by 8 percent to reach EUR 30.5 billion. Most importantly we have a strong foundation on which to build for the future, and envision sustainable commercial growth and profit generation.

Going forward, we have a clear strategy and vision. We want to be the world's best global vendor finance company. To help us get there, we have set out a strategic path in our Mid-Term Plan entitled 'Focus and Accelerate'. The plan makes clear that we will focus our resources, investments and innovations on our core business of global vendor finance. Further, we will accelerate the value creation of our business by providing new and innovative products and digital tools designed around the current and future needs of our vendor partners.

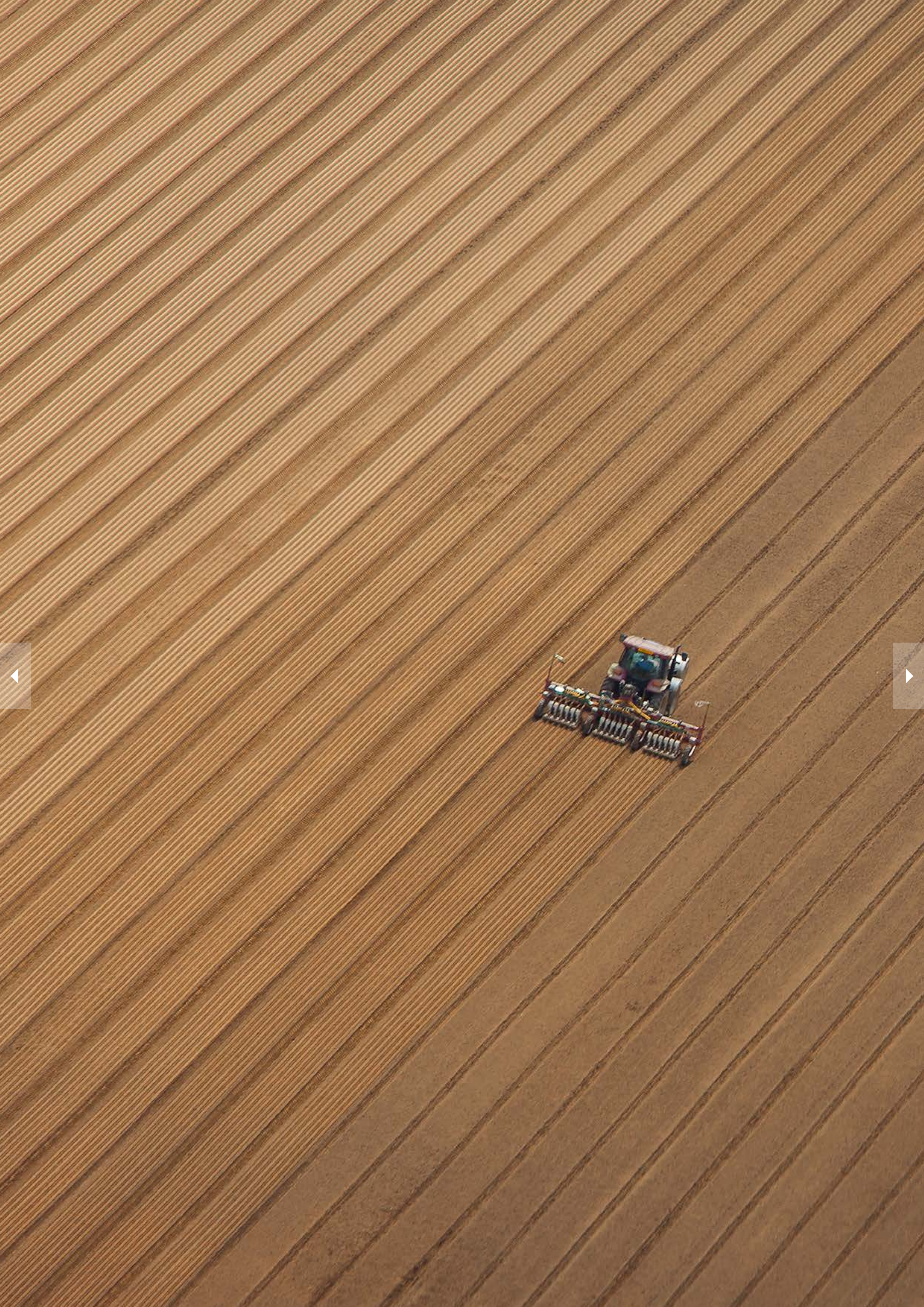
We want our partners to continue to be highly satisfied with our products and services. Of equal importance, they should also enjoy a first-class customer experience, delivered each and every day by our engaged and highly talented workforce. To that point, we continue to make a number of investments toward the personal and professional development of our people, so that DLL continues to be viewed as an employer of choice in the many countries where we operate.

Fundamental to our plan is a focus on being as innovative as possible, so that we provide our vendor partners with the products they need to win. For example, in many markets as we continue to see a shift away from equipment ownership toward usage-based models, DLL is developing more flexible leasing and financing solutions to offer our vendor partners, and their end-user customers.

Alongside business model innovation, DLL is also committed to taking advantage of the latest digital technologies to serve our vendor partners and their customers more effectively. We will collect and leverage data to provide the best advice, enabling our vendor partners to optimize their installed base of assets and to help them deliver solutions to their customers that reduce the total cost of usage.

As our brand promise 'See what counts' implies, DLL is more than a provider of capital. We are a true strategic and collaborative partner.

Bill Stephenson
CEO and Chairman of the Executive Board of DLL



Who we are

DLL is a global vendor finance company operating in more than 30 countries. In the Netherlands we have a Dutch banking license, which is pass ported to several other EU countries. As such DLL is supervised by the Dutch Central Bank. Founded in 1969 and headquartered in Eindhoven, the Netherlands, DLL provides specialized asset-based financial solutions in eight distinct equipment markets:
- Agriculture
- Food
- Healthcare
- Clean Technology
- Construction
- Transportation
- Industrial Equipment
- Office Technology

In each of these equipment markets, we work closely with manufacturers as well as their distribution partners, whether authorized distributors, independent dealers or resellers (collectively referred to as our 'vendor partners') providing financial products and services that help them achieve sustainable, profitable growth. We view our vendor partners as our primary customer.

Assets refer to the equipment supplied by our vendor partners to their customers (the end-users), whether digitally connected copiers and document management systems, diagnostic imaging equipment such as ultra-sound and MRI scanners or even tractors and cranes. We view the end-users of the equipment as our secondary customer.

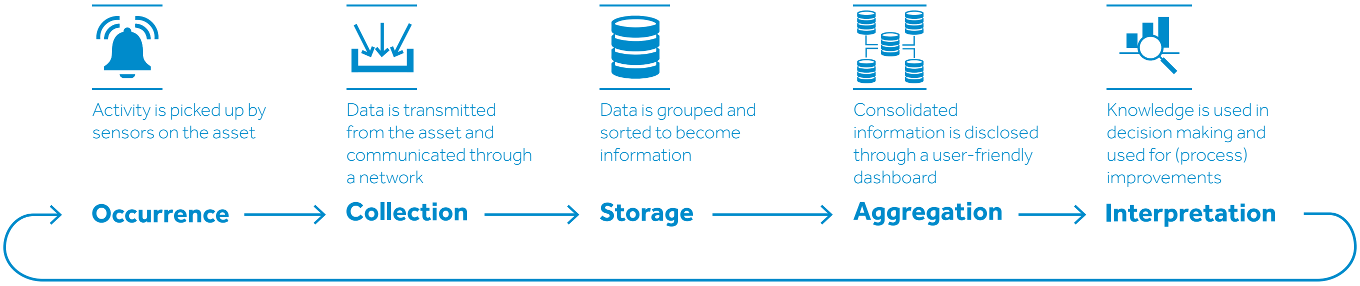
DLL delivers specialized knowledge and expertise to each of these eight equipment markets through our Global Business Units (or GBUs) that set the commercial strategy with our vendor partners and handle all aspect of relationship and program management on a global scale. We have four defined GBUs within DLL:
- Construction, Transportation and Industrial (CT&I)
- Food and Agriculture (F&A)
- Healthcare and Clean Technology (HC-CT)
- Office Technology (OT)

Our team combines customer focus with deep industry knowledge to deliver sustainable solutions for the complete asset life cycle, including commercial (inventory) finance, retail finance and used equipment finance. We believe that DLL is one of the few companies able to provide 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.

Mission
We enable businesses to use the assets they need to contribute meaningfully to the world, both economically and socially. We create success for our partners, their customers and ourselves by seeing what really counts.

Our vision
At DLL, we believe in a genuine partnership with our customers, the kind built on personal trust, not just numbers. By combining our customer focus with deep industry knowledge, we look beyond quick fixes to deliver sustainable solutions. We are more than a provider of capital. We are a true strategic and collaborative partner.

To us, leasing is more than just providing financial solutions and products. We are committed to providing comprehensive solutions that help our vendor partners successfully navigate their challenging markets. To be able to do this today, but also in the future, we monitor many global trends, and feel that three in particular will likely alter the way our vendor partners do business and therefore change the expectations they have of their financial solutions providers. We are continuously adapting our business to meet the evolving needs of our vendor partners and their customers.



The five stages of an IoT solution. Each stage describes what is necessary to eventually use IoT for, automated or manual fact based decision making.

The shift from owning to servitization

As always, end-user customers from hospitals to agricultural operations to trucking companies look for new ways to maximize the impact and efficiency of their equipment. And today, technological change and new business thinking is opening the way for a revolutionary shift in manufacturing known as 'servitization'. In 'servitization', manufacturers do not just sell equipment outright. Instead, they offer alternative, more sophisticated usage-based options, which can be delivered on a 'just-in-time' basis along with maintenance and service packages to keep the equipment running to optimum levels and supported by the latest in digital information feedback. The end-user customer gets the service they want, using the equipment to the most efficient levels at the moment(s) that they need it, but without the many of the obligations and costs associated with outright ownership.

But for all this to happen, DLL must help our vendor partners deliver this new service-based model to their customers. In the past year, we have seen the rise of this kind of model, unlocking new efficiency and business opportunities for our partners. As a company that offers flexible leasing and financing solutions, DLL is making every effort to help our partner's transition to these new practices. We can create the type of financial solutions that will enable their end-user customers to pay for equipment as they use it, while the manufacturer remains responsible for its ongoing service and maintenance.

Internet of Things

Seamless interconnectivity between equipment and other devices is facilitating the collection of thousands of data points on when and how equipment is being used. The Internet of Things (or IoT) provides infinite data for manufacturers and dealers whilst their assets are being used by their customers, enabling them to offer new efficiencies and an enhanced customer service. All of this helps the end-user customer manage the equipment more effectively and reduces the overall costs of utilization. This can create a scenario with benefits to all stakeholders. It helps manufacturers and distributors better understand when equipment should be serviced and the right time to offer technology upgrades or new products that will benefit the end-user customers. At DLL, we already offer solutions that take advantage of this technology, and will continue to expand the depth and breadth of our capabilities in this area.

Circular economy

The earth's resources are finite and a growing world population will put continued pressure on these resources. Many companies today are seeking out new ways to do business that delivers profits and innovation while also using these resources more carefully. The circular economy is one model which can move industry away from the old linear 'take, make and waste' model towards a more regenerative and sustainable one. By designing products to be recycled, reused or remanufactured at the end of their first life cycle, manufacturers can help reduce pressure on the planet's resources. The concept of a circular economy prefers usage over ownership. In usage-based models, manufacturers can maintain control of their equipment throughout its technical life and ensure that the equipment or materials are reused rather than sitting idle or being relegated to a landfill.

New service-based financial solutions such as pay per use programs can help unlock these circular models, and DLL is committed to further enabling this transition, through developing effective and innovative financing solutions for our vendor partners. For example, in 2013, we launched our own Life Cycle Asset Management (LCAM) program, offering financing for pre-owned assets. Through this program, we work with our vendor partners to ensure the sustainable reuse of equipment and the creation of second and third life revenue streams. One of our goals is to make used equipment finance 20 percent of our business by 2020.

We look with excitement to the future, where the convergence of customer centricity, the Internet of Things, usage-based models and circular thinking could kick-start a new age of strong and sustainable economic growth. We will remain committed to providing financial solutions that meet the evolving needs of our partners and their customers.

Our Executive Board

The in January 2017 expanded Executive Board, continues to have a joint responsibility for delivering sound and balanced long-term and short-term strategies, meeting the needs of all DLL stakeholders, including customers, shareholders, employees, regulators and the communities in which the company operates.

For the years 2015 and 2016, Frans Overdijk was the Chief Financial and Risk Officer (CFRO) of DLL, a position that was separated into two distinct roles; Chief Financial Officer (CFO) and Chief Risk Officer (CRO) as of 1 January 2017. Prior to joining DLL in 2010, Overdijk was the CFRO for Rabobank subsidiary, FGH Bank, and was active for various Rabobank organizations dating back to 1982. At the close of 2016, he left DLL to return to Rabobank.

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 May 2014. He is responsible for the implementation of DLL's strategic plans, which enable us to deliver integrated financial solutions to manufacturers and distribution partners in more than 30 countries. Under Stephenson's leadership, DLL has sharpened its focus on its core business of vendor finance.

Since joining DLL in 1987, Stephenson has held several leadership positions and played an integral role in the emergence of the company as a global market leader within the vendor finance and equipment leasing industry. Prior to his appointment as CEO, Stephenson served as Chief Commercial Officer and a member of the Executive Board, responsible for the commercial strategy across all business lines.

In 2016, Stephenson served as Chairman of the Board of Directors of the Equipment Leasing and Finance Association (ELFA). Throughout his career, he has been an active participant in several ELFA committees and is a former member of the Equipment Leasing & Finance Foundation's Board of Trustees. Stephenson is a recipient of the 'Lifetime Achievement Award' from Leasing Life magazine and was named to the Leasing Life 'Power 50' list, which details the most influential people in the European leasing and asset finance market.

With over 30 years of vendor finance experience, Stephenson is a recognized industry expert. He is a strong advocate for corporate social responsibility and a frequent speaker at industry assemblies throughout the world. Stephenson earned a Bachelor of Science degree in business from Florida State University and is a graduate of Harvard Business School's Advanced Management Program. In 2016, he was inducted into the Florida State University College of Business Hall of Fame.

In addition to his role as Chairman of the Executive Board, as well as leadership and oversight of DLL business globally, Stephenson has the following portfolio of responsibilities:
- Communications
- Legal
- Human Resources
- Governance
- Internal Audit

During the 2016 business year, Stephenson also served as the company's CCO on an ad-interim basis.

Carlo van Kemenade

Chief Operating Officer (COO)

Carlo van Kemenade was appointed Chief Operating Officer (COO) and a member of the Executive Board of DLL in May 2013. He is responsible for the company's country organizations and global IT activities.

Since joining DLL in 1990, Van Kemenade has been instrumental in growing the company's portfolio and expanding its operations into new markets. He most recently served as CCO of the company's global vendor finance business division. From May 2009 to April 2011, Van Kemenade added Interim Head of Global Risk to his list of responsibilities (next to his responsibilities as COO Europe) and was tasked with navigating DLL through the economic and financial crisis. His success in this role helped build a solid foundation for the company's global risk management structure.

He earned a Bachelor of Arts degree in economics and public law from the Nederlandse Bestuursacademie. He went on to receive an MBA from Nyenrode Business University (in conjunction with Kellogg School of Management, USA, and University of Stellenbosch, South Africa, where he was awarded the titles Valedictorian and Student of the Year, as elected by his fellow students. Shortly after that, he completed a Master of Science in International Management at Nyenrode as well.

Van Kemenade has the following portfolio of responsibilities within DLL:
- Regional / Country Management of DLL's entire global office network.
- Global Information Technology (IT)

Marc Dierckx
Chief Financial Officer (CFO)

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

He joined DLL in 2004 and has held several leadership positions across the organization. As President of the Office Technology Global Business Unit, he successfully led the vendor finance business through the challenging economic climate in 2008–2009. He most recently served as Deputy CFO and was responsible for spearheading the company's sale of Athlon Car Lease International B.V. and its subsidiaries to Mercedes-Benz Financial Services Nederland B.V., part of Daimler (Mercedes-Benz) Group in 2016.

Dierckx plays an instrumental role in talent development within DLL as a founder and mentor of True Business (DLL's in-house MBA program in cooperation with the Tias Nimbas Institute in Tilburg) and as founder of the Finance as a Business Partner program.

Dierckx earned his MBA at the EHSAL Management School in Brussels, Belgium in 1992, and furthered his education at Vlerick Management School in Ghent, Belgium in 1999.

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

Ab Gillhaus
Chief Risk Officer (CRO)

Ab Gillhaus was appointed Chief Risk Officer (CRO) and a member of the Executive Board of DLL in January 2017. He is responsible for the company's Group Risk activities. The appointment marked Gillhaus' return to DLL, having previously served as president of the company's European vendor finance business and a member of the Executive Board from 2000 to 2003. He most recently served as Chief Credit Officer at DLL's parent company, Rabobank. In this role, Gillhaus was responsible for chairing Rabobanks Central Credit Committee and managing the credit policies, monitoring and group-level reporting during a time of unprecedented market challenges.

An international finance industry veteran, Gillhaus amassed more than 30 years of experience in both the risk and commercial domains at Rabobank and DLL. He has been a member of many supervisory boards throughout his career, often serving as chairman.

Gillhaus graduated cum laude with a Masters degree in business economics from Tilburg University. He is now based in the Netherlands, but has spent several years working abroad in Brazil, the UK and Australia.

Gillhaus has the following portfolio of responsibilities within DLL:
- Risk
- Compliance

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 eight key equipment markets.

Meredith joined DLL in 2010 as President of the Food and Agriculture Global Business Unit. Under his leadership, this unit has achieved year-on-year strong performances, expanded its footprint in Europe and entered the Asian market.

With more than 35 years of experience in equipment finance, Meredith has held leadership positions with several of the industry's top lenders. In 2002, he was named Executive Vice President and General Manager of Citi Capital's Construction Equipment Finance business. When the company was acquired by GE Capital in 2008, Meredith continued to manage the Construction Equipment business and was instrumental in developing and executing a commercial strategy that aligned the strengths and philosophies of the two companies. He previously held senior management positions with Deutsche Financial Services and Chase Manhattan Leasing.

Meredith graduated from the University of Michigan with a Bachelor of Science degree in Business Administration.

Meredith has the following portfolio of responsibilities within DLL:
- Management of DLL's Global Business Units (GBUs)
- Asset Management & Remarketing
- Insurance
- Strategic Marketing
- Sustainability

From left to right
Ab Gillhaus
William Stephenson
Marc Dierckx
Tom Meredith
Carlo van Kemenade

What we do

Vendor finance has been DLL's core business for almost 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 helps them develop 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 not only being entrusted with our vendor partner's business and their customers, but also with their name and brand identify. To that point, 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 (collectively referred to as our 'vendor partners') – 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 lifecycle of their equipment. Our solutions are applicable to both new and pre-owned assets. These can be customized to better conform with and support the vendor partner's sales objectives, processes and distribution channels.

When it comes to developing an equipment finance offering for their end-user customers, manufacturers are confronted with a several choices. Some large manufacturers make a decision to establish their own finance capability in-house, so they can integrate their financial offerings 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.

It requires the manufacturer to make significant investments to build the required infrastructure and because it is typically not 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 seeking out 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, but labeled in the name of the manufacturer.

Another variation is 'quasi private-label' or 'co-branded' programs which leverage the name and brand of the manufacturer, but make clear 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 increasing sales of their equipment and driving customer adoption of related maintenance, service and consumables programs and increase the overall duration and profitability of the relationship 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. Through this, the end-user customer gets access to wider variety of value added services and options, as well as a clearer understanding of the total cost of use for the equipment they are financing. And through our multi-year lease and finance agreements, our vendor partners can engage with their customers for longer periods, locking out the competition and 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 of 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 managing a multi-year relationship and developing a strategy that will help the vendor partner grow their market share and profitability over the long-term, and 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

For the vendor partner

- **Lead generation**: Attract and close sales with new prospects and retain existing customers with targeted promotions and special financing offers.
- **Sell more**: Low cost monthly or quarterly payment quotations can minimize focus on upfront sales value ('sticker shock') and encourage customers to also acquire additional options and services.
- **Preserve margins**: By focusing on affordable monthly or quarterly payments for end-users, rather than the upfront sales value of the equipment, minimize negotiations and price cutting.
- **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 contracts (on average 3 to 5 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's partner can offer their 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 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 once again, extending the life of the product and building new revenue streams.

For end-user customers

- **Capital conservation**: By using leasing / financing solutions, the customer 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 their valuable, and sometimes limited, bank lines.
- **Easy to budget**: Leasing and financing programs are typically offered on a fixed rate basis and deliver predictable, periodic payments that a customer can easily budget for, and increase 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 can 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.

Distribution channels

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:

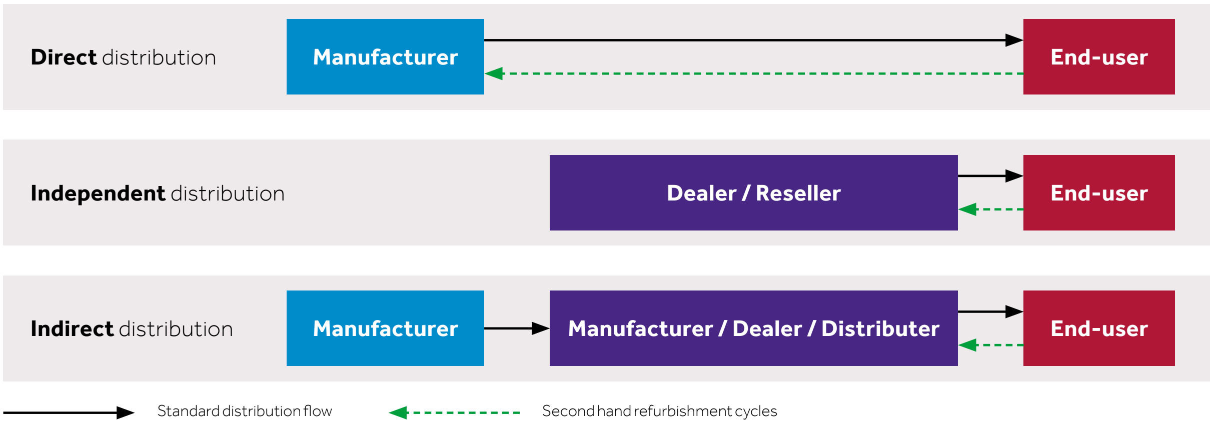
- **Direct distribution**: the manufacturer sells directly through its own sales force to an end-user.
- **Indirect distribution**: the manufacturer accesses a network of authorized dealers and distributors to sell its products to the end-users.
- **Independent distribution**: dealers act as stand-alone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

No matter which 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

Vendor finance distribution channels



possible. The product support 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 on the right time for upgrades and trade-ins and so on. Finally, 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.

Primary solutions

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

– **Commercial Finance**: This solution enables floor planning and receivable finance products allowing primarily dealers to finance their inventory of equipment on display in their dealership or in stock. This product helps manufacturers place more units into dealer inventory (without carrying the credit risk themselves). It also allows dealers to secure product without having to tie up their own critical cash and bank lines.

– **Retail Finance**: This solution spans a variety of products including loans, Financial Leases, Fair Market Value (FMV) Leases, Operating Leases and pay per use agreements. These products allow end-user customers to finance and use the equipment for their own benefit. The prevalence of one financial product type over another can vary across the equipment sectors that DLL operates within, as well as geographically, based on the prevailing local practices and preferences of the end-user customers.

– **Used Equipment Finance**: This includes retail finance products such as Financial Leases as described above, but with a focus on used equipment that is typically returned to DLL from expiring lease contracts, or alternatively from vendor partners wishing to remarket their used equipment to end-user customers. While this is still a small portion of our overall business, we aspire to have this become 20 percent of our total sales by 2020.

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 vendor finance value proposition consists of five key elements: partnership, industry specialization, asset and risk management expertise, global capabilities and footprint and people and culture. These enable DLL to 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.

A part of our value proposition, we provide a variety of services and programs to support our vendor partners, from prospecting and targeting the rights 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 value added consultative services help to make DLL vital to the vendor partner's long-term success, and act as a key differentiating factor that protects our relationships from competitive overtures.

Our Partnership Focus

We only enter into partnerships when we know 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 normal peaks and troughs of economic cycles as well as other issues and event that impact their specific equipment markets.

We seek to become an integral part of our vendor partner's overall business strategy and financial plans. It is not about simply supporting the first sale, but 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.

Our Industry Specialization

We are quite proud of the in-depth knowledge we have acquired on each of our equipment markets. Built on decades of accumulated experience, we truly have a keen awareness of the markets that our vendor partners operate within and help point them towards winning strategies. Only when you truly understand your partners and their markets, is it possible to maximize 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, Industrial Equipment, Transportation, and Office 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 in 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 and in a way the vendor partner can easily understand.

When successfully implemented, this integrated selling approach creates significant value for both the vendor partner and DLL. It is truly win-win. The vendor partner has a team of well trained, highly effectively sales people, who are generating more revenue and profits by offering leasing and other financial products. At DLL, we enjoy a small army of leasing missionaries; the same sales people, who are passionate advocates for our business.

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 turn potential risks into healthy sustainable rewards. We use our asset management expertise and understanding of the collateral position of the assets to take 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, has played a significant role in differentiating DLL from many of our competitors. This also allows us to generate a higher level of added value and successfully generate profits out of credit risks, future asset (residual) values, commercial (inventory) finance offerings, asset insurance products and more.

A great example are our credit underwriting capabilities. Unlike many other leasing companies, we do not rely completely 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, looking deeper into elements such as asset utilization and essential use, truly understanding 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 go deeper into the market and support our vendor partners (and their customers) when other sources would not provide capital. By understanding these risks and having the capability to manage them effectively, we can deliver true added value to our vendor partners, helping them sell more and generate sustainable healthy returns for both their business and DLL.

Our Global Capabilities and Footprint
We strongly believe that we are the only global vendor finance company in the market capable 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, who helps manage their portfolio and global business activity. We follow this up with regular business reviews and strategic planning sessions to ensure we are steering the business in a responsible and sustainable way. Our vendor partners have consistently told us they view 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’, ensuring that the standard principles of the program are delivered to each country, but that there is ample room for adjustments to accommodate local market practices and culture.

We have a healthy spread of markets across several regions, countries and industrial sectors which provides an additional layer of resilience to our business model and has played a significant role in how DLL has performed over the years, particularly during the financial crisis of 2008 and the following years.

Our People and Culture
Our employees (who we like to refer to as ‘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 vendor partners and their end-customers. This is a message that we consistently hear in the survey and focus groups that we conduct with our vendor partners and their end-user customers.

Our relationship model depends on our people making this connection. DLL members show great passion and commitment to the goal of serving our vendor partners and their end-user customers. This is complimented by a strong entrepreneurial spirit that allows us to create solutions to help our vendor partners win in changing markets. To that point, 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 where we operate.

DLL has successfully strengthened its culture based on internal training programs such as ‘True You’, ‘True Team’, ‘True Leader’ and ‘True Business’ (DLL’s own internal MBA program for high potentials). These programs not only made a strong contribution to the member engagement results we see via internal survey, but also introduced a consistent set of values to our members and helped shape our future leadership profiles. We have also invested significantly in the development of a DLL Commercial Academy that is available to all members and provides training on a multitude of topics such as consultative selling, active listening, negotiation skills, account planning, time management, etc.

Our strategy

Performance

In 2016, we have realized solid results, despite the transformation that we have gone through in becoming a true vendor finance company. Our net profit was positively impacted by the sale of Athlon, and also included the Financial Solution results that were transferred to Rabobank per 1 April 2017. Our net profit therefore reached EUR 775 million (2015: EUR 452 million). Our profit from continuing operations was EUR 368 million (2015: EUR 278 million). The return on assets amounted to 1.9 percent (2015: 1.2 percent).

The increase in net profit from continuing operations of 32 percent compared to last year is predominantly caused by the fair value movements of our derivatives (2016: EUR 9 million, 2015: EUR (149) million). These instruments were attracted for risk mitigating purposes, however since the formal IFRS hedge accounting criteria were not met, all fair value changes are recognized in the profit and loss. We are currently preparing a hedge accounting methodology that will significantly reduce this volatility as of 2017.

The sale of Athlon also had a significant impact on our members, that decreased by 1,149 FTEs in 2016 to 4,674 FTE (2015: 5,823 FTE), which includes both internal members and contractors. Approximately 1,300 FTEs moved to Daimler with the sale of Athlon. Another 400 FTEs work for Financial Solutions, of which the majority has transferred to Rabobank on 1 April 2017.

Our most important source of income is our lease and loan portfolio, that increased by 8 percent to EUR 30.5 billion. This growth has been realized across all our Global Business Units, which is a direct result of the growth of the business of our vendors. Portfolio drives the interest income and income from operating lease portfolio. Both have remained relatively stable in absolute terms over the past year. The huge amount of liquidity currently available on our main markets negatively impacts the competitiveness of our pricing.

Our portfolio also impacts the credit impairment line in our profit and loss. Thanks to stringent credit quality monitoring, but also favorable economic circumstances in our main geographies, we managed to keep our credit impairments at only EUR 97 million (2015: EUR 76 million).

We finance our portfolio mainly via the funding obtained from our parent Rabobank. Our funding policy is as such that we have very limited appetite related to foreign currency, liquidity or interest rate risks. Interest rate and foreign currency derivatives are used to mitigate these risks. In locations where it is more efficient to obtain funding locally, we engage in funding partnerships with high profile local banks. As part of our Mid Term Plan, we are working on diversifying our funding sources.

Our equity has decreased by EUR 313 million in 2016. Our net profit of EUR 775 million includes EUR 64 million of results that is attributable to the partners in our joint ventures. The remaining EUR 711 million was added to our retained earnings. However since we have paid a dividend of EUR 1,100 million to Rabobank following the sale of Athlon, our total equity has decreased. Our Common Equity Tier 1 ratio as of year end 2016 therefore amounts to a very solid 14.6 percent.

Outlook

In 2016, a year of significant change, we have set the foundation for our future success with a renewed focus on our global vendor finance business.

The world around us is continuously changing, so we continue to closely monitor a number of emerging global trends that will likely alter the way our vendor partners and their end-user customers will do business and therefore change the expectations they have of their financial solutions providers. In response to these trends, we are continuously adapting our business to meet the evolving needs of our vendor partners and their end-user customers.

Our Mid-Term Plan, entitled 'Focus and Accelerate' charts our future direction and growth between now and 2019. By providing new and innovative digital tools to our vendor partners and their end-user customers, and a superior customer experience, all delivered by an empowered and engaged workforce, we will continue to differentiate ourselves in a growing and highly competitive marketplace.

In order to remain successful also in 2017, we have taken several measures. The sale of Athlon and transfer of Financial Solutions will impact DLL in the coming years, as we will continue to work on rightsizing our organization to mitigate the smaller economies of scale. Furthermore we are closely monitoring the credit quality and pricing of new leases granted to protect our net income and limit our credit impairments. For next year, we expect credit impairments to continue to trend below our long term average. A global economic crisis could jeopardize these impairments, but will also impact the new investments in the equipment that we finance.

In order to address our evolving market and sustain our leading industry position, our strategy is focused on six priorities areas for the upcoming three years.

Mid-term plan

Product development

To meet the changing needs of our vendor partners and their end-user customers, we will focus on growing customer value. To achieve this, we will focus on increasing the penetration of our existing products and services in our current vendor partners. We will also seek to develop new added value propositions together with our vendor partners to meet their evolving needs as well as the changing requirements of their end-user customers.

Digital transformation

To increase the speed and ease of doing business, DLL will focus and accelerate its digital enablement. We will continue to digitalize our delivery to both vendor partners and their end-user customers through mobile applications, self-service portals, partner integration and an improved Customer Experience platform. Next we will continue to digitalize our internal processes through workflow, digital documents and e-signatures.

Delivery optimization

To improve our efficiency and effectiveness of our organization, ongoing attention will be placed on streamlining our processes and structures. We will focus on streamlining our international support functions and seek to make transformational steps in our back office service delivery. In addition, additional focus will be placed on improving salesforce effectiveness and evaluating the potential to create more flexibility in our value chain delivery.

Organizational growth

Members continue to be our most important assets and among others a unique element that sets DLL apart from competition. As such, DLL will put ongoing attention towards developing our members. To achieve this we will focus on leveraging the investments already made in training and engagement programs, and focus on further embedding these programs in the organization. In addition, we will focus on fine-tuning the member composition to increase diversity and ensure we attract and retain the key capabilities to support our long term goals. Finally, we will focus on leadership engagement and inspiration to ensure all members continue to understand the overall direction of DLL and feel inspired and motivated to bring their best to DLL every day.

Regulatory compliance

To ensure DLL continues to do the right thing and continues to meet changing regulatory requirements, we will focus on completing running programs geared towards implementation of our compliance roadmap and implementation of our Data Management and Business Intelligence plan. Further, we will reassess our European banking license structure to streamline our banking licenses and reconsider the legal and funding structures necessary to improve DLL's future strategic flexibility.

Strategic flexibility

DLL should not only continue its strong financial performance, we should also mature further as an organization to become less dependent of our shareholder. To better position the company for future growth, we will seek to optimize its legal and license structure, establish our financial posture and diversify our funding channels. Further, we will explore different options to optimize capital structures and reduce Risk Weighted Assets that require capital.

Sustainability

We believe that to be truly successful we also need to be mindful to the world around us. Sustainability is essential to our vendor partners' long-term success as well as ours. Therefore, through our solutions, we aspire to not just make sure our vendor partners, but also wider society and even the environment, benefit long into the future. That is why we continually look for innovative ways to encourage new, sustainable business models that marry profitability with environmental and social benefits.

Sustainable business solutions

We believe in the value of usage over ownership, but our contribution goes beyond developing solutions as a response. We actively seek out ways to contribute to a circular economy with our vendor partners, financing the full technical lifecycle of assets. We strive to find original, sustainable solutions in every sector we operate in and expand our tailored financial solutions such as operational leasing, extended usage, redeployment and used equipment financing. We are also continuously making improvements on our Clean Technology proposition.

Life Cycle Asset Management: Helping drive the transition to a circular economy

As the world's population continues to increase and consumption explodes, so does the need for sustainable business models that take responsibility for the planet's precious resources. Circular economic methods offer businesses a way to deliver value and profitability in a sustainable manner. By designing products to be recycled, reused or remanufactured at the end of their first life cycle, manufacturers can help reduce pressure on the planet's finite resources. The concept of a circular economy further relies on usage rather than ownership of assets. Usage-based models enable manufacturers to maintain control of equipment throughout its technical life and can ensure the equipment does not wind up in a landfill.

We support our vendor partners in their transition to a circular economy by providing financial solutions through our Life Cycle Asset Management (LCAM) program. In practice, this means helping our partners by financing their used and refurbished equipment (Used Equipment Finance) and by providing solutions based on usage, such as operational leasing. DLL is a leader in this area, and we see it as our responsibility to share our knowledge and experience in any way we can, including white papers, blogs, presentations, press releases and free webinars.

Our used equipment finance (or 'UEF') capabilities include lease solutions to the end-user customer as well as inventory finance to dealers and resellers. In 2016, we focused on geographical expansion of our UEF strategy. For example, we booked our first deals in Poland and Brazil. In Germany, our UEF business is growing and we have dealer agreements with various new partners specializing in used equipment. Our aspiration is to have UEF comprise up to 20 percent of our total sales by 2020.

Clean Technology: Financing energy efficiency and alternative energy use
In 2016, the volume of new business in our Clean Technology business unit increased by 9.5 percent compared to the previous year. In line with our strategy, the unit has a diverse portfolio with activities in renewable energy, energy efficiency, lighting, water and waste management.

Partners' Sustainability Engagement Tool
To help our vendor partners raise their sustainability ambitions, we have developed and implemented a Partners' Sustainability Engagement Tool. This assesses our vendor partner's performance in terms of sustainability and provides them with leading-edge sustainability expertise.

Sustainable Innovations: learning about innovations, seeking opportunities
We are working constantly to stay abreast of sustainable innovations and business opportunities. For example, in 2016 we established a partnership with Netafim – a leader in water use optimization equipment - as part of our support for innovative and smart agricultural solutions.

Meaningful social impact

We want to contribute positively to the communities we operate in via financial contributions and by sharing our expertise for good causes in society.

Charitable donations and volunteering
We aim to make meaningful contributions to society through various fundraising and donation activities. A great example is our relationship with the Make-A-Wish Foundation in South-eastern Philadelphia (USA). Make-A-Wish aims to grant the wishes of children diagnosed with life-threatening medical conditions. Our relationship has spanned more than 10 years and we have donated millions of dollars to the foundation. These proceeds have been used to grant hundreds of wishes for terminally ill children.

In addition to financial donations, DLL members across 22 countries gave their time and expertise as volunteers throughout May / June 2016, assisting in a variety of community projects. We also launched a societal impact engagement platform (our Community Involvement or 'CI' Portal) in 2016. The CI Portal is a digital platform for DLL members from all over the world who are granted 2 work days of paid company time to engage with the local communities that we operate in, to create a positive impact by volunteering their time and expertise.

Micro-leasing
In 2016, our micro-leasing team intensified its advisory work to local stakeholders in the African countries of Rwanda and Kenya, so that they can develop micro-leasing as a financial solution for their customers. Micro-leasing offers low-income individuals access to low-cost equipment, with reduced risks compared to traditional financing methods. In the event of default, most of these programs only see the end-user customer losing access to use the equipment, but have no loss of additional collateral or property. Micro-leasing stimulates entrepreneurship and economic growth of local communities in many developing parts of the world.

Responsible business operations

We uphold high standards of ethical behavior in the way we do business. All our financial solutions are in conformity with the principles of our Global Code of Conduct. We have set ourselves ambitious targets to reduce our environmental footprint, which we aim to meet through a combination of resource optimization, changes in behavior and technological innovation.

Environmental, Social and Governance (ESG) Risk
DLL upholds high internal and external standards of ethical behaviour. In line with these standards, we conducted an extensive ESG Risk assessment on all Global vendors in 2016. Sustainability, and ESG Risk specifically, are also included in DLL's updated Global Code of Conduct and Values Dialogue, where we include business dilemmas to encourage open dialogue with our members and improve ethical behaviour in running our business. Finally, DLL's Business Principles Committee also addresses several ESG Risk related topics. This committee advises DLL's Executive Board on matters that can impact DLL's ethical position and brand reputation.

Carbon footprint
DLL is currently on track to achieve its global CO_2 reduction target: a 10 percent reduction in CO_2 per FTE by 2020, when compared with a baseline from 2013. So far, we have managed a reduction of 19 percent (CO_2 total) and 24 percent (CO_2 per FTE) based on the official Rabobank Annual Report calculation.

Risk management

Risk management

Taking risk is an inherent part of DLL's business, as it is with any financial institution. DLL's risk management activities focus on enabling us to achieve our business objectives to ensure controlled long-term profitable growth and satisfied customers. We do this by employing an active integrated risk management framework aligned with our vendor-centric business model that is designed to identify, assess, manage, monitor and report on a wide array of risks.

Supporting our risk management execution is at the center of DLL's risk organization. At the Group Risk (corporate) level, risk management responsibilities are divided into four departments (Integrated Risk, CCO Risk, COO Risk and Analytics) that provide both support to and independent oversight of the Global Business Units, functional areas, and risk activities. The departments, along with Global Compliance, report into the DLL's Chief Risk Officer, who is member of DLL's Executive Board.

Further, in all countries where DLL is active, an experienced Country Risk Manager (linked organizationally to the COO Risk department) and risk team is in place. They are responsible for overseeing all risks within the respective country. The organization of those teams as well as local risk committees, policies and processes globally aligned.

Group Risk Departments

	Integrated Risk	CCO Risk	COO Risk	Analytics
Responsibilities and focus areas	- Strategy - Policies - Integrated Risk Framework - Training - Reporting	- Global Business Units (GBUs) - Portfolio Acquisitions	- Country Organizations - Scorecard Management	- Analytical Models - Basel Compliance - Capital Framework - Stress Testing
Risk Types Monitored	- Non-financial - Asset - Insurance - Balance Sheet - IT	- Global Vendors – all risk types - Asset (Industry level) - Credit (vendor portfolio performance)	- Country / Sovereign - Countries – all risk types	- Model risk - Credit

These goals are interrelated and fully dependent on maintaining a strong risk culture throughout DLL. Within DLL 'risk is everybody's business' and we expect all employees to be risk aware, vocal if warranted, and focus what is in the best interest of our customers. Risk culture is institutionalized in our Code of Conduct and other policies including: information security, fraud awareness, and enterprise risk management. Those subjects are re-enforced regularly through mandatory trainings for all employees.

Risk strategy

DLL's risk strategy supports our business strategy by defining boundaries within which management must operate to achieve our objectives. Risk strategy focuses on realizing the following goals:

- **Protect strong capital base**

Maintaining a robust profit level is an important source of capital. To continue to service customers and vendors at a high level on a long term basis, profitability must be predictable, consistent and sufficient to maintain a strong capital base.

- **Maintain a solid balance sheet**

Solid balance sheet ratios are essential for continuity in customer service and growth objectives.
This means a stable funding base including strong liquidity buffers, diversity in portfolio, and an ample solvency position.

- **Protect identity and reputation**

DLL wants to protect the fundamental trust and confidence that its stakeholders have in DLL. To that end, we seek to avoid losses that create unease with stakeholders. Further, we do not want to receive negative press regarding its core values.

Risk appetite

Risk appetite defines the amount and types of risk that DLL is willing to accept in its business relative to achieving its objectives. DLL aims for a risk profile that strikes an optimal balance between risk and reward and matches the objective of delivering predictable, consistently predictable profits.

The budget, long-term strategic planning, capital planning and similar processes contribute to setting risk appetite. Risk appetite is defined in our Risk Appetite Statement (RAS), which is developed annually in a bottom up and top down manner.
The RAS defines the levels and types of risk that DLL is willing to accept at a corporate consolidated level and also at a country level. Key Risk Indicators (KRI) and measurements are defined, monitored and reported regularly and any limit breaches require approval and mitigating actions to be taken. For each KRI a risk limit and appetite is defined. A breach of a risk limit triggers an early warning signal and may require increased monitoring and possible mitigating actions to be taken. Breaches of risk appetite requires always mitigating actions to be taken.

DLL considers several primary risk types relative to its business model:

- Credit risk

In 2016, DLL managed credit risk on nearly 975,000 discrete customers across approximately 1.4 million contracts. Credit risk management focuses on making balanced decisions on credit applications based on careful assessments such 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 closely monitoring payment performance. We do 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 our results. Therefore limits have been set for credit and concentration risk:

Credit risk | Indicator	Limit	Appetite
Bad debts costs (in bps of average portfolio)	≤ 46	-
Max % days past due > 30 days (in % of portfolio)	≤ 3	≤ 4

Concentration risk | Indicator	Limit	Appetite
Corporate exposure limit of EUR 200 million (# obligors)	≤ 4	≤ 8
Corporate Loss at Default limit of EUR 80 million (#)	≤ 2	≤ 4
Exposure top-10 Corporates (% of portfolio)	≤ 8	≤ 10
Breaches to country limits (#)	0	0
Breaches to hotspot limits (#)	0	0
Direct and net contingent vendor limit of EUR 400 million (#)	≤ 2	≤ 4
Gross business vendor limit of EUR 400 million (#)	≤ 2	≤ 4

- Balance sheet risk

Balance sheet risk management focuses on liquidity, interest rate and foreign currency translation risks. We set risk limits for each of those areas. Our strategy is to be match funded and to economically hedge foreign currency exposures. Therefore limits have been set for liquidity risk, balance sheet risk and interest rate risk:

Liquidity risk | Indicator	Limit	Appetite
DLL liquidity position (in % of portfolio)	≤ 7.5	≤ 10

Balance sheet risk | Indicator	Limit	Appetite
Individual unhedged currency exposure from Foreign Net Investment (EUR million)	≤ 7.5	≤ 40
Non Rabobank asset size (EUR billion)	≤ 35.4	≤ 37.5
Total credit risk limit Intercompany positions (EUR billion)	≤ 35.5	-

Interest rate risk | Indicator	Limit	Appetite
Income at risk (EUR million)	≤ 4.5	≤ 5
Equity at risk (%)	(0;0.2) or (1.8;2)	< 0; >2
Basis point value of equity (EUR 1,000)	(-750; -675)	< 750; > 0
Delta profile (# breaches)	-	0

- Asset risk

As part of our business model we assume a residual value position for certain leased assets. We want to minimize residual value impairments (asset value is below DLL's booked residual value) on our portfolio of leased assets. To manage risks we seek to build a diverse portfolio across asset classes and markets. We set limits including concentration limits by asset type and limits on declines in residual value realizations over prior periods.

Asset risk | Indicator	Limit	Appetite
Booked Residual Value (BRV) per Master Asset Type (in %)	≤ 45 of BRV	≤ 50 of BRV
Decrease in delta Residual Value result (in %)	≤ 25	≤ 50

- Non-financial risks

The category of non-financial risks (NFR) covers losses resulting from inadequate or failed internal processes, people, systems or external events. DLL does not consciously take on these types of risks but only tolerates these risks as an inherent part of executing our business strategy. Limits set include non-financial risks related losses incurred over certain periods of time or in a single event.

Non-financial risk | Indicator	Limit	Appetite
NFR amount year to date (EUR million)	≤ 35	≤ 45
Number of process execution failures with loss > EUR 10,000	≤ 105	≤ 135
Impact of a likely single scenario in 10 years (EUR million)	≤ 45	-
Impact of single event loss reported (EUR million)	≤ 10	-

For all primary risk types as set out above DLL remained within the described limits during 2016.

Risk governance framework

The 'Three Lines of Defense' model forms the foundation of our risk governance framework. The framework is set on the premise that risk is the responsibility of all members of DLL. The model defines responsibility and accountability for risk activities within the organization at three levels, which are organizationally independent of one another, but work collaboratively in support of each other. The following illustration provides an overview of the model within DLL:

Defense Line	Committee Oversight
First line Comprises business and operating management primarily operating at a country level. The first line is primarily responsible for identifying risks and managing those by implementing adequate internal controls to ensure compliance with global policies and local laws and regulations. Additionally the first line monitors external developments and risks at industry and country levels, which could affect DLL's ability to achieve its objectives and reacts and communicates within the organization as appropriate.	**Local Credit Committee** transactional oversight on country credit applications. **Local Risk Committee** oversight on all-risks within a country.
Second line Encompasses group (corporate) management functions (risk, finance & control, compliance, IT, legal, human resources) and committees established to provide oversight on the effectiveness of operations and the adequacy of the internal control framework. These functions and groups have policy and guidance-setting and monitoring stewardship of the risk control framework and business environment. Furthermore, they provide support and oversight on risk assessment, risk appetite and strategy, risk reporting and adequacy of risk mitigation plans. Group functions also monitor external developments that may pose a risk to DLL's business in the short or long-term and react as deemed appropriate.	**Global Credit Committee** highest credit decision making body within DLL. **Global Risk Committee** oversees the risk profile and governance of DLL across all risk types. Also approves risk authority delegations. GRC has multiple sub committees including: Model Risk Committee, Global Asset Management Committee and Insurance / Reinsurance risk committees.
Third line Is covered by our Internal Audit department and an audit committee, which are responsible for review of and assurance on the effectiveness of process design and execution of the first and second lines of defense. Internal Audit also serves as an in-house consultant in proposing solutions for improving the organization's governance, risk management and control structure.	**Audit Committee** responsible for reviewing internal audit results, audit plans and resolution of audit findings.

Risk management and our vendor finance focus

There are several risk elements which are of considerable importance to DLL's ability to serve its customers in a high quality manner, meet business objectives and achieve strategic goals. Based upon customer feedback, these elements serve to differentiate DLL from its competitors in many markets.

Underpinning DLL's risk and commercial activities across the organization is a strong focus on **industry specialization**; having a deep, dynamic understanding of the markets in which DLL operates. From a risk management viewpoint this includes understanding the assets and services sold by vendor partners, understanding this sales process and the risks associated with the industry in general and with the customers that purchase those products and services. This knowledge, combined with monitoring of market trends and changes, provides DLL with an advantage in credit underwriting, setting appropriate asset residual positions on leases and managing risks through operating cycles. Regular industry related training to embed knowledge broadly in the organization is a risk management and business unit priority.

Much of DLL's business credit application activity is small-ticket, generally defined as individual applications of EUR 500,000 or less. In order to process this business in an expeditious, efficient and risk appropriate manner small ticket applications are run through **proprietary scorecard models** which are built by DLL's Analytics team based upon a very large pools of risk data aggregated over many years. Today, DLL operates over forty (40) scorecard models around the globe. In 2016, these models auto-decisioned based on several input parameters well over half of the applications received during the year. The models are reviewed regularly by a Model Rating Committee to validate each model's ability to rank order risk to prescribed levels.

Significant time is also spent by dedicated risk personnel on scorecard optimization, which is focused on achieving high levels of credit auto-decisioning and results that match risk cost expectations. High levels of automation with low or no touch is a goal continuously pursued by risk teams across all countries.

Lastly, an important vendor finance risk expertise area is **asset management knowledge and capabilities**. We finance a wide variety of equipment globally including, for example, state-of-the-art copy/printing machines, solar panel arrays, large-capacity cranes, agricultural tractors/combines, magnetic resonance imaging devices (MRIs), technology infrastructure equipment and personal electronic devices used for business activities. We maintain expertise in equipment valuation and service offerings across all market segments in which we operate. This allows us to professionally manage residual and collateral risks throughout the global portfolio to the benefit of; (i) DLL through income generation from off lease equipment and minimizing losses on repossessed assets, and (ii) vendors and their customers by providing flexibility in financing terms and products to meet their demands. DLL's asset management expertise also provides opportunities to lead and collaborate with vendor partners in innovative new ways to meet their customer's future expected needs such as; life cycle asset management and financing pre-owned equipment, financing combined sales of equipment and services, and assisting sales of pre-owned equipment through DLL's asset trading cap.

Remuneration

Within DLL, we seek to hire the best talent in each local market and aim to provide a remuneration package which is market competitive and in line with their responsibilities and performance. On top of this, the package will encourage members to develop their full potential. Essential is that remuneration should not encourage undesired behavior. Therefore, pay is also linked to demonstrated adherence to our company core values.

Our Human Resource vision is committed to a high performing network organization that values partnership, customer focus and respect and fosters our core values and leadership behaviors in an inspiring working environment. We aim at maximizing the engagement level of members, which is a key prerequisite for maintaining and further developing our excellent commercial and financial results and position as a leading global vendor finance provider.

Remuneration policy

Within the framework of our parent's vision on remuneration and Rabobank Group Remuneration Policy, we have our own remuneration policy. While the Global Remuneration Policy (GRP) applies for all DLL entities worldwide, minor differences may apply per country. This relates to the application of local legislation or national collective labor agreements. Furthermore, the salary scales are country specific, adjusted to local labor markets. There is a separate remuneration package policy in place for the Executive Board and other Executives in both the Netherlands and the US.

In the Netherlands, we use a remuneration package that consists of fixed and variable remuneration components and various fringe benefits, including a pension scheme. The variable remuneration percentages may not exceed 20 percent of an employee's fixed income, depending on the position level. Outside of the Netherlands, the remuneration package with regard to the height of the fixed income, the variable pay and the benefits is based on the local market of the respective country.

Vision on remuneration

The remuneration policy's basic principles are laid out in Global Remuneration Policy, which is designed to promote fair and consistent employee compensation, based on an effective job classification system. The variable remuneration has been maximized for all roles and in all countries and guaranteed variable remuneration is not permitted. The annual performance appraisal and remuneration cycle supports acting in the interest of our long-term continuity and financial strength.

We use remuneration benchmarks on a regular basis, to compare the level of remuneration with that of the relevant labor markets. We have taken further steps in managing and monitoring of the terms of employment worldwide. A worldwide Compensation & Benefits monitoring plan has been established on the basis of which the application of the remuneration policy is monitored systematically from 2016 onwards.

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 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. It is in line with the Rabobank Group's business strategy, core values and desired risk profile. It supports solid and effective risk-management processes and discourages employees from taking undesirable risks. At the same time, it enables Rabobank to hire and retain appropriately qualified employees. 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 2016, 10 percent of total remuneration was variable, which boils down to EUR 66 million for DLL worldwide. The risk-controlling measures below apply to employees with variable remuneration.

Maximization of variable remuneration
Wherever variable remuneration applies, a maximum is imposed. In the Netherlands, on average, any variable remuneration may not exceed 20 percent of an employee's fixed income.

Balanced mix of performance targets
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 her turn the Executive Board of Rabobank verifies whether payment of the proposed variable remuneration is responsible, based on Rabobank Group's qualifying capital and solvency ratio. This 'ex-ante' test therefore centers on the question of whether Rabobank is able to make the payments without any resulting financial problems. Subsequently, the test is submitted for approval to the Supervisory Board of the Rabobank Group.

Claw back
In special cases, the Executive Board of Rabobank can withdraw an awarded sum with retroactive effect. This is called '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 following cases:
- Payment was made based on inaccurate or misleading information regarding the achievement of the performance targets or the conditions on which the variable remuneration was made dependent.
- The employee concerned has been found guilty of fraud.
- The employee has participated in, or been responsible for, behaviors that have resulted in substantial losses and/or damage to the bank's reputation.
- The employee has failed to satisfy the relevant standards for competence and appropriate conduct.

In addition to the measures mentioned above, the following general prohibitions below also apply:
- It is not possible to award guaranteed variable remuneration to employees.
- 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.
- In the event the termination of the employment relationship is the initiative of the employee, no severance pay will be awarded, unless this termination is the result of serious imputable acts or culpable omissions committed by the employer.

Identified staff
Employees that have a significant impact on DLL's risk profile are designated as 'Identified Staff'. There are over 40 employees selected within DLL, with only a portion eligible for variable remuneration, and under strict rules, in order to minimize the risks involved. The most important of these risk-mitigating measures are discussed below.

Balanced mix of performance targets
As is the case for all other employees, Identified Staff must meet a proper balance of performance objectives. Variable remuneration is typically awarded based on a balanced mix of qualitative and quantitative objectives and the adherence to our core values is taken into account as well. Identified Staff are specifically subject to performance measurements at the Group, business unit and individual levels.

Deferred variable remuneration and use of financial instrument
A minimum of 50 percent of the variable remuneration for eligible Identified Staff is awarded conditionally and is paid on a deferred basis after a period of at least three years. Half of the variable remuneration is awarded in the form of Deferred Remuneration Notes (DRNs), which is linked directly to the price of Rabobank Certificates. A retention period of one year applies to DRNs awarded unconditionally. This means that payments are made on DRNs one year after they have vested. Based on the applicable legislation and regulations, the Executive Board of Rabobank, as far as relevant after approval by the Supervisory Board of Rabobank, can withdraw or reclaim this variable remuneration.

Supervisory Board

Fee structure
Supervisory Board members are not employed by DLL and only the external Supervisory Board member receives a predetermined fee. 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 employee. The total amount of remuneration for the Supervisory Board in 2016 was EUR 30 thousand (2015: EUR 30 thousand).

Executive Board

Remuneration package
The primary remuneration package of 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 became 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 1 January 2016, the maximum income on which the Executive Board may accrue pension amounts to EUR 96,000. Any income exceeding this amount is not pensionable. As of 1 January 2016, the members of the Executive Board therefore receive an individual pension contribution to compensate for this.
In the US, the member of the Executive Board receives an individual pension contribution called 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 Executive Board members would receive a maximum of one year's salary. No Executive Board member has received a severance payment in either 2015 or 2016.

Executive Board remuneration
In 2016, the remuneration of members of the Executive Board totaled EUR 2,816 thousand. One member of the Executive Board received total remuneration above EUR 1 million.

Since the variable remuneration for members of the Executive Board was discontinued in 2016, the number of DRNs granted to members of the Executive Board was 0 (zero) for the performance year 2016. There were in total of 29,399 DRNs outstanding with the members of the Executive Board at year-end 2016 (2015: 30,268 DRNs).

Corporate **governance**

Corporate structure

DLL
DLL consists of an international network of business units and country organizations executing on the strategic established with our vendor partners. DLL operates in more than 30 countries through subsidiaries and branch offices in Europe, Asia Pacific, Africa and the Americas. Within DLL a robust corporate governance framework is in place, which forms the organizational basis for serving our business and strategic objectives.

De Lage Landen International B.V. is the holding company of DLL. Through the governance framework and group management structure of DLL, the Executive Board has oversight over strategical and other important decisions and actions and decisions and actions not in the ordinary course of business, to be taken throughout DLL. In case local entities have supervisory boards in place, the members of those boards are amongst others DLL's executive or senior management functionaries.

We cooperate with a number of significant vendor partners through various structures in which we hold a controlling interest. Oversight of such entities is performed through supervisory bodies, in which, amongst others, senior management representatives of DLL are active members.

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], unless an exemption applies. As a subsidiary of Rabobank, who is subject to the large company rules, DLL is exempted from the regime as a dependent company as defined in the Dutch Civil Code. Consequently, we are not obliged pursuant to the Dutch Civil Code to have a supervisory board. We do however have a supervisory board in place pursuant to the Dutch Financial Supervision Act, as we have a Dutch banking license. Furthermore, since the shares nor the debt of DLL are not traded on the public market, we are not required to comply to the Dutch Corporate Governance Code 2008.

Shareholder
DLL is a 100 percent subsidiary of Coöperatieve Rabobank U.A. (Rabobank), a Dutch bank, headquartered in Utrecht. Under the Dutch Financial Supervision Act, section 3:111, De Lage Landen International B.V., three of its Dutch subsidiaries (De Lage Landen Financiering B.V., De Lage Landen Trade Finance B.V. and De Lage Landen Financial Services B.V.) and other legal entities owned by Rabobank are jointly and severally liable under the cross guarantee system Rabobank Group, which is an intra-group liability system. The cross guarantee system requires the participating entities to provide the funds necessary should any participant not have sufficient funds to settle its debts. In April 2017 DLL has transferred its interest in certain Dutch

1 Due to the fact that (i) the sum of DLL's issued share capital and reserves is at least EUR 16,000,000, (ii) it has established a mandatory works council, and (iii) DLL employs in aggregate at least 100 employees in the Netherlands.

subsidiaries within its Dutch Financial Solutions business line to Rabobank. This concerns also the interest in the earlier mentioned three Dutch subsidiaries of DLL that are participating in the cross-guarantee system of Rabobank Group.

Furthermore Rabobank has issued a declaration in accordance with Section 403 of Book 2 of the Dutch Civil Code to DLL and certain of its Dutch subsidiaries, pursuant to which it assumes liability for the debts arising from legal transactions of these entities.

Board structure

DLL has a two-tier board structure consisting of an Executive Board and a Supervisory Board. The members of the Executive Board and the Supervisory Board act in the interest of DLL International and DLL as a whole.

Executive Board
The Executive Board of DLL is charged with strategy setting, managing and steering DLL, in line with DLL's Articles of Association and the Executive Board Charter. As of January 1st, 2017, the Executive Board consists of five members, which are appointed and dismissed by DLL's general meeting of shareholders. As a collective board, the Executive Board has the responsibility for creating and maintaining a sound balance of the long term and short term interests of all stakeholders in the company including customers, shareholder, employees, regulators and the communities in which DLL operates. As per the Executive Board Charter certain strategic and key actions or decisions and decisions not in the ordinary course of business to be taken throughout DLL require prior formal approval of the Executive Board of DLL.

Supervisory Board
DLL's Supervisory Board supervises the management by the Executive Board and the general conduct of business of DLL. The Supervisory Board also supervises on compliance with the law, the articles of association of DLL and other relevant rules and regulations. Key decisions of the Executive Board, including decisions on the strategy, annual plan and budgets are subject to the approval of the Supervisory Board.

DLL's Supervisory Board consists of three members, who are appointed and dismissed by DLL's general meeting of shareholders. Until March 31st 2017, two of the Supervisory Board's members are Rabobank representatives (members of Rabobank Executive Board) and one is a member not working in Rabobank Group (external member). As of March 31st 2017, the term of the external Supervisory Board member has ended. On an ad-interim basis, a third member of Rabobank's Executive Board is appointed as Supervisory Board member. In the meantime, a new external member is being searched for. The composition and the roles and responsibilities of the Supervisory Board reflect the fact that DLL is part of the Rabobank Group. The roles and responsibilities of the Supervisory Board are set out in DLL's Supervisory Board Charter.

Regulatory framework and supervision

De Lage Landen International B.V. 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 and the Dutch Central Bank. We use our banking license for passporting to branches in Germany, Italy, Spain and Portugal, where a license is required to offer certain leasing and/or loan products.

Furthermore some entities within DLL hold local licenses that may be required for the offering of financial products in their respective countries.

Since DLL holds a Dutch banking license, we are subject to the European (e.g. Capital Requirements Regulation) and Dutch regulatory framework which is applicable to credit institutions.

Risk management

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. The Executive Board is advised by the Global Risk Committee and the Asset and Liability Committee.

To realize our short and long term objectives, we accept risks in the ordinary course of business. To define the levels and types of risk we are willing to accept to achieve our objectives, we have prepared a Risk Appetite Statement (RAS). The RAS is subject to approval of the Supervisory Board. The Risk Appetite Statement 2017 was approved in December 2016. The RAS is cascaded down into country Risk Appetite Statements.

We have a 'three lines of defense' model in place. The business and operating management – the first line of defense – takes and manages the risks that incur during conduct of its activities. The second line of defense, acting independently from the first line and covering the full organization, is responsible for further identifying, measuring, monitoring, and reporting risks. Additionally, compliance with internal and external requirements on an individual and consolidated basis should be ensured. Finally, the third line of defense concerns independent internal audit. Within this level risk-based and general audits are conducted. Furthermore, internal governance arrangements, processes, and mechanisms are reviewed to make sure they are sound and effective and consistently applied.

For further information on risk management and the functioning of the three lines of defense model within DLL, a separate chapter on Risk Management is included further in this report.

Compliance

DLL has an independent compliance function, which safeguards that all company policies are in compliance with applicable laws and regulations. The head of Group Compliance reports to the Chief Risk Officer, who is a member of the Executive Board and has a direct line to the Chairman of the Supervisory Board.

Global Code of Conduct

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. These rules and standards are reflected in DLL's Global Code of Conduct and related group policies. DLL's employees are continuously trained on the Global Code of Conduct.

As DLL strives for an open and encouraging culture where employees are able to report alleged violations of the Global Code of Conduct or suspicions regarding incidents affecting the integrity of DLL, a whistle blowing mechanism is functional within DLL. This provides employees the possibility to use an alternative channel (next to their standard hierarchical reporting line) for reporting suspected irregularities.

Banker's Oath

The Dutch banking community, including DLL, considers it important that all those who work in the Dutch Banking Sector carry out their work carefully and with integrity. The Banker's Oath is a promise to do so vis á vis the client, society and other stakeholders. In the Banker's Oath, our Executive and Supervisory Board members and employees declare, amongst other things, that they are aware of their role in society and that with performing their assigned work, they put the interests of the client first.

By taking the Banker's Oath, all Executive and Supervisory Board members and employees of DLL working in the Netherlands confirm that they uphold the Code of Conduct for the banking sector. DLL's global Code of Conduct and the core values of DLL correspond to a large degree with the banking code. 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 himself to this disciplinary law.

Internal audit

DLL has an Internal audit department which, as a third line of defense, holds an independent position in the organization. This department performs audits based on a risk assessment resulting in an annual audit plan. The head of the department reports to the Chairman of the Executive Board and has a direct line to the Chairman of the Supervisory Board.

Product approval and review policy

Within DLL, a product approval and review policy is in place to set the standards for delivering high quality, transparent and relevant products to our vendor partners and their end-user customers, taking into account the interests of our clients as well as the regulatory requirements for offering such products. This applies to any new product and related service, any material change to an existing product and/or related service; and any new product-market combination. As part of a defined review process and calendar, existing products are periodically screened to assess whether they still meet the needs of our vendor partners and their end-user customers, contribute to DLL's strategy and comply with regulatory requirements. The Product Approval and Review Committee, which includes Executive Board representation, reviews DLL's products.

Diversity

The DLL employee community is diverse in terms of nationality, culture, age, and gender. At the beginning of 2017, our employee community consisted of 46 percent female 54 percent male employees, over 40 nationalities and we have a diverse community in terms of age[2]. To increase awareness of gender diversity and support women in the pursuit of their professional careers, a Network of Women community was founded in DLL. This community supports women by creating opportunities to share, learn, encourage, and help one another. Furthermore, DLL is working to enhance the awareness of the value of diversity and common approach throughout the company.

Executive and Supervisory Board

As per January 1, 2017, our Executive Board consists of five male members of three different nationalities. Due to its specialized vendor finance business, we have a need for experienced industry professionals in our Executive Board. Board members have been selected by their qualifications to be the best fit for the role, taking into account amongst others the collective nature of the board. The Executive Board benefits from a balanced composition in terms of nationality with the representation of two Dutch members, two American members and one Belgian member. In 2016, our Supervisory Board consisted of three male members. Since Frans Eelkman Rooda left as per 31 March 2017, DLL has a vacant position in its Supervisory Board. Diversity and more specifically gender diversity will be taken into account during the selection process for a suitable permanent candidate.

2 Until 30 years old: 16 percent, 31-40 years old: 34 percent, 41-50 years old: 28 percent, 51-60 years old: 17 percent, above 61 years old: 5 percent.

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;
- the management report describes the principal risks that DLL faces.

W.F. Stephenson, *Chairman*
M.M.A. Dierckx, *CFO per 1-1-2017*
C.G.M. van Kemenade, *COO*
A.J. Gillhaus, *CRO per 1-1-2017*
T.L. Meredith, *CCO per 1-1-2017*

Eindhoven, 17 May 2017

Supervisory Report

Report of the **Supervisory Board**

In 2016, the Supervisory Board, in accordance with its statutory duties and responsibilities, supervised the policies pursued by the Executive Board and the general course of affairs within DLL. In addition, the Supervisory Board served as an advisor to the Executive Board. In its role, it acts as an advisory partner to the Executive Board in determining the company's strategic direction. Regular topics for discussion and, if needed, approval, are the annual and quarterly financial reports, the operating and financial performance, company strategy, IT, organizational and market developments, risk management, governance and internal controls.

Members of the Supervisory Board

The members of the Supervisory Board are:
- Berry Marttin, chairman (member of the Executive Board of Rabobank)
- Rien Nagel (member of the Executive Board of Rabobank)
- Frans Eelkman Rooda (external member, until March 31, 2017)

Frans Eelkman Rooda was replaced by Ralf Dekker on March 31, 2017 as new Supervisory Board member. In the meantime, a new external Supervisory Board member is being recruited.

Supervisory Board meetings

The Supervisory Board meets at least four times a year, with the members of the Executive Board attending. In 2016, the Supervisory Board met ten times. Five meetings were dedicated to specific topics including the sale of Athlon, the transfer of Financial Solutions to Rabobank and the auditor's report from KPMG over the 2015 financial reporting. The Supervisory Board had one off-site meeting focused on the future of DLL and organizational development.

Regular supervision

At the regular meetings of the Supervisory Board, the commercial and financial performance of DLL and organizational developments were discussed based on in depth quarterly reports by the Executive Board. Risk, Legal, Compliance and Audit aspects have been discussed in the presence of DLL's Heads of Group Risk, Group Compliance, Group Legal and Internal Audit.

Financial statements and Annual Plan 2017

The Supervisory Board reviewed DLL's abbreviated financials 2015 and submitted them for final approval to the shareholder. The Supervisory Board approved DLL's Annual Plan and related budget for 2017 with regard to its business operations as well as its plans for Group Functions such as Risk, Audit and Compliance. The financial statements 2016 have been discussed and approved in the Supervisory Board meeting of May 17th, 2017.

External auditor
During 2016, the Supervisory Board had meetings with KPMG to discuss the auditor's report on the financials 2015 and the management letter prepared by KPMG and DLL's Internal Audit.

Starting financial year 2016, PwC assumed responsibility as DLL's external auditor. The Supervisory Board approved PwC's engagement and discussed the resulting Audit Plan with them for 2016. The Supervisory Board has held a meeting with PwC during which the Executive Board was present. Discussion focused on key audit observations, the control environment and areas for further improvement of the internal control framework.

Risk Appetite Statement
The Risk Appetite Statement defines the amount of risk that DLL is willing to accept in its business relative to achieving its objectives. The Supervisory Board approved a revised DLL Risk Appetite Statement for 2017. This Statement will be translated into Risk Appetite Statements for DLL's country organizations. The Supervisory Board specifically monitored DLL's top risks on a quarterly basis. The top risks are identified annually as part of the Risk Control Self-Assessment cycle.

The Supervisory Board reviewed and approved DLL's Medium Term Plan 2016-2019. This Plan entails DLL's core strategic direction for the coming period and provides the foundation for continued commercial and financial success in the years to come. The Medium Term Plan was also ratified by DLL's shareholder. In line with the strategic direction, DLL's Dutch equipment leasing and consumer finance activities were transferred to Rabobank allowing DLL to fully focus on vendor finance and support business growth and customer focus. The Supervisory Board will continue to review the decision making process and the manner in which operational change risks have been managed and mitigated.

Lastly, the Supervisory Board prepared the appointment of three new Executive Board members, effective January 2017, ensuring the Executive Board was fully staffed and prepared to execute DLL's strategic agenda. These new Board members have been appointed in close cooperation with both DLL's Executive Board and Rabobank.

Performance and development
The chairman of the Supervisory Board decides on the contents of the Supervisory Board's Learning programme, with the aim of maintaining and, where necessary, improving 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 programme aims to cover relevant developments in the company, corporate governance in general and, in particular, the financial sector, the duty of care towards the client, integrity, risk management, financial reporting and audits. In 2017 the learning program for the Supervisory Board will be further developed.

Self-assessment
In 2016, the Supervisory Board carried out an assessment of its own performance, composition and effectiveness. Assessment of the interaction between the Executive Board and the Supervisory Board is a key theme. In 2016, the Supervisory Board conducted a self-assessment. Members of the Executive Board and DLL's Heads of Group Risk, Group Compliance and Internal Audit also participated and used a similar assessment approach. The Supervisory Board discussed the outcome and defined the areas for improvement in order to continually improve the performance of the Supervisory Board as a whole.

Proposal to the general meeting of shareholders and conclusion
In accordance with the relevant provisions of the Articles of Association of DLL, the Supervisory Board has reviewed the Annual Report 2016 and the financial statements of DLL, as well as other relevant associated information. The Supervisory Board discussed these documents with the Executive Board and external auditors (PwC) and took note of the unqualified external auditor's report that PwC issued on the 2016 financial statements.

The Supervisory Board would like to ask the general meeting of shareholders of DLL to adopt the financial statements 2016.

B.J. Marttin
H. Nagel
R.J. Dekker, member per 31-3-2017

Utrecht, 17 May 2017

Financial **statements**

Consolidated financial statements

These financial statements have been fully audited for the year 2016. For 2015 only the statement of financial position as at 31 December 2015 was audited.

Contents

Primary financial statements

Consolidated statement of **financial position**

for the year ended 31 December

in millions of euros	Notes	2016	2015	1 January 2015 (unaudited)
Assets				
Cash and cash equivalents	4.6	836	541	583
Accounts receivable and other short- term assets	5.2	424	607	583
Derivatives	4.4	65	68	76
Due from banks	4.5	2,107	1,740	1,768
Due from customers	1.1	28,525	30,767	28,501
Fixed assets under operating lease	1.2	2,208	5,303	4,716
Goodwill and other intangible assets	5.1	115	500	518
Current tax receivables	2.6	152	202	129
Deferred tax assets	2.6	187	200	199
Other assets	5.2	242	313	265
Assets in disposal group held for distribution	3.1	4,573	-	-
Total assets		**39,434**	**40,241**	**37,338**
Liabilities				
Short-term loans and overdrafts	4.2	4,796	3,846	5,437
Accounts payable and other short-term liabilities	5.3	965	1,093	685
Issued debt securities	4.3	302	727	165
Provisions	5.4	106	67	54
Derivatives	4.4	192	273	213
Long-term borrowings	4.2	27,542	28,526	25,185
Current tax payables	2.6	32	124	128
Deferred tax liabilities	2.6	575	567	461
Other liabilities	5.3	233	327	783
Liabilities in disposal group held for distribution	3.1	313	-	-
Total liabilities		**35,056**	**35,550**	**33,111**
Equity				
Share capital and share premium		1,233	1,233	1,233
Retained earnings		2,481	2,885	2,506
Foreign Currency Translation Reserve		147	89	36
Total equity attributable to equity holders of the parent		**3,861**	**4,207**	**3,775**
Non-controlling interest		517	484	452
Total equity		**4,378**	**4,691**	**4,227**
Total liabilities and equity		**39,434**	**40,241**	**37,338**

Consolidated statement of **profit or loss**

for the year ended 31 December

in millions of euros	Notes	2016	2015 (unaudited)
Interest revenue		1,436	1,460
Interest expenses		(506)	(519)
Net interest income	2.1	**930**	**941**
Revenue from operating leases		352	353
Depreciation and other operating lease expenses		(256)	(262)
Net operating lease income		**96**	**91**
Gains/(losses) from financial instruments	2.2	9	(149)
Fee and other income	2.3	323	345
Fee expenses		(27)	(32)
Total net income		**1,331**	**1,196**
Staff expenses	2.4	(469)	(460)
Other operating expenses	2.5	(261)	(262)
Total operating expenses		**(730)**	**(722)**
Credit losses	1.3, 3.1	(97)	(76)
Profit before tax from continuing operations		**504**	**398**
Income tax expense on continuing operations	2.6	(136)	(120)
Profit for the year from continuing operations		**368**	**278**
Profit after tax for the year from discontinued operations	3.1	407	174
Profit for the year		**775**	**452**
Profit for the year attributable to:			
Equity holders of the parent		711	379
Continuing operations		305	208
Discontinued operations		406	171
Non-controlling Interest		64	73
Continuing operations		63	70
Discontinued operations		1	3

Consolidated statement of **other comprehensive income**

for the year ended 31 December

in millions of euros	Notes	2016	2015 (unaudited)
Profit for the year		**775**	**452**
Other comprehensive income			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Employee benefit:			
Remeasurement of post-employment benefit reserve, before tax		(5)	-
Income tax effect	2.6	1	-
		(4)	-
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Foreign currency translation reserves (FCTR)			
Gain/(loss) during the year		79	43
Recycling to profit or loss		-	-
		79	43
Other comprehensive income for the year, net of tax		**75**	**43**
Total comprehensive income for the year, net of tax		**850**	**495**
Total comprehensive income attributable to:			
Equity holders of the parent		766	432
Non-controlling interest		84	63

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 1 January 2015		**1,233**	**2,506**	**36**	**3,775**	**452**	**4,227**
Profit/(loss) for the year		-	379	-	379	73	452
Other comprehensive income		-	-	53	53	(10)	43
Remeasurement of post-employment benefit reserve, net of tax		-	-	-	-	-	-
Exchange differences on translation of foreign operations		-	-	53	53	(10)	43
Total comprehensive income		**-**	**379**	**53**	**432**	**63**	**495**
Equity contributions**		-	-	-	-	11	11
Dividends	4.1	-	-	-	-	(48)	(48)
Other movements		-	-	-	-	6	6
Balance at 31 December 2015		**1,233**	**2,885**	**89**	**4,207**	**484**	**4,691**
Profit/(loss) for the year		-	711	-	711	64	775
Other comprehensive income		-	(4)	59	55	20	75
Remeasurement of post-employment benefit reserve, net of tax		-	(4)	-	(4)	-	(4)
Exchange differences on translation of foreign operations		-	-	59	59	20	79
Total comprehensive income		**-**	**707**	**59**	**766**	**84**	**850**
Disposal of subsidiary	3.1	-	-	-	-	(12)	(12)
Equity contributions**		-	-	-	-	11	11
Dividends	4.1	-	(1,100)	-	(1,100)	(55)	(1,155)
Other movements		-	(11)	(1)	(12)	5	(7)
Balance at 31 December 2016		**1,233**	**2,481**	**147**	**3,861**	**517**	**4,378**

* Refer to note 4.1

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

Consolidated statement of **cash flows**

for the year ended 31 December

in millions of euros	Notes	2016	2015 (unaudited)
Cash flows from operating activities			
Profit before tax from continuing operations		485	417
Profit before tax from discontinued operations	3.1	477	213
Profit before tax		**962**	**630**
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and impairment of fixed assets under operating lease	1.2	993	986
Gain on disposal of fixed assets under operating lease		(68)	(74)
Depreciation and impairment of fixed assets for own use	5.2	13	13
Amortization and impairment of intangible assets	5.1	19	25
Net foreign exchange differences	2.2	31	137
Unrealized gains and losses from derivatives		(78)	68
Movements in provisions	5.4	15	9
Credit losses: charges & recoveries	1.3	84	62
Interest income	2.1/ 3.1	(1,542)	(1,578)
Interest expenses	2.1/ 3.1	508	523
Gain on disposal of subsidiaries	3.1	(251)	-
		686	801
Net change in operating assets and liabilities:			
Due from customers		(1,713)	(1,725)
Purchase of fixed assets under operating lease	1.2	(2,040)	(2,109)
Proceeds from sale of fixed assets under operating lease		565	712
Due from banks		(369)	30
Short term loans from banks and overdrafts		3,780	(1,573)
Other assets		6	(62)
Other liabilities		105	(49)
		1,020	(3,975)
Interest received		1,509	1,580
Interest paid		(510)	(542)
Income tax paid		(87)	(187)
Other		(11)	(2)
Net cash flows from operating activities		**1,921**	**(3,126)**
Cash flows from investing activities			
Net cash flow from disposal of subsidiary		959	-
Proceeds from disposal of subsidiary	3.1	1,100	-
Cash disposed as part of sale of subsidiary	3.1	(141)	-
Purchase of fixed assets for own use	5.2	(6)	(15)
Proceeds from sale of fixed assets for own use		(1)	6
Purchase of intangible assets	5.1	(5)	(6)
Net cash flows from investing activities		**947**	**(15)**
Cash flows from financing activities			
Repayments of long-term Rabobank borrowings		(11,140)	(8,765)
Drawdowns of long-term Rabobank borrowings		9,612	10,613
Drawdowns of other long-term borrowings		274	726
Issue of debt securities		-	562
Repayment of debt securities in issue		(56)	-
Equity contributions received*		11	11
Dividends paid		(1,155)	(48)
Net cash flows from financing activities		**(2,454)**	**3,099**
Net increase in cash and cash equivalents		414	(42)
Net exchange differences		2	-
Cash and cash equivalents at 1 January		541	583
Cash and cash equivalents at 31 December	**4.6**	**957**	**541**

* Pro-rata contributions in capital of subsidiaries from respective holders of non-controling 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 31 December 2016 were authorized for issue in accordance with a resolution of the Executive Board (EB) on 17 May 2017.

DLL is a privately held limited liability company (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 based in Amsterdam, the Netherlands. Rabobank is the immediate parent and the ultimate controlling party of DLL. Information on other related party relationships is provided in note 5.5.

The Group offers clients various financial solution products including leasing, factoring and consumer financing with presence in over 30 countries.

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).

Under the Dutch Financial Supervision Act (Wet op het financieel toezicht), Section 3:111, various legal entities owned by Rabobank, including DLL and three of its subsidiaries, are jointly and severally liable under an internal intra-group mutual keep well arrangement, this arrangement requires the participating entities to provide the funds necessary should any participant not have sufficient funds to settle its debts.
As at 31 December 2016, the participants are:
- Coöperatieve Rabobank U.A., Amsterdam
- Rabohypotheekbank N.V., Amsterdam
- Raiffeisenhypotheekbank N.V., Amsterdam
- De Lage Landen International B.V., Eindhoven
- De Lage Landen Financiering B.V., Eindhoven*
- De Lage Landen Trade Finance B.V., Eindhoven*
- De Lage Landen Financial Services B.V., Eindhoven*

In addition to that 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 DLL and several of its subsidiaries:
- De Lage Landen America Holdings B.V.
- De Lage Landen Corporate Finance B.V.
- De Lage Landen Facilities B.V.
- De Lage Landen Financial Services B.V.*
- De Lage Landen Financiering B.V.*
- De Lage Landen International B.V.
- De Lage Landen Trade Finance B.V*.
- De Lage Landen US Participations Limited Liability Company B.V.
- De Lage Landen Vendorlease B.V.

* within Financial Solutions global business unit that is classified by DLL as discontinued operations as at 31 December 2016. Refer to note 3.1.

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.

For all periods up to and including the year ended 31 December 2015, DLL was exempt from preparing and publishing its own financial statements as permitted under Article 403, Section 9, Book 2 of the Dutch Civil Code, and was only consolidated into the financial statements of the Rabobank Group. As of 1 January 2016, this exemption was withdrawn for Public Interest Entities (which includes entities holding a banking license). Accordingly, starting as from this date DLL prepares and publishes its own consolidated financial statements, while its financial information continues to be consolidated into the financial statements of the Rabobank Group.

The consolidated financial statements of DLL for the year ended 31 December 2016 are therefore the first which DLL has prepared in full accordance with IFRS. Since DLL has historically reported its results and financial position to its parent, Rabobank, an IFRS reporter, the adoption of IFRS in producing DLL's own consolidated financial statements impacted limited areas of these consolidated financial statements. Refer to note 5.9 for information on how the Group adopted IFRS for the first time.

These consolidated financial statements have been prepared on a historical cost basis, except for financial assets and liabilities which are measured at fair value (including derivative financial instruments and available-for-sale 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 otherwise indicated.

These consolidated financial statements provide comparative information for the year ended 31 December 2015 and an additional statement of financial position at 1 January 2015, as required for the first financial statements prepared in full accordance with IFRS. Refer to 5.10 for standards that have been issued but which DLL will not be reporting on.

Finally, these financial statements have been fully audited for the year 2016. For 2015 only the statement of financial position as at 31 December 2015 was audited.

iii. Basis of consolidation

These consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2016. The Group structure at 31 December 2016 is presented in note 5.7.

Subsidiaries are entities under control of the Group. Control is achieved if, and only if, 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 over it. 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 respectively.

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 members of the Group 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 summarizes the key judgments made and key estimates used in the preparation of these consolidated financial statements.

Key judgments	Note
Classification of a finance lease	1.1
Consolidation of special purpose vehicles	4.3
First-time adoption of IFRS	5.9

Key estimates	Note
Residual value reassessment	1.2
Allowance for impairment	1.3
Fair value of derivatives	4.4

v. Subsequent events

On 7 December 2016 the Executive Board of DLL approved a sale of DLL's Dutch non-vendor finance operations (Financial Solutions) to Coöperatieve Rabobank U.A., the parent of the Company. On 19 December 2016, the transaction was approved by Rabobank's Executive Board, at which point DLL initiated the restructuring process. The transaction was completed on 1 April 2017. Further reference is made to note 3.1.

Portfolios

These financial statements have been fully audited for the year 2016. For 2015 only the statement of financial position as at 31 December 2015 was audited.

1.1 Due from customers

DLL's main portfolio of amounts due from customers results from the provision of asset-based financing through finance leases, and the provision of loans through commercial, consumer, and other financing. The table below shows the composition of DLL's portfolio:

in millions of euros	2016*	2015*	1 January 2015 (unaudited)
Finance lease receivables	17,946	21,379	19,619
Loans to customers	10,843	9,720	9,274
	28,789	**31,099**	**28,893**
Allowance for impairment finance lease receivables**	(118)	(162)	(202)
Allowance for impairment loans to customers**	(146)	(170)	(190)
	(264)	**(332)**	**(392)**
Total due from customers	**28,525**	**30,767**	**28,501**

* As at 31 December

** Refer to note 1.3

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

in millions of euros	2016*	2015*
Office equipment	6,135	5,656
Construction, transportation and industrial equipment	6,463	5,726
Food and agricultural equipment	11,403	10,986
Health care and clean tech	3,067	2,865
Financial Solutions**	-	3,833
Other	1,457	1,701
Total due from customers	**28,525**	**30,767**

* As at 31 December

** Classified as disposal group held for distribution in 2016 (note 3.1)

Fair value of amounts due from customers

At 31 December 2016 the fair value of amounts due from customers was EUR 28,568 million (2015: EUR 30,865 million). These fair values were estimated using a discounted cash flow model where the discount rate is determined by credit risk spread over cost of funds 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 necessary, these fair value measurements are fully classified as Level 2 within the fair value hierarchy as described in note 5.8.

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 at 31 December 2016, DLL had pledged EUR 278 million (2015: EUR 196 million) of finance lease receivables as collateral for structured financing in the US. Refer to note 4.2. In addition, EUR 140 million (2015: EUR 137 million) of finance lease receivables were pledged under a securitization transaction in Australia (LEAP); and EUR 140 million (2015: EUR 99 million) in finance lease receivables were pledged under US public finance securitization. Refer to note 4.3. Furthermore, EUR 67 million (2015: EUR 46 million) of finance lease receivables were pledged under other term financing received from banks in Germany.

Unguaranteed residual value

The value of unguaranteed residual values included in the carrying amount at 31 December 2016 was EUR 2,006 million (2015: EUR 1,900 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. They 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 unearned finance income, all net of impairment:

in millions of euros	2016*	2015*	1 January 2015 (unaudited)
Less than 1 year	6,963	8,104	7,146
More than 1, less than 5 years	11,918	13,994	12,503
More than 5 years	513	702	569
Gross investment in leases	**19,394**	**22,799**	**20,217**
Unearned finance income	(1,566)	(1,582)	(800)
Net investment in leases	**17,828**	**21,217**	**19,417**

* As at 31 December

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

in millions of euros	2016*	2015*	1 January 2015 (unaudited)
Less than 1 year	6,796	7,909	6,974
More than 1, less than 5 years	10,630	12,757	11,996
More than 5 years	402	551	447
Net investment in leases	**17,828**	**21,217**	**19,417**

* As at 31 December

Key judgment: classification of a finance lease
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.

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
Accounting treatment for finance leases: DLL as a lessor
- 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.
- 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 residual value, the income allocation over the lease term is revised and any reduction in respect of 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 5.8.

1.2 Fixed assets under operating lease

Another of DLL's core products is operating lease contracts offered to lessees. This product is offered throughout most global business units and geographies. With the disposal of Athlon in 2016 (refer to note 3.1), the balance of assets under operating leases declined significantly. A typical tenor of an operating lease contract is between three and six years.

The below table presents a reconciliation of the carrying amount of the assets under operating lease at the beginning and end of the period:

in millions of euros	Machinery	Cars	Total
Cost	3,053	4,775	7,828
Accumulated depreciation and impairment	(969)	(1,556)	(2,525)
Carrying amount at 1 January 2016	**2,084**	**3,219**	**5,303**
Purchases	752	1,420	2,172
Transfer to inventories	(9)	(494)	(503)
Disposals	(118)	(5)	(123)
Depreciation	(310)	(680)	(990)
Impairment	(2)	(1)	(3)
Net exchange differences	16	(1)	15
Other	15	(15)	-
Reclassification to disposal groups (note 3.1)	(220)	-	(220)
Disposal of subsidiary (note 3.1)	-	(3,443)	(3,443)
Cost	3,199	-	3,199
Accumulated depreciation and impairment	(991)	-	(991)
Carrying amount at 31 December 2016	**2,208**	**-**	**2,208**

in millions of euros	Machinery	Cars	Total
Cost	2,149	4,430	6,579
Accumulated depreciation and impairment	(359)	(1,504)	(1,863)
Carrying amount at 1 January 2015	**1,790**	**2,926**	**4,716**
Purchases	546	1,563	2,109
Transfer to inventories	(3)	(518)	(521)
Disposals	(96)	(3)	(99)
Depreciation	(248)	(735)	(983)
Impairment	-	(3)	(3)
Net exchange differences	102	-	102
Other	(7)	(11)	(18)
Cost	3,053	4,775	7,828
Accumulated depreciation and impairment	(969)	(1,556)	(2,525)
Carrying amount at 31 December 2015	**2,084**	**3,219**	**5,303**

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

in millions of euros	2016*	2015*	1 January 2015 (unaudited)
Less than 1 year	738	1,325	1,381
More than 1, less than 5 years	1,374	2,031	2,433
More than 5 years	57	36	69
Total minimum lease payment	**2,169**	**3,392**	**3,883**

* As at 31 December

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

Assets under operating lease pledged
As at 31 December 2016 DLL pledged EUR 401 million (2015: EUR 284 million) of assets under operating lease as collateral under term financing received from banks in the US. Refer to note 4.2.

As at 31 December 2015 DLL pledged EUR 495 million of assets under operating lease as collateral under securitization transaction Highway 2015-I. Refer to note 4.3. These assets included leased cars operated by DLL's subsidiary (Athlon) and were disposed in 2016 together with respective notes issued as part of the transaction to sell this subsidiary. Refer to note 3.1.

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, requiring assumptions to be made. Residual values are reassessed on an annual basis by the Global Asset Management department using local market information by type of leased assets. Reassessments are based on a combination of realization of assets sold, expert knowledge and judgment of local markets as well as an expectation of developments in the macroeconomic environment.

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 cars and machinery are approximately 5 and between 5 to 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.

Credit losses on assets under operating lease
Credit losses on assets under operating lease may arise from payment delinquency of lessees. To the extent that the delinquency of lessees is so material to the recoverability of the underlying asset this may be an indication of impairment.

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 deliver on their obligations. Credit risk exposures arise when DLL provides financing to a customer or a counterparty by advancing money or an asset under a finance lease or a loan. For credit risk management purposes DLL also recognizes an exposure to credit risk for its operating lease portfolio. Credit risk on operating leases arises when DLL enters into an operating lease contract with a customer.

Given the nature of the relationship with Rabobank, as shareholder, the amounts outstanding from Rabobank (including current accounts, derivative and loans) are considered to carry limited credit risk. Information regarding credit risk associated with amounts outstanding from other counterparties (including current accounts, derivatives and loans to other banks as well as accounts receivable, which are not linked to the lease portfolio) is disclosed in respective notes (refer to notes 4.6, 4.4, 4.5, and 5.2).

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. DLL manages credit risk collectively for all portfolio assets, including operating leases, as part of the same processes and risk governance. DLL's management of credit risk on operating leases is in line with banking regulation and industry standards, as well as DLL's own risk strategy.

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, namely, 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 also require approval from Rabobank. Authority limits for LCCs and Group Risk departments within the 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) percentages, and Exposure at Default (EAD) calculations, resulting in an applicable collective impairment provision.

The credit committees play a key role in ensuring consistency of standards of credit analysis and risk ratings. They also perform a control function ensuring compliance with DLL credit risk policy.

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 (for example, compliance risk and reputation 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 main portfolios:

	2016*		2015*	
in millions of euros	Maximum exposure	Collateral coverage (%)	Maximum exposure	Collateral coverage (%)
Due from customers	28,525	96.54%	30,767	89.37%
Fixed assets under operating lease	2,208	89.63%	5,303	96.31%
Amounts due from customers in a disposal group**	4,159	62.83%	-	-
Fixed assets under operating lease in a disposal group**	220	98.98%	-	-
Total exposure	**35,112**	**92.13%**	**36,070**	**90.39%**

* At 31 December

** Refer to note 3.1 for further details

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 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 from the vendors, as well as from third parties related to an end-user lessee; and,
- credit insurance obtained by DLL for selected portfolios.

Credit risk concentration
At a group level DLL manages concentration of credit risk by monitoring its top 20 clients relative to exposure size (integral for finance lease, loans and operating lease exposures). The maximum exposure to top 20 clients at 31 December 2016 was EUR 1,200 million, comprising 4% of the total portfolio (2015: EUR 1,313 million, comprising 4% of the portfolio).

Apart from this, DLL further avoids excessive other concentrations by managing country limits, credit risk concentrations within countries as well as avoiding or limiting exposure to defined industries.

DLL's internal customer rating
DLL applies the Rabobank Risk Rating (RRR) master scale credit rating system to manage the risk level of its credit risk exposures. Although this system is developed and maintained by Rabobank, DLL's management is of the opinion that this system represents an important indicator for the risk to which DLL is exposed. The scale includes performing ratings (R0-R20) that correspond to specified PD levels as well as default ratings assigned in different events of default (D1-D4). The RRR scale can be mapped to the Standard & Poor's (S&P's) grades based on the long-term average default rates for each external grade.

The RRRs are assigned to the majority of counterparties upon credit application and are determined initially based on internally developed credit risk models. These models take into account key factors such as market sector, country, size of the counterparty and payment history and other financial information. In some cases model results may be combined with professional judgment to determine the RRR.

Credit risk exposure within quality categories of portfolio assets

The table below presents portfolio exposures, including operating leases, by underlying customer risk rating (S&P's equivalent):

in millions of euros	Due from customers	FAOL*	Due from customers in a disposal group **	FAOL* in a disposal group **	Total exposure
31 December 2016					
AAA to AA-	300	115	-	-	415
A+ to A-	755	68	8	-	831
BBB+ to BBB-	3,264	329	331	5	3,929
BB+ to BB-	11,769	911	2,208	120	15,008
B+ to B-	11,455	739	1,466	84	13,744
CCC+ to C	537	28	64	2	631
Defaulted	445	18	82	9	554
Total exposure	**28,525**	**2,208**	**4,159**	**220**	**35,112**
31 December 2015					
AAA to AA-	357	111	-	-	468
A+ to A-	806	259	-	-	1,065
BBB+ to BBB-	3,964	900	-	-	4,864
BB+ to BB-	13,507	2,068	-	-	15,575
B+ to B-	10,833	1,856	-	-	12,689
CCC+ to C	750	48	-	-	798
Defaulted	550	61	-	-	611
Total exposure	**30,767**	**5,303**	**-**	**-**	**36,070**

* Fixed assets under operating lease

** Refer to note 3.1 for further details

DLL also assesses credit quality of its portfolio assets within the following categories, which in turn drives the impairment methodology:

– Neither past due nor impaired are current receivables within portfolios and considered to be of good credit quality.
– Past due but not impaired are overdue balances for which no loss is anticipated.
– Impaired 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 on the right further analyzes credit quality of portfolio assets (including aging analysis of past due but not impaired assets).

in millions of euros	Due from customers	Due from customers in a disposal group *
As at 31 December 2016		
Neither past due nor impaired	26,181	3,907
Past due but not impaired	1,899	170
< 30 days	1,278	163
30 to 60 days	322	6
61 to 90 days	94	1
> 90 days	205	-
Impaired**	445	82
Total exposure	**28,525**	**4,159**
As at 31 December 2015		
Neither past due nor impaired	27,892	-
Past due but not impaired	2,325	-
< 30 days	1,765	-
30 to 60 days	334	-
61 to 90 days	112	-
> 90 days	114	-
Impaired**	550	-
Total exposure	**30,767**	**-**

* Refer to note 3.1 for further details

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

Nature of allowance for impairment

Impairment is the difference between contractual and expected cash flows of a financial asset (or a finance lease asset) 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.

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 assess new financial and non-financial information. DLL's credit risk management procedures ascertain whether the client 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. If a likelihood of a loss is identified, an impairment allowance is recorded. The total loan impairment allowance consists of three components:

- **Specific allowance for impaired exposures** 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** determined for impaired exposures which are not individually significant.
- **Allowance for incurred but not reported (IBNR) credit** losses determined as a collective provision for the portion of the portfolio that is actually impaired at reporting date, but that has not been incurred as yet.

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

Credit risk models used for IBNR for 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. Models 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.

Composition of credit losses

The following table presents the composition of credit losses in profit or loss arising from allowance for impairment of due from customers:

in millions of euros	2016	2015 (unaudited)
Charge for the year	128	97
Recoveries	(44)	(35)
Collection and recovery costs	17	16
Total credit losses	**101**	**78**
Total credit losses attributable to:		
Continuing operations	97	76
Discontinued operations (note 3.1)	4	2

Composition of allowance for impairment

The following table presents movements in impairment provisions as well as the composition of the allowance by sub-classifications:

in millions of euros	Due from customers	Due from customers in a disposal group *
As at 31 December 2015	332	-
Charge for year	128	-
Written off	(149)	-
Net exchange differences	11	
Classification as a disposal group	(64)	64
Other	6	-
As at 31 December 2016	**264**	**64**
Comprising:		
Specific allowance	112	27
Collective allowance	70	25
IBNR allowance	82	12
	264	**64**
As at 1 January 2015	392	-
Charge for year	97	-
Written off	(146)	-
Net exchange differences	(11)	-
As at 31 December 2015	**332**	**-**
Comprising:		
Specific allowance	162	-
Collective allowance	82	-
IBNR allowance	88	-
	332	**-**

* Refer to note 3.1 for further details

Key estimate: allowance for impairment

Determining a provision requires a significant degree of judgmental formulation, 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 formulation 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 which 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, make available to its customers preset credit facilities from which customers can draw. Such obligations expose DLL to similar risks to leases/loans even though these unfunded commitments are not recognized on balance sheet. These risks are mitigated by the same control process and policies. Refer to note 4.7 for DLL's liquidity risk management of credit-related commitments.

in millions of euros	2016*	2015*
Undrawn irrevocable credit facilities	5,474	4,244
Guarantees and other commitments	111	175
Total credit-related commitments	**5,585**	**4,419**

* As at 31 December

Performance

These financial statements have been fully audited for the year 2016. For 2015 only the statement of financial position as at 31 December 2015 was audited.

2.1 Interest revenue and expense

in millions of euros	2016	2015 (unaudited)
Interest revenue		
Interest income from customers	1,329	1,313
Interest income from loans to discontinued operations (note 3.1)	89	77
Interest income from loans to Rabobank	26	35
Interest income from derivatives with Rabobank	(9)	25
Other interest income	1	10
	1,436	**1,460**
Interest expense		
Interest expense on borrowings from Rabobank	(345)	(374)
Interest expense on derivatives with Rabobank	(90)	(84)
Interest expense on other borrowings	(61)	(55)
Interest expense on derivatives with other banks	(5)	(3)
Interest expense on debt securities issued	(1)	(1)
Other interest expense	(4)	(2)
	(506)	**(519)**
Net interest income	**930**	**941**

Accounting policy for interest revenue and expense

For all financial instruments measured at amortized cost, except interest-bearing financial assets classified as available-for-sale and financial instruments carried at fair value through profit or loss, interest income and expense is recorded on an accrual basis using the effective interest rate (EIR) method (refer to note 5.8). 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. For further details on the treatment of interest income from customers, refer to note 1.1.

2.2 Gains/(losses) from financial instruments

in millions of euros	2016	2015 (unaudited)
Gains/(losses) from derivatives	39	(12)
Foreign exchange differences	(31)	(137)
Total gains/(losses) from financial instruments	**9**	**(149)**

Gains/(losses) from derivatives

Gains/(losses) from derivatives relate to derivative transactions that are undertaken by DLL for risk mitigation purposes. Given that hedge accounting in terms of IFRS was not applied as at 31 December 2016 (and correspondingly therefore, nor at 31 December and 1 January 2015), these derivatives were classified as financial instruments at fair value through profit or loss (held for trading) and resulting realized and unrealized gains and losses were recorded in profit or loss, refer to note 4.4.

All of the gains/(losses) from derivatives relate to derivatives transacted with Rabobank and Rabobank group entities, with the exception of a EUR 4 million gain in 2015 related to derivatives transacted with locally present high profile banks, refer to note 4.4.

Foreign exchange differences

Please refer to 5.8 for description of accounting policies related to foreign currency translation.

2.3 Fee and other income

in millions of euros	2016	2015 (unaudited)
Lease extension and early termination	98	108
Other lease related fee income	98	86
Insurance brokerage fee income	55	57
Operating expenses recharge to discontinued operations (note 3.1)	40	46
Other income	28	43
Net reinsurance income	4	5
Total fee and other income	**323**	**345**

Lease extension and early termination
This is income arising from gains on lease contracts that were terminated early by the client and for which penalties were paid, as well as income that relates to the continuation of out of term lease contracts.

Lease related fee income
Lease related fee income includes lease syndication fees, commissions, and documentation and fees. Syndication fees relate to syndication services rendered by DLL to its clients. Brokerage commissions are commissions received for the setting up of leasing contracts. Finally, documentation and option fees relate to the origination services that DLL has performed for its clients (i.e. the assessment of a customer's credit file).

Insurance brokerage fee income
This is fee income that DLL receives for brokering insurance contracts for their clients with third party insurers.

Net reinsurance income
Net reinsurance income is related to the reinsurance activities of DLL Re DAC. For further details on net reinsurance income and its treatment, refer to note 5.4.

Accounting policy for fee income
Fees earned for the provision of services that are provided over a period of time are accrued 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 5.8.

2.4 Staff expenses

in millions of euros	2016	2015 (unaudited)
Short- term employee benefit	348	335
Wages and salaries	259	249
Social security costs	51	51
Temporary staff	38	35
Other short term benefits	103	105
Pension – defined contribution plans	18	18
Pension – defined benefit plans	(2)	-
Other long-term employee benefits	2	2
Total staff expenses	**469**	**460**

The average number of employees (both internal and external) in DLL was 5,847 (2015: 5,776) of whom 1,680 (2015: 1,691) were employed in the Netherlands. The average number of employees includes 1,245 employees (2015: 1,209) that are employed by Athlon Car Lease International B.V. and its subsidiaries (Athlon) and were transitioned with disposal of Athlon in 2016, refer to note 3.1.

DLL's remuneration policy consists of fixed and variable remuneration components and various fringe benefits, including a pension scheme. In the Netherlands, on average, any variable remuneration may not exceed 20 percent of an employee's fixed income. Outside of the Netherlands the fixed income, variable pay and benefits are based on the local market of the respective country.

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

Other long-term employee benefits include retirement benefits such as pensions, national pension plan contributions, post-employment life insurance and a post-employment medical care benefit plan that are classified as either defined benefit plan or defined contribution plan depending on the economic substance of the plan. Most of DLL funds are qualifying defined contribution plans, for which DLL is obliged to pay a periodical contribution. This is included in staff expenses. For defined benefit plans DLL is obliged to provide the agreed retirement benefits to its employees via a separately administered plans. The amounts included in staff expenses represent services costs of these plans, refer to note 5.3. Other long-term employee benefits also include DLL's deferred bonus scheme (i.e. variable remuneration to identified staff).

Identified staff
Insofar as identified staff (employees who can have a material influence on the risk profile of DLL) are eligible for variable remuneration, it is awarded for such a period that the risks associated with the underlying business activities are adequately taken into account. Payment of a significant portion of variable remuneration is therefore deferred. The immediate portion of variable remuneration is unconditional, whereas the deferred portion is conditional. The deferred portion vests after three years if the conditions are met. Among other things, it is assessed whether there has been a significant reduction in financial performance or a significant change in risk management at DLL and/or business unit that puts the circumstances assessed when the relevant variable remuneration was awarded in a different perspective.

In principle, the right to any provisionally allocated remuneration lapses when the staff member's employment ends. 50% of both the direct and the deferred portion of the variable remuneration is allocated in cash. The cash component of the direct portion is immediately awarded following allocation. The cash component of the deferred portion is awarded to employees only after vesting.

50% of the direct and the deferred portion of the variable remuneration is settled in cash and measured relative to an underlying instrument (instrument component) 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 the 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 (after a period of three years).

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.

Payment of the cash component of the variable remuneration is measured in accordance with IAS 19 Employee benefits, whereas payment of the DRNs is measured in accordance with IFRS 2 Share-based payments. 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 31 December 2016, a liability of EUR 4,134 thousand was recognized (2015: EUR 4,424 thousand, 1 January 2015: EUR 3,628 thousand) in respect of the instrument portion of the variable remuneration of the identified staff. Total expense incurred on this variable remuneration for 2016 was EUR 332 thousand (2015: EUR 367 thousand). The number of DRNs outstanding as part of the above scheme is presented in the following table:

in thousands of DRNs	2016	2015
Opening balance at 1 January	162	133
Awarded during the year	30	48
Paid in cash during the year	(40)	(19)
Changes from previous year*	(3)	-
Closing balance at 31 December	**149**	**162**

* Where Rabobank Board and Supervisory Board approval is not obtained in year three for payment of the DRN and other forfeitures in accordance with the remuneration policy.

The estimated undiscounted payments to be made for the variable remuneration are shown in the following table:

in thousands of euros			Year of payment			
As at 31 December 2016	2017	2018	2019	2020	2021	Total
Variable remuneration excluding DRNs	1,156	633	576	381	-	2,746
DRNs	1,647	1,200	636	606	378	4,467
Total	**2,803**	**1,833**	**1,212**	**987**	**378**	**7,213**
As at 31 December 2015	2016	2017	2018	2019	2020	Total
Variable remuneration excluding DRNs	1,341	657	596	524	-	3,118
DRNs	1,258	1,588	742	625	578	4,791
Total	**2,599**	**2,245**	**1,338**	**1,149**	**578**	**7,909**
As at 1 January 2015	2015	2016	2017	2018	2019	Total
Variable remuneration excluding DRNs	1,109	671	649	589	-	3,018
DRNs	554	1,191	805	703	589	3,842
Total	**1,663**	**1,862**	**1,454**	**1,292**	**589**	**6,860**

Key management personnel
Key management personnel of DLL consists of the Executive Board members and members of the Supervisory Board.

Compensation of the Executive Board members:

in thousands of euros	2016	2015 (unaudited)
Short-term employee benefits	2,566	2,832
Post-employment benefits	250	143
Total Executive Board compensation	**2,816**	**2,975**

Compensation for Executive Board (EB) members consisted of a fixed and a variable part pay, as well as pension entitlements. Additionally, EB members receive a guaranteed personal allowance which is not dependent on company or individual performance and they are eligible for a package of fringe benefits in line with market standards. EB members became ineligible for variable remuneration in 2016 although the Supervisory Board has the possibility to grant a bonus at their discretion. The total amount of variable compensation in 2015 was EUR 388 thousand and a discretionary bonus of EUR 402 thousand has been granted to some EB members which has been included in short-term employee benefits in 2016. The variable compensation of EB members is subject to the same deferral scheme as for other identified staff as described above.

On 31 December 2016, a liability of EUR 813 thousand was recognized (2015: EUR 824 thousand, at 1 January 2015: EUR 752 thousand) in respect of the instrument component of variable compensation (both direct and deferred portions) related to EB members, included in other liabilities. At 31 December 2016, there were a total of 29,399 DRNs outstanding with members of the EB (2015: 30,268 DRNs; 1 January 2015: 27,601 DRNs).

In the Netherlands, the pension scheme for the members of the EB is classified as a collective defined contribution scheme. As of 1 January 2016, the maximum income on the basis of which the members of the EB can build up a pension amounts to EUR 96 thousand. Any income exceeding this amount is not pensionable. As of 1 January 2016, the members of the EB therefore receive an individual pension contribution. The member of the EB, who is US resident, receives an individual pension contribution called Supplemental Executive Retirement Plan.

Only one member (2015: one member) of the EB received total compensation exceeding EUR 1 million.

Compensation of the Supervisory Board members
From three members of the Supervisory Board (SB), only one receives direct compensation from DLL for the tasks and responsibilities as a member of the SB. This member of the SB invoiced DLL for EUR 30 thousand in 2016. Other SB members are employees of Rabobank and are compensated in that capacity by Rabobank. The total amount of remuneration for the SB in 2016 was EUR 30 thousand (2015: EUR 30 thousand).

DLL did not incur any expenditure with respect to termination benefits of key management personnel (2015: none). There are no transactions between key management personnel or their close family members and DLL in either 2016 or 2015.

Accounting policy for staff expenses
Staff expenses include short-term, post-employment and other long-term employee benefits and are recognized when an employee has rendered services in exchange for those benefits. Refer to note 5.3 for accounting policy related to defined benefit pension plans.

2.5 Other operating expenses

in millions of euros	2016	2015 (unaudited)
Administration expenses	142	155
Administrative charges from parent	37	30
Depreciation, amortization and impairment	31	36
IT related cost	61	51
Total other expenses	**271**	**272**

The below table indicates the composition of amounts accrued to the independent auditor, included in administration expenses:

in millions of euros	2016	2015 (unaudited)
Independent auditor		
Audit of the financial statements	5	-
Other audit services	1	8
Permitted tax services	1	1
Other permitted (non-audit) services	-	-
Total independent auditors' remuneration	**7**	**9**

Administration expenses
Administrative expenses include costs of travelling, marketing and advertising, consultant fees and independent auditors' remuneration. The latter is detailed alongside. Audit fees were incurred by DLL for the external audit services received from KPMG N.V. in 2015. Audit fees were incurred by DLL for the external audit services received from PricewaterhouseCoopers Accountants N.V. in 2016, which firm has become the independent auditor of DLL.

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 and buildings, and equipment; as well as the amortization and impairments of intangible assets. Refer to notes 5.1 and 5.2 for further description.

IT related costs

IT related costs include IT hardware, software rent and maintenance costs as well as costs of developing software that does 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 which have been incurred but not yet 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 respect of continuing operations:

in millions of euros	2016	2015 (unaudited)
Current tax charge for the year	133	109
Deferred tax charge for the year	52	76
Origination and reversal of temporary differences	52	79
Effect of changes in tax rates	-	(3)
Adjustments for prior years	2	(7)
Tax expense for the year	**187**	**178**
Income tax expense on continuing operations	136	120
Income tax attributable to discontinued operations (see note 3.1)	51	58

Reconciliation of the total tax charge

The Group's reconciliation of the total tax charge is based on the Dutch domestic tax rate, with a reconciling item in respect of 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% (2015: 25%).

There were no changes in the effective tax rate in the Netherlands. However corporate income tax rates were changed in some other countries. In particular, for financial institutions in Brazil it was increased in 2015 from 40% to 45%, leading to an additional credit to profit or loss of EUR 5 million (due to remeasurement of deferred tax assets).
The following table shows a reconciliation of the tax expense and the accounting profit multiplied by the domestic tax rate:

in millions of euros	2016	2015 (unaudited)
Profit before tax from continuing operations	504	417
Profit before tax from discontinued operations	458	213
Accounting profit before income tax	**962**	**630**
Tax exempt income	(319)	(33)
Non-deductible expenses	19	29
Non-recognisable fiscal losses	4	3
Local tax credits	(21)	(9)
Other	(3)	(15)
	642	**605**
Tax calculated using applicable tax rates	183	180
Effect of changes in tax rates	-	(4)
Adjustments for prior years	2	(7)
Tax accruals related to the tax audits	-	8
Other adjustments	2	1
Tax expense for the year	**187**	**178**
Income tax expense on on continuing operations	136	120
Income tax attributable to discontinued operations (see note 3.1)	51	58

Tax exempt income in 2016 includes non-taxable gain on sale of a subsidiary in amount EUR 251 million, refer to note 3.1.

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

in millions of euros	Deferred tax assets/(liabilities) 2016*	2015*	1 January 2015 (unaudited)	Profit or loss (charge)/credit 2016	2015 (unaudited)	Other Comprehensive Income (charge)/credit 2016	2015 (unaudited)
Deferred tax assets							
Leases	59	61	21	(6)	28	-	-
Allowance for impairment	52	31	33	(3)	2	-	-
Provisions	10	9	7	-	6	-	-
Fixed assets for own use	-	-	-	3	-	-	-
Intangible assets	1	1	-	-	2	-	-
Other	56	78	117	27	(2)	1	-
Net operating losses	15	20	21	-	5	-	-
Total deferred tax assets	**193**	**200**	**199**	**21**	**41**	**1**	**-**
Continuing operations	187	200	199	-	-	-	-
Disposal group	6	-	-	-	-	-	-

in millions of euros	Deferred tax assets/liabilities 2016*	2015*	1 January 2015 (unaudited)	Profit or loss (charge)/credit 2016	2015 (unaudited)	Other Comprehensive Income (charge)/credit 2016	2015 (unaudited)
Deferred tax liabilities							
Leases	(552)	(629)	(582)	66	(106)	-	-
Allowance for impairment	14	33	35	-	(4)	-	-
Provisions	1	1	(10)	-	(1)	-	-
Fixed assets for own use	(4)	-	-	(6)	-	-	-
Intangible assets	-	2	-	-	2	-	-
Alternative Minimum Tax credits	43	45	40	(2)	5	-	-
General reserves	(28)	11	(31)	(40)	42	-	-
Other	(71)	(106)	(3)	(30)	(25)	-	-
Net operating losses	21	76	90	(61)	(29)	-	-
Total deferred tax liabilities	**(576)**	**(567)**	**(461)**	**(73)**	**(116)**	**-**	**-**
Continuing operations	(575)	(567)	(461)	-	-	-	-
Disposal group	(1)	-	-	-	-	-	-
Net deferred tax assets/(liabilities)	**(383)**	**(367)**	**(262)**				
Net deferred tax (expense)/benefit				**(52)**	**(75)**	**1**	**-**

* As at 31 December

Unrecognized deferred tax assets

No deferred tax asset of EUR 16 million (2015: EUR 17 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 authorities and their term to maturity is largely unlimited.

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	2016	2015
Net deferred tax liabilities at 1 January	(367)	(262)
Profit or loss (charge)/credit	(53)	(76)
Other Comprehensive Income (charge)/credit	1	-
Disposal of subsidiary	35	-
Net exchange differences	(10)	(42)
Other	11	13
Net deferred tax liabilities at 31 December	**(383)**	**(367)**

Recognition of deferred tax assets
The Group is subject to corporate income tax in numerous jurisdictions. Significant 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.

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.

Discontinued operations

These financial statements have been fully audited for the year 2016. For 2015 only the statement of financial position as at 31 December 2015 was audited.

3.1 Discontinued operations

Profit from discontinued operations
The profit from discontinued operations comprised the following:

in millions of euros	2016	2015 (unaudited)
A. Sale of Athlon Car Lease International B.V.		
Profit for the year	67	90
Gain on sale	251	-
	318	**90**
B. Disposal group held for distribution: Financial Solutions		
Profit for the year	89	84
Profit for the year from discontinued operations	**407**	**174**

A. Sale of Athlon Car Lease International B.V.
On 30 June 2016, DLL signed a sale and purchase agreement with the intention to sell its mobility solutions entity, Athlon Car Lease International B.V. (Athlon) including all its subsidiaries, to Mercedes Benz Financial Services B.V. (the buyer). Athlon is a leading provider of car leasing and mobility services in the Netherlands. In addition to the Netherlands, Athlon is active in ten other European countries. The total operating lease portfolio of Athlon consists of approximately 250,000 cars. This sale was made in line with DLL's strategy to focus on its core business of vendor financing.

At the date of the agreement DLL classified the assets and liabilities of Athlon as a disposal group held for sale (and the operations of Athlon as a discontinued operation) in its consolidated financial statements. Given that the estimated fair value of Athlon's net assets at that date was higher than their respective carrying amounts, the net assets were not remeasured and accordingly no result was recorded in the statement of profit or loss. The sale transaction was completed on 1 December 2016 (the closing date) when all required approvals and consents from regulatory authorities were obtained and control over Athlon was transferred to the buyer. At this point associated assets and liabilities were derecognized by DLL. The major classes of assets and liabilities of Athlon at the closing date were as follows:

in millions of euros	2016*
Assets	
Cash	141
Fixed assets under operating lease (note 1.2)	3,443
Goodwill (note 5.1)	367
Deferred tax asset (note 2.6)	35
Other assets	399
Total assets	**4,385**
Liabilities	
Borrowings	(2,824)
Issued debt securities (note 4.3)	(378)
Deferred tax liability (note 2.6)	(43)
Other liabilities	(305)
Total liabilities	**(3,550)**
Net assets disposed	**835**
Non-controlling interest in net assets disposed	(12)
Share of equity holders of the parent in net assets disposed	**823**

* As at disposal date 30 November 2016

Consideration paid by the buyer (the initial sale price) at the closing date amounted to EUR 1,100 million. The resulting gain on sale was as follows:

in millions of euros	2016*
Consideration received (the initial sale price)	1,100
Subsequent adjustment to the sale price	(26)
Share of equity holders of the parent in the net assets disposed	(823)
Gain on sale	**251**

* As at disposal date 30 November 2016

According to the agreement, the initial sale price was subsequently adjusted based on the actual Net Assets value of Athlon as at the date of transfer. The adjustment was agreed by DLL and the buyer by 22 February 2017 and recorded by DLL as a liability within Accounts payable and other short-term liabilities in its financial statements as at 31 December 2016 (refer to note 5.3).

Gain on sale is included in Profit for the year from discontinued operations and it is non-taxable due to the participation exemption effective in the Netherlands.

The net cash flow from disposal of Athlon comprised:

in millions of euros	2016*
Consideration received in cash	1,100
Cash disposed as part of net assets	(141)
Net cash flow on disposal	**959**

* As at disposal date 30 November 2016

Profit/(loss) for the year from the ordinary activities of Athlon was as follows:

in millions of euros	2016	2015 (unaudited)
Revenue from operating leases	1,619	1,769
Depreciation and other expenses	(1,374)	(1,508)
Net operating lease income	**245**	**261**
Remarketing of operating leased assets	506	489
Cost of remarketed operating leased assets	(448)	(429)
Interest expenses on loans from continuing operations (note 2.1)	(60)	(38)
Other income	9	3
Total operating income	**252**	**286**
Staff expenses	(103)	(96)
Other operating expenses	(32)	(34)
Operating expenses recharge from continuing operations (note 2.5)	(26)	(33)
Total operating expenses	**(161)**	**(163)**
Credit losses	(1)	(1)
Profit before tax from ordinary activities of discontinued operations	**90**	**122**
Income tax	(23)	(32)
Profit for the year from ordinary activities of discontinued operations	**67**	**90**

The cash flows of Athlon during the year were as follows:

in millions of euros	2016	2015 (unaudited)
Operating activities	2,701	(291)
Investing activities	-	-
Financing activities	(2,748)	342
Net cash inflow/(outflow)	**(47)**	**51**

B. Disposal group held for distribution: Financial Solutions

On 7 December 2016 the Executive Board of DLL approved a transfer of DLL's Dutch non-vendor finance operations (Financial Solutions) to Coöperatieve Rabobank U.A., the parent of the Company. Financial Solutions includes primarily leasing, factoring, commercial and consumer finance provided to existing clients of Rabobank in the Netherlands. This transfer is planned in line with the DLL's strategy to focus on its core business - vendor finance.

On 19 December 2016, the transaction was approved by Rabobank's Executive Board, at which point DLL initiated the restructuring process. Accordingly, DLL classified the assets and liabilities of Financial Solutions as a disposal group held for distribution to its parent (and its operations as a discontinued operation) in its consolidated financial statements as at 31 December 2016. The DNB and the Authority Financials Markets approved the transaction at 23 March and 27 March 2017 respectively.

The transaction was completed on 1 April 2017 when the control over Financial Solutions was transferred to Rabobank. The agreed consideration of EUR 107 million was transferred on 30 March 2017 and approximated the carrying amount of the net assets as of the date of transfer, resulting in no material gain nor loss on transfer.
The major classes of assets and liabilities of Financial Solutions classified as disposal group held for distribution to owners were as follows:

	2016*	
in millions of euros	Carrying amount	Fair value
Assets		
Cash (note 4.6)	121	121
Due from customers	4,159	4,172
Fixed assets under operating lease (note 1.2)	220	220
Other assets	73	73
Total assets	**4,573**	**4,586**
Liabilities		
Borrowings	(154)	(154)
Other liabilities	(159)	(159)
Total external liabilities	**(313)**	**(313)**
Net funding from DLL	(4,164)	(4,164)
Net assets of the disposal group held for distribution	**96**	**109**

* As at 31 December 2016

The estimated fair values of due from customers, borrowings and net funding from DLL included in Financial Solutions' net assets were estimated using a discounted cash flow model where the discount rate is determined by credit risk spread over cost of funds 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 necessary, these fair value measurements are fully classified as Level 2 within the fair value hierarchy as described in note 5.8, and are considered non-recurring. The fair values of other assets and liabilities approximated their carrying amounts.

Profit for the year from the ordinary activities of Financial Solutions are presented below:

in millions of euros	2016	2015 (unaudited)
Interest revenue from loans	195	195
Interest expenses on loans from continuing operations (note 2.1)	(29)	(39)
Interest expenses	(1)	(2)
Net interest income	**165**	**154**
Other operating income	19	19
Staff expenses	(40)	(39)
Operating expenses recharge from continuing operations (note 2.3)	(14)	(13)
Other operating expenses	(10)	(10)
Credit losses	(3)	(1)
Profit before tax from ordinary activities of discontinued operations	**117**	**110**
Income tax	(28)	(26)
Profit for the year from ordinary activities of discontinued operations	**89**	**84**

The cash flows of Financial Solutions during the year were as follows:

in millions of euros	2016	2015 (unaudited)
Operating activities	254	350
Investing activities	-	-
Financing activities	(226)	(256)
Net cash inflow/(outflow)	**(28)**	**(94)**

Funding and liquidity

These financial statements have been fully audited for the year 2016. For 2015 only the statement of financial position as at 31 December 2015 was audited.

4.1 Equity and capital management

Components of equity

Share capital and share premium

At 31 December 2016, DLL's authorized capital was EUR 454 million (2015: EUR 454 million), divided into 950 ordinary A shares and 50 ordinary B shares (2015: 950 A and 50 B). The nominal value of each share is EUR 453,780. EUR 98 million (2015: EUR 98 million) is issued and paid up. Additional paid-in capital (share premium) amounts to EUR 1,135 million (2015: EUR 1,135 million). For the years 2016 and 2015 there is no difference in shareholders' rights connected to the class A and class B shares.

Retained earnings

Retained earnings represents DLL's unrestricted, 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 are recorded as FCTR. Movements in FCTR are recorded as a component of other comprehensive income in the period in which they arise.

Dividends

Dividends per share amounted to EUR 5 million in 2016 (2015: nil). In 2015 no dividends were declared by DLL but rather by subsidiairies within the Group and therefore eliminated on consolidation (except to the extent attributable to non-controlling interests of the Group).

Regulatory capital and capital management

DLL forms an integral part of the capital management framework of the Rabobank group and obtains its capital from its parent, Rabobank. DLL's Executive Board (EB) is responsible for capital management of DLL and further ensures compliance with the Group level regulatory requirements. Effective and efficient capital management is realized by a strong focus on capital allocation. The EB controls the local business and physical capital levels to ensure sufficient capital is held to meet local regulatory requirements as well.

For the purpose of DLL's capital management, solvency is considered a key measure and therefore three different capital levels are defined in accordance with regulation, and utilized for solvency ratios.

Regulatory capital requirements

The Capital Requirements Regulation (CRR) and Capital Requirements Directive IV (CRD IV) together constitute the Basel III framework. These rules, which became effective on 1 January 2014, are applied by DLL. DLL is under direct supervision of the European Central Bank as part of the Rabobank Group, however 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 the CRR requirements on Own Funds, Capital and Large exposures.

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

in millions of euros	2016*	2015*
Common Equity Tier 1 capital (CET1)	2,945	3,064
Tier 1 capital (T1)	2,951	3,072
Total capital (own funds)	2,960	3,116
Risk weighted assets	20,142	19,988
CET 1 ratio	14.63%	15.33%
T1 ratio	14.65%	15.37%
Own funds ratio	14.69%	15.59%

* As at 31 December

In 2016, resulting from the Supervisory Review and Evaluation Process of Rabobank, DLL became subject to additional capital requirements above the legislated standard. DLL is therefore required to hold, as a minimum 9.5% CET1 capital.

Capital requirements are further managed actively through DLL's risk strategy, risk appetite, and balance sheet management. Refer to note 1.3 for description of credit risk management and to note 4.7 for description of market and liquidity risk management.

Regulatory capital buffers

The buffers below are applicable as of 2016 gradually phasing in until 2019. DLL has already incorporated these increased buffer requirements in its capital management. The table below shows the minimum legal buffers based on CRD IV excluding the effects of phase in.

		CET 1	Tier 1	Own funds
Minimum (required)	2015	4.500%	6.000%	8.000%
Capital conservation buffer*	2016 - 2019	0.625%	0.625%	0.625%
		5.125%	**6.625%**	**8.625%**
Countercyclical buffer	2016 - 2019		0.000% - 2.500%	
Systemic buffer	2016 - 2019	0.000%	0.000%	0.000%
			0.000% - 2.500%	

* These buffers are phased in from 0.625% in 2016 to the full buffer requirement of 2.5% in 2019.

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.

During 2016 and 2015 DLL was in compliance with all the applicable capital requirements.

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 whilst 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 warrants 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 many forms and shapes with 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 2016 and 2015 demonstrate that DLL's capital levels were above the required thresholds in both scenarios, across all five years forecasted, under each scenario.

4.2 Short-term loans and long-term borrowings

in millions of euros	2016*	2015*	1 January 2015 (unaudited)
Short-term loans and overdrafts			
Short-term loans from Rabobank	4,756	3,776	5,337
Other short-term loans	40	70	100
	4,796	**3,846**	**5,437**
Long-term borrowings			
Long-term borrowings from Rabobank	23,928	25,634	22,665
Other long-term borrowings	3,614	2,892	2,520
	27,542	**28,526**	**25,185**
Total short-term loans and long- term borrowings	**32,338**	**32,372**	**30,622**

* As at 31 December

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 upon long- and short-term loans, which, as of 18 April 2016 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 4.7. Whilst 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 at 31 December 2016 are USD denominated loans of EUR 1,186 million (2015: EUR 1,461 million; 1 January 2015: EUR 1,087 million). As the second leg of this loan-deposit structure, DLL issued EUR denominated loans to Rabobank in the amount of EUR 1,420 million (2015: EUR 1,247 million; 1 January 2015: EUR 1,446 million), included in due from banks (refer to note 4.5). This structure relates to a loan-deposit structure between DLL and Rabobank which is used to mitigate DLL's foreign currency risk in respect of net investments in foreign subsidiaries. These loans and deposits carry interest rates based off 3M LIBOR and EURIBOR plus currency funding spreads and mature in 2019. These loans are pledged as collateral for the corresponding borrowings. Whilst, 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 1,139 million (2015: EUR 951 million) and a maturity ranging from 1 to 10 years. The carrying amount as at 31 December 2016 was EUR 1,130 million (2015: EUR 945 million) an annually pre-fixed rate of 2.50% to 13.95% or post-fixed rate of 3.25% to 4.00% plus Brazilian Long-term Interest Rate (7.5% for the year ended December 31, 2016 (2015 - 7.0%).
- 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 1,077 million (2015: EUR 750 million) and a maturity ranging from 1 to 6 years. The carrying amount as at 31 December 2016 was EUR 1,077 million (2015: EUR 750 million) with interest rates ranging from 0% to 0.65% (2015: 0.19% - 0.65%).
- Long-term collateralized financing received in the US from multiple financial counterparties with a maturity ranging from 1 to 5 years. The carrying amount as at 31 December 2016 was EUR 674 million with interest rates ranging between 1.29% and 2.21% (2015: EUR 508 million, 1.29%-1.93%). DLL pledged operating lease receivables in the US as collateral for this financing in amount of EUR 401 million, as well as finance lease receivables in amount of EUR 278 million, refer to note 1.1 and note 1.2.

Short-term loans and long-term borrowings from Rabobank and other borrowings, primarily from BNDES and EIB, require compliance with certain covenants. Management monitors all such contractual covenants from both a legal and financial perspective. In neither 2016 nor 2015 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 4.7.

The fair value of long-term borrowings as at 31 December 2016 was EUR 27,592 million (2015: EUR 28,466 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 fully classified as Level 2 within the fair value hierarchy as described in note 5.8. 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

Short-term 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 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 5.8 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 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.

4.3 Issued debt securities

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

in millions of euros	2016*	2015*	1 January 2015 (unaudited)
Securitization transactions:			
LEAP (Australia)	154	150	158
US public finance securitizations	148	87	-
Highway 2015-I (the Netherlands)	-	490	-
Highway 2012-I (the Netherlands)	-	-	7
Total issued debt securities	**302**	**727**	**165**

* As at 31 December

DLL attracts external funding through securitizations as part of its overall funding strategy. The fair value of issued debt securities at 31 December 2016 was EUR 302 million (2015: EUR 727 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 fully classified as Level 2 within the fair value hierarchy as described in note 5.8.

The securitization transactions are described below.

LEAP

In 2013 DLL entered into a securitization transaction in Australia with a limit of EUR 205 million [A$ 300 million] to fund loan receivables originated by De Lage Landen Pty Ltd, an Australian subsidiary. This revolving transaction has a term of one year with an annual option for noteholders to extend the term for one year. On 11 October 2016 the maturity date of the notes was extended to 11 October 2017. If the maturity date is not extended after this date, the notes will amortize in accordance with the Cashflow Allocation Methodology in the Series Supplements. The underlying assets include food and agricultural, construction and infrastructure equipment leased to end-users in Australia in amount of EUR 140 million. Refer to note 1.1.

The LEAP transaction involved establishing LEAP Warehouse Trust, a special purpose vehicle (SPV), that issued two classes of unrated notes, with the class A notes distributed to external investors (EUR 154 million [AUD 224 million]) and the class B notes retained by DLL (EUR 30 million [AUD 44 million]). The class B notes are subordinated to the class A notes and were eliminated on consolidation of this SPV. The interest rate for the Class A notes as at 31 December 2016 was set at 1M BBSW + 1.30% (2015: 1M BBSW + 1.05%).

US public finance securitization

The securities issued in 2015 are backed by EUR 140 million (2015: EUR 99 million) of finance lease assets under Tax Exempt Finance Leases. This transaction involved establishing SPVs that issued two classes of unrated notes: class A notes EUR 152 million (2015: EUR 76 million), sold to external investors, and class B notes EUR 15 thousand (2015: EUR 15 thousand), retained by DLL. The class B notes are subordinated to the class A notes and are eliminated in these financial statements at consolidation of this SPV. Interest rate for the Class A notes as at 31 December 2016 was set at 7 day SIFMA+0.87% (2015: 7 day SIFMA+0.77%; SIFMA - Securities Industry and Financial Markets Association). The title to the underlying assets was retained by the DLL, however they are collaterized under the notes obligations. Refer to note 1.1.

Highway 2015- I

In June 2015, Athlon launched a new securitization transaction from the Highway platform after the Highway 2012-I securitization transaction was terminated in January 2015. The transaction has a capital structure similar to Highway 2012-I.

The securities issued are backed by EUR 495 million of assets under operating lease, namely cars. The title to the underlying assets was retained by Athlon, however the assets remain collaterized under the notes obligations. Refer to note 1.2.

This transaction involved establishing a SPV Highway 2015-I B.V., which issued two classes of unrated notes: class A notes (EUR 490 million) sold to external investors, and class B notes (EUR 210 million) retained by Athlon. The class B notes are subordinated to the class A notes and are eliminated in these financial statements at consolidation of this SPV. The interest rate for the class A notes as at 31 December 2015 was set at 1M EURIBOR 0.43%. These notes were transferred to the buyer of Athlon in 2016 as part of the transaction to sell Athlon. Refer to note 3.1.

Highway 2012- I

As part of the Highway 2012-I transaction that was completed in 2012, Athlon Car Lease Nederland B.V. (Athlon) securitized EUR 255 million of assets under operating lease, namely cars. The title to these assets was retained by the originator.

This transaction involved establishing a SPV Highway 2012-I B.V., that issued two classes of unrated notes: class A notes (EUR 7 million), sold to external investors, and class B notes (EUR 242 million), retained by Athlon. The class B notes are subordinated to the class A notes and were eliminated in these financial statements at consolidation of this SPV. The interest rate for the class A notes as at 1 January 2015 was set at 1M EURIBOR + 1.10%. The notes issued under this facility matured in 2015.

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 which require significant judgment.

DLL decides whether a SPV should be included in the consolidated financial statement on the basis of an assessment of its power 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 proscribed 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 5.8 for description of the EIR method.

4.4 Derivatives

in millions of euros	2016*	2015*	1 January 2015 (unaudited)
Derivative assets at fair value through profit or loss			
Foreign exchange forwards**	12	5	4
Cross currency swaps	17	31	30
Interest rate swaps	36	32	42
Total derivative assets	**65**	**68**	**76**
Derivative liabilities at fair value through profit or loss			
Foreign exchange forwards**	(5)	(7)	(7)
Cross currency swaps	(129)	(186)	(130)
Interest rate swaps	(58)	(80)	(76)
Total derivative liabilities	**(192)**	**(273)**	**(213)**
Derivative notional amounts			
Foreign exchange forwards**	1,179	456	299
Cross currency swaps	1,028	1,651	2,382
Interest rate swaps	11,125	13,721	10,009
Total derivative notional amounts	**13,332**	**15,828**	**12,690**

* As at 31 December

** Including non-deliverable forwards

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 (rated AA-): as at 31 December 2016 the fair value of these derivatives was a net asset of EUR 5 million (2015: EUR 5 million). There is no collateral posted or received under derivatives.

DLL uses the derivative financial instruments to mitigate market risks to which DLL is exposed. All derivative transactions are therefore undertaken for risk mitigation purposes. DLL is currently in the process of adopting hedge accounting in terms of IFRS; however, as at 31 December 2016 (and correspondingly neither at 31 December nor 1 January 2015) this was not complete and hence not applied. DLL expects to realize and implement the hedge accounting approach during 2017.

Key estimate: Fair value of derivatives
The fair value of derivatives is determined using valuation techniques and is based on complex models using multiple inputs. Management therefore considers fair value of derivatives a key estimate. DLL's derivative financial instruments are valued using a discounted cash flow model that uses the overnight index swap dual discounting curve (Level 2 inputs; refer to note 5.8). 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 is 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 4.7.

The estimation of the fair values of these derivatives is outsourced to Treasury of Rabobank that operates within Rabobank control framework, which ensures sufficient governance and control within the process. The resulting fair values are reviewed and signed-off 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 at fair value through profit or loss (held for trading) and respective realized and unrealized gains and losses are recorded in profit or loss. Refer to note 2.2.

4.5 Due from banks

in millions of euros	2016*	2015*	1 January 2015 (unaudited)
Loans to and receivables from Rabobank	2,016	1,625	1,626
Reverse repurchase agreements with Rabobank	91	112	129
Loans to and receivables from other banks	-	3	13
Total due from banks	**2,107**	**1,740**	**1,768**

* As at 31 December

DLL issued EUR denominated loans to Rabobank entities amounting to EUR 1,420 million (2015: EUR 1,247 million, 1 January 2015: EUR 1,087 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 carry an interest rate of 3M Euribor +5 year liquidity premium and mature in 2019. As the second leg of this loan-deposit structure, DLL received USD denominated long-term borrowings from Rabobank of EUR 1,186 million (2015: EUR 1,220 million, 1 January 2015: EUR 1,446 million) where the issued loans are pledged as collateral for these borrowings. Refer to note 4.2.

Whilst 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.

Also included in loans to Rabobank is an overnight USD facility issued during 2016 for liquidity management purposes. The carrying amount of this loan at 31 December 2016 was EUR 357 million and bears an interest rate of 0.65%. The remaining loans to and receivables from Rabobank also relate to liquidity managment and are short-term balances of both fixed and floating loans issued primarily in USD and EUR. These loans bear interest rates ranging between -0.6% and 5.745% (2015: -0.65% and 13.53%, 1 January 2015: between -0.65% and 9.7%).

Securities received under reverse repurchase agreements are listed bonds issued by the Brazilian government with a fair value of EUR 92 million (2015: EUR 115 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 4.7.

The fair value of due from banks at 31 December 2016 was EUR 2,116 million (2015: EUR 1,747 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 as necessary, these fair value measurements are fully classified as Level 2 within the fair value hierarchy as described in note 5.8.

Accounting policy for due from banks
Due from banks are non-derivative financial assets (classified as loans and receivables) 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 5.8 for 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.

4.6 Cash and cash equivalents

in millions of euros	2016*	2015*	1 January 2015 (unaudited)
Current account Rabobank and its related entities	660	362	410
Current account other banks	176	179	173
Total cash and cash equivalents	**836**	**541**	**583**

* As at 31 December

A reconciliation of cash and cash equivalents presented in the statement of financial position and cash and cash equivalents on the face of the statement of cash flows is presented below.

in millions of euros	2016*	2015*	1 January 2015 (unaudited)
Cash and cash equivalents presented on the face of the statement of financial position	836	541	583
Cash and cash equivalents included in disposal groups (note 3.1)	121	-	-
Cash and cash equivalents presented in the statement of cash flows	**957**	**541**	**583**

* As at 31 December

Cash and cash equivalents do not bear material credit risk as cash is primarily maintained on the accounts of Rabobank (AA rating). All material current accounts with other banks are held with banks holding A ratings or higher.

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 (classified as loan and receivable financial instruments) are held at amortized cost, which due to the short maturity approximates their fair value. These fair values are classified as Level 1 in the fair value hierarchy, refer to note 5.8 for further details.

4.7 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, 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 which is 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. For the purpose of this note, where applicable, Athlon and Financial Solutions have been split out.

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 Rabobank. 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 to all asset-financing businesses from an interest rate perspective. Interest rate exposures on certain finance lease 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 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 DLL Treasury.

Interest rate risk sensitivity analysis

DLL tracks interest rate risk sensitivity through monthly calculation of an Income at Risk (IaR) sensitivity analysis. Five scenarios are tested (interest rates up, interest rates down, curve steepening, curve flattening and use of forward rates) and analysed per currency. The scenarios are further analysed for movement in the fixed (5 year) and floating rate (1 month) rate positions. The impact is then analyzed over a one year time horizon, and the cumulative impact of each scenario is converted into euro. This is tracked both in aggregagate and per scenario per currency.

DLL monitors all scenarios with a specific loss limit of EUR 5 million (2015: EUR 5 million) set for the up or down scenarios, whichever yields 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 2016 or 2015.

The monthly fluctuation of IaR is monitored by Group Treasury and typically remains stable. The IaR values at 31 December 2016 and 31 December 2015 are therefore representative of the entire respective years. DLL's total IaR for the down scenario at 31 December 2016 across currencies and aggregating the impact of both fixed and floating interest impacts, was EUR 3 million (2015: EUR 1 million). No limits were breached in 2016 or 2015.

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 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. At 31 December 2016, DLL's PV01 on the net interest gap was EUR -278,794 (2015: EUR -125,819). 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 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 4.4 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 at 31 December 2016						
Interest-bearing assets						
Cash	836	836	-	-	-	-
Available-for-sale bond portfolio	45	-	-	45	-	-
Due from banks	2,107	1,023	6	71	1,007	-
Due from customers	28,525	5,770	1,576	6,202	14,269	708
Fixed assets under operating lease	2,208	58	120	515	1,456	59
Assets in disposal group held for distribution	4,573	-	4,573	-	-	-
	38,294	**7,687**	**6,275**	**6,833**	**16,732**	**767**
Interest-bearing liabilities						
Short-term loans and overdrafts	(4,796)	(4,796)	-	-	-	-
Issued debt securities	(302)	(302)	-	-	-	-
Long-term borrowings	(27,542)	(6,007)	(4,015)	(5,008)	(11,993)	(519)
Liabilities in disposal group held for distribution	(313)	-	(313)	-	-	-
	(32,953)	**(11,105)**	**(4,328)**	**(5,008)**	**(11,993)**	**(519)**
Derivatives						
Interest rate swap – net floating rate notional	7,751	5,973	1,763	15	-	-
Interest rate swap – net fixed rate notional	(7,493)	129	(414)	(1,853)	(5,090)	(265)
Cross currency swap – net floating rate notional	537	157	380	-	-	-
Cross currency swap – net fixed rate notional	(645)	(34)	(55)	(170)	(370)	(16)
	(150)	**6,225**	**1,674**	**(2,008)**	**(5,460)**	**(281)**
Net interest gap	**5,233**	**2,549**	**3,621**	**(183)**	**(721)**	**(33)**

* Except in the case of derivatives which 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 at 31 December 2015						
Interest-bearing assets						
Cash	541	541	-	-	-	-
Available-for-sale bond portfolio	45	-	-	45	-	-
Due from banks	1,740	433	1,182	60	65	-
Due from customers	30,767	7,401	1,543	6,448	14,767	608
Fixed assets under operating lease	5,303	281	341	1,371	3,254	56
	38,396	**8,656**	**3,066**	**7,924**	**18,086**	**664**
Interest-bearing liabilities						
Short-term loans and overdrafts	(3,846)	(3,846)	-	-	-	-
Issued debt securities	(727)	(230)	(6)	(85)	(406)	-
Long-term borrowings	(28,526)	(7,939)	(6,155)	(4,526)	(9,500)	(406)
	(33,099)	**(12,015)**	**(6,161)**	**(4,611)**	**(9,906)**	**(406)**
Derivatives						
Interest rate swap – net floating rate notional	9,792	7,160	2,608	24	-	-
Interest rate swap – net fixed rate notional	(9,792)	(47)	(332)	(2,420)	(6,727)	(266)
Cross currency swap – net floating rate notional	933	280	652	1	-	-
Cross currency swap – net fixed rate notional	(1,086)	(54)	(81)	(256)	(671)	(24)
	(153)	**7,339**	**2,847**	**(2,651)**	**(7,398)**	**(290)**
Net interest gap	**5,144**	**3,980**	**(248)**	**662**	**782**	**(32)**

* Except in the case of derivatives which 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 4.4) and foreign currency debt in managing foreign exchange risk. The only exception is DLL's investment in the Brazil entity, for which a decision was made by DLL's ALCO to not hedge the exposure 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 significant exposures at 31 December 2016 and 2015 respectively, on its monetary assets and liabilities and its forecast 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.

The requirements for application of hedge accounting were not met in 2016 or 2015; hedge accounting has therefore not been applied in these financial statements.

Accordingly, changes in exchange rates impact both equity, as a result of revaluation of net investments in foreign operations (i.e. through Foreign Currency Translation Reserve); as well as profit or loss, as a result of remeasurement of derivatives used to mitigate foreign net investment risk and other foreign exchange exposures.

in millions of euros	Change in currency rate in %*	Effect on profit for the year	Effect on equity	Total effect
As at 31 December 2016				
USD	+/- 3%	35/(37)	(35)/37	-/-
BRL	+/- 11%	-/-	(19)/23	(19)/23
NOK	+/- 4%	2/(2)	(1)/1	1/(1)
CNY	+/- 3%	3/(3)	(3)/3	-/-
CAD	+/- 4%	7/(8)	(7)/7	-/(1)
As at 31 December 2015				
USD	+/- 3%	30/(32)	(30)/32	-/-
BRL	+/- 11%	-/-	(14)/18	(14)/18
NOK	+/- 4%	1/(1)	(1)/1	-/-
CNY	+/- 3%	3/(3)	(3)/3	-/-
CAD	+/- 4%	6/(7)	(5)/6	1/(1)

* The percentage change represents a reasonable possible change over two years.

Liquidity risk and funding
Liquidity risk is the risk that DLL will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that DLL might be unable to meet its payment obligations when they fall due under either normal or stress circumstances. For the purpose of this note, where applicable, Athlon and Financial Solutions have not been split out, consistent with DLL's risk management approach.

DLL applies a policy of match-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 match-funded sources, including borrowings, DLL's own equity (less intangibles), non-controlling interests and other working capital 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 his 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. DLL Treasury monitors country-level adherance 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. Loans within the consumer financing business (included in due from customers) have revolving credit facility terms with no set end date and DLL therefore categorizes this within 5+ years as a conservative assumption. This is also approved by DLL's ALCO.

Usage of the 10% limit at 31 December 2016 was 6.83% (2015: 6.79%), which is representative of the usage throughout the respective years.

The consumer finance and factoring businesses within the Financial Solutions global business unit are the primary users of the 10% liquidity limit in both 2016 and 2015. However, at 31 December 2016 Financial Solutions was classified as disposal group held for distribution (refer to note 3.1). It is therefore anticipated that usage the 10% limit will decline going forward.

From a funding perpective, 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 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.

EIB and BNDES funding are the only material funding contracts with coventants. Management monitors all contractual covenants from both a legal and a financial perspective. There were no breaches of covenants that impacted DLL's liquidity in either 2016 or 2015.

The table below reflects the carrying amounts of DLL's assets and liabilities at contractual maturities except for certain finance lease portfolios where DLL uses expected maturity. Loans within the consumer financing business (within due from customers) are categorized in >5 years. Assets and liabilities in disposal groups held for distribution are categorized at expected settlement (i.e. within 3 months). 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 at 31 December 2016							
Assets							
Cash	836	836	-	-	-	-	-
Accounts receivable and other short-term assets	424	174	205	45	-	-	-
Derivatives	65	11	2	1	37	14	-
Due from banks	2,107	991	38	71	1,007	-	-
Due from customers	28,525	1,097	2,309	7,657	16,720	742	-
Fixed assets under operating lease	2,208	58	120	515	1,456	59	-
Goodwill and other intangible assets	115	-	-	-	-	-	115
Current tax receivable	152	-	-	-	-	-	152
Deferred tax asset	191	-	-	-	-	-	191
Other assets	242	-	-	-	-	-	242
Assets in disposal group held for distribution	4,573	-	4,573	-	-	-	-
	39,438	**3,167**	**7,247**	**8,289**	**19,220**	**815**	**700**
Liabilities							
Short-term loans and overdrafts	(4,796)	(2,786)	(788)	(1,222)	-	-	-
Accounts payable and other short-term liabilities	(965)	-	(965)	-	-	-	-
Issued debt securities	(302)	(8)	(22)	(101)	(170)	(1)	-
Provisions	(106)	-	-	-	-	-	(106)
Derivatives	(192)	(4)	(1)	(35)	(119)	(33)	-
Long-term borrowings	(27,542)	(842)	(2,073)	(7,326)	(16,629)	(672)	-
Current tax payable	(32)	-	-	-	-	-	(32)
Deferred tax liability	(575)	-	-	-	-	-	(575)
Other liabilities	(233)	-	-	-	-	-	(233)
Liabilities in disposal group held for distribution	(313)	-	(313)	-	-	-	-
	(35,056)	**(3,640)**	**(4,162)**	**(8,684)**	**(16,918)**	**(706)**	**(946)**
Liquidity gap	**4,382**	**(473)**	**3,085**	**(395)**	**2,302**	**109**	**(246)**

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 at 31 December 2015							
Assets							
Cash	541	541	-	-	-	-	-
Accounts receivable and other short-term assets	607	300	262	45	-	-	-
Derivatives	68	2	4	10	43	9	-
Due from banks	1,740	386	20	62	1,272	-	-
Due from customers	30,767	1,503	2,519	8,835	16,060	1,850	-
Fixed assets under operating lease	5,303	280	341	1,371	3,237	74	-
Goodwill and other intangible assets	500	-	-	-	-	-	500
Current tax receivable	202	-	-	-	-	-	202
Deferred tax asset	206	-	-	-	-	-	206
Other assets	313	-	-	-	-	-	313
	40,247	**3,012**	**3,146**	**10,323**	**20,612**	**1,933**	**1,221**
Liabilities							
Short-term loans and overdrafts	(3,846)	(2,405)	(741)	(700)	-	-	-
Accounts payable and other short-term liabilities	(1,093)	-	(1,093)	-	-	-	-
Issued debt securities	(727)	(230)	(6)	(85)	(406)	-	-
Provisions	(67)	-	-	-	-	-	(67)
Derivatives	(273)	(5)	(1)	(2)	(182)	(83)	-
Long-term borrowings	(28,526)	(880)	(1,783)	(8,308)	(17,095)	(460)	-
Current tax payable	(124)	-	-	-	-	-	(124)
Deferred tax liability	(567)	-	-	-	-	-	(567)
Other liabilities	(327)	-	-	-	-	-	(327)
	(35,550)	**(3,520)**	**(3,624)**	**(9,095)**	**(17,683)**	**(543)**	**(1,085)**
Liquidity gap	**4,697**	**(508)**	**(478)**	**1,228**	**2,929**	**1,390**	**136**

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 at 31 December 2016						
Undiscounted financial liabilities						
Short-term loans and overdrafts	(4,802)	(2,788)	(790)	(1,224)	-	-
Accounts payable*	(791)	-	(791)	-	-	-
Issued debt securities	(343)	(9)	(24)	(111)	(198)	(1)
Long-term borrowings	(28,277)	(873)	(2,132)	(7,556)	(17,022)	(694)
Financial liabilities in disposal group held for distribution*	(35)	-	(3)	(12)	(18)	(2)
	(34,248)	**(3,670)**	**(3,740)**	**(8,903)**	**(17,238)**	**(697)**
Non-trading gross settled derivatives						
Derivative assets						
Contractual amounts receivable	1,255	767	199	73	192	24
Contractual amounts payable	(1,234)	(757)	(194)	(76)	(184)	(23)
	21	**10**	**5**	**(3)**	**8**	**1**
Derivative liabilities						
Contractual amounts receivable	848	303	65	293	182	5
Contractual amounts payable	(1,019)	(321)	(83)	(363)	(242)	(10)
	(171)	**(18)**	**(18)**	**(70)**	**(60)**	**(5)**
	(34,398)	**(3,678)**	**(3,753)**	**(8,976)**	**(17,290)**	**(701)**

* 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 at 31 December 2015						
Undiscounted financial liabilities						
Short-term loans and overdrafts	(3,850)	(2,407)	(742)	(701)	-	-
Accounts payable*	(874)	-	(874)	-	-	-
Issued debt securities	(748)	(230)	(7)	(90)	(421)	(0)
Long-term borrowings	(29,244)	(912)	(1,844)	(8,562)	(17,456)	(470)
	(34,716)	**(3,549)**	**(3,467)**	**(9,353)**	**(17,877)**	**(470)**
Non-trading gross settled derivatives						
Derivative assets						
Contractual amounts receivable	(651)	(156)	(50)	(202)	(237)	(6)
Contractual amounts payable	681	158	57	209	250	7
	30	**2**	**7**	**7**	**13**	**1**
Derivative liabilities						
Contractual amounts receivable	(1,409)	(215)	(94)	(292)	(786)	(22)
Contractual amounts payable	1,139	198	71	223	633	14
	(270)	**(17)**	**(23)**	**(69)**	**(153)**	**(8)**
	(34,956)	**(3,564)**	**(3,483)**	**(9,415)**	**(18,017)**	**(477)**

* 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 committmets.

Other

These financial statements have been fully audited for the year 2016. For 2015 only the statement of financial position as at 31 December 2015 was audited.

5.1 Goodwill and other intangible assets

in millions of euros	Goodwill	Other	Total
Cost	447	323	770
Accumulated amortization and impairment	-	(270)	(270)
Carrying amount as at 31 December 2015	**447**	**53**	**500**
Acquisitions	-	5	5
Amortization	-	(19)	(19)
Impairment	-	-	-
Net exchange differences	(3)	1	(2)
Disposal of a subsidiary (note 3.1)	(367)	(2)	(369)
Cost	77	169	246
Accumulated amortization and impairment	-	(131)	(131)
Carrying amount as at 31 December 2016	**77**	**38**	**115**
			-
Cost	446	315	761
Accumulated amortization and impairment	-	(243)	(243)
Carrying amount as at 1 January 2015	**446**	**72**	**518**
Acquisitions	-	6	6
Amortization	-	(25)	(25)
Impairment	-	-	-
Net exchange differences	1	-	1
Carrying amount as at 31 December 2015	**447**	**53**	**500**

Goodwill is allocated to the lowest identifiable Cash Generating Unit (CGU). EUR 367 million was allocated to Athlon at 31 December 2015, which was disposed during 2016 as part of the disposal of Athlon (refer to note 3.1). The remaining goodwill of EUR 77 million relates to the acquisition of business 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 at 31 December 2016, the discount rate applied by DLL was 7.2% (2015: 8.9%). The discount rate is determined using the Capital Asset Pricing Model (CAPM), with key inputs into the CAPM being:
– **Risk free rate**: 20-year (2015: 30-year) government bonds.
– **Beta**: an average across a selection of appropriate companies.
– **Equity market risk premium**: Publically 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% (2015: 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 11.0% from the current 7.2% (2015: increased to 11.2% from the current 8.9%). This discount rate is reached when the 20-year Government Bond rate is 4.0% (2015: 3.7%). As at the goodwill testing date, the Government Bond was 0.2% (2015: 1.3%), 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 97 million (2015: EUR 38 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 the 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, being planning and investigation; and development, being 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.

5.2 Accounts receivable and other assets

in millions of euros	2016*	2015*	1 January 2015 (unaudited)
Accounts receivables and other short-term assets			
Prepayments	174	300	166
VAT to be claimed	88	146	146
Inventory	76	86	62
Accounts receivable	41	30	209
Available-for-sale bond portfolio	45	45	-
	424	**607**	**583**
Other assets			
Fixed assets for own use	83	98	99
Investments in associates	24	32	22
Other	135	183	144
	242	**313**	**265**
Total other assets	**666**	**920**	**848**

* As at 31 December

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.

Accounts receivable

Accounts receivable represents non-interest bearing amounts due to DLL resulting from business non-lease business activities. Among others, these receivables relate to maintenance fees, warranties, and commissions.

Accounts receivable are typically on terms of 30-90 days. At 31 December 2016 there were no material accounts receivable aged beyond 90 days (2015: none). Furthermore, due to the short-term nature of these accounts receivable their carrying amount approximates their fair value.

Available-for-sale (AFS) bond portfolio

The AFS bond portfolio comprises marketable Dutch government bonds 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 at the reporting date (Level 1). Revaluation of these AFS assets is recognized in a reserve in equity (via Other Comprehensive Income). However, year-on-year revaluations in both 2016 and 2015 were immaterial and therefore not separately disclosed in either OCI or equity.

Fixed assets for own use

Fixed assets for own use represent land and buildings as well as office and other equipment used by DLL. The table below presents key movements in the fixed assets balances:

in millions of euros	Land and buildings	Equipment	Total
Cost	104	149	253
Accumulated depreciation and impairment	(53)	(102)	(155)
Carrying amount at 31 December 2015	**51**	**47**	**98**
Purchases	-	6	6
Disposals	(1)	(1)	(2)
Depreciation	(2)	(11)	(13)
Net exchange differences	1	1	2
Reclassification to disposal group	-	(1)	(1)
Disposal of a subsidiary	-	(7)	(7)
Cost	97	106	203
Accumulated depreciation	(48)	(72)	(120)
Carrying amount at 31 December 2016	**49**	**34**	**83**
Cost	105	139	244
Accumulated depreciation and impairment	(52)	(93)	(145)
Carrying amount at 1 January 2015	**53**	**46**	**99**
Purchases	1	14	15
Disposals	(3)	(2)	(5)
Depreciation	(2)	(11)	(13)
Net exchange differences	2	-	2
Carrying amount at 31 December 2015	**51**	**47**	**98**

Investments in associates
Investments in associates represent interests held in various entities where DLL exhibits significant influence but does not control the entity. Share of profit of associate in amount of EUR 1 million (2015: EUR 1 million) is included in other income. Investments in associates are accounted using the equity method of accounting.

Other assets
These mainly consist of capitalized bonuses and commissions and non lease receivables related to operating lease contracts (warranties, 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 inventory
Inventory is valued at the lower of cost and Net Realizable Value (NRV). 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. NRV is the estimated selling price in the ordinary course of remarketing, less estimated selling costs.

Accounting policy for AFS bond portfolio
AFS financial assets include government bonds that are held to meet liquidity requirements in a regulated subsidiary of DLL.

AFS financial assets are measured at fair value. Unrealized gains or losses are recognized in other comprehensive income and adjusted in the AFS 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 AFS financial assets is reported as interest income using effective interest rate (EIR) method. Refer to note 5.8 for description of the EIR method.

Accounting policy for fixed assets for own use
All items classed 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 lives 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.

5.3 Accounts payable and other liabilities

in millions of euros	2016*	2015*	1 January 2015 (unaudited)
Accounts payable and other short-term liabilities			
Accounts payable	791	874	539
Payable to the buyer of Athlon (note 3.1)	26	-	-
Accrued expenses	104	164	71
VAT payable	44	55	75
	965	**1,093**	**685**
Other liabilities			
Deferred income	97	101	69
Net defined benefit plan liability	22	18	18
Car maintenance accrual	-	114	104
Other	114	94	592
	233	**327**	**783**
Total other liabilities	**1,198**	**1,420**	**1,468**

* As at 31 December

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 operates two defined benefit pension plans in UK and in Sweden:

in millions of euros	2016*	2015*	1 January 2015 (unaudited)
DLL UK			
Plan assets	13	13	13
Plan liabilities	(24)	(20)	(20)
Net defined benefit plan liability	(11)	(7)	(7)
DLL Sweden			
Net defined benefit plan liability	(11)	(11)	(11)
Total net defined benefit plans liabilities	**(22)**	**(18)**	**(18)**

* As at 31 December

DLL UK
The defined benefit plan in the UK requires contributions to be made to a fund that is separately administered by Rabobank London Branch. The fund is closed to new members and is therefore a run off scheme with no active members, 46 deferred members, and 22 retired members at 31 December 2016 (2015 and 1 January 2015: 46 deferred members, and 22 retired members). An increase in the defined benefit liability as at 31 December 2016 resulted from a change in the applied discount rates due to turbulent economic conditions that ensued in the UK during the year (predominantly, Brexit). In 2015 there were no material changes to underlying assumptions.

DLL Sweden
Unlike the UK defined benefit plan, the defined benefit plan in Sweden is not funded against plan assets. 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.

At 31 December 2016, the fund had 89 active members, 190 deferred members and 13 retired members (2015: 88 active, 182 deferred, 11 retired; 1 January 2015: 87 active, 175 deferred, 8 retired; 1 January 2015: 87 active, 175 deferred, 8 retired). In 2016 or in 2015 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) at 31 December 2016 (nor at 31 December or 1 January 2015).

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.

Car maintenance accrual
This amount relates to accruals of car maintenance expenses. These accruals were disposed of in 2016 as part of the sale of Athlon (refer to note 3.1).

Other liabilities
These mainly consist of wage tax and social security to be paid and accrued expenses related to rental of buildings, 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 – comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements recognized directly in profit or loss in staff expenses.

5.4 Provisions

in millions of euros	2016*	2015*	1 January 2015 (unaudited)
Provision for restructuring	15	8	8
Provision for tax and legal claims	26	25	21
Other provisions	4	2	3
	45	**35**	**32**
Insurance related provisions	61	32	22
Total provisions	**106**	**67**	**54**

* As at 31 December

Provision for restructuring
Provisions for restructuring consists of future payments relating to redundancy pay and other costs directly attributable to a reorganization program. The outflow is expected to occur in 2017. Staff are notified before any provision for restructuring is created.

Provision for tax and legal claims
Tax claims are claims from local tax authorities and include all amounts claimed in excess of the taxes recognized in the regular business. Fines and interest charged by tax authorities are included in the provision for tax claims if the outflow is probable.

Legal claims contains provisions related to legal claims against DLL. This provision is based on the best possible estimates of the outcomes, that take into account legal advice received where available. The timing of the cash outflow of these provisions is uncertain because the outcome of the disputes and the time involved are complex to reasonably predict.

Changes in provisions (other than insurance provisions, which are presented separately below) were as follows:

in millions of euros	Provision for restructuring	Provision for tax and legal claims	Other provisions	Total
As at 31 December 2015	8	25	2	35
Created	10	5	5	20
Released	(1)	(4)	(1)	(6)
Utilized	(2)	(2)	(2)	(6)
Net exchange differences	-	2	-	2
As at 31 December 2016	**15**	**26**	**4**	**45**
As at 1 January 2015	8	21	3	32
Created	1	10	-	11
Released	-	(3)	-	(3)
Utilized	(1)	(1)	-	(2)
Net exchange differences	-	(2)	(1)	(3)
As at 31 December 2015	**8**	**25**	**2**	**35**

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 DAC 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 programmes underwritten by insurance companies insuring risks related to assets, leases and financing provided by DLL, its subsidiaries and vendor partners.

Insurance related provisions comprised:

in millions of euros	2016*	2015*	1 January 2015 (unaudited)
Unearned premium reserve	40	22	15
Loss reserves	21	10	7
Total insurance related provisions	**61**	**32**	**22**

* As at 31 December

The analysis of the remaining maturity of the insurance related provisions is included in the note 4.7.

Over 45% (2015: over 65%) of total premiums written are related to reinsurance of physical damage of motor vehicles (predominantely agricultural equipment).

Changes in insurance related provisions are presented below:

in millions of euros	2016*	2015*
Unearned premium reserve		
Opening balance	22	15
Premiums written	23	17
Premiums earned	(18)	(12)
Portfolio transfer	9	-
Net exchange differences	4	2
Closing balance	**40**	**22**
Loss reserve		
Opening balance	10	7
Movement in provision	9	4
Portfolio transfer	1	-
Net exchange differences	1	(1)
Closing balance	**21**	**10**

* As at 31 December

The total amount of premiums written by DLL Re was EUR 23 million (2015: EUR 17 million) net of movements in unearned premium reserve, loss reserves as detailed above and total amount of claims paid of EUR 7 million (2015: EUR 4 million) is included in Other income.

Gross claims development table

Below is the claims development table that details claims related to Motor Third Party Liability (MTPL) business. After the sale of Athlon (refer to note 3.1), this business is gradually being unwound. For other reinsurance products the uncertainty about the amount and timing of claims payments is typically resolved within one year. The table shows the development of claims for the MTPL business since inception in 2014.

in millions of euros	2014 (unaudited)	2015 (unaudited)	2016	Total
Cumulative payments to date				
End of accident year	-	-	-	
One year later	(1)	(1)	-	
Two years later	(1)	-	-	
Estimate of cumulative claims				
End of accident year	3	3	6	
One year later	3	5	-	
Two years later	5	-	-	
Liabilities recognized	**4**	**4**	**6**	**14**

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.

The DLL's underwriting strategy it to provide insurance products associated with the 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 a range of actuarial techniques for calculating loss reserves.

Accounting policy for provisions

Provisions other than insurance related are recognized 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.

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 which have occurred up to the reporting date and have been identified by DLL. The IBNR reserve represents an estimate of loss and claims adjustment expenses associated with future likely claims activity based on historical actual results that establish a reliable pattern. This pattern is used to estimate IBNR amounts and the timing of those amounts for financial statement purposes.

5.5 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 Section A, for further details).

Companies under common control
All companies that are controlled by the Rabobank group.

Associates
DLL has investments in other entities which it does not control but exercise significant influence (associates). Refer to note 5.2 for further details.

Key management personnel
Key management personnel of DLL comprises 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. 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	4.2
Associated interest expenses	2.1
Disposal group held for distribution	3.1
Derivatives	4.4
Associated gains and losses	2.2
Due from banks	4.5
Associated interest income	2.1
Issued debt securities*	4.3
Cash and cash equivalents	4.6
Administrative cost from the parent	2.5
Net defined benefit liability	5.3
Associates	
Investment in associates	5.2
Share of profit or loss of associates	5.2
Key management personnel of DLL	
Short and long-term benefits, and other remuneration	2.4

* Interest expenses associated with debt securities issued to related parties are not material.

DLL does not issue commitments to its related parties.

5.6 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 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 4.7).

Intra-group mutual keep well system
DLL is part of an intra-group mutual keep well system as described in note i Corporate Information, under which all the participating entities are bound, in the event of a lack of funds of a participating entity to satisfy its creditors, to provide the funds necessary to allow the deficient participant to satisfy its creditors. That system includes DLL entities as well as Rabobank entities, accordingly DLL does not only receive unlimited guarantee support from its parent, but also provides such support to its parent.

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.

At 31 December 2016, DLL had no material unresolved legal claims (2015: none, 1 January 2015: 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 created provisions on its balance sheet, refer to note 5.4.

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 resources has become probable, in which case a provision is recognized in the financial statements of the period in which the change in probability occurs.

5.7 Group structure

The consolidated financial statements of DLL include the following key operating entities as at 31 December 2016. There were no changes to the group structure compared to prior year apart from disposal of Athlon in 2016 which is further described in note 3.1.

Country of incorporation	Entity name	Principal activities	% equity interest 31 December 2016
Australia	De Lage Landen Pty Limited	Vendor financing	100
Brazil	Banco De Lage Landen Brasil S.A.	Vendor financing	75
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.N.C.	Vendor financing	51
Germany	De Lage Landen Leasing GmbH	Vendor financing	100
Ireland	DLL Ireland DAC	Treasury entity	100
Ireland	DLL Liquid Investments DAC	Treasury entity	100
Netherlands	De Lage Landen Financial Services B.V.*	Corporate financing	100
Netherlands	De Lage Landen Vendorlease B.V.	Vendor financing	100
Sweden	De Lage Landen Finans AB	Vendor financing	100
United Kingdom	De Lage Landen Leasing Limited	Vendor financing	100
United States of America	De Lage Landen Financial Services, Inc.	Vendor financing	100
United States of America	DLL Finance LLC	Vendor financing	100
United States of America	AGCO Finance LLC	Vendor financing	51

* included in Financial Solutions global business unit that is classified by DLL as discontinued operations as at 31 December 2016. Refer to note 3.1.

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

in millions of euros		2016*				2015*				1 January 2015	
Group entity	**Country**	**%**	**Dividends paid to NCI**	**NCI Equity stake**	**Profit allocated to NCI**	**%**	**Dividends paid to NCI (unaudited)**	**NCI Equity stake**	**Profit allocated to NCI (unaudited)**	**%**	**NCI Equity stake (unaudited)**
Individually material for the Group:											
AGCO Finance SNC	France	49%	4	89	10	49%	3	78	10	49%	67
AGCO Finance LLC	USA	49%	19	68	11	49%	15	73	14	49%	67
De Lage Landen Participacoes Limitada	Brazil	25%	5	79	7	25%	3	65	12	25%	71
AGCO Finance GmbH	Germany	49%	2	51	5	49%	9	47	7	49%	50
AGCO Finance Canada, Ltd	Canada	49%	-	38	4	49%	-	32	4	49%	31
AGCO Finance Limited	UK	49%	4	17	4	49%	4	20	-	49%	18
Cargobull Finance Holding B.V	the Netherlands	49%	-	68	6	49%	-	62	6	49%	54
Mahindra Finance USA LLC	USA	49%	-	40	4	49%	-	30	2	49%	19
Other individually immaterial non-controlling interest			21	67	13		14	77	18		75
Total			**55**	**517**	**64**		**48**	**484**	**73**		**452**

* As at 31 December

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

Summarized statement of financial position for AGCO Finance S.N.C.:

in millions of euros	2016*	2015*	1 January 2015 (unaudited)
Assets			
Due from customers	1,216	1,206	1,155
Other assets	169	146	122
Total assets	**1,385**	**1,352**	**1,277**
Liabilities			
Borrowings	1,185	1,180	1,128
Other liabilities	19	13	13
Total liabilities	**1,204**	**1,193**	**1,141**
Net assets	**181**	**159**	**136**
Non-controlling interest share of net assets	**89**	**78**	**67**

* As at 31 December

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

in millions of euros	2016	2015 (unaudited)
Interest income from customers	46	48
Profit/(loss) for the year	20	20
Other comprehensive income	-	-
Profit allocated to non-controlling interest	**10**	**10**

Summarized statement of financial position for AGCO Finance LLC:

in millions of euros	2016*	2015*	1 January 2015 (unaudited)
Assets			
Due from customers	2,136	2,194	1,936
Other assets	62	30	19
Total assets	**2,198**	**2,224**	**1,955**
Liabilities			
Borrowings	2,008	1,990	1,747
Other liabilities	51	85	71
Total liabilities	**2,059**	**2,075**	**1,818**
Net assets	**139**	**149**	**137**
Non-controlling interest share of net assets	**68**	**73**	**67**

* As at 31 December

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

in millions of euros	2016	2015 (unaudited)
Interest income from customers	83	83
Profit/(loss) for the year	23	28
Other comprehensive income	-	-
Profit allocated to non-controlling interest	**11**	**14**

Summarized statement of financial position for DLL Participações Limitada:

in millions of euros	2016*	2015*	1 January 2015 (unaudited)
Assets			
Due from customers	1,298	1,008	1,509
Other assets	142	162	218
Total assets	**1,440**	**1,170**	**1,727**
Liabilities			
Borrowings	1,147	943	1,412
Other liabilities	25	21	53
Total liabilities	**1,172**	**964**	**1,465**
Net assets	**268**	**206**	**262**
Non-controlling interest share of net assets	**79**	**65**	**71**

* As at 31 December

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

in millions of euros	2016	2015 (unaudited)
Interest income from customers	71	76
Profit/(loss) for the year	16	25
Other comprehensive income	-	-
Profit allocated to non-controlling interest	**7**	**12**

Summarized statement of financial position for AGCO Finance GmbH:

in millions of euros	2016*	2015*	1 January 2015 (unaudited)
Assets			
Due from customers	859	940	918
Other assets	58	42	45
Total assets	**917**	**982**	**963**
Liabilities			
Borrowings	807	873	842
Other liabilities	6	12	20
Total liabilities	**813**	**885**	**862**
Net assets	**104**	**97**	**101**
Non-controlling interest share of net assets	**51**	**47**	**50**

* As at 31 December

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

in millions of euros	2016	2015 (unaudited)
Interest income from customers	33	39
Profit/(loss) for the year	11	15
Other comprehensive income	-	-
Profit allocated to non-controlling interest	**5**	**7**

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

in millions of euros	2016*	2015*	1 January 2015 (unaudited)
Assets			
Due from customers	497	457	510
Other assets	7	7	5
Total assets	**504**	**464**	**515**
Liabilities			
Borrowings	387	374	436
Other liabilities	39	24	16
Total liabilities	**426**	**398**	**452**
Net assets	**78**	**66**	**63**
Non-controlling interest share of net assets	**38**	**32**	**31**

* As at 31 December

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

in millions of euros	2016	2015 (unaudited)
Interest income from customers	22	24
Profit/(loss) for the year	8	8
Other comprehensive income	-	-
Profit allocated to non-controlling interest	**4**	**4**

Summarized statement of financial position for AGCO Finance Limited:

in millions of euros	2016*	2015*	1 January 2015 (unaudited)
Assets			
Due from customers	415	460	444
Other assets	15	23	29
Total assets	**430**	**483**	**473**
Liabilities			
Borrowings	394	440	432
Other liabilities	2	3	4
Total liabilities	**396**	**443**	**436**
Net assets	**34**	**40**	**37**
Non-controlling interest share of net assets	**17**	**20**	**18**

* As at 31 December

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

in millions of euros	2016	2015 (unaudited)
Interest income from customers	20	25
Profit/(loss) for the year	8	10
Other comprehensive income	-	-
Profit allocated to non-controlling interest	**4**	**5**

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

in millions of euros	2016*	2015*	1 January 2015 (unaudited)
Assets			
Due from customers	554	512	490
Other assets	281	311	274
Total assets	**835**	**823**	**764**
Liabilities			
Borrowings	667	625	580
Other liabilities	29	72	73
Total liabilities	**696**	**697**	**653**
Net assets	**139**	**126**	**111**
Non-controlling interest share of net assets	**68**	**62**	**54**

* As at 31 December

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

in millions of euros	2016	2015 (unaudited)
Interest income from customers	21	23
Profit/(loss) for the year	11	12
Other comprehensive income	-	-
Profit allocated to non-controlling interest	**6**	**6**

Summarized statement of financial position for Mahindra Finance USA LLC:

in millions of euros	2016*	2015*	1 January 2015 (unaudited)
Assets			
Due from customers	831	639	406
Other assets	7	4	3
Total assets	**838**	**643**	**409**
Liabilities			
Borrowings	752	577	358
Other liabilities	4	5	12
Total liabilities	**756**	**582**	**370**
Net assets	**82**	**61**	**39**
Non-controlling interest share of net assets	**40**	**30**	**19**

* As at 31 December

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

in millions of euros	2016	2015 (unaudited)
Interest income from customers	36	26
Profit/(loss) for the year	8	5
Other comprehensive income	-	-
Profit allocated to non-controlling interest	**4**	**2**

5.8 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 (none of which has the currency of a hyperinflationary economy) 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), and
- 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 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). For practical reasons, 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 (for example, 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.

5.9 First time adoption of IFRS

These financial statements, for the year ended 31 December 2016, are the first which DLL has prepared in its own capacity in accordance with IFRS. For periods up to and including the year ended 31 December 2015, DLL reported its results and financial position to its parent, Rabobank, an IFRS reporter, under the accounting policies defined by Rabobank group.

DLL has prepared these financial statements in compliance with IFRS at 31 December 2016, together with the comparative period information for the year ended 31 December 2015, as described in the summary of significant accounting policies. In preparing the financial statements, DLL's opening statement of financial position was prepared as at 1 January 2015, which is DLL's date of transition to IFRS. This note explains the principal adjustments made by DLL in restating accounting policies from those applied previously.

IFRS 1 exemption: business combinations
IFRS 1 allows first-time adopters certain exemptions from retrospective application of the requirements of IFRS.

DLL has elected application of the exemption to retrospectively apply IFRS 3 Business Combinations prior to transition date. Implications of IFRS 3 have therefore not been considered prior to 1 January 2015 for either acquisitions of subsidiaries that are considered businesses under IFRS, or acquisitions of interests in associates.

Use of this exemption means that the previously applied carrying amounts of associated assets and liabilities are maintained at the IFRS transition date. After this date, associated assets and liabilities are measured in accordance with IFRS.

In accordance with IFRS 1, DLL has tested goodwill for impairment at the date of transition to IFRS and with no resulting impairment.

IFRS 1 exemption: key estimates (derivatives)
Another exemption permitted under IFRS 1 undertaken by DLL, is with respect to reassessment of estimates. The estimates at 1 January 2015 and at 31 December 2015 are therefore consistent with those made in the previously applied accounting policies apart from the measurement of derivatives at fair value, where application of previously applied accounting policy did not historically require estimation.

The estimates used by DLL to present derivatives in accordance with IFRS (i.e. at fair value) reflect conditions as at 1 January 2015 and as at 31 December 2015, and are applied prospectively.

Reconciliations
The reconciliations below show the impact of changing from previously applied policies. The impact is disclosed on DLL's equity as at transition date (1 January 2015) and at the most recent reporting period under previously applied policies (31 December 2015), as well as on total comprehensive income as at 31 December 2015.

Reconciliation of DLL's equity is therefore as follows:

in millions of euros	31 December 2015 Retained earnings	31 December 2015 Hedge reserve	1 January 2015 Retained earnings (unaudited)	1 January 2015 Hedge reserve (unaudited)
Previously applied policies	3,141	(195)	2,658	(96)
Adjustments:				
A. Fair value adjustment (derivatives)	(54)	-	(48)	-
B. Reversal of hedge reserve	(195)	195	(96)	96
IFRS	**2,892**	**-**	**2,514**	**-**

There were no changes to other classes of equity resulting from the adoption of IFRS.

Reconciliation of DLL's total comprehensive income is as follows:

in millions of euros	Profit for the year	OCI (net of tax)	Total comprehensive income
As at 31 December 2015			
Previously applied policies	505	142	647
Adjustments:			
A. Fair value adjustment (derivatives)	(54)	-	(54)
B. Reversal of hedge reserve	-	(99)	(99)
IFRS	**451**	**43**	**494**

Explanation of the adjusting entries to equity as at 1 January 2015 and 31 December 2015 and total comprehensive income for the year ended 31 December 2015 are presented below:

A. Fair value measurement of derivatives

DLL uses derivatives to mitigate market risks to which DLL is exposed. All derivative transactions are therefore undertaken for risk mitigation purposes (refer to note 4.4). Under the previously applied policies, DLL's derivatives were valued at cost for the vast majority of the portfolio, with the exception of those used to hedge DLL's net investments in foreign operations. These were valued at the fair value of the spot component given that the primary focus was to hedge spot movements of the underlying net assets.

Upon adoption of IFRS, DLL remeasured its derivatives to fair value (refer to note 4.4). As such, an adjustment was recognized to amend the valuation of all derivatives to fair value at 1 January 2015 and 31 December 2015.

B. Hedge reserve

Under the previously applied policies DLL made use of hedge accounting for its net investment in foreign operations. These transactions, however, did not meet the formal requirements of IFRS at a DLL level in terms of IAS 39 Financial instruments: recognition and measurement. As such, the hedge reserve recognized was reversed at both 1 January 2015 and 31 December 2015 (through equity) and movements in the 2016 year were reclassified to profit or loss.

5.10 IFRS Standards issued but not yet effective

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

	Standard	Issue date	Effective date	Expected effects
New standards	IFRS 9 Financial instruments	24 July 2014	1 January 2018	IFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. This standard replaces IAS 39. This is part of an ongoing process administers and coordinated at Rabobank Group level, in which DLL is aligning its methodologies and models. Finalization of first impact assessments is estimated to be complete end of Q2 2017.
	IFRS 15 Revenue from contracts with customers	28 May 2014	1 January 2018	This new Standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. DLL is currently assessing the impact of the new Standard, however it is expected to have a minimal impact on the Company's revenue recognition.
	IFRS 16 Leases	13 January 2016	1 January 2019*	Lessees will, in principle, recognize all leases on their balance sheet as right-of-use asset (including operating lease assets) with the corresponding lease liability (for finance lease as well as operating leases). DLL expects no significant impact on financial position as lessor accounting is largely unchanged compared with IAS 17 and it is only infrequently a lessee.
Amendments	IFRS 2 Share-based payments	20 June 2016	1 January 2018*	Amendment to clarify the classification and measurement of share-based payment transactions. No expected impact on financial position.
	IFRS 4 Insurance contracts	12 September 2016	1 January 2018*	Amendments regarding the interaction of IFRS 4 and IFRS 9. No expected material impact on financial position.
	IAS 7 Statement of cash flows	29 January 2016	1 January 2017*	Amendment regarding the disclosure initiative. Increased disclosure requirements, but no anticipated impact on financial position.
	IAS 12 Income taxes	19 January 2016	1 January 2017*	Amendment regarding the recognition of deferred tax assets for unrealized losses. DLL expects no significant impact on financial position as a result of implementation of this new Standard.
	IAS 28 Investment in associates and joint ventures	18 December 2014	1 January 2016	Amendment on applying the consolidation exception, but no anticipated impact on financial position.

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

On behalf of the Executive Board
W.F. Stephenson, *Chairman*
M.M.A. Dierckx, *CFO per 1-1-2017*
C.G.M. van Kemenade, *COO*
A.J. Gillhaus, *CRO per 1-1-2017*
T.L. Meredith, *CCO per 1-1-2017*

On behalf of the Supervisory Board
B.J. Marttin, *Chairman*
H. Nagel, *member*
R.J. Dekker, *member per 31-3-2017*

Eindhoven, 17 May 2017

List of acronyms

AFS	Available-for-sale
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	Health Care & Clean Tech segment
IaR	Income at Risk
IASB	International Accounting Standards Board
IBNR	Incurred but not reported
IFRS	International Financial Reporting Standards
KPMG	KPMG N.V.
LCC	Local Credit Committee
LGD	Loss given default
MTPL	Motor Third Party Liability
NCI	Non-controlling interest
NRV	Net Realizable Value
OT	Office Technology segment
PD	Probability of default
PwC	PricewaterhouseCoopers Accountants N.V.
RC	Rabobank Certificate
RRR	Rabobank Risk Rating
S&P	Standard & Poor
SPV	Special purpose vehicle
SREP	Supervisory Review and Evaluation Process

Company financial statements

These financial statements have been fully audited for the year 2016. For 2015 only the statement of financial position as at 31 December 2015 was audited.

Contents

Company statement of **financial position**

(before profit appropriation) as at 31 December

in millions of euros	Notes	31-dec-16	31-dec-15
Assets			
Cash	2	431	210
Loans to banks	3	1,420	1,247
Loans to subsidiaries	4	1,345	978
Due from customers	5	2,107	1,852
Derivatives	6	22	51
Investments in subsidiaries	7	4,258	4,416
Investments in associates	8	24	24
Goodwill and other intangible assets	9	36	50
Tangible fixed assets	10	64	54
Other assets	11	1,320	1,731
Total assets		**11,027**	**10,613**
Liabilities			
Borrowings	12	6,797	5,954
Security deposits from customers		1	1
Derivatives	6	21	42
Other liabilities	13	322	391
Provisions	14	25	18
Total liabilities		**7,166**	**6,406**
Equity			
Share capital	22	98	98
Share premium	22	1,135	1,135
Revaluation reserves	22	(9)	(4)
Legal and statutory reserves	22	147	89
Other reserves	22	1,779	2,510
Unappropriated result	22	711	379
Total equity		**3,861**	**4,207**
Total liabilities and equity		**11,027**	**10,613**
Contingent liabilities	20	**-**	**-**
Irrevocable facilities	20	**7**	**10**

Company statement of **profit or loss**

for the year ended 31 December

in millions of euros	Notes	2016	2015 (unaudited)
Interest revenue	15	109	117
Interest expenses	15	(82)	(75)
Fee income		17	16
Fee expenses		(3)	(5)
Gains/(losses) from financial instruments		(51)	(157)
Other operating income		212	194
Total operating income		**202**	**90**
Result from subsidiaries		**773**	**527**
Staff expenses	17	(160)	(158)
Depreciation and impairment of fixed and intangible assets	9/10	(26)	(29)
Other operating expenses	18	(89)	(93)
Credit losses for due from customers		(9)	17
Total operating expenses		**(284)**	**(263)**
Profit before tax		**691**	**354**
Tax expense		20	25
Profit after tax		**711**	**379**

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 31 December 2016, 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. 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 considered a part of the Rabobank Group.

The accounting policies set out before in preparing the DLL consolidated financial statements for the year ended 31 December 2016 are also applied in these company financial statements, with the exception of the valuation of investments in subsidiaries, which are valued at net asset value. Accordingly, in certain notes to these company financial statements reference is made 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).

Refer to the change in legislation, as outlined in section ii. Basis of preparation in the consolidated financial statements. As a consequence, the company prepared and published its company financial statements 2016 in accordance with the revised legislation.

Under the Dutch Financial Supervision Act (Wet op het financieel toezicht), various legal entities owned by Rabobank are jointly and severally liable under an internal intra-group mutual keep well arrangement that requires the participating entities to provide the funds necessary should any participant not have sufficient funds to settle its debts. As at 31 December 2016, the participants are:
- Coöperatieve Rabobank U.A., Utrecht
- Rabohypotheekbank N.V., Amsterdam
- Raiffeisenhypotheekbank N.V., Amsterdam
- De Lage Landen International B.V., Eindhoven
- De Lage Landen Financiering B.V., Eindhoven
- De Lage Landen Trade Finance B.V., Eindhoven
- De Lage Landen Financial Services B.V., Eindhoven

In addition to that pursuant to Section 403 of Book 2 of the Dutch Civil Code, Rabobank has assumed liability for the debts arising from the legal transactions of DLL and several of its subsidiaries:
- De Lage Landen America Holdings B.V.
- De Lage Landen Corporate Finance B.V.
- De Lage Landen Facilities B.V.
- De Lage Landen Financial Services B.V.
- De Lage Landen Financiering B.V.
- De Lage Landen International B.V.
- De Lage Landen Trade Finance B.V.
- De Lage Landen US Participations Limited Liability Company B.V.
- De Lage Landen Vendorlease B.V.

2. Cash

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	2016*	2015*
Current account Rabobank and its related entities	94	30
Current account other banks	337	180
Total cash and cash equivalents	**431**	**210**

* As at 31 December

3. Loans to banks

in millions of euros	2016*	2015*
Opening balance	**1,247**	**1,087**
Loans issued	3,829	2,170
Loans repaid	(3,656)	(2,010)
Interest accrued	3	6
Interest received	(3)	(6)
Closing balance	**1,420**	**1,247**

The maturity of these loans is as follows:

in millions of euros	2016*	2015*
Less than 3 months	416	243
More than 3 months, less than 1 year	-	-
More than 1, less than 5 years	1,004	1,004
More than 5 years	-	-
Total loans to banks	**1,420**	**1,247**

* As at 31 December

DLL issued EUR denominated loans to Rabobank entities in amount of EUR 1,420 million (2015: EUR 1,247 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 carry interest rate of 3M Euribor + 5 year liquidity premium and mature in 2019. As the second leg of this loan-deposit structure, DLL received USD denominated long-term borrowings from Rabobank amounting to EUR 1,186 million (2015: EUR 1,220 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 Company statement of financial position.

4. Loans to subsidiaries

in millions of euros	2016*	2015*
Opening balance	**978**	**284**
Loans issued	559	2,123
Loans repaid	(191)	(1,431)
Interest accrued	6	11
Interest received	(7)	(9)
Closing balance	**1,345**	**978**

The maturity of these loans is as follows:

in millions of euros	2016*	2015*
Less than 3 months	161	155
More than 3 months, less than 1 year	184	38
More than 1, less than 5 years	673	635
More than 5 years	327	150
Total loans to subsidiaries	**1,345**	**978**

* As at 31 December

5. Due from customers

DLL's main portfolios include finance leases, that provide asset-based financing to customers, and loans to customers, that represent commercial, and other financing. The balance at 31 December comprises the following:

in millions of euros	2016*	2015*
Finance lease receivables	1,497	1,823
Loans to customers	692	119
	2,189	1,942
Allowance for impairment**	(82)	(90)
Total due from customers	**2,107**	**1,852**

* As at 31 December

** 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

Unguaranteed residual value

The value of unguaranteed residual values accruing to DLL at 31 December 2016 was EUR 90 million (2015: EUR 80 million).

Investment in finance leases

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

in millions of euros	2016*	2015*
Less than 1 year	589	723
More than 1, less than 5 years	955	1,188
More than 5 years	28	29
Gross investment in leases	**1,572**	**1,940**
Unearned finance income	(121)	(143)
Net investment in leases	**1,451**	**1,797**

* As at 31 December

6. Derivatives

in millions of euros	2016*	2015*
Derivative assets at fair value through profit or loss		
Foreign exchange forwards (including non-deliverable forwards)	4	4
Cross currency swaps	-	18
Interest rate swaps	18	29
Total derivative assets	**22**	**51**
Derivative liabilities at fair value through profit or loss		
Foreign exchange forwards (including non-deliverable forwards)	(8)	(4)
Cross currency swaps	-	(11)
Interest rate swaps	(13)	(27)
Total derivative liabilities	**(21)**	**(42)**
Derivative notional amounts		
Foreign exchange forwards (including non-deliverable forwards)	734	223
Cross currency swaps	-	654
Interest rate swaps	1,343	1,438
Total derivative notional amounts	**2,077**	**2,315**

* As at 31 December

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 classified as held for trading under IFRS and are therefore held at fair value through profit or loss. The gains/(losses) from derivatives for the year ended 31 December 2016 were EUR (8) million (2015: EUR (6) million).

For more detailed information on the treatment of derivatives please refer to note 4.4 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	2016	2015
Opening balance	**4,416**	**3,991**
Purchases and increases	13	18
Repayments and disposals	(6)	9
Dividends	(977)	(179)
Result for the year	773	527
Exchange rate differences	39	50
Closing balance	**4,258**	**4,416**

On 30 November 2016, DLL sold its investments in Athlon Car Lease International B.V. (for more detailed information on this transaction refer to note 3.1 in the consolidated financial statements). DLL recorded a gain on sale of this subsidiary of EUR 251 million, which is included in Results from subsidiaries. Due to application of a participation exemption, this gain is exempt from taxation.

On 7 December 2016 the Executive Board of DLL approved a sale of DLL's Dutch non-vendor finance operations (Financial Solutions) to Coöperatieve Rabobank U.A., the parent of the Company. On 19 December 2016, the transaction was approved by Rabobank's Executive Board, at which point DLL initiated the restructuring process. The transaction was completed on 1 April 2017. Further reference is made to note 3.1 of the consolidated financial statements.

8. Investments in associates

A full list associates is presented in note 5.7 to the consolidated financial statements. Movements in investments in associates are as follows:

in millions of euros	2016	2015
Opening balance	**24**	**16**
Purchase and increase	-	8
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	152	154
Accumulated amortization and impairment	-	(104)	(104)
Net book value as at 31/12/2015	**2**	**48**	**50**
Purchases	-	-	-
Amortization	-	(14)	(14)
Impairment	-	-	-
Net book value as at 31/12/2016	**2**	**34**	**36**
Cost	2	148	150
Accumulated amortization and impairment	-	(86)	(86)
Net book value as at 1/1/2015	**2**	**62**	**64**
Purchases	-	4	4
Amortization	-	(18)	(18)
Impairment	-	-	-
Net book value as at 31/12/2015	**2**	**48**	**50**

10. Tangible fixed assets

Fixed assets can be split into the following three categories: fixed assets under operating lease, land and buildings, and equipment. 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, please refer to note 5.2 of the consolidated financial statements.

The table below shows the composition of fixed assets:

in millions of euros	2016*	2015*
Fixed assets under operating lease	40	27
Land and buildings	17	18
Equipment	7	9
Total fixed assets	**64**	**54**

* As at 31 December

The table on the right presents changes in the carrying amount of total fixed assets for 2015 and 2016.

The table below summarizes future minimum lease payments under non-cancellable operating leases:

in millions of euros	2016*	2015*
Less than 1 year	15	9
More than 1, less than 5 years	26	18
More than 5 years	1	-
Total minimum lease payment	**42**	**27**

* As at 31 December

in millions of euros	FAOL*	Land and buildings	Equipment	Total
Cost	39	43	37	119
Accumulated depreciation	(12)	(25)	(28)	(65)
Carrying amount at 31 December 2015	**27**	**18**	**9**	**54**
Purchases	25	-	1	26
Disposals	(4)	-	-	(4)
Depreciation charge	(8)	(1)	(3)	(12)
Cost	54	43	26	123
Accumulated depreciation	(14)	(26)	(19)	(59)
Carrying amount as at 31 December 2016	**40**	**17**	**7**	**64**
Cost	37	43	32	112
Accumulated depreciation	(13)	(23)	(25)	(61)
Carrying amount as at 1 January 2015	**24**	**20**	**7**	**51**
Purchases	16	-	5	21
Disposals	(7)	-	-	(7)
Depreciation charge	(6)	(2)	(3)	(11)
Cost	39	43	37	119
Accumulated depreciation	(12)	(25)	(28)	(65)
Carrying amount as at 31 December 2015	**27**	**18**	**9**	**54**

* Fixed assets under operating lease

11. Other assets

The following table describes the composition of the Other assets balance.

in millions of euros	2016*	2015*
Amounts receivable from the group companies	1,075	1,495
Current tax assets	143	106
Prepayments	39	37
Transitory assets	27	30
VAT to be claimed	24	40
Deferred tax assets	8	10
Other	4	13
Total other assets	**1,320**	**1,731**

* As at 31 December

12. Borrowings

in millions of euros	2016*	2015*
Short-term loans and overdrafts		
Short-term loans from Rabobank	704	1,508
Other short-term loans	247	158
	951	**1,666**
Long-term borrowings		
Long-term borrowings from Rabobank	2,439	1,540
Long-term borrowings from the group companies	2,252	1,938
Other long-term borrowings	1,155	810
	5,846	**4,288**
Total borrowings	**6,797**	**5,954**

* As at 31 December

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 at 31 December 2016 are USD denominated loans of EUR 1,186 million (2015: EUR 1,461 million). As the second leg of this loan-deposit structure, DLL issued EUR denominated loans to Rabobank in the amount of EUR 1,420 million (2015: EUR 1,247 million), included in due from banks (refer to note 4.5 of consolidated financial statements). This structure relates to a loan-deposit structure between DLL and Rabobank which is used to mitigate DLL's foreign currency risk in respect of net investments in foreign subsidiaries. These loans and deposits carry interest rates based off 3M LIBOR and EURIBOR plus currency funding spreads and mature in 2019. These loans are pledged as collateral for the corresponding borrowings. Whilst, 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. Interest rates on these borrowings are between (0.75)% and 11.50% (2015: (0.25)% / 4.90%).

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 (0.35)% and 5.65% (2015: (0.35)% / 5.60%).

Other long-term borrowings are long-term loans received by DLL from third parties and bear an interest rate between 0% and 4.55% (2015: 0% / 4.55%).

The table below summarizes the ageing of the total borrowings:

in millions of euros	2016*	2015*
Less than 1 year	1,495	1,150
More than 1, less than 5 years	3,602	3,608
More than 5 years	1,700	1,196
Total borrowing	**6,797**	**5,954**

* As at 31 December

13. Other liabilities

The following table provides an overview of the items comprising other liabilities.

in millions of euros	2016*	2015*
Amounts payable to the group companies	164	192
Accrued expenses	45	44
Accounts payable to suppliers	35	14
Current tax liabilities	12	11
VAT Payable	(8)	1
Deferred income	3	3
Deferred tax liabilities	-	9
Net defined benefit plan liability	-	5
Other	71	112
Total other liabilities	**322**	**391**

* As at 31 December

14. Provisions

The following table presents the composition of the balance for provisions as at December 31. For a detailed description of accounting policies regarding the relevant provisions, please refer to note 5.4 of the consolidated financial statements.

in millions of euros	2016*	2015*
Provision for restructuring	10	5
Provision for tax claims	10	13
Other provisions	5	-
Total provisions	**25**	**18**

* As at 31 December

Changes in provisions were as follows:

in millions of euros	Restructuring	Tax claims	Other provisions	Total
As at 1 Jan 2016	**5**	**13**	**-**	**18**
Additions	5	-	5	10
Utilized	-	(3)	-	(3)
As at 31 Dec 2016	**10**	**10**	**5**	**25**
As at 1 Jan 2015	**6**	**9**	**-**	**15**
Additions	-	7	-	7
Utilized	(1)	(3)	-	(4)
As at 31 Dec 2015	**5**	**13**	**-**	**18**

15. Interest revenue and expense

in millions of euros	2016	2015 (unaudited)
Interest revenue		
Interest income from finance leases	82	85
Interest income from subsidiaries	20	22
Interest income from loans to customers	4	4
Interest income from loans to banks	3	6
	109	**117**
Interest expenses		
Interest expense on borrowings from Rabobank	(25)	(22)
Interest expense on other borrowings	(16)	(12)
Interest expense on subsidiaries	(41)	(41)
	(82)	**(75)**
Net interest income	**27**	**42**

For the accounting policy for interest income and expense, refer to note 2.1 of the consolidated financial statements.

16. Other operating income

in millions of euros	2016	2015 (unaudited)
Administration income from subsidiaries	195	180
Other operating income	17	14
Total other operating income	**212**	**194**

17. Staff expenses

In millions of euros	2016	2015 (unaudited)
Short- term employee benefits	104	105
Wages and salaries	71	70
Social security costs	5	10
Temporary staff	28	25
Other short term benefits	44	36
Pension - defined contribution plan	12	12
Pension - defined benefit plan	-	5
Total staff expenses	**160**	**158**

The average number of staff (FTEs) of internal and external employees at DLL was 1,274 (2015: 1,258) of whom 1,044 (2015: 1,016) were employed in the Netherlands.

Key management personnel of DLL comprises 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.

18. Other operating expenses

in millions of euros	2016	2015 (unaudited)
Administration expenses	36	39
IT related cost	32	36
Administrative charges from parent	21	18
Total other operating expenses	**89**	**93**

19. Independent auditor remuneration

Included in other operating expenses are amounts that DLL paid to its independent auditor PricewaterhouseCoopers Accountants N.V. (2016). For details on these fees and their composition please refer to note 2.5 in the consolidated financial statements.

20. Commitments and contingencies

Legal claims

DLL operates in a regulatory and legal environment that, by nature, has a heightened 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.

At 31 December 2016, DLL had no material unresolved legal claims (2015: 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 created provisions on balance sheet, refer to note 14.

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 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 of 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 4.7 of the consolidated financial statements).

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, under a loan facility agreement with Rabobank. The maximum amount of the loan facility agreement is EUR 23,500 million.

21. First-time adoption of IFRS

These financial statements, for the year ended 31 December 2016, are the first DLL has prepared. For periods up to and including the year ended 31 December 2015, DLL has historically reported its consolidated results and consolidated financial position to its parent, Rabobank, an IFRS reporter, under the accounting policies defined by Rabobank group.

The accounting policies applied for the DLL consolidated financial statements for the year ended 31 December 2016 are also applied in these company financial statements, with the exception of the valuation of investments in subsidiaries and associates, which are valued at net asset value. Application of these accounting policies resulted in a number of adjustments to the DLL assets, liabilities and equity as reported in these company financial statements as at 1 January 2015. The summary of these adjustments is provided below.

A. Fair value measurement of derivatives

DLL uses derivatives to mitigate market risks to which DLL is exposed. All derivative transactions are therefore undertaken for risk mitigation purposes (refer to note 6). Under the previously applied policies, DLL's derivatives were valued at cost for the vast majority of the portfolio, with the exception of those used to hedge DLL's net investments in foreign operations. These were valued at the fair value of the spot component given that the primary focus was to hedge spot movements of the underlying net assets.

Upon adoption of IFRS, DLL remeasured its derivatives to fair value (refer to note 6). As such, an adjustment was recognized to amend the valuation of all derivatives to fair value at 1 January 2015 and 31 December 2015.

B. Hedge reserve

Under the previously applied policies DLL made use of hedge accounting for its net investment in foreign operations. These transactions, however, did not meet the formal requirements of IFRS at a DLL level in terms of IAS 39 Financial instruments: recognition and measurement. As such, the hedge reserve recognized was reversed at both 1 January 2015 and 31 December 2015 (through equity) and movements in the 2016 year were reclassified to profit or loss.

22. Shareholder's equity

At 31 December 2016, DLL's authorized capital was EUR 454 million (2015: EUR 454 million), divided into 950 ordinary A shares and 50 ordinary B shares (2015: 950 A and 50 B). The nominal value of each share is EUR 453,780. EUR 98 million (2015: EUR 98 million) is issued and paid up.

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 equity 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 other comprehensive income within the Foreign Currency Translation Reserve, which is the sole item comprising the legal reserve.

There are no statutory reserves prescribed in the Articles of Association of the Company.

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 31 December 2016 and 2015.

in millions of euros	Share capital	Share premium	Revaluation reserves	Legal and statutory reserves	Other reserves	Unappropriated results	Total Equity
Balance as at 1 January 2015	**98**	**1,135**	**(4)**	**36**	**2,111**	**399**	**3,775**
Appropriation of results	-	-	-	-	399	(399)	-
Profit/(loss) for the year	-	-	-	-	-	379	379
							-
Exchange differences on translation of foreign operations, net of tax	-	-	-	53	-	-	53
Total amount recognized directly in equity	**-**	**-**	**-**	**53**	**-**	**-**	**53**
							-
Issue of share capital	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-
Balance at 31 December 2015	**98**	**1,135**	**(4)**	**89**	**2,510**	**379**	**4,207**
Appropriation of results	-	-	-	-	379	(379)	-
Profit/(loss) for the year	-	-	-	-	-	711	711
							-
Remeasurement of post-employment benefit reserve, net of tax	-	-	(4)	-	-	-	(4)
Exchange differences on translation of foreign operations, net of tax	-	-	-	59	-	-	59
Total amount recognized directly in equity	**-**	**-**	**(4)**	**59**	**-**	**-**	**55**
Issue of share capital	-	-	-	-	-	-	-
Dividends	-	-	-	-	(1,100)	-	(1,100)
Other movements	-	-	(1)	(1)	(10)	-	(12)
Balance at 31 December 2016	**98**	**1,135**	**(9)**	**147**	**1,779**	**711**	**3,861**

23. List of subsidiaries

The below list contains the names, registered office and (in)direct capital interest of all subsidiaries of DLL International BV.

Name	Registered office	% Capital
AGCO Capital Argentina S.A.	Buenos Aires, Argentina	51
AGCO Finance AG	Schlieren, Switzerland	51
AGCO Finance B.V.	Eindhoven, the Netherlands	51
AGCO Finance Canada, Ltd.	Regina, Canada	51
AGCO Finance GmbH	Isernhagen, Germany	51
AGCO Finance GmbH, Landmaschinenleasing	Vienna, Austria	51
AGCO Finance Limited	Kenilworth, United Kingdom	51
AGCO Finance DAC	Dublin, Ireland	51
AGCO Finance Limited	Auckland, New Zealand	51
AGCO Finance LLC	Moscow, Russia	51
AGCO Finance LLC	Duluth, United States of America	51
AGCO Finance N.V.	Machelen, Belgium	51
AGCO Finance Pty Limited	Sydney, Australia	51
AGCO Finance S.N.C.	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	75
BBT 2012-1 Trust (Tax Exempt Pool Series 2012)	New York, United States of America	100
BBT 2014-1 Trust (Tax Exempt Pool Series 2014)	New York, United States of America	100
BBT 2016-1 Trust (Tax Exempt Pool Series 2016)	New York, United States of America	100
BSE-DLL Solar Trust	Wilmington, United States of America	100
Capital Asset Finance Limited	Watford, United Kingdom	100
Cargobull Commercial Solutions, S.L.U.	Madrid, Spain	51
Cargobull Finance A/S	Padborg, Denmark	51
Cargobull Finance AB	Stockholm, Sweden	51
Cargobull Finance Financial and Servicing Kft.	Bicske, Hungary	51
Cargobull Finance GmbH	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.A.S.	Le Bourget, France	51
Cargobull Finance S.p.A. con Socio Unico in liquidazione	Milan, Italy	51
Cargobull Finance S.R.L.	Ciorogarla, Romania	51
Cargobull Finance Sp. z o.o.	Warsaw, Poland	51
Cargobull Insurance Broker GmbH	Düsseldorf, Germany	51
CBSC Capital Inc.	Mississauga, 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 Contract Holdings, LLC	Wilmington, United States of America	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 Faktoring Anonim Şirketi	Istanbul, Turkey	100
De Lage Landen Finance Limited Liability Company	Seoul, Republic of Korea	100

Name	Registered office	% Capital
De Lage Landen Finance Zrt.	Budapest, Hungary	100
De Lage Landen Finance, LLC	Wilmington, United States of America	100
De Lage Landen Financial Services B.V.	Eindhoven, the Netherlands	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 Financiering B.V.	Eindhoven, the Netherlands	100
De Lage Landen Finans AB	Stockholm, Sweden	100
De Lage Landen Finansal Kiralama Anonim Şirketi	Istanbul, Turkey	100
De Lage Landen France S.A.S.	Le Bourget, France	100
DLL Ireland DAC	Dublin, Ireland	100
De Lage Landen Leasing AG	Schlieren, Switzerland	100
DLL Leasing DAC	Dublin, Ireland	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.	Machelen, 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	Auckland, New Zealand	100
DLL Liquid Investments DAC	Dublin, Ireland	100
De Lage Landen Materials Handling B.V.	Eindhoven, the Netherlands	100
De Lage Landen Materials Handling Ltd.	Watford, United Kingdom	100
De Lage Landen Materials Handling S.A.S.	Le Bourget, France	100
De Lage Landen Participações Limitada	Porto Alegre, Brazil	75
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
DLL Re DAC	Dublin, Ireland	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 Special Asset Leasing B.V.	Eindhoven, the Netherlands	100
De Lage Landen Trade Finance B.V.	Eindhoven, the Netherlands	100
De Lage Landen U.S. Participations Limited Liability Company B.V.	Eindhoven / Wilmington, the Netherlands	100
De Lage Landen U.S.A., Inc.	Wilmington, United States of America	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 Corretora de Seguros Ltda.	Barueri, Brazil	100
DLL Equipment Trading Middle East and Africa FZE	Jebel Ali Free Zone	100
DLL Finance LLC	Johnston, United States of America	100
DLL Leasing S.A de C.V.	Huixquilucan, Mexico	100
DLL Polska Participations Sp. z o.o.	Warsaw, Poland	100
DLL Polska Corporate Sp. z o.o.	Warsaw, Poland	100
DLL Polska Participations Sp. z o.o. Sp. K.	Warsaw, Poland	100
DLL U.S. Holding Company, L.P.	Wilmington, United States of America	100
Fideaal B.V.	Eindhoven, the Netherlands	100
Komatsu Financial France S.A.S.	Le Bourget, France	95
Komatsu Financial Germany GmbH	Düsseldorf, Germany	95
Komatsu Financial Italy S.p.A.	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
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

Name	Registered office	% Capital
Philips Medical Capital, LLC	Wayne, United States of America	60
RABO Financieringsmaatschappij B.V.	Eindhoven, the Netherlands	100
RABO Ireland Group Pension Trustee Limited	Dublin, Ireland	49
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
Vestdijk Truck Finance Beheer B.V.	Eindhoven, the Netherlands	100

24. Profit appropriation 2016

The proposal to the general meeting of shareholders on 22 May 2017 is to add the profit for the period ended December 31, 2016 to the retained earnings.

On behalf of the Executive Board
W.F. Stephenson, *Chairman*
M.M.A. Dierckx, *CFO per 1-1-2017*
C.G.M. van Kemenade, *COO*
A.J. Gillhaus, *CRO per 1-1-2017*
T.L. Meredith, *CCO per 1-1-2017*

On behalf of the Supervisory Board
B.J. Marttin, *Chairman*
H. Nagel, *member*
R.J. Dekker, *member per 31-3-2017*

Eindhoven, 17 May 2017

Other **information**

Independent **auditor's report**

To: the general meeting and supervisory board of De Lage Landen International B.V.

Report on the financial statements 2016

Our opinion

In our opinion:
- the accompanying consolidated financial statements give a true and fair view of the financial position of De Lage Landen International B.V. as at 31 December 2016 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- the accompanying company financial statements give a true and fair view of the financial position of De Lage Landen International B.V. as at 31 December 2016 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 2016 of De Lage Landen International B.V., Eindhoven. The financial statements include the consolidated financial statements of De Lage Landen International B.V. and its subsidiaries and the company financial statements.

The consolidated financial statements comprise:
- the consolidated statement of financial position as at 31 December 2016;
- the following statements for 2016: the consolidated statement of profit or loss, the consolidated statements of other comprehensive income, changes in equity and cash flows; and
- the notes, comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:
- the company statement of financial position as at 31 December 2016;
- the company statement of profit or loss for the year then ended; and
- the notes, comprising a summary of the accounting policies and other explanatory information.

The financial reporting framework that has been 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.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the section 'Our responsibilities for the audit of the financial statements' of our report.

Independence

We are independent of De Lage Landen International B.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unaudited corresponding figures

We have not audited the financial statements 2015 as the financial statements 2016 are the first time financial statements of the company that are subject to an audit. Consequently, we have not audited the corresponding figures included in the consolidated and company profit or loss statement, the consolidated statements of other comprehensive income, changes in equity and cash flows and the related notes.

Our audit approach

Overview and context

De Lage Landen International B.V. ('the company' or together with its subsidiaries: 'the group') is a wholly owned subsidiary of Coöperatieve Rabobank U.A. ('Rabobank') and offers clients various financial solution products, including leasing, factoring and consumer financing with operations in more than

30 countries. After the completion of the sale of Athlon Car Lease International B.V. (car leasing) as at 1 December 2016 and the sale of the Dutch Financial Solutions activities as at 1 April 2017 to Rabobank the group will continue as a globally operating vendor finance company. The group comprises of several components and therefore we considered our group audit scope and approach as set out in the scope of our group audit section. As these are the first time financial statements of the company, the executive board had to make judgements in selecting accounting principles and the framework for presentation and disclosure. Therefore, we consider this as a key audit matter.

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the executive board made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In chapter Introduction, paragraph IV of the financial statements the executive board describes the main areas of key judgement and key estimates in applying accounting policies. In view of the significant estimation uncertainty regarding the impairment of balances due from customers (consisting of finance lease receivables and loans to customers), the valuation of fixed assets under operating leases (including the residual value reassessment) and the valuation of derivatives we considered these to be key audit matters as set out in the key audit matter section of this report. We also identified the accounting for discontinued operations as a key audit matter because it requires judgement of the specific IFRS requirements which have to be met for this classification and given the impact of the presentation on the consolidated statement of financial position and consolidated statement of profit or loss.
Besides the above mentioned key audit matters, other areas of focus in our audit were the valuation of intangible assets including goodwill, the classification of leases as either finance or operating lease, the valuation of the insurance provision and the valuation of deferred tax positions and provisions for uncertain tax exposures. As in all of our audits, 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.

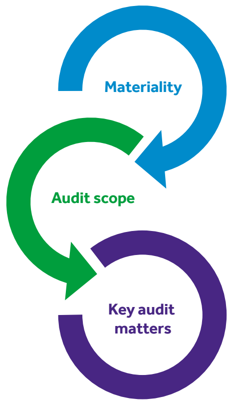
Because of the importance of the IT environment for the audit of the financial statements our IT auditors assessed the IT environment. We addressed information technology general controls ('ITGCs') that are the policies and procedures used by the company to ensure information technology ('IT') operates 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 the audit of the financial statements.

We ensured that the audit teams both at group and at component levels included the appropriate skills and competences which are needed for the audit of a financial services company offering a range of services, holding a banking license in the Netherlands and an insurance license in Ireland. We therefore included specialists in the areas of leasing, banking, insurance, financial instruments, IT, credit risk provisioning, valuation of intangible assets including goodwill, tax, employee benefits and regulatory reporting in our team.

PwC's first year as auditor
Prior to becoming the company's auditor, we developed and carried out a comprehensive transition plan to understand the connection between the company's strategy, the related business risks and the way they impact the company's financial reporting and internal controls framework. Our transition activities included, amongst others, the following:
- Close interaction with the previous auditor, including file reviews and formal hand over procedures as prescribed by our professional standards so that we were able to make use of the audit work performed by the previous auditor in the context of their responsibilities for auditing the financial information 2015 for consolidation purposes by Rabobank;
- Attending as observers a number of meetings between the previous auditor with management during the 2015 year-end financial closing process;
- Evaluating key accounting topics and audit matters from prior year;
- Performing additional audit procedures on the statement of financial position as at 31 December 2015 to obtain sufficient and appropriate audit evidence in view of our responsibilities of the first time financial statements 2016 of the company;
- Active knowledge sharing and discussions with the executive board, finance, control, risk, legal and internal audit functions within the company to understand their perspectives on the business, the internal control environment and audit risks; and
- Organising a kick-off meeting in the Netherlands with the audit teams for the most important components joining to share our understanding of the group and the main focus areas for the audit 2016 with the participation of financial management of the company.

We discussed and agreed our audit plan with the executive board and the supervisory board and we reported status, progress and key findings from our half year review and audit process during the year.

The outlines of our audit approach were as follows:



Materiality
- Overall materiality: EUR 30 million.

Audit scope
- Audit work for consolidation purposes conducted on the 24 individually significant components located in 13 countries.
- The group engagement team also performed the audit of the Dutch components in scope for consolidation purposes.
- We visited the largest component of the group in the United States.
- Audit coverage: 88% of consolidated revenue, 85% of consolidated profit from continuing operations before tax, 94% of consolidated profit from discontinued operations before tax and 90% of consolidated assets.

Key audit matters
- Accounting, presentation and disclosure first time financial statements.
- Measurement of balances due from customers.
- Measurement of fixed assets under operating lease.
- Valuation of derivatives.
- Accounting of discontinued operations.

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'.

We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements on our opinion.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	EUR 30 million
How we determined it	4% of the sum of the estimated profit before tax from continuing operations 2016 and the estimated profit before tax from discontinued operations 2016 excluding the non-recurring gain on the sale of Athlon Car Lease International B.V. Based on the actual financial information 2016 there was no need to revise the initially determined materiality level.
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 from (dis)continued operations is an important metric for the financial performance of the group. We included the profit before tax from discontinued operations excluding the non-recurring gain on the sale of Athlon Car Lease International B.V. in our benchmark as we consider the financial performance 2016 of the group's business activities an important metric from a stakeholder's perspective. For 11 months this financial performance 2016 included the results from Athlon Car Lease International B.V. and for 12 months it included the results from the Dutch Financial Solutions activities.
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 EUR 1.5 million and EUR 27 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 above EUR 1 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit
The company is the parent company of a group of entities. The financial information of this group is included in the consolidated financial statements of the group.

A full scope audit for consolidation purposes on the financial information was carried out for 24 components in 13 countries as those components were individually significant to the group. In total, in performing these procedures, we achieved the following coverage on the consolidated financial statement line items:

Revenue	88%
Assets	90%
Profit before tax from continuing operations	85%
Profit before tax from discontinued operations	94%

None of the remaining components individually represented more than 1% of total group revenue, group profit before tax from (dis)continued operations or total group assets. For those remaining components we performed, among other things, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within those components.

Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work to be able to conclude whether sufficient and appropriate audit evidence had been obtained 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, our risk assessment, the key audit areas, materiality to be applied and the reporting requirements to the group engagement team regarding the financial information 2016;
– in view of the first time financial statements of the company, we issued a separate set of instructions to the component auditors prescribing the procedures to be performed on the opening balance sheet referred to as the statement of financial position as at 31 December 2015;
– we issued detailed audit instructions to the component auditor of Athlon Car Lease International B.V. prescribing the scope of work to be performed, our risk assessment, the key audit areas, materiality to be applied and the reporting requirements to the group engagement team regarding the financial information of Athlon Car Lease International B.V. as at 30 November 2016;
– the reports of the component auditors were assessed by the group engagement team and observations were discussed with the component auditors and with group management;
– during the year we closely collaborated and had multiple meetings with our component teams and discussed our instructions for the work on the opening balance sheet and the year-end audit 2016 in depth. We also had closing calls with all component auditors to discuss their reporting; and
– the group engagement team visited the operations in the United States and during this visit we met with the component team and with local management.

The group consolidation, financial statements disclosures and various complex items are audited by the group engagement team at the head office in Eindhoven of the company where central functions, such as finance, control, risk, tax, legal, compliance and internal audit are located. Items audited by the group engagement team, amongst others, were:
– residual value reassessment of fixed assets under operating lease contracts;
– impairment testing of goodwill;
– valuation of derivatives;
– valuation of deferred tax positions and provisions for uncertain tax exposures; and
– credit risk provisioning.

We liaised with the internal audit department on group level which performs on a rotational basis audits at corporate level and on local levels. Observations of the internal audit department have been periodically discussed, the impact on our audit was assessed and findings were shared with the component auditors.

By performing the procedures above at components, combined with the additional procedures at group level, we obtained sufficient and appropriate audit evidence regarding the financial information of the group as a whole to provide a basis for our opinion on the (consolidated) financial statements.

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 communicated the key audit matters to the supervisory board, but they are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. We described the key audit matters and included a summary of the audit procedures we performed on those matters. The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters or on specific elements of the financial statements. Any comments we make on the results of our procedures should be read in this context.

Key audit matter

Accounting, presentation and disclosure first time financial statements

[refer to note 5.9 in the financial statements]

The consolidated financial statements 2016 are the first consolidated financial statements drawn up by the executive board of the company. Prior to 2016 the company made use of the exemption under Article 403, Part 9, Book 2 of the Dutch Civil Code. As of 1 January 2016, this exemption is withdrawn for Entities of Public Interest, which the company is.

Management put in place a project group responsible for the preparation of the financial statements, consisting of various functions and supported by external advisors. The project group prepared and executed a project plan with milestones, deliverables and a technical review panel.

The preparation of these first time financial statements is subject to selecting and adequately applying the accounting principles. The group financial reporting 2015 towards Rabobank used for the Rabobank IFRS financial statements was the starting point of the executive board's assessment. The basis for presentation as well as the disclosures in the financial statements is a complex process and requires management judgement.

In view of the above we consider the first time preparation of the financial statements a key audit matter.

How our audit addressed the matter

Amongst other, we performed the following procedures:

- tested the statement of financial position as at 31 December 2015 (refer to section: 'PwC's first year as auditor');
- assessed the materiality framework and considerations applied by the executive board in the preparation of the financial statements regarding accounting policies, presentation and disclosures;
- evaluated the appropriateness of the accounting principles selected by the executive board;
- assessed management's position papers regarding accounting topics;
- provided feedback to management and the project group about our comments and recommendations on draft versions of the financial statements;
- evaluated the overall presentation and content of the financial statements; and
- verified the compliance of the financial statements with IFRS and with Part 9 of Book 2 of the Dutch Civil Code.

It should be noted that we have not audited the corresponding figures 2015 included in the consolidated and company profit or loss statement, the consolidated statements of other comprehensive income, changes in equity and cash flows and the related notes and therefore our work described in this key audit matter only relates to the impact on the current year.

Key audit matter

Measurement of balances due from customers

[refer to notes 1.1, 1.3 and 3.1 in the financial statements]

Balances due from customers amounting to EUR 28,525 million are recorded on the consolidated statement of financial position. Furthermore, balances due from customers amounting to EUR 4,159 million are presented under assets in disposal group held for distribution. These two financial statement line items consist of finance lease receivables and loans to customers. The net investment in finance leases is measured net of an allowance for impairment. Loans to customers are measured at amortised cost less an allowance for impairment. These impairments reflect the credit risk related to the balances. Within the company the credit risk provisioning (determination of impairments) comprises three different components being:

- impairments for specifically identifiable individually impaired finance leases or loans ('specific allowance');
- model based impairments to cover impairment risks of impaired finance leases or loans with individually low exposures ('collective allowance'); and
- model based impairments for incurred but not reported losses ('general allowance').

The judgements and estimation uncertainty is primarily related to the following:

- the identification and follow-up of impairment triggers and the underlying calculation of the allowances;
- the valuation is dependent on various factors which include both financial and behavioural information of clients in various geographies and sectors, which makes the valuation a complex and judgemental process;
- regarding the specific allowance, the valuation of the future cash flows based on the appropriate use of key assumptions and the assessment of the contractual cash flows versus the expected cash flows both using the effective interest rate at inception date; and
- the models that support the general and collective allowance which contain significant assumptions and estimates.

Due to the significance of these balances, the complexity and the high level of estimation uncertainty involved, we consider the measurement of balances due from customers a key audit matter.

How our audit addressed the matter

Internal controls

We evaluated the design of internal controls and subsequently tested the operating effectiveness of key controls regarding credit risk provisioning and we focused on:

- credit management, including the identification of impairment triggers, identification of the relevant behavioural and financial information of the clients; and the appropriateness of allocation to geographies and sectors;
- model governance, including management's reassessment that the models are still calibrated towards clients in a way that addresses the credit risk in accordance with IFRS;
- expected unguaranteed residual values for finance leases;
- completeness and accuracy of data transfer from the underlying source systems to the models; and
- review and approval process that management has in place for the credit risk provisions.

Substantive audit procedures

For a sample of individually impaired balances we assessed if management's key judgements were reasonable. We challenged management's estimates including the future cash flows and the valuation of finance lease assets. In addition, we selected a sample from performing contracts to test for potential impairments.

We tested a sample of the models for the general and collective allowance. The loss identification period, the probability of default, the loss given default and the exposure at default were our key focus areas. We performed back testing procedures on a sample of key model parameters, we challenged management estimates and they provided us with reasonable explanations and sufficient evidence supporting the key model parameters, in line with market and industry practice. We concluded that differences noted regarding credit risk provisioning fell within an acceptable range of reasonable outcomes, in the context of the inherent uncertainties and use of such models and assumptions. We involved credit risk provisioning specialists in these procedures.

We assessed the adequacy of the disclosure in the notes to the consolidated financial statements.

Key audit matter	How our audit addressed the matter
Measurement of fixed assets under operating lease *[refer to notes 1.2 and 3.1 in the financial statements]* On the consolidated statement of financial position the carrying value of fixed assets under operating lease amounts to EUR 2,208 million. Under assets in disposal group held for distribution fixed assets under operating lease of EUR 220 million are included. The fixed assets under operating lease contracts are measured at cost less any accumulated depreciation and impairment losses. Management evaluates the residual values on an annual basis during the fourth quarter. Residual values form a significant part of the carrying value of the fixed assets leased out under operating leases. These residual values are influenced by developments of market prices for the various asset classes and are therefore subject to management estimation. Applied assumptions regarding the estimated residual value, at inception date of the lease and during the contract period, are sensitive to (local) economic developments. IAS 16 'Property, Plant and Equipment', requires that the residual value and the useful life of an asset shall be reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate. A change in the estimated residual value results in a prospective depreciation adjustment and consequently impacts the carrying value and depreciation expense of the assets over the remaining lease period. Given the magnitude of these balances, the large variety of asset classes and the number of regions in which the group operates and the significant level of management judgement involved we consider the measurement of fixed assets under operating lease a key audit matter.	*Internal controls* We evaluated the design of the internal controls and subsequently tested the operating effectiveness of key controls regarding asset risk and focused on: – governance and policies in place regarding managing asset risk; – residual value setting at inception date of the lease contracts; – annual residual value process to reassess the recoverability of estimated residual values and the identification of impairment triggers in line with IFRS; – completeness and accuracy of transfer of data from the underlying source systems to the annual residual value reassessment; and – review and approval process that management has in place for reflecting the outcome of the residual value reassessment in the financial information. *Substantive audit procedures* For all individually significant impairments we assessed if management's key judgements were reasonable. Furthermore, we verified that the individually insignificant impairments were collectively insignificant as well. We evaluated and challenged management's annual residual value reassessment by assessing the realised residual value results recorded during the year, the key assumptions and market data used and found this reassessment reasonable. We noted that there were no significant impairment triggers. The reasonability of residual value setting was also tested by assessing the realised sales results on termination of the lease contracts (back testing procedures). We assessed the adequacy of the disclosure in the notes to the consolidated financial statements.

Key audit matter	How our audit addressed the matter
Valuation of derivatives *[refer to notes 4.4 and 4.7 in the financial statements]* As at 31 December 2016 an asset amounting to EUR 65 million and a liability amounting to EUR 192 million reflecting the fair value of derivatives are recognised on the consolidated statement of financial position. The company enters into interest rate swaps, cross currency swaps and foreign exchange forwards to mitigate the interest rate risk and the foreign exchange risk. The company has not applied hedge accounting in the financial statements 2016. The fair value of derivatives is determined using valuation techniques and is based on complex models using multiple inputs. The main inputs for the fair values are interest rate curves and currency rates. The derivatives classify as level 2 instruments, which implies that they are based on (in) direct observable market inputs which involve management judgement. In view of the magnitude of the notional amounts of the derivatives, the complexity surrounding the valuation of derivatives and management's judgement, we consider the valuation of derivatives a key audit matter.	*Internal controls* We evaluated the design of the internal controls and subsequently tested the operating effectiveness of key controls regarding the valuation of derivatives and focused on: – governance and policies in place regarding managing the interest rate and foreign currency risk associated with the funding and liquidity of the company; – procedures to ensure proper recording of the derivative transactions; – valuation techniques, models and assumptions applied to ensure compliance with IFRS; and – management's review and approval of the fair values of the derivatives. *Substantive audit procedures* The assumptions, methodologies and models used by management for the valuation of derivatives have been evaluated. We independently tested the valuation of a sample of derivative positions for which we performed a repricing with the use of a market-consensus pricing model and no material exceptions were noted. Furthermore, we have tested the accuracy and completeness of the contract information included in the valuation. Key elements in our substantive testing were: notional amounts, maturities and underlying interest or currency rates. We involved valuation specialists in these procedures. We assessed the adequacy of the disclosure in the notes to the consolidated financial statements.

Key audit matter	How our audit addressed the matter
Accounting of discontinued operations *[refer to note 3.1 in the financial statements]*	
Dutch Financial Solutions activities As at 1 April 2017 the Dutch Financial Solutions activities were disposed to Rabobank. An asset held for distribution amounting to EUR 4,573 million and a liability held for distribution amounting to EUR 313 million are presented on the consolidated statement of financial position as at 31 December 2016. Given the significance of these activities for the company the 12-month net profit 2016 of these activities is presented under profit after tax for the year from discontinued operations.	**Dutch Financial Solutions activities** We assessed the accounting position paper prepared by management for the classification and measurement as assets/ liabilities held for distribution and the presentation as discontinued operations in these financial statements. This position paper outlines the facts and circumstances of the disposal of the Dutch Financial Solutions activities, supported by underlying documentation, such as board minutes, internal communication and contracts with the involved parties. These documents have been assessed by us.
Athlon Car Lease International B.V. The sale of Athlon Car Lease International B.V. is finalised as at 1 December 2016. As from 1 December 2016 the company ceased having control and derecognised the Athlon assets and liabilities from its consolidated statement of financial position. The 11-month net result 2016 of Athlon Car Lease International B.V. is also included in the profit after tax for the year 2016 from discontinued operations.	**Athlon Car Lease International B.V.** We verified that the company ceased control as at 1 December 2016 as the transaction was completed at that date. Key elements in our audit were the consistent application of the accounting policies and the correct cut-off of assets and liabilities as at 30 November 2016. The recorded book gain 2016 on this transaction is verified by us with the legal documentation and financial information.
The classification and measurement as assets/liabilities held for distribution and the presentation as discontinued operations is subject to the accounting requirements outlined in IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. Applying IFRS requires management's judgement in determining for which operations the IFRS 5 criteria for assets/liabilities held for distribution and presentation as discontinued operations are met, and subsequently which assets, liabilities and results should be presented separately in the financial statements.	Both transactions were discussed with the executive board. We evaluated the consequences for the financial statements and verified the compliance with the IFRS 5 requirements such as the availability of the assets for an immediate sale and the highly probability of the disposal of the Dutch Financial Solutions activities. Furthermore, we verified the elimination of intercompany transactions for both transactions in line with the accounting policies outlined in the financial statements.
Due to the significance of the discontinued operations on the financial statements 2016 we consider the application of IFRS 5 a key audit matter.	We assessed the adequacy of the disclosure in the note to the consolidated financial statements of these transactions.

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 report of the supervisory board; 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;
- contains all 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 pursuant to 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 in which meeting PricewaterhouseCoopers Accountants N.V. was appointed as auditor of the shareholder.

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 audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all 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, 17 May 2017
PricewaterhouseCoopers Accountants N.V.

Original has been signed by E. Hartkamp RA

Appendix to our auditor's report on the financial statements 2016 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 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. 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 company's 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.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine 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**

The regulation for profit appropriation has been arranged for in article 48 and 50 of the articles of association. Pursuant to this, DLL's executive board will make a proposal for the appropriation of profit, taking into consideration applicable provisions of the articles of association.

Dividend can be distributed from the profit. The decision hereto as well as the setting of the amount of the dividend shall be made by the general meeting of shareholders. The profit that remains after deduction of the amount to be used for the distribution of the divided, shall be added to the reserves of the company.

Colophon

Published by
DLL

About the DLL Annual Report 2016
DLL has integrated both the financial information and the management report information in the DLL Annual Report 2016.

The DLL Annual Report 2016 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.

DLL's Annual Report 2016 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 Rabobank Nederland.

An independent auditor's report has been issued for the financial statements of DLL, 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.

DLL's Annual Report 2016 is available on our website:
www.dllgroup.com

Contact
DLL has exercised the utmost care in the preparation of the DLL Annual Report 2016. If you have questions or suggestions on how we can improve our reporting, please send them by email to communication@dllgroup.com

DLL
Vestdijk 51
5611 CA Eindhoven
The Netherlands

Phone +31 (0)40 233 9911
E-mail communication@dllgroup.com

www.dllgroup.com

financial solutions partner

De Lage Landen International B.V.
Vestdijk 51, 5611 CA Eindhoven
P.O. Box 652, 5600 AR Eindhoven
The Netherlands