

2019

ANNUAL REPORT 2019/2020

2020

An online version of the Annual report 2019/2020  
and current information on the development of the  
Deutsche Leasing Group's business can be found at  
[deutsche-leasing.com/finanzberichte](https://www.deutsche-leasing.com/finanzberichte)



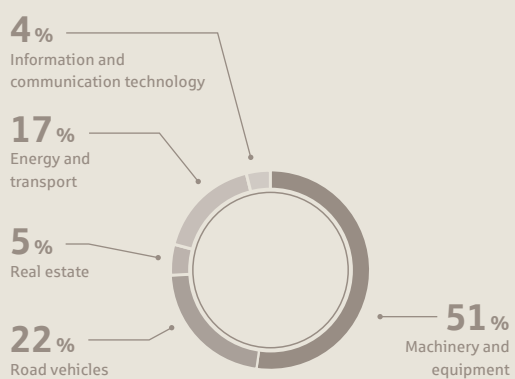
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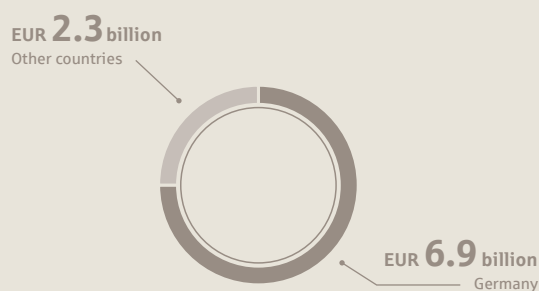
## OVERVIEW OF THE DEUTSCHE LEASING GROUP

Figures in EUR million	2019/2020	2018/2019	2017/2018	2016/2017	2015/2016
<b>New business</b>	<b>9,218</b>	<b>10,297</b>	<b>9,181</b>	<b>8,856</b>	<b>8,658</b>
New business: movables	8,768	9,630	8,474	8,095	8,132
New business: real estate	450	667	707	761	526
<b>Assets under management</b>	<b>39,981</b>	<b>40,426</b>	<b>38,561</b>	<b>36,830</b>	<b>35,316</b>
Assets under management: movables	31,668	31,465	29,489	27,970	26,716
Assets under management: real estate	8,313	8,961	9,072	8,860	8,600
Balance-sheet total	22,131	22,147	20,784	19,355	18,682
Net asset value	2,099	2,070	1,969	1,923	1,855
Equity	907	927	857	799	765
Economic result	70	170	159	153	148
<b>Employees</b>	<b>2,716</b>	<b>2,624</b>	<b>2,575</b>	<b>2,526</b>	<b>2,481</b>
Number of employees at Deutsche Leasing	1,806	1,751	1,774	1,826	1,777
Number of employees at DAL	335	331	324	261	252
Number of employees at investments	575	542	477	439	452

### New business of the Deutsche Leasing Group by business segment



### New business of the Deutsche Leasing Group Germany/other countries



**Kai Ostermann**  
Chief Executive Officer



**Sonja Kardorf**  
Management Board member



**Georg Hansjürgens**  
Management Board member



**Markus Strehle**  
Management Board member



**Rainer Weis**  
Management Board member

# MANAGEMENT BOARD'S LETTER

Dear clients and business partners  
of Deutsche Leasing,

Following long years of continuous growth and a record year, in the past financial year 2019/2020 we too were not spared the cross-sectoral effects of the COVID-19 pandemic.

While the first half of the past financial year was still largely in line with forecasts, in the second half of the year the COVID-19 crisis had a significant impact on the course of business in Germany and other countries. The outbreak of the pandemic and the resulting economic and operational challenges necessitated short- and medium-term measures. Despite the difficult external environment, we did not lose sight of our strategic future projects and market opportunities. With a change of priority and focus, we made further progress here.

## **Maintaining stability during the crisis and strengthening our future viability**

Our economic situation in the financial year 2019/2020 was shaped, above all, by the COVID-19 crisis and the related deepest global recession since the Second World War, together with a challenging process of structural change for the German economy which affected the automotive sector in particular. The German SME sector also experienced increased urgency in terms of the need for action and change: in the areas of digitalisation and IT modernisation, mobility, infrastructure and sustainability as well as changing forms of cooperation. In the past year, these conditions were also shaped by a series of enduring political and economic uncertainties: the trade conflict between the USA and China, the US elections, the United Kingdom's withdrawal from the EU and the ECB's continued low interest-rate policy.

In this period of upheaval and new beginnings, many companies are focusing on stability and resilience while at the same time shoring up their own future viability. Cross-sectoral and needs-oriented solutions are called for which will be of relevance for the future: adaptive, hybrid and new products, processes, services and business models. This requires financing and investment models which will enable this process of change, both today and tomorrow, while safeguarding liquidity even in difficult times. That means reliable networks, partnerships and cooperative arrangements. As part of Sparkassen-Finanzgruppe and in cooperation with its partners in trade and industry, the Deutsche Leasing Group helped meet this need in the past financial year, particularly during the pandemic: as a stable and forward-looking partner of the SME sector, together identifying answers to financing issues and market changes and likewise exploiting market opportunities in a targeted fashion.

We would like to extend our heartfelt thanks to you – our customers, Sparkassen-Finanzgruppe and our partners – for the confidence which you have placed in us and for our strong working relationship during this challenging period. Above all, we would like to thank our employees in Germany and other countries for their contribution as a consistently effective and focused team in what was an unusual financial year.

## **Volume of EUR 9.2 billion achieved despite tense market environment**

In view of the effects of the COVID-19 crisis, the Deutsche Leasing Group suffered a decline in its volume of new business in line with the trend for the leasing sector as a whole. However, despite the very tense market environment we achieved a new business volume of EUR 9.2 billion – following a record year in the previous financial year, in which we broke through

the EUR 10 billion barrier for the first time. We thus outperformed the overall asset finance and asset service market. In addition, we maintained our positive net asset value trend of the past few years, even if the rate of growth was weaker than in previous years. Our economic result was lower than in the previous year, after we made extensive provisions for future default risks and exchange-rate effects as of the reporting date. Financing reserves were maintained at a high level in the financial year 2019/2020, even in a market environment adversely affected by the pandemic.

### Decline in SME business in Germany and other countries and increase in major projects

A glance at the distribution of new business by asset class in our various business segments shows that we suffered declines in almost all of our business segments following the outbreak of the pandemic. The exceptions included our major projects segment, which once again registered a successful business trend, particularly in the rail sector.

- In the **machinery and equipment** segment, which represents the core focus of Deutsche Leasing's asset finance business, the volume of new business reached a level of EUR 4.7 billion, which represents a 14 per cent decline on the previous year.
- As well as the passenger car and fleet businesses, which were severely affected by the decline in the volume of new vehicle registrations, the **road vehicles** segment also includes commercial vehicles. Deutsche Leasing realised a volume of new business of EUR 2.1 billion in this segment, which registered a more moderate performance on account of large-scale transactions, with a decline of around 7 per cent on the previous year.
- The result for the **energy and transport** segment was 14 per cent higher than in the previous year, thanks to several large-scale financing transactions and a new business volume of EUR 1.5 billion. Business in the rail segment was a key factor here.
- The volume of business in the **real estate** segment was 32.5 per cent lower than in the previous year, with a new business volume of EUR 450 million. A volatile new-business trend is typical of this business segment, given the

longer lead times and structuring requirements. A further factor in the past financial year was that several projects were postponed due to the COVID-19 situation.

- New business in the **information and communication technology** segment amounted to EUR 395 million and was thus around 24 per cent lower than in the previous year. The pandemic is likely to accelerate companies' process of technological change (digitalisation of processes and jobs), while the related IT requirements will provide strong impetus for new business.

### Investments influenced by effects of pandemic in some cases

**Deutsche Factoring Bank** achieved factoring turnover of EUR 16.9 billion in 2020, a change of -6.9 per cent on the previous year. The decline in turnover with existing customers in particular, due to the pandemic, contrasted with significant growth through new factoring customers. 27.4 per cent of its turnover volume was generated in the areas of export and import factoring. With its S-Compact product, Deutsche Factoring Bank offers the savings banks' smaller business and commercial customers specific corporate financing solutions – and from 2021 onwards, these solutions will also be available online. Around 85 per cent of the contracts signed in the past financial year were brokered by savings banks.

**Bad Homburger Inkasso (BHI)** gained new customers, in the housing and energy sectors especially, and has 1,187 clients – including 319 savings banks and other Sparkassen-Finanzgruppe companies. Bad Homburger Inkasso experienced a significant increase in its level of income. Above all, this was due to the acquisition of a major new customer with a package of around 50,000 bad debts, as well as an increase in the volume of business with an existing customer which has handed over more than 100,000 small-volume debts to the company for processing. As an associated company of the Deutsche Leasing Group, Bad Homburger Inkasso offers bad-loan collection solutions as well as the market-oriented resale of movable and real estate collateral on behalf of its shareholders, the savings banks and other companies and institutions.

In 2020, **S-Kreditpartner** once again registered a successful course of business despite the effects of the COVID-19 pandemic. With a EUR 8.5 billion volume of loans and 199 fully fledged partnerships with savings banks, Deutsche Leasing's joint venture with Landesbank Berlin/Berliner Sparkasse further expanded its position within Sparkassen-Finanzgruppe as a product specialist for vehicle and consumer loans. More than 340 savings banks use the online product offering S Kredit-per-Klick.

### COVID-19 crisis tackled through action plan

Deutsche Leasing implemented a series of measures in Germany and other countries in order to tackle head-on the economic and operational challenges resulting from the outbreak of the COVID-19 pandemic. Ad hoc measures such as protection of health in the workplace, switching to home-office working and handling of deferral measures were the initial areas of focus.

Moreover, in order to be able to react appropriately and actively to medium- and long-term economic and structural effects of the COVID-19 crisis, the Deutsche Leasing Group has initiated a **Coronavirus Action Plan**. In particular, this addresses distribution, risk, cost and digitalisation issues. Above all, this included a revised market exploitation and risk management strategy as well as close support for our customers by means of care calls, in order to identify their individual needs in good time and assess potential risk factors.

### Targeted intensification of strategic initiatives and realisation of market opportunities

Despite the difficult operating environment, we continued to pursue our forward-looking development strategy for Deutsche Leasing and even intensified this strategy in some areas, such as digitalisation. We also exploited several market opportunities and successfully pushed ahead here.

In our **cooperation with the savings banks**, we expanded our range of services in the business and commercial customers segment, digitalised these services and made them available online. This close cooperation with the goal of develop-

ing digital products which are available online is particularly important in times of COVID-19 and social distancing. In the past financial year, we successfully established at further savings banks our digital S-Gewerbekredit product for financing of smaller plant and equipment expenditures. Its rollout will be intensified and executed through Germany in the current financial year.

In the past financial year, the Deutsche Leasing Group signed a **cooperation agreement with UniCredit Bank** which offers increased business opportunities in the Group's core leasing/hire-purchase business as well as additional market development potential in general.

We expanded our **international activities** in the area of export financing through our purchase of interests in AKA Ausfuhrkredit-Gesellschaft mbH (AKA). This ECA (export credit agency) offering is particularly suitable for SME customers of the savings banks and Deutsche Leasing as well as German manufacturers in the trade and industry segments (vendor partners) and their customers outside Germany. Moreover, in the past financial year we expanded our international network in Germany, Austria and Switzerland (the "DACH" region) with the addition of a branch office in Switzerland which began to operate in the financial year 2020/2021. The Deutsche Leasing Group is thus present with locations in a total of 24 countries.

We also stepped up our **digitalisation and IT modernisation projects** on our path to becoming a "Digital Deutsche Leasing" and made important progress in terms of forward-looking solutions for our employees as well as our customers and partners/vendors. The COVID-19 pandemic was a further factor which encouraged us to increase our level of investment in digital products and processes. Despite all of the existing challenges, we prioritised the action and investment programme which we had initiated in the financial year 2019/2020. Besides the modernisation of our IT systems and increasing the efficiency of our products and processes, this programme focuses on the development and expansion of digital business solutions which are independent of interest

rates as well as on a continuous partnership with the savings banks in our domestic and foreign business activities.

This includes the continuing expansion of vendor business by means of digital interfaces (virtual captive platform) which provide a digital framework for efficient handling of business transactions in multiple countries. Within Deutsche Leasing, processes were simplified through the use of the company's first robot-controlled process automation (RPA) solutions. Our subsidiary DAL Deutsche Anlagen-Leasing (DAL) introduced a digital purchasing and financing portal for IT hardware business for employees, customers and partners. This is already being employed within Sparkassen-Finanzgruppe and is suitable as a blueprint for other Deutsche Leasing portal solutions.

### Outlook for the financial year 2020/2021

In the new financial year 2020/2021, in view of the COVID-19 crisis and its effects we will continue to face a challenging environment in Germany and elsewhere.

We will continue to rigorously pursue our corporate strategy in order to succeed in this environment and to maintain our capacity to act: on the one hand, we are making important progress with our digitalisation strategy through our current projects. On the other hand, through the measures and initiatives which we have implemented we are laying down the long-term foundations so that Deutsche Leasing can continue to pursue a growth trajectory once the current COVID-19 situation has stabilised. We are thus also targeting growth areas which remain intact in the asset finance and asset service markets.

In the field of **digitalisation**, we are continuing to invest in products, processes and service offerings in order to meet the changing market requirements. A key area of focus is opening up online sales channels as well as developing web-based platforms in line with customers' specific requirements. This entails an increased level of standardisation and modularisation of product structures as well as uniform execution processes. In the past three years, our Digital Innovation Unit

(DIU) has provided significant momentum for our digitalisation strategy. To enable the Deutsche Leasing Group to make progress in further forward-looking digital areas, we have decided to expand the scope of our existing activities. We will set up a separate company for this purpose which will operate under the name "vent.io GmbH".

We will further intensify our **intra-Group business with the savings banks**. As a partner of the German SME sector, in future we thus intend to exploit Sparkassen-Finanzgruppe's market potential even more effectively, particularly in a digital world. In order to ensure a systematic and standardised approach for its business and commercial customers segment, the Deutsche Leasing Group established a new specialised sales unit at the start of the new financial year 2020/2021.

In our **international business**, with our international network we will focus on exploiting additional market potential. Supported by the German economy's continuing export focus, this potential results from the central pillars of our international activities and partnerships: our cooperation with internationally active vendors (machinery and equipment manufacturers), our support for German companies' direct investments and our partnership with the savings banks outside Germany. There are also solid revenue opportunities in the area of export financing, thanks to our close cooperation with AKA. Together with DAL, we see additional market opportunities in the field of structured financing for specialist transactions and project business – such as in the international rail and IT segments.

The Deutsche Leasing Group expects that its financial year 2020/2021 will be shaped by the continuing pandemic and the associated outline conditions. If the pandemic situation does not get any worse, the economic research institutes predict a significant increase in plant and equipment expenditures, driven by catch-up effects as well as China's relatively strong economic performance. However, there are still two key sources of uncertainty: a possible (further) interruption of the economic recovery, and the insolvency trend once government aid for companies comes to an end. There are also further



challenges such as trade conflicts not yet fully resolved, the “post-Brexit phase” and the ECB’s continuing low interest-rate policy. Overall, the Deutsche Leasing Group is seeking to achieve a new business volume which matches the level realised in the financial year 2019/2020 in view of the slower economic recovery.

In the asset finance and asset service markets especially, we are confident regarding the opportunities and growth areas, some of which will be buoyed by an increased pace of structural change. Even without the COVID-19 pandemic, key issues such as digitalisation, forward-looking infrastructure and sustainability are very much part of our reality. We are stepping up our activities to meet these market requirements in a responsible manner and in line with the expectations of our partners and SME customers in our company’s regions and worldwide.

We thus consider it an important signal that we were one of the first companies to sign Sparkassen-Finanzgruppe’s “Commitment to Climate-Friendly and Sustainable Business Activities”, which was published in December last year, and over the next few years as a member of Sparkassen-Finanzgruppe we will play our part in shaping the related objectives.

In these turbulent and uncertain times, we continue to face a tough environment. However, we are convinced that we have taken the right path with the measures and initiatives which we have adopted: pursuing a rigorous and forward-looking business strategy in the current crisis-laden economic situation, while exploiting opportunities and actively shaping the future. We will do so in the interests of our company and thus also our shareholders and employees, and likewise our customers and partners.

  
Kai Ostermann

  
Georg Hansjürgens

  
Sonja Kardorf

  
Markus Strehle

  
Rainer Weis



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# SUPERVISORY BOARD'S REPORT



For the Supervisory Board  
**Alexander Wuerst**  
Chairman of the Supervisory Board

In the financial year 2019/2020, the Supervisory Board monitored the orderliness of the Management Board's management of the company and performed the tasks required of it by law and according to Deutsche Leasing's company agreement and the Supervisory Board's rules of procedure. In accordance with its function and its understanding of its role, the Supervisory Board is continuously, promptly and comprehensively notified of the company's development and of important business transactions. All key questions concerning the company's position and development, strategic and operational planning, risk management and regulatory require-

ments were extensively discussed. In regular communication between the chairman of the Supervisory Board and the chairman of the Management Board of the managing shareholder, current operational matters were discussed and strategic planning was initiated.

## Structure of the Supervisory Board

As of 30 September 2020, the Supervisory Board consisted of 19 persons, almost all of whom were Management Board members of savings banks. To improve the efficiency of its operations, the Supervisory Board has established two committees: a loans and investments committee and an audit committee. The Supervisory Board is comprehensively notified of the agenda and outcome of meetings of these committees through the committee chairman at regular meetings and through receipt of the minutes.

## Supervisory Board's activities

The Supervisory Board's four regular meetings entailed detailed reporting from the Management Board on commercial and risk policy, the current economic environment, the financial and profit situation, strategic and operational planning and risk management as well as related discussions. Investment issues, realisation of the Group's foreign strategy and regulatory requirements were discussed in detail with the Management Board. The coronavirus pandemic was a particularly significant topic of discussion in the past financial year. In spring, three extraordinary telephone conferences were held with the chairmen of the committees concerning the current situation and its handling within Deutsche Leasing and the potential effects of the coronavirus pandemic. The overall Supervisory Board was kept informed at all times by means of the minutes which were subsequently passed on.

Issues of particular relevance were followed up in greater depth in committee meetings and proposed resolutions were prepared.

At its four meetings, the loans and investments committee held detailed discussions concerning risk decisions on commitments beyond the scope of the Management Board's responsibility as well as risk policy issues for the company, and intensively prepared Supervisory Board resolutions in the field of investments.

At a total of two meetings and through a conference call, the audit committee focused on the following issues: the financial statements and consolidated financial statements as well as the combined management report of Deutsche Sparkassen Leasing AG & Co. KG and also, with the auditor, its audit findings, in preparation for the Supervisory Board's financial statements meeting. The auditor's findings concerning the supervisory requirements relating to the audit of the financial statements and consolidated financial statements as well as the combined management report of Deutsche Sparkassen Leasing AG & Co. KG as of 30 September 2020 and the appendix were extensively reviewed. The audit committee also discussed the medium-term equity planning of the Deutsche Leasing Group in detail. The audit committee was kept fully informed of the effects of the coronavirus pandemic on Deutsche Leasing in terms of specific accounting issues.

The Supervisory Board made all of the decisions which were required of it and which fell within the scope of its competence. It was involved in decisions of material significance for the company and, where necessary, provided its consent, following an extensive discussion and review process. The Supervisory Board discussed with the Management Board the company's strategy and resulting measures for realisation of its medium- and long-term goals and took note of these.

### **Financial statements and consolidated financial statements**

KPMG AG Wirtschaftsprüfungsgesellschaft has been appointed as the auditor and has issued unqualified auditor's reports for the financial statements and consolidated financial statements of Deutsche Sparkassen Leasing AG & Co. KG for the financial year 2019/2020 as well as the combined management report. The auditor has notified the Supervisory Board's audit committee of its audit findings and has discussed them in detail with its members. The audit commit-

tee has notified the Supervisory Board of the outcome of its review of the auditor's reports and its discussions and has recommended the endorsement of the financial statements and the consolidated financial statements and the presentation of the financial statements to the shareholders' meeting for approval.

The auditor has provided a comprehensive report on its audit findings at the Supervisory Board's financial statements meeting and has replied to questions.

Following its own audit and discussion of the financial statements and the combined management report with the appointed auditor, the Supervisory Board has noted the auditor's audit findings and has not raised any objections. The Supervisory Board endorses the financial statements presented to it and proposes the approval of the financial statements by the shareholders' meeting.

### **Proposal for appropriation of profits**

The Supervisory Board has discussed the proposal for appropriation of the profit for the year and recommends that the shareholders allocate an amount of EUR 12,300,000.00 out of the parent company's net income for the year of EUR 24,768,331.03 to the non-withdrawable reserves.

The Supervisory Board would like to thank the member of the Supervisory Board who left his position during the year under review, Mr Günther Passek, for his valuable service. The Supervisory Board would also like to express its thanks and recognition to the Management Board and to all of the company's employees for their sustained commitment and for all of their work in the financial year 2019/2020.

Bad Homburg v. d. Höhe,  
January 2021

For the Supervisory Board



Alexander Würst  
Chairman



# Combined management report Deutsche Leasing Group

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# Combined management report

Financial year 2019/2020  
Deutsche Sparkassen Leasing AG & Co. KG, Bad Homburg v. d. Höhe

## Business performance

- Financial year shaped by the health and operational challenges posed by the COVID-19 pandemic
- New business volume of EUR 9.2 billion despite the pandemic
- Business trend for major projects remains very successful, particularly in the rail sector

## Earnings position

- Results burdened by increased risk provisions, with continuing margin pressure for the portfolio
- Further increase in net asset value, despite more difficult outline conditions

## Net assets and financial position

- Consolidated balance-sheet total of EUR 22.1 billion matches previous year's level
- Portfolio structure largely stable in terms of sectors, assets and volumes
- Equity shown in the balance sheet amounts to EUR 907 million
- Secure financing base with broad foundations

## Opportunities and risk management

- Risk-bearing capacity remains clearly intact, even in stress scenarios
- Satisfactory default situation
- Robust market position thanks to diversification and newly concluded partnerships as well as supplementary factoring and insurance products
- Business model tied to performance of the real economy

## Outlook

- Continuing growth prospects for the asset finance/ asset service market
- COVID-19 pandemic is accelerating trend of investing in digital distribution channels, products and processes
- Goal of new business volume at previous year's level
- Slight increase in net asset value and moderate rise in equity as well as provisions in accordance with §§ 340f and 340g HGB (German Commercial Code)
- Economy recovery envisaged for 2021, but high level of uncertainty

## Basic information regarding the Deutsche Leasing Group

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### Overview

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Deutsche Sparkassen Leasing AG & Co. KG, headquartered in Bad Homburg v. d. Höhe, (also referred to hereinafter as “DL KG”) is the parent company of the Deutsche Leasing Group. As a financial services provider, it is supervised by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin) and by the German Bundesbank.

As one of the leading asset finance and asset service partners in Germany and Europe, the Deutsche Leasing Group offers investment-related financing solutions (asset finance) as well as supplementary services (asset services) for both fixed and current assets. On the basis of a broad product range, the Deutsche Leasing Group supports its customers in their realisation of investment projects. This encompasses small-volume investments and financing, individual, complex major projects, factoring business and debt management. In terms of its customers, Deutsche Leasing – as a central group partner of the savings banks – mainly focuses on SMEs in Germany, which it also supports at an international level.

On 30 September 2020, overall the Group had 2,716 employees in 24 countries.

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### Products and services

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The solutions offered by the Deutsche Leasing Group continue to mainly comprise leasing and asset financing for machinery and equipment, vehicles, IT and communication equipment, medical technology, real estate, intangible assets and large-scale movable assets (such as rail vehicles and energy generation plants) and also factoring. It offers its partners sales financing products as well as dealer purchase finance.

Asset finance solutions form the core of the business model for the Deutsche Leasing Group. Its range of services runs from purchasing of assets via brokerage of asset-related insurance and administrative activities to resale of assets. This encompasses full-service products as well as certified returns in the vehicle fleet segment, construction management services for real estate leasing and life-cycle management, including IT services and logistics. In its factoring and collection segment, the Deutsche Leasing Group offers comprehensive debt management services.

Its in-depth asset know-how and its understanding of specific industry requirements enable targeted ongoing development and fine-tuning of its range of services in line with prevailing market conditions. In particular, the goal is to identify early on any market segments with relevant investment requirements and to provide individual support for customers during the planning of their investments and right up to their realisation, thus laying the foundations for successful long-term partnerships. In addition, the Deutsche Leasing Group is increasingly offering standardised, small-volume financing for its business customers seeking simple and rapid access to smaller investment assets. Starting points for the ongoing development and fine-tuning of its range of solutions are sought throughout the asset life cycle, in line with customers' specific requirements. The development of digital quotation processing modalities was a key area of focus in

the past financial year, so as to be able to reach out to customer groups and provide them with the appropriate level of support even during times of social distancing.

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## Organisation and structure

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The Deutsche Leasing Group is represented on the market through Deutsche Leasing AG and its different business segments, its subsidiaries DAL Deutsche Anlagen-Leasing GmbH & Co. KG (DAL), Deutsche Leasing Finance GmbH (DLF) and Deutsche Factoring Bank GmbH & Co. KG (DFB) as well as further investments specialising in the asset finance and asset service segments. Companies in 24 countries in Europe, Asia and America provide an international platform for the Deutsche Leasing Group's services.

As the market leader in Germany and one of the leading providers of leasing in Europe, it focuses on business-to-business operations with small and medium-sized companies. The combination of comprehensive asset, industry, service and product competence, all from a single source, provides added value for its customers.

Deutsche Leasing's **Savings Banks and SMEs business segment** focuses on the German market via the savings banks – which are supported through a combination of offline and online channels – as well as direct distribution. Within the framework of a generalist sales model, this business segment offers a comprehensive range of financing services for movable investment assets, from solutions-oriented support for individual projects to processing of small-volume standard transactions. In line with the segmentation model of the Deutscher Sparkassen- und Giroverband (German Savings Banks Association, DSGV), Deutsche Leasing distinguishes between the support services which it provides for larger corporate and company customers, on the one hand, and smaller commercial and business customers on the

other. Besides Deutsche Leasing's well-known leasing and hire-purchase products, its digital S-Gewerbekredit product, which it introduced for the latter customer group in the financial year 2018/2019 for financing of smaller plant and equipment expenditures, significantly contributed to the expansion of its range of products and their attractiveness. In addition, in cooperation with the International business segment the savings banks and their customers receive needs-oriented support for their foreign activities through so-called "German desks" in the foreign companies of the Deutsche Leasing Group.

The change of name of the Fleet **business segment** to **Mobility** underlines this unit's consistent focus on the developments on the market. Its strategic goal is to be the preferred finance and service partner for the SME sector's mobility concepts. The services offered in this business segment encompass vehicle-related investment and service solutions as well as efficient fleet management for SMEs in Germany especially. This business segment aims to anticipate market changes associated with trends such as the growing significance of alternative drive types and carsharing concepts. The configuration and calculation service which was newly implemented in the past financial year was successfully launched; the fully revised online customer portal is currently being finalised. The goal of all of these measures is increased customer satisfaction and retention. Through AutoExpo Deutsche Auto-Markt GmbH (AutoExpo), this business segment has its own specialised reselling company which resells returned leasing assets to private and commercial purchasers in Germany and other countries.

The **International business segment** focuses on support for German industrial enterprises in Germany and other countries, as a sales financing partner. This business segment serves as an international centre of excellence for asset finance and asset services within Sparkassen-Finanzgruppe and offers selected vendors and their customers in 24 countries asset finance solutions which

match local requirements. In the past financial year, Deutsche Leasing entered the Swiss market by opening a branch office there. As well as traditional leasing and loan business, its product range includes dealer purchase finance especially. In order to expand its international business in the area of export financing, in the past financial year the parent company of the Deutsche Leasing Group acquired an interest in AKA Ausfuhrkredit-Gesellschaft mbH (AKA). In addition, “German desks” established in Deutsche Leasing’s foreign companies assist customers of Deutsche Leasing and the savings banks with their foreign investments. Vendor business is undergoing further expansion by means of digital interfaces (virtual captive platform) which provide a digital framework for efficient handling of business transactions in multiple countries.

**DAL** operates as a centre of excellence for real estate business as well as specialist transactions and project business. It offers its customers structured financing for long-term and large-scale investments in the real estate (including construction management), energy, transport, logistics, medical technology, IT and special products (such as financing solutions for intangible assets and current assets) business segments and specialises in the arrangement of major projects. In the past financial year, a series of large rail transactions were realised in the local public transport sector. The DAL Asset Service Centre handles the processing and resale of returned leasing assets from the IT segment.

**Deutsche Leasing Insurance Services GmbH (DL InS)** is the centre of excellence for the Deutsche Leasing Group’s insurance services. It has Group-wide responsibility for insurance services, including the optimisation of purchasing and product development processes; this includes the Group’s foreign activities. This business unit develops insurance services tailored to customers’ specific requirements. It markets these services through all of Deutsche Leasing’s market units and distribution channels via brokered business.

**Deutsche Leasing Finance GmbH (DLF)** offers asset-related credit financing, primarily purchasing, rental park and warehouse financing for dealers in the construction machinery, agricultural technology and material handling vehicle segments. DLF is accredited with various public business development banks and enables public development funds to be integrated within the Group’s business; it serves as a conduit for development loans. In addition, DLF assists the subsidiaries of the Deutsche Leasing Group in case of financing requirements, including outside Germany, and provides intra-Group overdraft facilities and guarantees within the scope of its financing activities.

**Deutsche Factoring Bank GmbH & Co. KG (DFB)** is Sparkassen-Finanzgruppe’s factoring centre of excellence. In addition to the range of services which the Group provides for the SME sector, DFB offers comprehensive receivables financing, debt management and loss protection solutions in Germany and other countries. In its exploitation of the market, it focuses on its partnership with the savings banks as distribution partners. DFB also cooperates with selected intermediaries and brokers.

**Bad Homburger Inkasso GmbH (BHI)** – an associated company of the Deutsche Leasing Group – offers distressed-debt solutions as well as the market-oriented resale of movable and real estate collateral on behalf of its shareholders, the savings banks and other companies and institutions. The development of a modernised IT platform was a key priority for BHI in the past year.

**S-Kreditpartner GmbH (SKP)**, a Deutsche Leasing investment, focuses on personal car and consumer loans in Germany. It pursues its sales activities within the scope of partnerships with the savings banks; SKP also offers financing of sales and purchasing activities for the vehicle industry. In Berlin, SKP has established a platform for innovation and exchange which enables the development of new, forward-looking solutions by bringing together various market actors.

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## Positioning within Sparkassen-Finanzgruppe

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As a centre of excellence for leasing, factoring and other SME-oriented asset finance solutions, the Deutsche Leasing Group is a central and internationally focused group partner which supports the savings banks worldwide in their realisation of their customers' investments. The development of a market-oriented, digital product portfolio which is available online will consistently strengthen this centre-of-excellence function within Sparkassen-Finanzgruppe and likewise the intragroup benefit. As well as close market cooperation, the savings banks serve as the Deutsche Leasing Group's key financing partner. Moreover, overall 356 savings banks (previous year: 358) are shareholders in the Deutsche Leasing Group, as direct and indirect limited partners. This close cooperation with the goal of developing digital products which are available online is particularly important in times of COVID-19 and social distancing.

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## Distribution channels

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The Deutsche Leasing Group exploits its markets through three different distribution channels:

**Savings banks:** The needs of the savings banks' customers are the key priority here and are optimally fulfilled through the cooperation of the savings bank in question with the Deutsche Leasing Group. The savings banks are able to select from an extensive range of services: from standardised product lines to tailored specialist solutions. The Deutsche Leasing Group thus enables the savings banks to access its full range of products and services. Its broad-based and coordinated market approach enables improved fulfilment of the needs of the savings banks' customers. Moreover, German desks have been established in the foreign

companies of DL KG; German-speaking employees serve there as on-site contacts for the savings banks and their customers.

**Direct business:** With a regional sales structure which enables a local presence, DL KG and DAL exploit the market independently, through direct acquisition. Direct business sales focus especially on those customers and markets whose potential the savings banks or partners/vendors have not yet fully exhausted. Direct business promotes the expansion of the Group's existing customer base through the acquisition of new customers and safeguards its know-how as well as its customer and industry insight, thus underlining the independence of the Deutsche Leasing Group.

**Partners/vendors:** The Deutsche Leasing Group's partners are its dealers, vendors and cooperation partners. By working with dealers and vendors, the Deutsche Leasing Group achieves efficient and early access to customers, thus ensuring broad sales coverage in Germany and other countries. In the past financial year, the Deutsche Leasing Group signed a cooperation agreement with UniCredit Bank which offers additional market development potential.

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## Locations

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Germany is the core market of the Deutsche Leasing Group. Through its foreign network, it also supports German companies' exports and their international presence. It does so through cooperation with international vendors – mainly in Germany, Austria and Switzerland ("DACH") – which rely on the financing expertise of the Deutsche Leasing Group's international network to support their sales activities. On the other hand, as well as assisting German companies' foreign direct investment programmes the Group also supports foreign subsidiaries of German corporate groups

through its 24-country network. A branch office in Switzerland was added to the Group's network in the past financial year and began to operate in the financial year 2020/2021.

In the year under review, as well as its headquarters in Bad Homburg v. d. Höhe the Deutsche Leasing Group had one German branch office, in Berlin, and seven other German sales offices. The Deutsche Leasing Group is also represented in its various regions through its investments. The following figure provides an overview of the Group's international locations.

#### International presence of the Deutsche Leasing Group



## Economic report

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### Overall economic and industry-specific environment

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The **world economy** experienced a sharp decline in the second quarter of 2020 on account of the COVID-19 pandemic. In many places, the downturn was stronger than during the 2009 recession. The downswing in economic activity was a global phenomenon and unfolded more or less synchronously worldwide, with the exception of China where the downturn began earlier. From March 2020 onwards, in Europe and the USA as well as the key emerging markets, overall economic output began to decline in view of the growing number of COVID-19 infections and the resulting need for restrictive measures in order to curb the pandemic. The downturn worsened in April. The start of the recovery in May coincided with a fall in the level of new infections in many countries and a related gradual easing of the measures which had been put in place to prevent infections. However, the recovery flagged towards the end of the period, amid a strong resurgence in the number of infections in the autumn, since further restrictions on public life were resolved in order to prevent a “second wave”.

The **USA's** gross domestic product contracted by -9 per cent in the second quarter of 2020, following a decline of -1.3 per cent in the first quarter. The trend bottomed out in April. A strong recovery then ensued from May onwards, thanks to an easing of measures to prevent infections as well as broad fiscal and monetary stimuli. Industry has already made up for much of the COVID-19-related decline in its level of activity. In the construction industry, the home-building sector in particular has recovered, while retail sales have even significantly exceeded their pre-crisis level. This pointed to strong gross domestic product growth in the third quarter.

In **China**, the spread of COVID-19 and the related shutdown already began in January, i.e. significantly earlier than in other countries. The economic situation improved considerably following the gradual easing of the containment measures. The 11.5 per cent gross domestic product increase in the second quarter was mainly driven by industry. On the other hand, consumer-related segments of the economy have not yet fully recovered, since measures to prevent infections remain in place and the losses of household incomes associated with the rise in the level of unemployment have curbed the level of demand. In the third quarter of 2020, China's economy registered a growth rate which was close to its pre-crisis level, since domestic and foreign demand both picked up strongly.

The **Eurozone** experienced an unprecedented decline in economic output in the first half of 2020. This -15.0 per cent decrease reflected the negative effects of the pandemic and the measures implemented in order to curb it. These measures were mainly introduced in March and generally remained in place for much of the second quarter before being gradually eased. Economic activity thus recovered in line with this trend, as reflected in the monthly indicators. The impact of the COVID-19 pandemic on the different sectors of the economy varied. As in other advanced economies, in the Eurozone the level of activity plunged in the trade, transport, hospitality and personal services segments. Sectors of the economy for whose business model customer-facing activities are less important – such as agriculture and forestry, information and communication, financial and insurance services as well as real estate and housing – fared significantly better. Countries in which personal services such as tourism account for a large part of the value chain and countries which imposed strict containment measures over an extended period of time suffered particularly badly as a result of the economic downturn. These two factors coincided in Spain, which suffered the strongest decline in the first six months of the year: -22 per cent. In France, Italy, Portugal and Belgium, the contraction

in economic output in the first six months of the year was likewise stronger than in the Eurozone as a whole. Due to catch-up effects, in the third quarter economic output improved markedly by around 10 per cent on the previous quarter, in which output had plunged.

In **Germany**, in the first half of 2020 economic output declined at a rate unprecedented over a six-month period in the history of the federal republic; it was -11.5 per cent lower than the level it had reached in the final quarter of 2019. This sharp drop in output mainly occurred in the six-week period from mid-March onwards. In April, key monthly activity indicators were far below their pre-crisis levels. A strong recovery already ensued in May. This continued in virtually every sector of the economy and was strongly influenced by catch-up effects. For the third quarter, economic research institutes expect the country's gross domestic product to rise by a strong 6.5 per cent; however, the level of economic output would thus still be around 6 per cent lower than the level seen in the final quarter of the previous year, 2019. **Plant and equipment expenditures** suffered disproportionately strongly due to the effects of the COVID-19 pandemic. Purchases of machinery, devices and vehicles fell by -7.3 per cent in the first quarter of 2020 and by as much as -19.6 per cent in the second quarter of 2020. Investments in vehicles and machinery were particularly badly affected. Domestic turnover in the automotive sector dropped by around -40 per cent in the second quarter; mechanical engineering likewise registered a 15 per cent decline in the same period. The strong level of growth in the third quarter mainly reflected the investments which were now made up for, since these had not been possible during the shutdown in the spring of 2020.

Unlike in previous years, as of the copy deadline no new business figures were available for the leasing sector for the calendar year 2020. These figures are published by the Federal Association of German Leasing Companies (Bundesverband Deutscher Leasing-Unternehmen e. V.), Berlin.

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## Financial performance indicators

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As in the previous year, the Deutsche Leasing Group is managed on the basis of a Group-wide integrated logic which focuses on the development of new business as well as its net asset value and equity, with due consideration of risk-bearing capacity.

### New business

As a key management ratio, new business comprises all of the (confirmed) transactions within a specific reporting period, including the total historical costs for all associated investment assets from leasing, hire-purchase, rental and investment loans, the services stipulated under service agreements as well as the average level of recourse to credit lines within the scope of dealer purchase finance. Turnover and debt volumes in factoring and collection business are not included in this definition on grounds of limited comparability but are nonetheless separately considered for internal management purposes.

On the development of new business, please refer to the comments on the Group's ["Business performance"](#).

### Net asset value

Leasing companies use the net asset value calculation in addition to annual financial statements prepared in accordance with German commercial law. The net asset value calculation presents hidden reserves and hidden liabilities within the scope of the volume/portfolio entered into and thus provides information on the present-value future net earnings potential which will be reflected in the profit and loss accounts for subsequent periods. The net asset value calculation thus transcends the inherent weaknesses associated with a profit and loss account prepared in accordance with commercial law (periodisation, inevitable establishment and release of hidden reserves) and helps to avoid the potential mismanagement which would result in case of a purely P&L-based performance assessment.

As well as equity shown in the balance sheet, the net asset value includes the earnings potential and profit contributions for future profit and loss accounts on the basis of the portfolio as of the key date, established by means of prior offsetting of expenses (declining interest rate trend, start-up costs from acquisition and advance depreciation, by comparison with their straight-line leasing instalment equivalents) and calculated profits in a given portfolio.

While the net asset value calculation plays a less prominent role than the financial statements, it is a materially essential precondition for an overall assessment and serves as an indicator of a leasing company's risk coverage potential, as determined on a value-oriented basis. At the same time, a company's net asset value is used for financing purposes as a financial measure of total equity; the net cash returns from the transactions entered into are used to provide liquidity for the company.

As a necessary supplement to the profit and loss account prepared in accordance with commercial law, the net asset value calculation provides the basis for a general indication of net income realised within a given period. This is referred to as the economic result for the period. The Deutsche Leasing Group calculates this figure on the basis of the industry standard developed by the Federal Association of German Leasing Companies.

On the development of the net asset value, please refer to the comments on the > ["Earnings position"](#).

### Equity

To ensure adequate economic foundations for its growth objectives and as cover against possible unexpected risks, the Deutsche Leasing Group maintains a strong equity base as well as reserves in accordance with §§ 340f and 340g HGB.

On the development of equity, please refer to the comments on the > ["Earnings position"](#).

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## Business performance

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For the financial year 2019/2020, the Deutsche Leasing Group had predicted a volume of new business growth slightly in excess of the overall economic trend and a continuously rising net asset value, with a further strengthening of equity as well as provisions in accordance with §§ 340f and 340g HGB. This forecast was based on a moderately optimistic prediction of its business and earnings trends, in view of the prevailing market potential as well as the continuing margin pressure due to low interest rates.

While the first half of the past financial year was largely in line with forecasts, the COVID-19 crisis had a significant impact on the course of business over the second half of the year.

The outbreak of the pandemic and the resulting economic and operational challenges meant that Deutsche Leasing was obliged to implement appropriate measures, particularly in relation to its market exploitation and risk management strategies and including the necessary IT changes (lower value-added tax rate, deferral agreements). Deutsche Leasing thus enacted measures such as discontinuing its support for sectors which were particularly severely affected by the pandemic (so-called high-risk sectors), initiated deferral measures and, subject to close coordination between its distribution and risk teams, made care calls in order to provide in-depth customer support while assessing potential risk factors. The Management Board is closely managing these measures and they encompass Deutsche Leasing's entire international network. The Deutsche Leasing Group has established a Coronavirus Action Plan in order to be able to actively tackle the medium- and long-term effects of the pandemic. In particular, this plan addresses distribution, risk, cost and digitalisation issues.

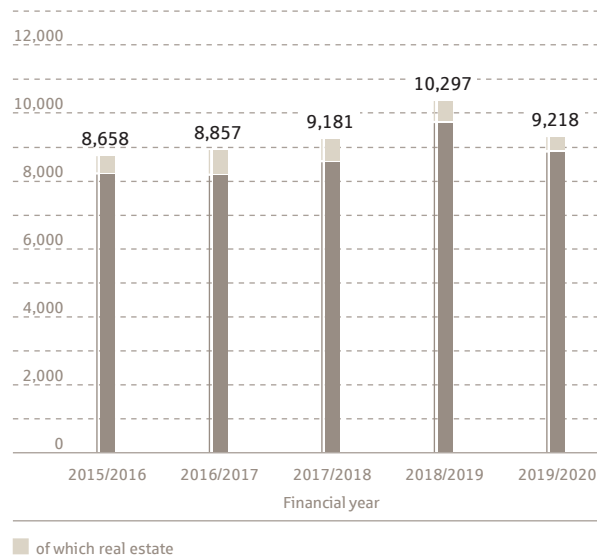
Since the start of the pandemic, a regular dialogue concerning developments, measures and events has been pursued with the supervisory authorities and with the committees of the Deutsche Leasing Group, which see Deutsche Leasing as having acted professionally in its handling of the issues relating to the pandemic.

The Deutsche Leasing Group once again maintained its market leadership in Germany as well as its leading position among leasing providers in Europe. However, in line with the industry as a whole it suffered a decline in its volume of new business due to customers' COVID-19-induced restraint in relation to long-term investment decisions. The Deutsche Leasing Group achieved a new business volume of EUR 9.2 billion.

The distribution of new business by asset class is as follows:

### New business of the Deutsche Leasing Group

EUR million



### New business by asset class

Asset class	2018/2019 New business		2019/2020 New business		Change in EUR million in relation to previous year
	In EUR million	Share in per cent	In EUR million	Share in per cent	
Machinery and equipment	5,528	54	4,749	51	- 779
Road vehicles	2,225	22	2,072	22	- 153
Energy and transport	1,360	13	1,552	17	+ 192
Real estate	667	6	450	5	- 217
Information and communication technology	517	5	395	4	- 122
<b>Deutsche Leasing Group</b>	<b>10,297</b>	<b>100</b>	<b>9,218</b>	<b>100</b>	<b>- 1,097</b>

In the **machinery and equipment** segment, which represents the core focus of Deutsche Leasing's asset finance business, the volume of new business reached a level of EUR 4.7 billion.

As well as the passenger car fleet business which was severely affected by the decline in the volume of new vehicle registrations, the **road vehicles** segment also includes commercial vehicles. In the financial year 2019/2020, Deutsche Leasing realised a volume of new business of EUR 2.1 billion in this segment and registered a more moderate performance, on account of large-scale transactions.

The result for the **energy and transport** segment was 14 per cent higher than in the previous year, thanks to several large-scale financing transactions. Business in the rail segment was a key factor here.

The volume of business in the **real estate segment** was 32.5 per cent lower than in the previous year. A volatile new-business trend is typical of this business segment, given the longer lead times and structuring requirements.

New business in the **information and communication technology** segment amounted to EUR 395 million. The COVID-19 pandemic is likely to accelerate companies' technological development (digitalisation of processes and jobs), while the related information technology requirements will provide strong impetus for new business.

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## Economic situation

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### EARNINGS POSITION

Due to the interruption of new business momentum, the effects of the low interest rate level – which has had a negative impact on the net interest margin contributions achievable on the market for some years now – were particularly apparent on the income side; the decline in the level of new business outside Germany was a further factor. On the expense side, upstream personnel and material expenses in areas such as IT and other projects relating to Deutsche Leasing's future strategy and higher risk provisions reduced the net income for the year reported in the profit and loss account. Deutsche Leasing's net asset value, which includes all of the valuation effects on the portfolio, increased slightly despite the difficult outline conditions.

**Leasing income** resulting from leasing and hire-purchase business and from the sale of second-hand leasing assets decreased by EUR -588 million on the previous year to EUR 7,473 million. This was mainly due to the above-mentioned negative effects. **Leasing expenses** declined to a similar extent, by EUR -599 million to EUR 4,382 million. This was mainly due to a decrease in foreign business reportable as hire-purchase business according to the German Commercial Code.

**Depreciation and valuation adjustments on leasing assets** remained at the same level as in the previous year, at EUR 2,642 million (previous year: EUR 2,615 million). In principle, scheduled depreciation on newly acquired leasing assets included in this amount in the period remains in line with the term of the underlying leasing contracts.

**Interest income** clearly improved by comparison with the previous year. Interest income developed disproportionately strongly by comparison with interest expenses and is benefiting from the growth of finance products offered by banks.

**General administrative expenses** amounted to EUR 401 million and thus increased on the previous year (previous year: EUR 384 million). Up to the outbreak of the COVID-19 pandemic, the Deutsche Leasing Group consistently pursued its growth strategy which included increased expenditure on external support services for IT and other projects relating to the Group's future strategy. In addition, wages and salaries have increased due to regular salary rises as well as scheduled recruitment of personnel. These increases on the previous year were partly associated with the challenges of the COVID-19 pandemic relating to unscheduled project and consulting costs (e.g. lower value-added tax rate, deferrals, etc.). This growth was partly compensated for through stringent management of other cost types and of non-personnel costs in particular.

Risk provisions under commercial law, in the form of **depreciation and valuation adjustments on receivables** (including the allocation made to the provisions in accordance with § 340f HGB), amounted to EUR 46 million and were higher than in the previous year (previous year: EUR 30 million). The lower risk result is mainly attributable to the cooling of the economy even prior to the outbreak of COVID-19.

Overall, these effects have resulted in a **net profit for the year** for the Group of EUR 29.9 million (previous year: EUR 74.7 million). The Group's **net income for the year** amounted to EUR 37.7 million (previous year: EUR 86.5 million).

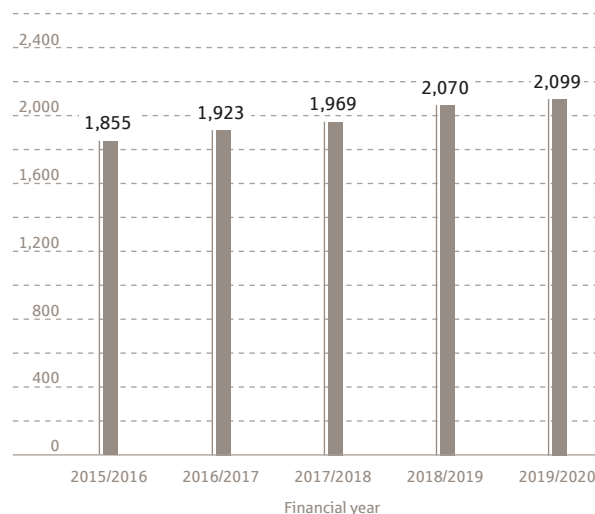
Due to the declining net profit for the year and the EUR 40 million dividend distributed in the financial year 2019/2020, **equity shown in the balance sheet** has decreased slightly, by EUR 20 million, from EUR 927 million to EUR 907 million.

In the context of the difficult outline conditions, the marginally positive net asset value trend in particular is highly favourable, since this includes all of the valuation effects on the portfolio. It thus includes increased

burdens which are to be expected in future as a result of counterparty risks that are likely to rise due to deteriorating credit ratings on account of COVID-19. In the past financial year, the net asset value increased to EUR 2,099 million. The net asset value is calculated according to the standard developed by the Federal Association of German Leasing Companies in terms of its structure and substance. The auditor reviews this value in line with the "IDW Audit Standard: Net Asset Value Calculation Auditing for Leasing Companies (IDW PS 810)" issued by the Institute of Public Auditors in Germany, Düsseldorf. The net asset value reflects the value of the Deutsche Leasing Group's equity, after disclosure of hidden reserves. It is a key element for calculation of the economic result – a recognised, summary ratio indicating period net income for leasing companies.

**Net asset value of the Deutsche Leasing Group**

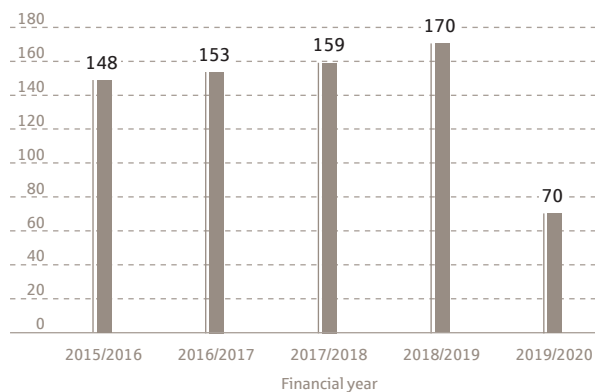
EUR million



Allowing for the dividend distributed by Deutsche Sparkassen Leasing AG & Co. KG, despite the pandemic the Deutsche Leasing Group achieved an **economic result** of EUR 70 million for the financial year 2019/2020.

### Economic result of the Deutsche Leasing Group

EUR million

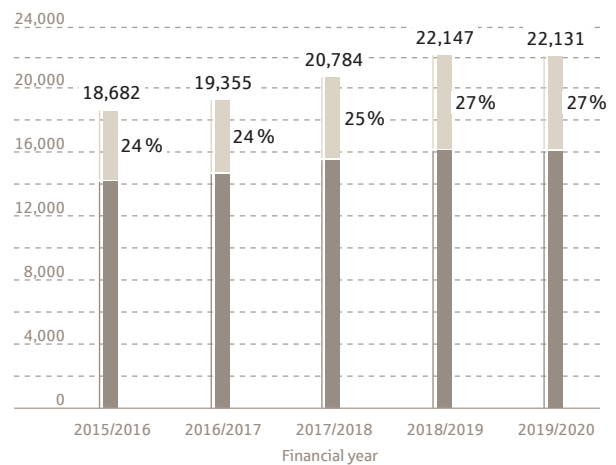


### NET ASSET SITUATION

The Deutsche Leasing Group's **consolidated balance-sheet total** amounted to EUR 22.1 billion at the end of the year under review and thus matched the previous year's level. There was a significant change in the level of receivables from customers (EUR +374 million), which contrasted with a decline in the volume of leasing assets (EUR -470 million).

### Development of consolidated balance-sheet total

EUR million



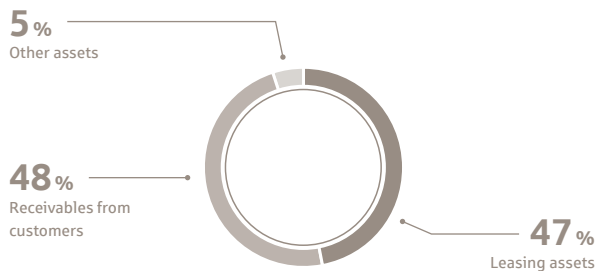
■ % share accounted for by foreign business

At EUR 17.7 billion, leasing assets at historical costs were lower than in the previous year (EUR 18.0 billion). Leasing assets measured at residual book values – one of the key elements of the consolidated balance-sheet total – had the following structure on 30 September 2020, with a breakdown for individual business segments:

Leasing assets measured at residual book values	2019/2020		2018/2019		Change	
	In EUR million	Share in per cent	In EUR million	Share in per cent	In EUR million	Share in per cent
Machinery and equipment	5,639	54	5,871	54	-232	-4
Road vehicles	3,100	30	3,288	30	-188	-6
Information and communication technology	981	9	1,000	9	-19	-2
Energy and transport	572	6	604	6	-32	-5
Real estate	105	1	104	1	1	1
<b>Total residual book values</b>	<b>10,397</b>	<b>100</b>	<b>10,867</b>	<b>100</b>	<b>-470</b>	<b>-4</b>

The residual book values of leasing assets thus accounted for 47 per cent of the overall consolidated balance-sheet total (previous year: 49 per cent). Receivables from customers (mainly hire-purchase receivables and receivables from banking and factoring transactions) amounted to 48 per cent of the consolidated balance-sheet total (previous year: 46 per cent). These include the leasing business of foreign subsidiaries which is generally reported as hire-purchase business in accordance with the German Commercial Code. Foreign subsidiaries account for around 27 per cent of the Group's total assets.

#### Structure of assets as of 30 September 2020

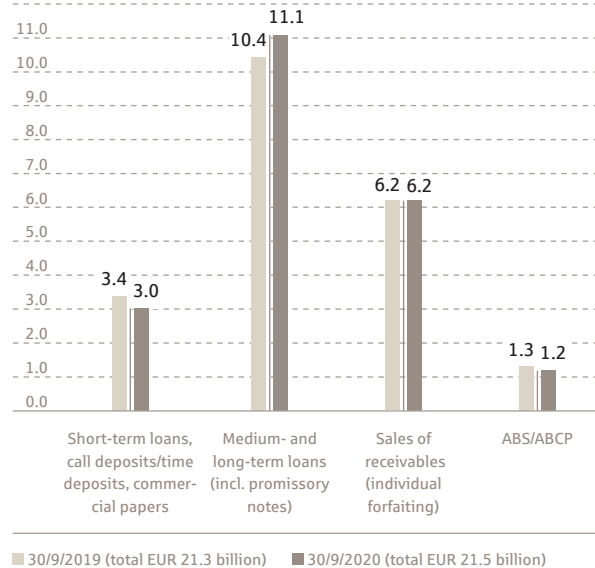


#### FINANCIAL POSITION

The debt capital borrowed in the financial year 2019/2020 served to finance the customer business of the Deutsche Leasing Group, in particular the acquisition of leasing assets and the grant of loans to customers. Borrowed funds of the Group's domestic and foreign companies (without DAL's non-recourse business, but including DFB) increased by around 1 per cent on the previous year, a moderate rise in view of the new business trend. On 30 September 2020, they amounted to EUR 21.5 billion (previous year: EUR 21.3 billion). The following figure shows the development of the financing volume by financing instrument:

#### Development of financing volume by financing instrument

EUR billion



Medium- and long-term borrowing (including promissory note loans) from savings banks and other banks and forfaiting – which jointly accounted for four-fifths of the total debt capital borrowed – remained the key elements of Deutsche Leasing's financing structure. Loan financing increased disproportionately strongly. This was mainly due to the expansion of financing via public business development banks as well as restructuring of short-term borrowing.

Money market borrowing was mainly for the purpose of financing short-term customer business. Around one quarter of money market borrowing served to finance DFB's factoring business.

The contribution provided by securitisation-based financing to the overall financing volume was more or less unchanged. Refinancing was mainly handled via the established ABCP financing platforms in the financial year 2019/2020.

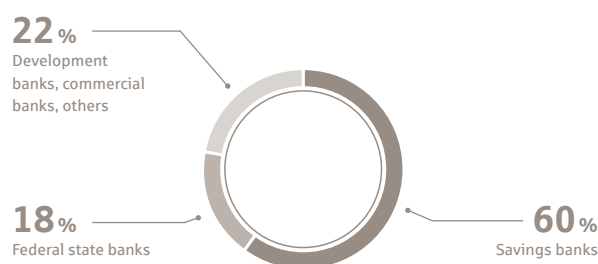
The funds borrowed generally had original maturities of up to six years and fixed-rate agreements which were generated by means of interest rate derivatives where necessary. In almost all cases, these funds were borrowed on terms matching the structures of customer transactions in regard to the capital commitment and fixed interest-rate periods as well as the respective currency. Maturity transformations were thus not implemented to any significant extent.

As before, derivative financing instruments for management of interest and currency risks (mainly interest rate swaps) were exclusively entered into for hedging purposes. Since the volume, term and capital commitment periods of the derivative financing instruments entered into were determined on the basis of the structures of the underlying customer transactions and borrowed funds (mainly as a macro hedge on the basis of interest-rate gap analyses and in some cases as a micro hedge), risk is effectively covered. A documented, appropriate and functional risk management system is used for these transactions.

The volume of financing (Germany and other countries, excluding DAL's non-recourse business, including DFB) was distributed as follows between the financing partners as of 30 September 2020:

#### Financing volume

(Germany and other countries, excl. DAL's non-recourse business)



The Deutsche Leasing Group continued to receive almost all of its funding from institutions within Sparkassen-Finanzgruppe. As of 30 September 2020, savings banks and federal state banks provided more than three-quarters of all borrowed funds. Public business development banks accounted for over two-thirds of the remaining borrowing.

In its financial management, the Deutsche Leasing Group seeks to safeguard permanent solvency and to cover financing requirements on the best possible terms, with the goals of hedging financial risks and achieving the greatest possible level of independence in relation to developments on the financial markets.

In the financial year 2019/2020, the Deutsche Leasing Group maintained a broadly diversified debt financing structure, in terms of the number of financing partners and the financing instruments used. Financing reserves were maintained at a high level in the financial year 2019/2020, even in a market environment adversely affected by the COVID-19 pandemic. As of 30 September 2020, Deutsche Leasing's "free liquidity" was in excess of EUR 4 billion. By virtue of the structures established for forfaiting and securitisation over the past few years, as well as financing by means of conventional credit lines further options were utilised for debt financing and in order to ensure liquidity. Overall, on the basis of its anchoring in Sparkassen-Finanzgruppe, its stable, long-term business relationships with credit institutions and a diversified range of financing instruments, the Deutsche Leasing Group thus has a broad financing base which enables future business growth.

The Deutsche Leasing Group was able to fulfil its payment obligations at all times in the financial year 2019/2020.

Within the scope of the **statement of cash flows**, cash and cash equivalents amounted to TEUR 61,038 at the start of the financial year and to TEUR 105,037 at the end of the financial year. The structure of the statement of cash flows reflects the specific characteristics of the leasing sector.

The cash inflow from current business activities amounted to TEUR 103,898 (previous year: TEUR 21,106), while the cash outflow from investing activities totalled TEUR -17,718 (previous year: TEUR -22,294). The cash outflow from financing activities amounted to TEUR -42,181 (previous year: TEUR -42,772).

Contingent liabilities under suretyships and guarantee agreements totalled EUR 403.2 million at the end of the financial year (previous year: EUR 350.2 million). On the balance-sheet date, irrevocable loan commitments were valued at EUR 519.2 million (previous year: EUR 256.3 million).

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## General statement by the Management Board on the economic situation

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In the financial year 2019/2020, Deutsche Leasing's economic environment was predominantly shaped by the COVID-19 pandemic. This extraordinary event initially required short-term measures (including protection of health in the workplace, switch to home-office working, handling of deferral measures). Deutsche Leasing subsequently drew up a Coronavirus Action Plan which envisages the implementation of packages of measures on a medium-term basis, in order to appropriately deal with the consequences of the COVID-19 pandemic. In particular, this plan addresses distribution, risk, cost and digitalisation issues.

The effects of the COVID-19 pandemic were particularly apparent in the second half of the financial year. Deutsche Leasing tackled these impacts early on by means of a controlled new business policy commensurate with the level of risk as well as active management of its existing business. Risk provisions which were established in response to growing default risks in the portfolio had a negative impact on the profit and loss account. In summary, while the Deutsche Leasing Group was unable to escape the effects of the COVID-19 crisis, it achieved a new business volume of EUR 9.2 billion in spite of the highly tense market environment. Deutsche Leasing was also able to slightly increase its net asset value. As of the balance-sheet date, this amounted to EUR 2,099 million (previous year: EUR 2,070 million). The economic result declined to EUR 70 million; please see the comments on the earnings position for further details. Equity shown in the balance sheet remained at the previous year's level which also reflected effects associated with the distributions. The contingency reserves in accordance with §§ 340 f and g HGB have increased slightly and total EUR 430 million. An increased equity volume remains a strategic objective and Deutsche Leasing will continue to rigorously pursue this goal.

The measures implemented throughout the Group in the year under review have laid the foundations for a return to the Group's envisaged growth trajectory, provided that the overall economic trend does not fundamentally diverge from current forecasts due to potential setback risks.

The Deutsche Leasing Group enjoyed a secure refinancing position, particularly thanks to its integration within Sparkassen-Finanzgruppe. The financial position of the Deutsche Leasing Group is unchanged and remains stable.

DL KG, as the Group's parent company, reported a net income for the year of EUR 24.8 million. This provides the basis for the proposal to distribute a dividend to the shareholders of DL KG in the amount of EUR 12 million (previous year: EUR 40.0 million). This dividend level is appropriate in view of the current COVID-19 situation. Deutsche Leasing thus continues to adhere to its sustainable dividend policy, at a level which is appropriate in line with the current situation.

Deutsche Leasing has held its own in a challenging environment. Deutsche Leasing's net asset, financial and liquidity position remains in good order and stable.

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## Non-financial performance indicators

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### EMPLOYEES

As well as a sustainable business model, well-qualified, motivated and committed employees both in Germany and other countries, who are flexible in adapting to changing outline conditions, and a high level of attractiveness as an employer are critical to the business success of the Deutsche Leasing Group. In the context of the global COVID-19 pandemic, the employees of the Deutsche Leasing Group have demonstrated their abil-

ity to adapt to continuously evolving circumstances as well as their commitment and have displayed an above-average level of dedication. During the lockdown period, the priorities were to maintain the Group's operational capacity, to adjust work processes appropriately, to exploit new means of communication and to successfully implement new work models via home-office working. The Group successfully achieved these goals within a short period of time.

The dedication and expertise of Deutsche Leasing's employees are vital to its success in ensuring a high level of satisfaction on the part of its customers and partners. Employees and managers refine their technical, methodical and personal skills by means of skill-building and training measures. Core areas of focus are continuously adjusted in line with changed outline conditions as well as the requirements of the respective target groups. In the past financial year, training focused on topics such as distance leadership, strengthening project management competences and developing sales skills, particularly in the context of the pandemic with all of its challenges.

Deutsche Leasing's employees set great store by its corporate culture and its central values of "Trust", "Team spirit", "Passion" and "Commitment". The four cornerstones of this culture – "Assuming real responsibility", "Market orientation", "Focus on getting things done" and "Learning from errors" – play a key role in the company's targeted and continuous, ongoing development. This corporate culture is the key foundation of the Deutsche Leasing Group's success and represents the basis for an improvement in the level of customer and employee satisfaction.

On the balance-sheet date, the Deutsche Leasing Group had a total of 2,716 (previous year: 2,624) employees, of which 513 outside Germany (previous year: 504).

The average length of employees' service in Germany amounted to approx. 11.5 years (previous year: 11.3 years), with an average age of 45.6 years (previous year: 45.3 years). The fluctuation rate amounted to 4.8 per cent (previous year: 6.4 per cent) and the sickness level to 5.1 per cent (previous year: 6.1 per cent).

A performance-oriented remuneration system links individual employees' goals with the company's strategic objectives and thus provides an additional framework for the company's consistent management.

On the basis of its employees' in-depth expertise and many years of experience, Deutsche Leasing successfully coped with the abrupt challenges posed by the COVID-19 pandemic in the reporting period. The high level of commitment and dedication which they displayed were a central aspect of Deutsche Leasing's successful handling of the business challenges associated with the COVID-19 pandemic. The Deutsche Leasing Group is aware that it is necessary to approach ever faster and increasingly complex cycles of change professionally and confidently, as a basic precondition in order to ensure a company's future viability.

Deutsche Leasing organises its initial training, its dual courses and its programmes for trainees and young and upcoming managers within the context of its corporate strategy, and does so with very strong results. This is an investment which pays off and which in the reporting period enabled an increased number of technical and management positions at a wide range of different levels to be filled internally, with former apprentices, dual-course students and trainees in particular.

Deutsche Leasing currently has 17 trainees (previous year: 16) with permanent employment contracts. The company's initial training programme is currently offering 23 apprentices a career in office administration. By means of a dual-course structure, students can pursue degrees in International Business Management/

General Management and Digital Business Management at the accadis University of Applied Sciences in Bad Homburg and a Bachelor of Science degree in Information Management at the Rhine-Main University of Cooperative Education. These courses are Deutsche Leasing's response to the market's new demands in relation to digitalisation and IT issues. After successfully completing their training or courses of study, all of Deutsche Leasing's apprentices and students enrolled on Bachelor degree programmes were offered full-time employment positions. All of these trainees have taken on more advanced roles in line with the core areas of their training and their interests.

#### **Social commitment**

As an important member of Sparkassen-Finanzgruppe, the Deutsche Leasing Group lives up to its social responsibility in various ways, for example through commitments to art and culture, science, social issues and sport.

Besides purely financial initiatives, many Deutsche Leasing Group employees also display a high level of social engagement through the company's "Socially Active Employees" (SAM) scheme. Since 2011, employees have participated in social projects on their own initiative as part of this scheme, with Deutsche Leasing contributing benefits in kind. Unlike in previous years, the COVID-19 pandemic and the related restrictions meant that it was not possible to implement any projects in the financial year 2019/2020. However, Deutsche Leasing contributed via an alternative format. Its employees were able to take part in a sponsored run organised by the German Sports Aid Foundation (Stiftung Deutsche Sporthilfe). During the Christmas period, Deutsche Leasing's employees took part in its annual Christmas wish list initiative. Wish lists were collected from various social welfare institutions in the local region, and Deutsche Leasing's employees were thus able to fulfil these Christmas wishes. Deutsche Leasing maintains a continuous dialogue with all of these social

welfare institutions which it has supported for many years now, and Deutsche Leasing's commitment is highly appreciated.

Deutsche Leasing continues to support and to assist a large number of organisations and associations through donations and funding. It sets great store by continuing to honour its existing commitments as a reliable partner, even during these challenging times. Due to the current economic developments as a result of the COVID-19 pandemic, in the past financial year Deutsche Leasing focused on maintaining its support for its existing commitments.

Deutsche Leasing is actively dedicated to sports funding. This includes its support for the German Sports Aid Foundation. As part of Sparkassen-Finanzgruppe, Deutsche Leasing is also a "Top Partner of Team Germany" and thus supports the German Olympics teams and Paralympics team as well as young sportsmen and -women and grassroots sport.

Deutsche Leasing has supported a large number of cultural initiatives in the field of art and culture for many years now. The Rheingau Music Festival has been enriching the Rhine-Main region's cultural scene with almost 150 concerts at over 40 venues every summer. Deutsche Leasing also quite deliberately maintained its premium partnership with the Rheingau Music Festival in the past financial year, even though it was not possible for the festival to take place as originally planned, due to the pandemic.

Deutsche Leasing is also active in science funding and provides assistance for a wide range of research projects conducted by various institutions. Deutsche Leasing's long-standing membership of the funding association for the University of Cologne's leasing research institute documents the company's intensive relationships with universities. In addition, the lectures and forums supported by Deutsche Leasing and

its membership of Sparkassen-Finanzgruppe's science funding association ensure an active exchange between the realms of theory and practice.

Moreover, for some years now Deutsche Leasing has been a member of Sparkassenstiftung für internationale Kooperation. This foundation has been jointly established by all of the savings banks in Germany, with the goal of offering people in developing countries and emerging economies the prospect of a better life. The projects primarily focus on helping people to help themselves rather than providing financial support. Sparkassen-Finanzgruppe employees pass on their expertise on the ground and are supported by local colleagues in developing structures and providing training.

## Report on risks and opportunities and forecast report

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### Report on opportunities

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In the current situation especially, the Deutsche Leasing Group focuses on identifying opportunities at the earliest possible moment, assessing these opportunities and taking suitable action so that these opportunities can be transformed into commercial success.

Starting with a comprehensive analysis of the market environment, organic growth opportunities are systematically identified within the scope of Deutsche Leasing's annual medium-term planning. Besides market potential, customer requirements and general and specific market and global developments, this detailed analysis also includes trends, competitors and regulatory requirements; the effects of the COVID-19 pandemic have also been factored into the overall planning. Besides the focused continuation of the measures which are necessary to secure Deutsche Leasing's future in view of the pandemic, there is a need for further progress in achieving its customer- and market-related goals especially, in order to safeguard the Group's long-term success. The goals and business activities defined in the company's business strategy on the basis of its "Strategy 2025" and the measures thus determined in accordance with the company's risk strategy serve as the basis for medium-term planning for the financial years 2020/2021 to 2022/2023 of the Deutsche Leasing Group. These strategies are reviewed and, if necessary, adjusted every year.

The Deutsche Leasing Group sees future growth opportunities in the following areas in particular:

### INTRA-GROUP AND MARKET POTENTIAL

**Intra-Group business** with the savings banks is one of the Group's largest growth areas. Having been successfully opened up, this business segment is undergoing further intensification, in close cooperation with the savings banks and with the structural involvement of regional associations and advisory boards. This will enable a targeted focus on the existing market potential offered by Sparkassen-Finanzgruppe and improved exploitation of this potential. SME customers are supervised together with the savings banks on a target-group-oriented basis. This is rounded off by means of segment-oriented sales management. The business and commercial customers segment is a particularly strong area of focus for Deutsche Leasing's cooperation with the savings banks. In order to ensure a systematic and standardised approach for this customer segment, the Deutsche Leasing Group established a new specialised sales unit at the start of the new financial year 2020/2021.

The range of products offered through multichannel distribution activities is being continuously expanded with the goal of improved exploitation of intra-Group potential, while enabling the activation of customers via offline and online distribution channels. To ensure a high level of satisfaction on the part of the savings banks and their customers, the Deutsche Leasing Group has developed specific support concepts in accordance with their individual requirements as well as digital customer solutions which provide new opportunities for customers' small-volume business. Rapid contract processing is underpinned by efficient processes and systems. For small-ticket business, credit and contract processes are combined within a specialised unit (encompassing multiple business segments) for transaction-volume-based bulk business. This unit supports the business segments through standardised, system-based and cost-efficient procedures and services.

## INTERNATIONAL BUSINESS

The Deutsche Leasing Group sees **international business** as a further growth field. Here, it supports vendors in their international sales markets and assists German companies with their foreign investments. Due to the German business sector's strong export focus and its international presence, the support which Deutsche Leasing provides for its customers' and partners' foreign activities is a particularly important aspect of its business. Through individual partnership agreements with international vendors, the Deutsche Leasing Group assists German companies and their foreign subsidiaries with their foreign investment projects. Moreover, structured financing for specialist transactions and project business is yielding additional business potential thanks to close cooperation between the foreign subsidiaries and DAL. The interest acquired in AKA in the year under review secured additional revenue potential in the field of export financing. The German business sector's global presence offers market opportunities for the Deutsche Leasing Group which it accesses through its foreign network in 23 countries alongside its domestic German market and also aims to leverage together with the savings banks. Since the course of the COVID-19 pandemic varied for the Group's foreign subsidiaries, the procedures followed were adapted to local conditions.

## FACTORING

The **factoring** business offers growth potential for the Deutsche Leasing Group, as a supplementary product to leasing for commercial and corporate customer business. The complementary nature of leasing and factoring gives rise to synergies that affect customer requirements, the customer structure as well as risk management. Factoring is a component of the financing mix for SMEs. Deutsche Factoring Bank exploits

existing factoring potential through the following distribution channels: the savings banks, intermediaries and direct distribution. This is achieved through a modular package of services for financing, loss protection and debt management, which undergoes systematic development.

## INSURANCE

The Deutsche Leasing Group's **insurance** products offer it a significant volume of potential revenue which is independent of interest rates. Its insurance business will primarily be developed in conjunction with financing products, for intra-Group business as well as direct and partner business. Deutsche Leasing also intends to further expand the range of insurance products which are available through its foreign subsidiaries. In principle, in future each financing product is to include an insurance component.

## DIGITAL PRODUCTS

The needs of the Deutsche Leasing Group's market environment clearly demonstrate the growing importance of the demands associated with the digitalisation of business processes, alongside a range of products and services which meets the market's requirements. The COVID-19 pandemic has made it all the more urgent to invest in **digital products** and processes. In times of social distancing, these are an essential prerequisite in order to fulfil customers' requirements. In a "digital" world, many customers nowadays expect digital support from Deutsche Leasing. An increased volume of digital products and services have been developed, piloted and placed on the market, in order to intensify business relationships with customers, savings banks and vendors. Deutsche Leasing's offering includes opening up online sales channels as well as developing web-based platforms in line with custom-

ers' specific requirements. The digitalisation of products is being accelerated by means of a standardisation and modularisation of product structures as well as uniform execution processes in the Group's business units.

In addition, on the basis of continuous market monitoring a specially established digital innovation unit develops prototype digital capacities which are coordinated with potential customers and optimised over shorter cycles. Among other objectives, this safeguards the future viability of the Deutsche Leasing Group and thus helps with the continued expansion of its market positioning.

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## Risk report

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Risk management supports the management of the Deutsche Leasing Group in the implementation of its business and risk strategy and considers all relevant risk types and all of the Group's German and foreign companies.

Central Risk Management coordinates holistic, company-wide risk management for all types of risk. This department has technical competence and responsibility for methods and models of risk measurement, control and aggregation, for calculation of risk-relevant parameters, for internal risk control and for internal and external reporting.

This department also performs the risk controlling function prescribed in the German Federal Financial Supervisory Authority's minimum requirements for risk management (Mindestanforderungen an das Risikomanagement, MaRisk). The head of the Central Risk Management department is responsible for the risk controlling function and reports to the Chief Risk Officer.

Risk reporting provides quarterly reporting on the development of risk-bearing capacity (RBC) and all risks classified as key. In addition, an ad hoc reporting procedure has been established for information which is significant in terms of risk aspects. Action recommendations for risk control are also provided.

The management receives support in its decision-making on risk-related issues through the central risk board of Deutsche Leasing. Information concerning the various risk types is jointly presented in this monthly committee.

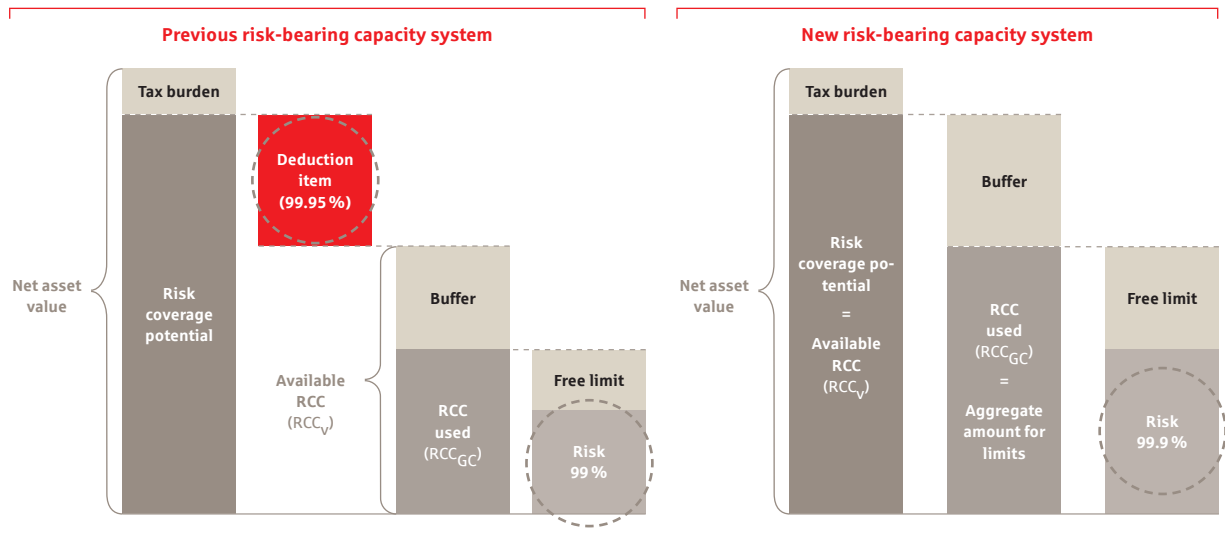
Internal Audit regularly audits the Deutsche Leasing Group's risk management within the scope of its audit plan.

The goal of opportunities and risk management is to establish a balanced relationship between risk and opportunity/income at the level of the overall Group; adequate risk-bearing capacity is ensured in terms of the relationship between the level of capital available for risk coverage and overall risks. The risk-bearing capacity calculation provides the basis for the Deutsche Leasing Group's risk control strategy.

The Deutsche Leasing Group endeavours to continuously develop its risk measurement methods so as to comply with the requirements for modern risk management as well as current regulatory trends. In the financial year 2019/2020, development activities comprised the adjustment of the Group's risk-bearing capacity concept in line with the requirements of the new risk-bearing capacity guidelines issued by the German Bundesbank and the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin)<sup>1</sup> as well as the harmonisation of risk models (equity investment and country risk) and the optimisation of the parameter assessment process (LGD Germany, credit risk correlations).

<sup>1</sup> Supervisory assessment of bank-internal capital adequacy concepts and their integration into the overall performance and risk management processes (ICAAP) – updated version, Deutsche Bundesbank and BaFin, 24 May 2018

Risk-bearing capacity concept of Deutsche Leasing



RCC = Risk coverage capital;  $RCC_V$  = Available risk coverage capital;  $RCC_{GC}$  = Risk coverage capital used;  $\odot$  = Change

RISK-BEARING CAPACITY

The risk-bearing capacity concept is based on the risk coverage potential calculated according to the net asset value less the expected future income tax burden. The risk coverage capital used is calculated by deducting a buffer position. In the new RBC system, it continues to correspond to the aggregate amount of the RBC limits allocated and thus the risk tolerance of the overall Management Board. The Deutsche Leasing Group's risk-bearing capacity remained clearly intact in the financial year 2019/2020. As of 30 September 2020, its risk-bearing capacity was less than 50 per cent. Customers' credit risk remained the most significant of the key risk types which can be appropriately limited by means of risk coverage capital.

Limits apply for all relevant quantifiable risk types/categories within the framework of the risk-bearing capacity concept. Overall, the risk coverage capital remains sufficient so as to be able to cover further risks in future.

The risk types credit and asset risk, market price risk, operational risk, equity investment risk, business risk and translation risk are determined on the basis of value-at-risk methods. The risks determined through a historical stress test and a serious hypothetical stress test were covered by the available risk coverage capital. Risk-bearing capacity was thus intact in all stress scenarios. The historical stress test is a macroeconomic stress test covering multiple risk types. This is based on the historical scenario of the situation in the financial year 2008/2009 and reflects a serious economic downturn, as required by the minimum requirements for risk management.

In the financial year 2019/2020, risk-bearing capacity and capital requirements planning once again formed a component of the planning process of Deutsche Leasing, which involved inter alia a review of the VaR limits.

## Risks at Deutsche Leasing

Risk types							
Credit risk	Asset risk	Market price risk	Liquidity risk	Operational risks	Equity investment risk	Business risk	Other risks
Customers' credit risk <sup>a</sup>	Residual value risk – automotive	Interest rate risk	Insolvency risk	Risks resulting from internal procedures, people or systems as well as external factors (incl. legal and validity risk)	Equity investment risk	Business risk	Translation risk
Counterparty risk	Residual value risk – EQUIP	Currency risk <sup>b</sup>	Funding-spread risk				Strategic risk
Country risk	Residual value risk – ITK						Reputation risk
Lessor risk							Liability risk
							Pension risk <sup>c</sup>

Risk categories: ■ material risk ■ material risk which cannot be usefully limited through RCC ■ non-material risk

<sup>a</sup> Credit risk includes migration risk and default volume.

<sup>b</sup> Currency risk is now a material risk.

<sup>c</sup> Pension risk is a new risk category in the "Other risks" segment.

## RISK INVENTORY

Within the scope of the regular risk inventory, materiality analyses have been performed for all of the risks identified, enabling clear categorisation of risks as material and non-material. With the exception of currency risk which is now material, the risk categories/types continued to be classified as material and non-material risks. Pension risks have been analysed as a separate risk category in the "Other risks" segment and have been assessed to be a non-material risk. All quantifiable risks which may be usefully limited by means of the available risk coverage capital (RCC) are included in the RBC calculation.

## CREDIT RISK

Credit risk is the risk of non-fulfilment of agreed payments or services under contracts concluded, resulting

in a loss for the Deutsche Leasing Group. The credit risk comprises the following risk categories:

- **Customers' credit risk:** Customers' credit risk refers to the risk of the customer failing to make the payments agreed under the leasing, hire-purchase, rental and loan agreements or related service contracts concluded with it on account of its default.
- **Counterparty risk:** Counterparty risk refers to the risk of the default of a professional market participant (counterparty) in relation to investments, credit balances, foreign exchange transactions and derivatives (with the replacement risk and the fulfilment risk considered separately).
- **Country risk:** Country risk refers to the risk of losses arising on account of crisis situations for individual countries which result due to political or economic events. Country risk applies in the form of transfer and sovereign risk.

**I Lessor risk:** Lessor risk refers to the risk of suffering losses due to the customer asserting rights under rental agreements upon non-fulfilment of service providers' contractually agreed services.

#### Asset risk

Asset risk (also referred to as residual value risk) applies for contracts with open residual values. In such contracts, the historical costs for the asset are not fully amortised through the lessee's agreed instalments. Residual value risk refers to the risk of a loss in the event of the selling price realised on the asset at the end of the period negatively deviating from the previously calculated and anticipated selling price, the residual value.

#### Market price risk

Market price risk refers to the general risk of unexpected losses due to a change in market parameters (interest rates, share prices, exchange rates, commodity prices and resulting variables). At Deutsche Leasing, market price risk is limited to interest rate risk and currency risk.

#### Liquidity risk

Liquidity risk at Deutsche Leasing covers the following risk categories: insolvency risk and funding-spread risk. Insolvency risk is the risk of the Deutsche Leasing Group no longer being able to fulfil its current and future payment obligations in full or no longer being able to do so in good time. Funding-spread risk is the risk of an unanticipated loss resulting from changes in Deutsche Leasing's refinancing curve because new borrowing is only possible at refinancing levels which are significantly higher than expected. In particular, increased funding spreads may result from a deterioration in Deutsche Leasing's credit rating or a general worsening of borrowing terms, on grounds relating to the market itself.

#### Operational risks

Operational risks comprise the risk of losses due to the inadequacy or failure of internal procedures and systems as well as people or external events. This definition includes legal risk and validity risk.

#### Equity investment risk

Equity investment risk is the risk of unanticipated losses in the event of the market value of an investment falling below its book value.

#### Business risk

Business risk describes the risk of business development yielding lower income and/or higher costs than envisaged and in this respect the depletion of the net asset value at the end of the monitoring period by comparison with the current risk coverage potential as of the reporting date.

#### Other risks

Other risks cover the risk of an unanticipated loss which cannot be allocated to credit risk, asset risk, market price risk, liquidity risk, operational risks, equity investment risk or business risk. Other risks include the following risk types:

- I Translation risk:** Translation risk refers to the risk of the foreign-currency net asset value of the foreign companies leading to unanticipated losses due to exchange-rate fluctuations.
- I Strategic risk:** Strategic risk refers to the risk of unanticipated losses resulting from poor management decisions in relation to the business-policy positioning of the Deutsche Leasing Group.
- I Reputation risk:** Reputation risk refers to the risk of losses in the event that the reputation of the Deutsche Leasing Group suffers harm or deteriorates. Such losses may also result, directly or indirectly, from other risk types which have materialised or may amplify these other risk types.
- I Liability risk:** The Deutsche Leasing Group is exposed to a liability risk in terms of the risk of losses resulting from its position as an owner or importer of assets.
- I Pension risk:** Pension risk arises from the Deutsche Leasing Group's obligations under pension commitments which may give rise to an increased burden for the company in the event of the unfavourable development of the underlying indicators (mainly interest rates).

## RISK MANAGEMENT FOR RELEVANT RISKS

A three-tier approach has been established in order to cope with the direct and short-term effects of the COVID-19 crisis. On the basis of defined trigger events, additional analyses were implemented with the goal of assessing the potential impact on the relevant risk types and a set of measures was prepared and executed.

This so-called Coronavirus Action Plan was initiated in order to ensure an optimal long-term focus in view of the lasting effects of the COVID-19 crisis. This includes measures in order to optimise the structure of new business, for proactive portfolio management and for targeted management of a non-performing portfolio.

### Credit risks

On the balance-sheet date, the credit risk for the risk categories defined as material amounted to EUR 326 million.

### Customers' credit risk

The Deutsche Leasing Group calculates the VaR for customers' credit risk on the basis of a credit portfolio model in the 99.9% quantile.

The credit worthiness structure of Deutsche Leasing's own-risk portfolio remained stable at a positive level in the financial year 2019/2020; almost 80 per cent of its commitments are in good or very good rating classes.

As of 30 September 2020, the Group's portfolio by segment remains characterised by a high level of granularity and thus no specific risk concentration. No segment exceeds the concentration limits laid down in the risk strategy.

The calculated risk costs were used up in the financial year 2019/2020. The financial year thus ended with a balanced default position which is a component of the Group's management of new business (see the "Business performance" section of this financial report). The weaker economic environment resulted in a deterioration in the risk situation in Germany and other coun-

tries. To date, no significant defaults have materialised on account of the COVID-19 crisis.

### Counterparty risk

The value at risk (VaR) for counterparty risk is determined on the basis of the same credit portfolio model which is applied for customers' credit risk.

As a rule, the Deutsche Leasing Group only accepts as counterparties banks with a very low level of credit risk. In accordance with the risk principles for transactions with banks, the risk volume for credit balances, investments, foreign exchange transactions and derivatives is limited through maximum limits and maturity periods in accordance with the credit rating and size of the counterparties. A balanced credit rating structure focusing on the upper to medium investment-grade segment and a strongly diversified portfolio have thus been safeguarded.

### Country risk

The Deutsche Leasing Group calculates the value at risk for the country risk on the basis of a statistical model in the 99.9% quantile. The potential effects arising from sovereign and transfer risk are considered separately.

The individual countries are assigned limits and these limits are monitored for operational management of country risks.

### Asset risks

Asset risk is calculated for the automotive portfolio (passenger cars and vans) by means of a portfolio model, on the basis of the 99.9% quantile. The loss potential in the EQUIP portfolio is determined by means of an expert assessment. The overall asset risk for the above-mentioned risk categories amounted to EUR 30 million as of 30 September 2020.

The **automotive** business segment (passenger cars and vans) continues to utilise long-term normal market residual value assessments and transfers residual value

risks to solvent third-party guarantors in some cases. In addition, a high level of diversification is ensured in the contract portfolio. Residual value assessments and diversification in terms of makes, models and resale channels have a significant impact on the level of success in reselling vehicles.

Ongoing monitoring of the leasing and second-hand car market, stringent use and optimisation of available asset management instruments, the professional ongoing development of sales and organisational structures and processes and vehicle-specific resale analyses provide a professional basis for sound residual value management. The residual value assessment is regularly reviewed by means of external asset-based validation (including Schwacke GmbH). Positive resale results were once again achieved in the financial year 2019/2020, on the basis of the conservative residual value calculation. Following a pronounced decline in the volume of second-hand car sales on account of the lockdown imposed due to the COVID-19 crisis, the second-hand car market in Germany subsequently staged a relatively rapid recovery. Future developments are being closely monitored. The development of new drive technologies and mobility concepts are being analysed and corresponding measures initiated in this respect.

With adequate valuation methods in its **machinery and equipment** business segment, the Deutsche Leasing Group has solid foundations for control and management of the risk resulting from open residual values. Residual value quotations are exclusively handled by specialised employees in Deutsche Leasing's Intensive Care & Asset Management department.

The results of expiring contracts featuring open residual values were once again positive in the financial year 2019/2020. The agreement of terms and conditions of use and return on a case-by-case basis has had a positive effect on the technical condition of assets leased under operating leasing contracts. Demand for second-hand assets in good condition remains strong in most market segments.

In the **information and communication technology** business segment, the Deutsche Leasing Group also offers its customers contracts with open residual values. Specialist asset management teams implement the asset residual value assessments which are required for this purpose on the basis of conservative benchmarks. Due to regular resale activities, these units have the excellent level of market expertise which is required for valid residual value forecasts. This is reflected in the continuous additional revenue results in the asset resale segment over the past few years.

#### Market price risks

In line with the basic principle that financing activities provide for congruent interest-rate-optimised financing of customer business, the Deutsche Leasing Group does not pursue any own-account trading of money and capital market products.

To a limited extent, interest rate risks are entered into in order to realise additional income resulting from market trends, within the scope of original financing requirements, and are managed by means of a stringent limit system.

In terms of currency risks, customer transactions always have same-currency financing. Currency risks therefore apply, at most, on a temporary basis prior to execution of financing/hedging transactions or due to margin components of customer receivables which are not secured through same-currency financing.

The applicable rules for control of market price risks are based on the above-mentioned principles and consistently limit the scope of the risk position which is permissible for optimisation of financing costs through interest rate and currency risk limits in line with the economic risk. This limit is also linked with sensitivity limits for operational control of interest rate risk.

#### a) Interest rate risk

Interest rate risks are subject to operational monitoring and control on the basis of interest-rate gap analy-

ses and sensitivities (basis point value concept), with corresponding limitations of the permitted interest-rate-induced changes in present values in line with the control guidelines. For calculation of the economic risk and for operational management purposes, value-at-risk calculations are performed for open interest rate positions. These calculations are based on the variance/covariance method and apply differentiating assumptions concerning the holding period of the open interest rate position and the inclusion of equity as a component of the financing portfolio.

#### **b) Currency risk**

In Germany, foreign-currency risks are limited to a few transactions mainly executed in US dollars and (in a small number of cases) in British pounds, all of which have same-currency financing. The foreign subsidiaries' operating business is likewise financed in the same currency in principle. Transactions not denominated in the euro or in the respective national currency are also mainly denominated in US dollars. The risks of exchange-rate fluctuations which are inherently associated with such transactions generally apply in relation to those margin components included in receivables from customers that are not used for financing provided, as a rule, in the same currency. These currency risks are measured by means of the value-at-risk method, using the variance-covariance method.

#### **c) Liquidity risk**

The business activities and the continuing growth of the Deutsche Leasing Group are based on permanent availability of liquidity and financing through optimised interest rates. The Deutsche Leasing Group adheres to the principle of financing its business at matching maturities, including in relation to liquidity maturities.

The guidelines applicable for liquidity control reflect this basic conservative orientation and limit the scope of the risk position which is permissible for optimisation of financing costs. In relation to insolvency risk, the limits defined for the liquidity risk refer to nominal minimum requirements for free liquidity as well as the ratio of free liquidity to the liquidity requirements

resulting due to the funding matrix. In regard to the funding-spread risk, the limits are based on the economic risk resulting from liquidity mismatches and are broken down into nominal position and sensitivity limits at the operational level.

In concrete terms, as a reflection of insolvency risk liquidity risk is controlled and monitored through liquidity planning which distinguishes between various planning periods and different scenarios.

Overall, apart from short-lived market tensions at the start of the COVID-19 crisis a high volume of liquidity remained available on the financing markets in the past financial year. In this market environment, Deutsche Leasing continued to expand its relationships with savings banks and with other credit institutions (including business development banks) and increased the scope of available financing lines. At the end of the financial year, these free lines amounted to more than EUR 4 billion and thus exceeded their target levels.

Economic risk resulting from funding-spread risk is quantified on the basis of scenario analyses. This is implemented according to sensitivity calculations (liquidity basis point value concept) on the basis of the extension requirements for borrowed funds resulting from the maturity structure for future liquidity inflows and outflows.

#### **Operational risks**

In principle, operational risks may result from all commercial activities and are thus inherent in the business activities of the Deutsche Leasing Group. They mainly depend on the level of complexity of products and processes. Systematic risk management enables early identification of these risks and implementation of suitable control measures to avoid or limit them.

The risk management process encompasses regular risk identification and quantification in all departments of the company and an analysis of loss events actually arising. Moreover, an annual risk analysis is conducted to prevent criminal acts which might jeopardise the Deutsche Leasing Group's net asset situ-

ation. This identifies, analyses and evaluates potential gateways for internal and external criminal activities. The Deutsche Leasing Group focuses in particular on the early identification of new types of fraud and on how to prevent them.

The Deutsche Leasing Group has outsourced selected corporate functions to other companies in accordance with § 25b KWG. A regular risk analysis is performed in case of outsourced activities. This assesses the nature, scope, complexity and risk content of outsourced processes. A risk analysis is performed prior to the conclusion of a new outsourcing agreement or in case of changes to an existing outsourcing agreement. This risk assessment is used to determine whether outsourcing is material or immaterial from the point of view of risk. The assessment method applied for this purpose includes risk-sensitive assessment criteria and distinguishes between the materiality assessment and the evaluation of the service provider.

**Equity investment risk, business risk, translation risk**  
Equity investment risk is determined by means of a simulation model, on the basis of the book value of investments. The business risk is estimated on the basis of historical deviations in the actual values of relevant components of the company's business performance in relation to their target values. The translation risk is measured by means of a VaR approach. These risks are likewise restricted by specifying limits within the scope of the RBC concept and are monitored and controlled by means of internally prescribed processes.

#### **Other risks (litigation and legal risks)**

The potential risks for the Deutsche Leasing Group arising from current litigation are fully covered through provisions.

#### **General comments**

In summary, subject to unchanged conservative valuation benchmarks and on the strength of the additional measures which it has implemented in the context of the COVID-19 crisis the Deutsche Leasing Group has

made appropriate provision for all discernible risks in its consolidated financial statements. Non-scheduled depreciation, provisions and valuation adjustments remain adequate and are calculated according to conservative benchmarks. In addition, the Deutsche Leasing Group has reserves in line with §§ 340f and 340g HGB; it has also established significant hidden risk provisions due to advance expenses typical of the leasing business. These are documented, inter alia, by means of the Group's net asset value which is calculated on the basis of the standard applied by the Federal Association of German Leasing Companies.

Overall, no special business-model-related risks exceeding the normal level of risk and jeopardising going-concern status are discernible for the Deutsche Leasing Group.

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### Forecast report for the Deutsche Leasing Group

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The plunge in economic output in the first six months of 2020 was followed by a significant recovery in the third quarter. However, the recovery of the **global economy** is likely to experience a significant slowdown in the fourth quarter, since the pandemic has not yet been contained worldwide. Accordingly, the IMF's most recent study (as of: 13 October 2020) predicts a -4.4 per cent downturn in the global economy for 2020. Over the coming year, the IMF expects that the pandemic will be successfully curtailed worldwide, enabling the gradual removal of containment measures. The obstacles to economic activity will thus be progressively removed, and the IMF predicts a strong recovery of +5.2 per cent for 2021. According to the joint economic forecast issued by the German research institutes (as of: 14 October 2020), this year the world economy will contract by -4.0 per cent before recovering by +5.9 per cent next year.

In the **USA**, the economic recovery is expected to continue at a slower pace and output will only return to its pre-crisis level halfway through the coming year. By international standards, the recovery process in **China** is already well advanced. For 2020, a slight increase in economic output of +1.4 per cent is expected. This growth is set to continue, with a rate of +9.0 per cent, in 2021.

In the **Eurozone**, fiscal measures were implemented in all of the currency area's member states in order to stabilise the economy and safeguard the recovery, while the central banks reduced key interest rates slightly further. However, resurgent infection rates are an obstacle to short-term economic recovery. The authors of the joint economic forecast (as of: 14 October 2020) predict a decline in GDP in the Eurozone of -7.4 per cent in 2020, which will be followed by +5.6 per cent growth in 2021. At the end of 2021, GDP will thus still be lower than the level reached prior to the COVID-19 pandemic. In its autumn forecast of 13 October 2020, the IMF expects economic output to decline by -8.3 per cent in 2020, followed by a +5.2 per cent recovery in 2021.

To be sure, economic output picked up strongly in **Germany** in the third quarter of 2020. However, as the catch-up effects fade away the very strong recovery to date will suffer a clear loss of momentum in view of the rising infection rates. On the one hand, those sectors which are particularly dependent on customer-facing activities and will only stage a significant recovery following the removal of the measures to prevent infections are having a dampening effect on economic momentum. On the other hand, it will probably be some time before sales of **investment goods** get completely back to normal, since companies are likely to remain cautious in relation to capital expenditure: in many cases, their equity position has deteriorated due to the crisis, thus hampering financing of new investment projects, while the strong level of uncertainty is having a negative impact on investment behaviour and production capacities in the manufacturing sector remain significantly underutilised. Only a low level of expan-

sion investments should therefore be expected. In their assessment of 14 October 2020, the authors of the joint economic forecast expect GDP to decline by -5.8 per cent in 2020, followed by a +4.6 per cent recovery in 2021. In its World Economic Outlook, the IMF envisages a -6.0 per cent contraction of GDP in 2020, followed by a growth rate of +4.2 per cent in 2021. A return to the GDP level seen prior to the pandemic is thus not expected before 2022. The authors of the joint economic forecast expect plant and equipment expenditures to fall by -14.1 per cent in 2020, followed by a recovery of +11.4 per cent in 2021 and +3.8 per cent in 2022. In this context, the level seen prior to the crisis will not be regained until halfway through 2022.

In principle, all of the current studies released by the economic research institutes on the potential macroeconomic effects of the COVID-19 pandemic are subject to considerable forecasting uncertainty as regards the pace of the recovery. Overall, in their most recent publications the IMF and the authors of the joint economic forecast now envisage that the continuing process of recovery will be somewhat weaker than they had anticipated in the spring of 2020.

The **Deutsche Leasing Group** expects to face a challenging environment in the financial year 2020/2021. In principle, all of the economic research institutes' current forecasts point to a slower recovery of plant and equipment expenditures, which play a significant role for the leasing sector and its development of new business. Moreover, the risk of an interruption of the economic recovery in the event that measures are tightened up (even further) and a lack of clarity over how many companies are genuinely facing an existential threat due to the pandemic are the two biggest sources of uncertainty over how the financial year 2020/2021 will unfold. In addition to the unknown effects of the COVID-19 pandemic, strong setback risks continue to apply due to the trade conflict between the USA and China, which has not yet been finally resolved, and in case of the United Kingdom's disorderly withdrawal from the European Union. If the related setback risks

– which cannot be ruled out – were to be realised, they would also have a considerable negative impact on the development of the Deutsche Leasing Group.

In a strongly competitive environment, the Deutsche Leasing Group is continuing to operate alongside established competitors in the leasing market as well as major banks and development banks which strongly focus on the SME business segment. The ECB is signalling that it intends to leave in place its ultra-loose low interest-rate and monetary policy. The current low interest-rate phase will endure for some time to come and continue to put pressure on margins. The Deutsche Leasing Group is confident that it will succeed on the market, since the asset finance and asset services markets continue to offer attractive growth areas. These include the intensification of intra-Group business with the savings banks, the Group's foreign network as well as factoring, services and insurance business. The partnerships recently agreed with UniCredit Bank and AKA will provide increased business opportunities.

On the risk side, the return of the obligation to file for insolvency – which is currently partially suspended – will provide information regarding companies' solvency as well as clarity over the forecast values used to date, on the basis of models and past experience, in order to predict the default trend.

In order to succeed in this environment and to maintain its operational capacity, despite all of the pressures and challenges it is important to continue to invest in digitalisation, step by step; the Deutsche Leasing Group will continue to pursue this path.

Even in this challenging situation, Deutsche Leasing will continue to stand by its conservative, opportunity-oriented and sustainable business and risk policy. The Deutsche Leasing Group is seeking to achieve a new business volume which matches the level realised in the financial year 2019/2020 in view of the slower economic recovery. In addition, the Deutsche Leasing Group

envisages a slight increase in its net asset value and a moderate rise in its equity as well as its provisions established in accordance with §§ 340f and 340g HGB.

Following the challenging financial year 2019/2020, the greatest debt of gratitude is owed to Deutsche Leasing's employees who have coped with an extraordinary situation. Particularly in the past financial year, Deutsche Leasing and all of its employees proved their mettle as a highly capable team. We would also like to thank, not least, our customers and partners for our in-depth relationship which is based upon mutual trust. Deutsche Leasing would like to thank Sparkassen-Finanzgruppe for its continuously successful cooperation and partnership and for the trust which this reflects.

The new financial year 2020/2021 will once again make high demands of every one of us. The enthusiastic commitment of all of Deutsche Leasing's employees is essential in order to achieve the Group's short- and long-term goals and to realise its strategy in the interests of its customers, partners and shareholders. Deutsche Leasing will thus emerge strengthened from the current crisis-laden economic situation and will exploit the market opportunities which present themselves.

## Internal control system and risk management system in relation to the Group's financial reporting process

The objectives of the financial-reporting-related internal control system (ICS) are compliance with the financial reporting rules and maintaining an orderly financial reporting system. Deutsche Leasing draws up its consolidated financial statements in accordance with the German Commercial Code and supplementary provisions of the German Accounting Ordinance for Banks and Financial Services Providers (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute, RechKredV).

The Management Board has overall responsibility for the Group's financial reporting process. All of the companies included in the consolidated financial statements are incorporated by means of a process defined in writing. The basis of consolidation is centrally organised. The principles and the structural and organisational procedures of the financial-reporting-related ICS are defined in writing and are continuously refined. The Finance department is responsible for the accounting rules which must be complied with, the definition of account allocation rules, the methodology for accounting entries and for administration of the financial accounting system. The financial reporting process is documented in line with the principles of orderly accounting, in a manner which expert third parties are able to understand. The relevant records are kept in compliance with the retention periods stipulated by law.

The functions of the organisational units involved in the financial reporting process are clearly segregated. In the contract management systems, the leasing, hire-purchase and loan contracts of contract units, among others, are recorded in subsidiary ledgers. The data are transferred from the subsidiary ledgers to the general ledger via automated interfaces.

The involvement of the Finance department in the new product process ensures that new products are duly incorporated in the financial reporting system.

Deutsche Leasing uses a standard financial accounting software package. The limited grant of access rights protects the financial reporting process against unauthorised access. In addition, the dual-control principle, standardised reconciliation routines and target and actual data comparisons ensure that errors are identified and corrected in good time. These measures also ensure that assets and liabilities are properly recognised, measured and presented. The company's financial reporting process is also incorporated in the Group's risk management system.

Internal Audit regularly conducts process-independent audits in order to verify the functionality of the financial-reporting-related internal control system and risk management system.

# Deutsche Sparkassen Leasing AG & Co. KG

## Basic information regarding Deutsche Sparkassen Leasing AG & Co. KG

DL KG is the parent company of the Deutsche Leasing Group. DL KG plays the key role in the business activities of the Deutsche Leasing Group which are outlined in the › ["Basic information" chapter](#).

In the year under review, it had one branch office in Berlin. This handled risk decision-making and processing of a portion of new and existing business. On 30 September 2020, it had 13 (previous year: 13) employees.

## Economic report

The overall economic and industry-specific environment presented in the › ["Economic report" chapter](#) and business performance are largely consistent with those of DL KG.

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### Earnings position

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DL KG's **net income for the year** amounted to EUR 24.8 million (previous year: EUR 50.3 million). This decrease reflects margin pressures which were attributable to the effects of the low interest-rate phase as well as the interruption of new business momentum. On the expense side, upstream personnel and material expenses for IT and other projects relating to Deutsche Leasing's future strategy and increased risk provisions reduced the net income for the year reported in the profit and loss account.

**Leasing income** resulting from leasing and hire-purchase business and from the sale of second-hand leasing assets decreased by EUR -45 million to EUR 5,034 million and was thus 1 per cent lower than in the previous year. The trend for **leasing expenses** which are associated with leasing income is in line with the development of leasing income.

**Depreciation on leasing assets** increased by 1 per cent to EUR 2,297 million. In principle, scheduled depreciation on newly acquired leasing assets included in this amount in the period remains in line with the term of the underlying leasing contracts.

The continuing low interest-rate phase and the associated lower interest rate level for borrowed funds which resulted in a significant decline in interest expenses was a key factor affecting interest income.

**Interest income** improved from EUR -41 million to EUR -38 million.

**General administrative expenses** increased by 2 per cent in the past financial year to EUR 223 million. Up to the outbreak of the COVID-19 pandemic, DL KG consistently pursued its strategic objectives which included increased expenditure on external support services for IT and other projects relating to the Group's future strategy. In addition, wages and salaries have increased due to regular salary rises as well as scheduled recruitment of personnel. Moreover, unscheduled project and consulting costs (e.g. lower value-added tax rate, deferrals, etc.) arose due to the pandemic. These were partly compensated for through the management of other cost types and of non-personnel costs in particular.

Due to the declining net income for the year and the EUR 40 million dividend distributed for the financial year 2019/2020, **equity** has decreased by EUR -16 million, from EUR 663 million to EUR 647 million. Provisions for general banking risks in accordance with §§ 340f HGB were increased slightly.

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## Financial position

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The financial position outlined in the › [“Economic situation” section](#) is largely consistent with the financial position of DL KG.

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## Net asset situation

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The **total assets** of Deutsche Leasing declined by EUR 173 million by comparison with the previous year and amount to EUR 12.9 billion. The net asset situation remains mainly shaped by leasing assets as well as receivables from customers. At EUR 15.1 billion, leasing assets, measured at initial values, were lower than in the previous year (EUR 15.2 billion).

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## General statement by the Management Board on the economic situation

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Deutsche Sparkassen Leasing AG & Co. KG reported a net income for the year of EUR 24.8 million. This income provides the basis for the proposal to distribute a dividend to the shareholders in the amount of EUR 12 million (previous year: EUR 40.0 million). This dividend level is appropriate in view of the current COVID-19 situation. Deutsche Leasing thus continues to adhere to its sustainable dividend policy, at a level which is appropriate in line with the current situation.

The net asset, financial and earnings situation of Deutsche Sparkassen Leasing AG & Co. KG remains in good order.

The economic situation outlined in the › [“General statement by the Management Board on the economic situation” section](#) is largely consistent with that of DL KG.

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## Financial and non-financial performance indicators

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The performance indicators outlined in the › [“Financial performance indicators”](#) and [“Non-financial performance indicators” sections](#) are largely consistent with the performance indicators of DL KG.

On the balance-sheet date, DL KG had a total of 1,293 (previous year: 1,247) employees. For further information, please refer to the › [“Employees” subsection](#).

## Report on risks and opportunities and forecast report

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### Report on risks and opportunities

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Risks and opportunities and the processes for handling risks and opportunities at Deutsche Sparkassen Leasing AG & Co. KG are largely analogous to those applicable for the Deutsche Leasing Group. These are discussed in the › [“Report on risks and opportunities and forecast report”](#) chapter.

Bad Homburg v. d. Höhe, 15 December 2020

Deutsche Sparkassen Leasing AG & Co. KG  
represented by its general partner

Deutsche Sparkassen Leasing  
Verwaltungs-Aktiengesellschaft

  
Ostermann

  
Hansjürgens

  
Kardorf

  
Strehle

  
Weis

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### Forecast report

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In general, DL KG is subject to the same factors as the Deutsche Leasing Group in relation to its envisaged business development. Please refer to the › [“Report on risks and opportunities and forecast report”](#) chapter for further information and figures.





# Consolidated financial statements

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# Consolidated balance sheet as of 30 September 2020

Deutsche Sparkassen Leasing AG & Co. KG, Bad Homburg v. d. Höhe

## Assets

	As of 30/9/2020		As of 30/9/2019
	EUR	EUR	TEUR
1. Cash reserves			
a) Cash in hand	36,870.32		38
b) Central bank balances	105,000,000.00	105,036,870.32	61,000
2. Receivables from credit institutions			
a) Due daily	250,081,921.91		302,452
b) Other receivables	73,007,326.47	323,089,248.38	59,164
3. Receivables from customers		10,523,018,783.35	10,149,159
4. Equities and other non-fixed-interest securities		3,644,403.44	3,748
5. Investments of which: in credit institutions EUR 207,685,368.03 (previous year: TEUR 191,780)		237,454,878.85	218,141
6. Shares in affiliated companies		13,554,368.41	13,907
7. Leasing assets		10,396,899,711.55	10,866,949
8. Intangible assets			
a) Concessions, industrial property rights acquired for consideration and similar rights and assets and licences for such rights and assets	33,144,204.05		34,134
b) Goodwill	44,356,228.01		48,388
c) Advanced payments	13,188,099.01	90,688,531.07	7,230
9. Property, plant and equipment		120,369,993.75	127,791
10. Other assets		299,443,945.90	242,588
11. Prepayments		17,470,296.16	12,494
12. Surplus resulting from offsetting of assets		58,229.67	120
<b>Total assets</b>		<b>22,130,729,260.85</b>	<b>22,147,303</b>

## Equity and liabilities

	As of 30/9/2020		As of 30/9/2019
	EUR	EUR	TEUR
<b>1. Liabilities owed to credit institutions</b>			
a) Due daily	763,919,151.97		649,700
b) With agreed maturity or notice period	13,507,585,265.94	14,271,504,417.91	13,297,559
<b>2. Liabilities owed to customers</b>			
a) Other liabilities			
aa) Due daily	281,672,347.75		316,577
ab) With agreed maturity or notice period	517,932,200.08	799,604,547.83	532,283
<b>3. Liabilities evidenced by certificates</b>			
a) Issued bonds		1,151,170,462.27	1,184,451
<b>4. Other liabilities</b>		357,882,996.51	339,693
<b>5. Deferred income</b>		4,075,860,212.26	4,336,774
<b>6. Provisions</b>			
a) Provisions for pensions and similar obligations	166,732,296.78		149,489
b) Provisions for taxation	9,023,153.12		9,407
c) Other provisions	111,137,678.16	286,893,128.06	122,984
<b>7. Subordinate liabilities</b>		29,227,564.95	29,228
<b>8. Fund for general banking risks</b>		252,000,000.00	252,000
<b>9. Equity</b>			
a) Called-up capital			
Subscribed capital/ equity shares of limited partners	240,000,000.00		240,000
b) Reserves	487,756,310.88		457,628
c) Differences from currency translation	-783,316.22		8,566
d) Non-controlling interests	149,678,220.70		146,295
e) Net profit for the year	29,934,715.70	906,585,931.06	74,669
<b>Total equity and liabilities</b>		<b>22,130,729,260.85</b>	<b>22,147,303</b>
<b>1. Contingent liabilities</b>			
Liabilities under suretyships and guarantee agreements		403,211,897.78	350,236
<b>2. Other obligations</b>			
Irrevocable loan commitments		519,161,426.48	256,301

# Consolidated profit and loss account for the period from 1 October 2019 to 30 September 2020

Deutsche Sparkassen Leasing AG & Co. KG, Bad Homburg v. d. Höhe

			2019/2020	2018/2019
	EUR	EUR	EUR	TEUR
1. Leasing income		7,473,457,424.81		8,061,532
2. Leasing expenses		-4,382,075,610.86	3,091,381,813.95	-4,980,746
3. Interest income from				
a) Credit and money market transactions		133,393,936.95		134,848
of which:				
negative interest income				
EUR 5,395,281.32 (previous year: TEUR 4,448)				
4. Interest expenses		-133,192,257.70	201,679.25	-140,973
of which:				
negative interest expenses				
EUR 4,559,499.88 (previous year: TEUR 2,360)				
5. Current income from				
a) Investments		18,414,774.32		9,880
b) Shares in affiliated companies		934,128.32	19,348,902.64	6,792
6. Income from profit and loss transfer agreements			637,712.47	2,097
7. Commission income		31,019,892.15		30,221
8. Commission expenses		-31,238,726.79	-218,834.64	-35,179
9. Other operating income			313,806,574.72	297,995
10. General administrative expenses				
a) Personnel expenses				
aa) Wages and salaries	-220,454,185.08			-219,260
ab) Social security contributions and expenses				
for retirement pensions and other benefits	-38,947,315.34	-259,401,500.42		-36,347
of which:				
for retirement pensions EUR 6,126,490.92				
(previous year: TEUR 5,752)				
b) Other administrative expenses		-141,838,918.04	-401,240,418.46	-128,714

	2019/2020		2018/2019
	EUR	EUR	TEUR
11. Depreciation and valuation adjustments on			
a) Leasing assets	-2,641,828,861.64		-2,614,537
b) Intangible assets and property, plant and equipment	-24,203,465.26	-2,666,032,326.90	-21,012
12. Other operating expenses		-253,233,711.01	-229,612
13. Depreciation and valuation adjustments on receivables and specific securities and allocations to provisions for leasing and loan business of which:			
expenses for allocation to the fund for general banking risks pursuant to § 340g HGB EUR 0 (previous year: TEUR 2,000)		-46,400,471.17	-29,690
14. Income from write-ups on (previous year: depreciation and valuation adjustments on) investments, shares in affiliated companies and securities treated as non-current assets		405,200.87	-165
15. Expenses from profit and loss transfer agreements		-130,839.13	-536
<b>16. Profit on ordinary activities</b>		<b>58,525,282.59</b>	<b>106,594</b>
17. Taxes on income and profit		-18,814,828.84	-18,585
18. Other taxes, not included under Item 12		-2,047,061.30	-1,471
<b>19. Net income for the year</b>		<b>37,663,392.45</b>	<b>86,538</b>
20. Non-controlling interests in profit		-7,749,448.47	-11,991
21. Non-controlling interests in loss		20,771.72	122
<b>22. Net profit for the year</b>		<b>29,934,715.70</b>	<b>74,669</b>

# Notes to the consolidated financial statements for the financial year 2019/2020

Deutsche Sparkassen Leasing AG & Co. KG, Bad Homburg v. d. Höhe

## General disclosures

As a financial services provider, Deutsche Sparkassen Leasing AG & Co. KG (registration court: Bad Homburg v. d. Höhe, commercial register no.: HRA 3330) has prepared its consolidated financial statements for the financial year ending 30 September 2020 in accordance with commercial law provisions (§§ 290 ff. of the German Commercial Code (Handelsgesetzbuch, HGB)), the supplementary provisions for credit institutions and financial services providers (§§ 340 ff. HGB) as well as the provisions of the German Accounting Ordinance for Banks and Financial Services Providers (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute, RechKredV). The company makes use of RechKredV forms 1 (balance sheet) and 3 (vertical-format profit and loss account).

Due to the parent company's legal form, equity is presented in deviation from the requirements stipulated in the RechKredV forms. The components of the company's reserves are not disclosed separately.

Where disclosures may be provided either in the consolidated balance sheet or in the notes to the consolidated financial statements, as a rule they are provided in the notes to the consolidated financial statements.

## Group of consolidated companies

As well as Deutsche Sparkassen Leasing AG & Co. KG, a total of 83 subsidiaries have been incorporated in the consolidated financial statements. By comparison with the previous year, three subsidiaries were included in the consolidated financial statements for the first time; six subsidiaries were deconsolidated, while eight subsidiaries were deconsolidated within the scope of mergers. This has not had any adverse impact on comparability with the previous year.

Limes Funding S.A., Luxembourg, was included in the consolidated financial statements on 30 September 2019 for the first time. Disclosures have been provided for the individual items of the consolidated profit and loss account to ensure comparability with the consolidated financial statements for the previous year.

A total of 12 associated companies have been valued using the equity method.

The subsidiaries, joint ventures and associated companies which are of minor significance for an assessment of the net asset, financial and profit situation – even collectively – have not been consolidated and have not been valued according to the equity method.

The parent company has the following key investments:

<b>Name of the company</b>	<b>Registered office of the company</b>	<b>Equity share in per cent</b>
Germany		
Deutsche Leasing AG	Bad Homburg v. d. Höhe	100.0
Deutsche Leasing Finance GmbH	Bad Homburg v. d. Höhe	100.0
DAL Deutsche Anlagen-Leasing GmbH & Co. KG	Mainz	99.8
AutoExpo Deutsche Auto-Markt GmbH	Fernwald	100.0
Bad Homburger Inkasso GmbH	Bad Vilbel	47.4
BHS Bad Homburger Servicegesellschaft mbH	Bad Vilbel	100.0
Deutsche Objekt-Leasing GmbH	Bad Homburg v. d. Höhe	100.0
S-Kreditpartner GmbH	Berlin	33.3
Deutsche Factoring Bank GmbH & Co. KG	Bremen	53.0

Name of the company	Registered office of the company	Equity share in per cent
Other countries		
Deutsche Leasing Austria GmbH	Vienna	100.0
Deutsche Leasing Benelux N.V.	Antwerp (Berchem)	100.0
Deutsche Leasing Bulgaria EAD	Sofia	100.0
Deutsche Leasing Canada (Del.), Inc.	Wilmington	100.0
Deutsche Leasing Canada, Corp.	Halifax	100.0
Deutsche Leasing (China) Co., Ltd.	Shanghai	100.0
Deutsche Leasing ČR, spol. s r.o.	Prague	100.0
Deutsche Leasing France Operating S.A.S.	Rueil-Malmaison	100.0
Deutsche Leasing France S.A.S.	Rueil-Malmaison	100.0
Deutsche Leasing Funding B.V.	Amsterdam	100.0
Deutsche Leasing Hungária Zrt.	Budapest	100.0
Deutsche Leasing Hungária Kft.	Budapest	100.0
Deutsche Leasing Ibérica, E.F.C., S.A.	Barcelona	100.0
DL Ibérica EquipRent S.A.	Barcelona	100.0
Deutsche Leasing (Ireland) Designated Activity Company	Dublin	100.0
Deutsche Leasing Italia S.p.A.	Milan	100.0
Deutsche Leasing Operativo S.r.l.	Milan	100.0
Deutsche Leasing Nederland B.V.	Amsterdam	100.0
Deutsche Leasing North America Inc.	Wilmington	100.0
Deutsche Leasing USA Inc.	Wilmington	100.0
Deutsche Leasing Polska S.A.	Warsaw	100.0
Deutsche Leasing Romania IFN S.A.	Bucharest	100.0
Deutsche Leasing Romania Operational SRL	Bucharest	100.0
Deutsche Leasing Slovakia spol. s r.o.	Bratislava	100.0
Deutsche Leasing Sverige AB	Stockholm	100.0
Deutsche Leasing (UK) Limited	London	100.0
Deutsche Leasing Vostok AG	Moscow	100.0
Deutsche Sparkassen Leasing do Brasil Banco Múltiplo S.A.	São Paulo	100.0
Locadora DL do Brasil Ltda.	São Paulo	100.0

Please refer to the appendix to the notes to the consolidated financial statements (§ 313 (2) HGB) for full disclosures concerning shareholdings.<sup>2</sup>

<sup>2</sup> The appendices to the notes to the consolidated financial statements are not printed in the annual report. They may be viewed in the electronic version of the German Federal Gazette as disclosed.

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## Consolidation methods

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For subsidiaries newly incorporated in the group of consolidated companies, capital consolidation is performed according to the revaluation method. The historical costs of the shares in subsidiaries are offset against their share of equity as of the date on which this company became a subsidiary.

The profits brought forward of consolidated subsidiaries are allocated to the reserves.

Loans, receivables and liabilities between consolidated companies are offset.

Trade receivables and other income realised between consolidated companies are offset against corresponding expenses.

Future receivables resulting from intra-Group purchases of receivables – which are reported in the consolidated financial statements at their present value – are consolidated with the deferred income item from sales of receivables under leasing contracts. Any remaining amount is reported in the profit and loss account.

The value of the investments in associated companies reported at equity has been calculated by means of the book value method as of the date on which the company became an associated company.

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## Currency translation

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Currency translation for foreign financial statements is based on the modified closing rate method. Assets and liabilities are translated at mean spot exchange rates on the balance-sheet date, expenses and income at average annual rates and equity at historical rates. Differences resulting from currency translation are not recognised in income and are separately reported in equity.

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## Accounting policies

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Currency translation for assets and liabilities is in accordance with the rules laid down in § 340h HGB and §§ 300 (2) in conjunction with 256a HGB.

Cash reserves and receivables from credit institutions are reported at nominal value.

In principle, receivables are reported at their historical costs. Claims under hire-purchase contracts and sales of receivables are reported at their present value. Discernible risks are taken into account by means of depreciation to the lower fair value. According to §§ 253 (5) in conjunction with 298, 300 (2) HGB, write-ups are implemented where the grounds for depreciation are no longer applicable.

Deferral agreements were concluded with some of Deutsche Leasing's customers in the context of the economic crisis caused by COVID-19. In accordance with the guidance published by the Banking Committee of the Institute of Public Auditors in Germany (IDW), in principle leasing and hire-purchase instalments and interest are recognised in line with the original instalment plans, irrespective of the payment date, while payment is required of customers as of a later date.

As a rule, scheduled depreciation on newly acquired leasing assets is in line with the term of the leasing contracts.

As a rule, the straight-line depreciation method is used instead of the declining-balance depreciation method if this results in an increase in depreciation.

Intangible assets are reported at their historical costs less scheduled amortisation. Goodwill is subject to straight-line amortisation over the average residual terms of the existing portfolio of contracts, over a period of 15 years.

Property, plant and equipment is valued at historical costs less scheduled depreciation.

Leasing goods, intangible assets and property, plant and equipment are subject to non-scheduled depreciation in case of permanent impairment. Leasing goods are subject to non-scheduled depreciation in case of possible risks associated with violations of leasing contracts.

In principle, other assets are reported at their historical costs. Where this includes assets resulting from terminated leasing contracts, these are valued at amortised historical costs.

The surplus resulting from the offsetting of assets has been calculated pursuant to § 246 (2) HGB.

Liabilities are valued at their settlement amounts.

Deferred income mainly consists of the selling prices resulting from the sale of leasing receivables. Where these result from the sale of non-straight-line leasing instalments they are reversed in proportion to the capital, and otherwise on a straight-line basis. In case of non-monthly leasing instalments, deferred income includes income to guarantee realisation of revenues in accordance with the performance period.

Provisions for pensions have been valued using the projected unit credit method and their reported amounts are based on actuarial calculations. The provision amounts have been calculated in accordance with §§ 253 (2) in conjunction with 298, 300 (2) HGB and in conjunction with the German Provisions Discounting Ordinance (Rückstellungsabzinsungsverordnung, RückAbzinsV), subject to the interest rates for accounting purposes fixed by the German Bundesbank and on the basis of an average market interest rate for the past ten financial years of between 2.41 and 2.72 per cent. This calculation is based on the current Heubeck 2018 G guideline tables and an index-linked pension increase of between 1.00 and 2.00 per cent. An index-linked salary increase of 2.00 per cent has been assumed for a portion of the provisions for pensions. For calculation of the rate of fluctuation, age- and gender-specific fluctuation probabilities of 2.00 to 4.50 per cent have been applied.

Provisions for anniversary bonuses have been calculated according to the projected unit credit method, with discounting rates of between 1.71 and 1.97 per cent and an index-linked salary increase of 2.00 per cent. For calculation of the rate of fluctuation, age- and gender-specific fluctuation probabilities of 4.50 per cent have been applied.

Old-age part-time working obligations are calculated by means of a discounting rate of 0.52 per cent and an index-linked salary increase of 2.00 per cent.

Provisions for taxation and other provisions are reported in the value of the settlement amount which is deemed necessary according to a prudent commercial assessment.

Financial statements of foreign companies have been included on the basis of the uniform valuation methods for the consolidated financial statements, while considering peculiarities in individual countries and complying with the principle of materiality.

Within the scope of the loss-free valuation of interest-related business in the banking book, a progress review has been prepared for financial assets as well as interest-bearing deposit operations, including carefully calculated risk and administrative expenses. The surpluses expected to result from this have been identified. This has not given rise to a need to establish provisions for contingent losses.

In cases where liabilities (underlying transactions) are pooled (valuation units) to equalise opposite cash flows or changes in value resulting from similar risks entered into through financial instruments (hedging instruments), the general valuation principles laid down in § 254 HGB will not apply insofar as and for as long as opposite cash flows or changes in value equalise one another. For the effective portion, changes in the values of underlying transactions and hedging instruments are calculated according to the “net hedge presentation method” for interest and the “gross hedge presentation method” for currencies.

Deferred taxes are calculated for time differences between the commercial and tax balance-sheet valuations of assets, liabilities and accruals and deferrals, in principle encompassing includable tax loss carryforwards. Timing differences resulting from the parent company’s balance-sheet items are included as well as those applicable for subsidiary companies. Domestic and foreign subsidiaries which are not included in the tax group are also considered. Tax loss carryforwards are included in the valuation of deferred tax assets if they are expected to be offsettable against taxable income within a period of five years. Deferred taxes are calculated on the basis of the income tax rate for the respective member company of the consolidated group of between 9.00 per cent and 40.00 per cent. Deferred tax assets and liabilities are offset. Due to the overall assessment – including the deferred taxes from the annual financial statements of the incorporated companies – in case of tax relief, balance-sheet reporting is waived in line with the capitalisation option. In the re-

porting year, no deferred taxes are reportable in the consolidated financial statements of Deutsche Sparkassen Leasing AG & Co. KG, since this option has not been used.

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## Notes on the consolidated balance sheet

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Please see the fixed-asset movement schedule for disclosures concerning equities and other non-fixed-interest securities, investments, shares in affiliated companies, leasing assets, intangible assets and property, plant and equipment.

Please see below for the disclosures concerning receivables from credit institutions and customers as well as the liabilities owed to credit institutions and customers and liabilities evidenced by certificates.

## Fixed-asset movement schedule

	Historical costs				Write-ups		
	1/10/2019	Additions	Disposals	Reclassifications	1/10/2019	Additions	Disposals
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<b>1. Equities and other non-fixed-interest securities</b>	3,775,787.14	78,732.63	53,415.61	0.00	0.00	0.00	0.00
<b>2. Investments</b>	218,193,810.52	20,087,578.17	773,888.25	0.00	0.00	0.00	0.00
<b>3. Shares in affiliated companies</b>	14,442,262.61	726,700.00	1,078,936.82	0.00	0.00	0.00	0.00
<b>4. Leasing assets</b>							
Leasing goods	17,533,935,282.09	2,758,650,317.74	3,405,640,650.93	+ 485,348,147.39	2,518,014.83	366,450.45	572,714.29
Advanced payments	485,348,147.39	345,112,284.21	0.00	- 485,348,147.39	0.00	0.00	0.00
	18,019,283,429.48	3,103,762,601.95	3,405,640,650.93	0.00	2,518,014.83	366,450.45	572,714.29
<b>5. Intangible assets</b>							
Industrial rights	139,323,157.55	5,609,156.68	1,378,421.03	+ 2,597,445.10	0.00	0.00	0.00
Goodwill	68,295,259.03	143,526.69	0.00	0.00	0.00	0.00	0.00
Advanced payments	7,230,253.25	8,555,290.86	0.00	- 2,597,445.10	0.00	0.00	0.00
	214,848,669.83	14,307,974.23	1,378,421.03	0.00	0.00	0.00	0.00
<b>6. Property, plant and equipment</b>							
Buildings on leasehold properties	121,083,081.97	19,579.59	40,121.78	0.00	0.00	0.00	0.00
Fittings, tools and equipment	74,966,102.74	5,736,752.30	3,049,111.20	+ 338,315.45	0.00	0.00	0.00
Advanced payments	1,437,346.74	66,453.70	0.00	- 338,315.45	0.00	0.00	0.00
	197,486,531.45	5,822,785.59	3,089,232.98	0.00	0.00	0.00	0.00
	<b>18,668,030,491.03</b>	<b>3,144,786,372.57</b>	<b>3,412,014,545.62</b>	<b>0.00</b>	<b>2,518,014.83</b>	<b>366,450.45</b>	<b>572,714.29</b>

Depreciation/amortisation				Book values	
1/10/2019	Additions	Disposals	30/9/2020	30/9/2020	30/9/2019
EUR	EUR	EUR	EUR	EUR	EUR
27,874.02	156,700.72	27,874.02	156,700.72	3,644,403.44	3,747,913.12
52,621.59	0.00	0.00	52,621.59	237,454,878.85	218,141,188.93
535,657.38	0.00	0.00	535,657.38	13,554,368.41	13,906,605.23
7,154,852,878.01	2,642,195,312.09	2,474,230,770.16	7,322,817,419.94	10,051,787,427.34	10,381,600,418.91
0.00	0.00	0.00	0.00	345,112,284.21	485,348,147.39
7,154,852,878.01	2,642,195,312.09	2,474,230,770.16	7,322,817,419.94	10,396,899,711.55	10,866,948,566.30
105,188,799.69	8,157,596.18	339,261.62	113,007,134.25	33,144,204.05	34,134,357.86
19,906,646.66	4,175,911.05	0.00	24,082,557.71	44,356,228.01	48,388,612.37
0.00	0.00	0.00	0.00	13,188,099.01	7,230,253.25
125,095,446.35	12,333,507.23	339,261.62	137,089,691.96	90,688,531.07	89,753,223.48
24,216,010.14	3,414,198.84	0.00	27,630,208.98	93,432,330.80	96,867,071.83
45,479,071.45	8,455,759.19	1,714,949.31	52,219,881.33	25,772,177.96	29,487,031.29
0.00	0.00	0.00	0.00	1,165,484.99	1,437,346.74
69,695,081.59	11,869,958.03	1,714,949.31	79,850,090.31	120,369,993.75	127,791,449.86
<b>7,350,259,558.94</b>	<b>2,666,555,478.07</b>	<b>2,476,312,855.11</b>	<b>7,540,502,181.90</b>	<b>10,862,611,887.07</b>	<b>11,320,288,946.92</b>

	30/9/2020	30/9/2019
	EUR	TEUR
<b>Receivables from credit institutions</b>	<b>323,089,248.38</b>	<b>361,616</b>
a) Due daily	250,081,921.91	302,452
b) With agreed maturity or notice period	73,007,326.47	59,164
ba) up to three months	21,385,316.00	5,685
bb) more than three months and up to one year	0.00	–
bc) more than one year and up to five years	1,622,010.47	1,624
bd) more than five years	50,000,000.00	51,855
<b>Receivables from customers</b>	<b>10,523,018,783.35</b>	<b>10,149,159</b>
a) up to three months	1,851,918,851.20	1,774,771
b) more than three months and up to one year	1,445,356,766.41	1,413,635
c) more than one year and up to five years	4,805,188,984.92	4,643,070
d) more than five years	2,146,151,313.87	2,014,820
e) with an indefinite term	274,402,866.94	302,863
	30/9/2020	30/9/2019
	EUR	TEUR
<b>Liabilities owed to credit institutions</b>	<b>14,271,504,417.91</b>	<b>13,947,259</b>
a) Due daily	763,919,151.97	649,700
b) With agreed maturity or notice period	13,507,585,265.94	13,297,559
ba) up to three months	993,545,803.08	1,272,304
bb) more than three months and up to one year	1,606,207,779.26	2,619,956
bc) more than one year and up to five years	7,307,941,544.25	6,371,691
bd) more than five years	3,599,890,139.35	3,033,608
<b>Liabilities owed to customers</b>	<b>799,604,547.83</b>	<b>848,860</b>
a) Due daily	281,672,347.75	316,577
b) With agreed maturity or notice period	517,932,200.08	532,283
ba) up to three months	171,766,420.68	152,269
bb) more than three months and up to one year	120,082,310.24	120,172
bc) more than one year and up to five years	224,376,999.96	257,422
bd) more than five years	1,706,469.20	2,420
<b>Liabilities evidenced by certificates</b>	<b>1,151,170,462.27</b>	<b>1,184,451</b>
a) up to three months	120,556,628.29	138,489
b) more than three months and up to one year	55,724,329.06	65,000
c) more than one year and up to five years	974,889,504.92	–
d) more than five years	0.00	980,962

**Receivables from credit institutions** include sales of receivables to savings banks and credit institutions which have not yet been settled up. Receivables from shareholders amount to EUR 11.0 million (previous year: EUR 10.8 million).

Of the **receivables from customers**, EUR 8,029.4 million (previous year: EUR 7,922.9 million) relates to leasing, hire-purchase, rental and factoring business. Foreign-currency receivables amount to EUR 2,744.8 million (previous year: EUR 2,744.5 million). Receivables from shareholders amount to EUR 0.1 million (previous year: EUR 0.3 million).

Of the **property, plant and equipment**, EUR 61.3 million (previous year: EUR 63.8 million) relates to the main administrative headquarters of the Deutsche Leasing Group, which it uses for its own purposes, and EUR 25.8 million (previous year: EUR 29.5 million) to fittings, tools and equipment.

The **other assets** item includes loans to affiliated companies in the amount of EUR 154.3 million (previous year: EUR 152.1 million) and tax receivables in the amount of EUR 98.2 million (previous year: EUR 69.9 million). The overall amount includes foreign-currency amounts totalling EUR 33.6 million (previous year: EUR 35.4 million).

Of the total volume of assets, foreign-currency amounts total EUR 3,292.0 million (previous year: EUR 3,277.9 million).

The **prepayments** item includes prepaid premiums for credit and property insurance in the amount of EUR 5.4 million (previous year: EUR 4.0 million).

In relation to the **surplus resulting from the offsetting of assets**, the reinsurance policies are exclusively for fulfilment of the obligations resulting from pension provisions and are not available to other creditors. They have been offset against the underlying obligations pursuant to § 246 (2) Clause 2 HGB. The fair values

of the plan assets correspond to the cover funds documented by the insurer and thus match the historical costs in the amount of TEUR 1,313. The fair value of the plan provisions which exceeds the relevant pension obligation has been reported as TEUR 58 in accordance with § 246 (2) Clause 3 HGB. Expenses and income are offset.

**Liabilities owed to credit institutions** mainly relate to loans and time deposits and include foreign-currency items in the amount of EUR 1,669.0 million (previous year: EUR 1,609.8 million). In addition, liabilities owed to shareholders amount to EUR 819.8 million (previous year: EUR 744.2 million). Of the total amount, EUR 412.3 million (previous year: EUR 418.9 million) is secured by means of the transfer of title of leasing goods for security purposes. This is associated with the sale of claims resulting from residual values and leasing instalments.

Of the **liabilities owed to customers**, EUR 192.5 million (previous year: EUR 200.0 million) is secured by means of the transfer of title of leasing goods for security purposes. This is associated with the sale of claims resulting from leasing instalments. Of the overall volume of liabilities, foreign-currency liabilities amount to EUR 18.8 million (previous year: EUR 22.1 million).

Of the **liabilities evidenced by certificates**, EUR 1,042.3 million (previous year: EUR 1,149.5 million) is secured by means of the transfer of title of leasing goods for security purposes. This is associated with the sale of claims resulting from leasing instalments.

Of the **other liabilities**, liabilities owed to suppliers amount to EUR 245.9 million (previous year: EUR 226.7 million).

**Provisions for pensions and similar obligations** have been established for employees and former Management Board members. Of the reinsurance asset item in the amount of EUR 3.5 million – reported at its fair value in accordance with §§ 255 (4) Clause 4 in conjunction with

298, 300 (2) HGB – TEUR 142 has been offset against the pension provisions. The difference in accordance with § 253 (6) HGB amounts to EUR 24.0 million (previous year: EUR 23.0 million).

The **other provisions** mainly relate to outstanding payments for the personnel segment and provisions for old-age part-time working and anniversary bonuses and also, in the amount of EUR 12.8 million (previous year: EUR 17.1 million), for leasing business.

The **subordinate liabilities** relate to Deutsche Factoring Bank GmbH & Co. KG.

Of the total volume of liabilities, foreign-currency amounts total EUR 1,735.7 million (previous year: EUR 1,698.0 million).

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### Notes on contingent liabilities

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As of the balance-sheet date, **contingent liabilities** amount to EUR 403.2 million (previous year: EUR 350.2 million) and **other obligations** to EUR 519.2 million (previous year: EUR 256.3 million).

The parent company has issued letters of comfort and loan guarantees for the following foreign subsidiaries to their financing banks:

Name of the company	Registered office of the company
Deutsche Leasing Austria GmbH	Vienna
Deutsche Leasing Benelux N.V.	Antwerp (Berchem)
Deutsche Leasing Bulgaria EAD	Sofia
Deutsche Leasing (China) Co., Ltd.	Shanghai
Deutsche Leasing ČR, spol. s r.o.	Prague
Deutsche Leasing France Operating S.A.S.	Rueil-Malmaison
Deutsche Leasing France S.A.S.	Rueil-Malmaison
Deutsche Leasing Funding B.V.	Amsterdam
Deutsche Leasing Hungária Zrt.	Budapest
Deutsche Leasing Hungária Kft.	Budapest
Deutsche Leasing Ibérica, E.F.C., S.A.	Barcelona
DL Ibérica EquipRent S.A.	Barcelona
Deutsche Leasing (Ireland) D.A.C.	Dublin
Deutsche Leasing Italia S.p.A.	Milan
Deutsche Leasing Operativo S.r.l.	Milan
Deutsche Leasing Nederland B.V.	Amsterdam

(Cont'd on the next page)

Name of the company (Cont.)	Registered office of the company
Deutsche Leasing Polska S.A.	Warsaw
Deutsche Leasing Romania IFN S.A.	Bucharest
Deutsche Leasing Romania Operational SRL	Bucharest
Deutsche Leasing Slovakia spol. s r.o.	Bratislava
Deutsche Leasing Sverige AB	Stockholm
Deutsche Leasing (UK) Ltd.	London
Deutsche Leasing Vostok AG	Moscow
Deutsche Sparkassen Leasing do Brasil S.A.	São Paulo
Locadora DL do Brasil Ltda.	São Paulo

The parent company provides the following confirmation within the scope of the letters of comfort:

*With the exception of a political risk scenario, Deutsche Sparkassen Leasing AG & Co. KG hereby undertakes to provide its subsidiary with funding so that it is able to fulfil its liabilities.*

Through a loan-guarantee-based commitment in relation to the financing banks, the political risk is regularly also assumed. This is particularly applicable in relation to the subsidiaries Deutsche Leasing (China) Co., Ltd., Shanghai, Deutsche Leasing Vostok AG, Moscow, Deutsche Leasing ČR, spol. s r.o., Prague, Deutsche Sparkassen Leasing do Brasil S.A., São Paulo, and Locadora DL do Brasil Ltda., São Paulo. In principle, Deutsche Sparkassen Leasing AG & Co. KG also assumes the political risk for its financing company Deutsche Leasing Funding B.V., Amsterdam, in relation to the financing banks, within the scope of a guarantee or a letter of comfort.

Deutsche Sparkassen Leasing AG & Co. KG has submitted a letter of commitment within the scope of the entry of S-Kreditpartner GmbH, Berlin, into the institutional protection scheme established by Deutscher Sparkassen- und Giroverband e.V., Berlin. Deutsche Sparkassen Leasing AG & Co. KG thus provides Deutscher Sparkassen- und Giroverband e.V., Berlin, with an undertaking

that, in the event of this company receiving assistance under this protection scheme, it will reimburse these expenses in accordance with its equity share.

In view of current forecasts, the parent company considers that the risk of recourse under these letters of comfort, guarantees and letters of commitment is highly improbable.

The **liabilities under suretyships and guarantee agreements** reported under contingent liabilities are mainly associated with investment loans granted by Deutsche Leasing Finance GmbH.

The **irrevocable loan commitments** reported under the other liabilities are mainly associated with investment loans granted by Deutsche Leasing Finance GmbH as well as dealer purchase finance. The increase in irrevocable loan commitments has resulted due to the updated legal status of loan commitments in connection with dealer purchase finance. Irrevocable loan commitments to an associated company amount to EUR 8.0 million (previous year: EUR 19.6 million).

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## Notes on the consolidated profit and loss account

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The disclosures concerning the classification of income by geographic market are based on the structure selected by the parent company for control and reporting purposes.

**Leasing income** comprises revenues from leasing instalments and hire-purchase contracts as well as revenues from the resale of leasing goods and was mainly realised in Germany.

**Leasing expenses** comprise expenses resulting from the acquisition of hire-purchase assets and the disposal of leasing goods.

In the previous year, **interest income** included income from affiliated companies in the amount of EUR 0.1 million. Of the interest income, EUR 118.1 million (previous year: EUR 121.2 million) relates to Germany and EUR 15.3 million (previous year: EUR 13.6 million) to other countries. Interest expenses for liabilities resulting from retirement pension commitments, in the amount of TEUR 35, have been offset against interest income on the plan assets, in the amount of TEUR 31, in accordance with § 246 (2) Clause 2 HGB. Interest income includes negative interest income in the amount of EUR 5.4 million (previous year: EUR 4.4 million). Of the interest income, EUR 6.2 million relates to Limes Funding S. A., which was consolidated for the first time on 30 September 2019.

The **interest expenses** include expenses in accordance with §§ 277 (5) in conjunction with 298, 300 (2) HGB in the amount of EUR 17.1 million (previous year: EUR 13.9 million). Of the total amount, EUR 4.6 million (previous year: EUR 2.4 million) relates to negative interest expenses. The interest expenses include an amount of EUR 2.1 million (previous year: EUR 1.4 million) in expenses for subordinated loans. Of the interest expenses, EUR 1.1 million relates to Limes Funding S. A.,

which was consolidated for the first time on 30 September 2019.

Of the **commission income**, EUR 29.6 million (previous year: EUR 28.3 million) relates to Germany and EUR 1.4 million (previous year: EUR 1.9 million) to other countries.

The **other operating income** mainly comprises services income. This item includes income not related to the period in the amount of EUR 11.9 million (previous year: EUR 14.1 million). Of the other operating income, EUR 247.8 million (previous year: EUR 268.2 million) relates to Germany and EUR 66.0 million (previous year: EUR 29.8 million) to other countries. Of the total amount, currency translation income totals EUR 59.5 million (previous year: EUR 24.0 million).

**Depreciation of leasing assets** includes non-scheduled depreciation in the amount of EUR 31.7 million (previous year: EUR 20.8 million).

The **other operating expenses** mainly comprise services expenses. This item includes expenses not related to the period in the amount of EUR 2.6 million (previous year: EUR 1.8 million). Currency translation expenses total EUR 69.0 million (previous year: EUR 20.7 million).

**Taxes on income and profit** include tax expenses not related to the period in the amount of EUR 0.2 million (previous year: tax income not related to the period in the amount of EUR 1.1 million).

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## Other disclosures

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On the balance-sheet date, other financial obligations amounted to EUR 12.9 million (previous year: EUR 15.6 million) under service and lease agreements, mainly for branch offices. These lease agreements have a remaining term expiring in 2028 at the latest.

A second-hand car guarantee for a period of twelve months is provided for motor vehicles sold to end-consumers. On the balance-sheet date, this has resulted in contingent liabilities due to warranties. An insurance policy has been taken out to cover this risk.

On the balance-sheet date, order commitments under leasing and hire-purchase contracts amount to EUR 1,906.5 million (previous year: EUR 2,234.2 million).

Derivatives (interest rate swaps, currency swaps, interest-rate/currency swaps, forward exchange transactions) are exclusively entered into for hedging of interest-rate fluctuation/currency risks.

Deutsche Leasing deals with interest rate risks, in particular, through the use of interest rate swaps. Within the scope of its risk management system, as a rule fixed- and variable-interest cash flows are combined for the relevant currencies and jointly considered in interest-rate gap analyses. This enables a holistic assessment of all of the relevant cash flows resulting from lending business and deposit operations. The overhang of fixed cash flows which give rise to a risk position in case of a change in the interest rate level is indicated through interest rate gap analyses which can be prepared at the level of the individual company and also at Group level. This risk position is continuously analysed by means of detailed maturity bands and is reduced by means of conventional loans and derivatives (macro hedge). In some cases, hedges (interest rate swaps) are entered into as cover against interest rate risks for specific underlying transactions (variable-interest loans), subject to identical conditions for the underlying transaction and the hedging transaction (micro hedge). Currency risks are reduced through the use of currency swaps in particular. The effectiveness of the macro hedge ("interest exposure book management") is measured by comparing the interest-rate gap analysis with and without derivatives. The effectiveness of micro hedges is prospectively measured by means of a comparison of the relevant parameters for the underlying transactions and hedging instru-

ments in both qualitative and quantitative terms. A documented, appropriate and functional risk management system is also used for these transactions.

As of 30 September 2020, the nominal value of the derivatives amounted to EUR 2,605.9 million (previous year: EUR 3,081.0 million). The total derivatives with negative fair values as of the balance-sheet date amount to EUR 19.9 million (previous year: EUR 30.3 million) and have been determined by means of the mark-to-market method. Due to the effectiveness of the macro hedge ("interest exposure book"), no provisions are established. The derivatives have a maximum remaining term of 9.0 years.

In the past financial year, the total fee for the auditor amounted to TEUR 3,083 (previous year: TEUR 3,198). Of this, an amount of TEUR 217 related to the previous year. Of the total fee amount, TEUR 2,915 related to auditing services (previous year: TEUR 3,117). Of this amount, TEUR 217 comprised auditing services in the previous year. Of the overall fee, TEUR 153 related to other assurance services (previous year: TEUR 81) and TEUR 15 to tax advice services (previous year: TEUR -).

Cash and cash equivalents in the statement of cash flows consist of the cash reserves balance-sheet item. The change in cash flow from current business activities is determined on the basis of the consolidated net income for the year; the reconciliation results from the consolidated profit and loss account.

On average, the company had 1,325 female and 1,373 male employees in the past financial year.

The **Supervisory Board** of the parent company has the following members:

**Alexander Wüerst**

**Chairman**

Chief Executive Officer  
*Kreissparkasse Köln, Cologne*

**Dr Walter Eschle**

**Deputy Chairman**

Deputy Executive Officer (retired)  
*Stadtsparkasse Augsburg, Augsburg*

**Marina Barth**

Deputy Executive Officer  
*Sparkasse Hannover, Hanover*

**Andreas Bartsch**

Chief Executive Officer  
*Sparkasse Marburg-Biedenkopf, Marburg*

**Dr Joachim Bonn**

Chief Executive Officer  
*Sparkasse Duisburg, Duisburg*

**Frank Brockmann**

Deputy Executive Officer  
*Hamburger Sparkasse AG, Hamburg*

**Roland Burgis**

Deputy Executive Officer  
*Sparkasse Nürnberg, Nuremberg*

**Michael Fröhlich**

Chief Executive Officer  
*Sparkasse Bielefeld, Bielefeld*

**Horst Herrmann**

Chief Executive Officer  
*Kreissparkasse Saarlouis, Saarlouis*

**Günter Högner**

Chief Executive Officer  
*Nassauische Sparkasse, Wiesbaden*

**Michael Huber**

Chief Executive Officer  
*Sparkasse Karlsruhe, Karlsruhe*

**Hans Jürgen Kulartz**

Member of the Management Board  
*Landesbank Berlin AG, Berlin*

**Ulrich Lepsch**

Chief Executive Officer  
*Sparkasse Spree-Neiße, Cottbus*

**Günther Passek (until December 2019)**

Chief Executive Officer  
*Sparkasse Trier, Trier*

**Thomas Piehl**

Chief Executive Officer  
*Sparkasse Holstein, Bad Oldesloe*

**Matthäus Reiser**

Chief Executive Officer  
*Kreissparkasse Rottweil, Rottweil*

**Helmut Schleweis**

President  
*Deutscher Sparkassen- und Giroverband e.V., Berlin*

**Rainer Schwab**

Works Council Chairman  
*Deutsche Sparkassen Leasing AG & Co. KG,  
Bad Homburg v. d. Höhe*

**Anke Tiedge**

Savings Bank Advisor  
*Deutsche Sparkassen Leasing AG & Co. KG,  
Bad Homburg v. d. Höhe*

**Thomas Traue (since January 2020)**

Chief Executive Officer  
*Sparkasse Vorderpfalz, Ludwigshafen am Rhein*

Total remuneration of the members of the Supervisory Board of the parent company amounted to EUR 0.3 million (previous year: EUR 0.3 million). Pension provisions for the former members of the parent company's Management Board amount to EUR 2.3 million (previous year: EUR 2.4 million). EUR 1.1 million (previous year: EUR 1.1 million) was paid out in the form of pensions for these former members of the Management Board in the current financial year.

The personally liable and managing shareholder of the parent company is Deutsche Sparkassen Leasing Verwaltungs-Aktiengesellschaft, Bad Homburg v. d. Höhe, with subscribed capital amounting to EUR 50,000.00.

The **Management Board** of the managing shareholder of the parent company consists of the following five (previous year: four) members:

Kai Ostermann, Chief Executive Officer  
Georg Hansjürgens (since April 2020)  
Sonja Kardorf  
Matthias Laukin (until March 2020)  
Markus Strehle (since October 2019)  
Rainer Weis



Ostermann



Hansjürgens



Kardorf



Strehle



Weis

The Management Board receives EUR 2.9 million (previous year: EUR 3.6 million) for the performance of its tasks.

Please refer to the appendix to the notes to the consolidated financial statements for full **disclosures concerning shareholdings**.<sup>3</sup>

The consolidated financial statements are published in the German Federal Gazette (Bundesanzeiger).

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## Subsequent events

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There were no reportable events in the period from 30 September 2020 up to the preparation of the consolidated financial statements.

Bad Homburg v. d. Höhe, 15 December 2020

Deutsche Sparkassen Leasing AG & Co. KG  
represented by its general partner

Deutsche Sparkassen Leasing  
Verwaltungs-Aktiengesellschaft

<sup>3</sup> The appendices to the notes to the consolidated financial statements are not printed in the annual report. They may be viewed in the electronic version of the German Federal Gazette as disclosed.

# Statement of changes in equity<sup>4</sup>

Deutsche Sparkassen Leasing AG & Co. KG Group

	Equity of the parent company				
	Equity shares		Reserves		
	Equity shares	Total	Reserves according to shareholders' agreement	Other reserves	Total
	TEUR	TEUR	TEUR	TEUR	TEUR
As of 30/9/2018	240,000	240,000	362,050	59,739	421,789
Increase/decrease in equity shares					
Amounts credited to shareholder accounts for debt capital			-40,000		-40,000
Amounts contributed to/withdrawn from reserves			50,403	25,436	75,839
Currency translation					
Other changes					
Changes to group of consolidated companies					
Consolidated net income/loss for the year					
<b>As of 30/9/2019</b>	<b>240,000</b>	<b>240,000</b>	<b>372,453</b>	<b>85,175</b>	<b>457,628</b>

	Equity of the parent company				
	Equity shares		Reserves		
	Equity shares	Total	Reserves according to shareholders' agreement	Other reserves	Total
	TEUR	TEUR	TEUR	TEUR	TEUR
As of 30/9/2019	240,000	240,000	372,453	85,175	457,628
Increase/decrease in equity shares					
Amounts credited to shareholder accounts for debt capital			-40,000		-40,000
Amounts contributed to/withdrawn from reserves			50,307	19,821	70,128
Currency translation					
Other changes					
Changes to group of consolidated companies					
Consolidated net income/loss for the year					
<b>As of 30/9/2020</b>	<b>240,000</b>	<b>240,000</b>	<b>382,760</b>	<b>104,996</b>	<b>487,756</b>

<sup>4</sup> In deviation from the order of presentation required pursuant to § 297 (1) HGB, the statement of changes in equity is presented prior to the statement of cash flows.

Change in equity from currency translation	Consolidated net income/loss for the year which is attributable to the parent company	Total	Non-controlling interests			Group equity
			Non-controlling interests before change in equity from currency translation and profit for the year	Profit/loss attributable to non-controlling interests	Total	Total
TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
8,206	77,184	747,179	96,162	13,910	110,072	857,251
		-40,000		-2,772	-2,772	-42,772
	-77,184	-1,345	38,265	-11,138	27,127	25,782
360		360				360
	74,669	74,669		11,868	11,868	86,537
<b>8,566</b>	<b>74,669</b>	<b>780,863</b>	<b>134,427</b>	<b>11,868</b>	<b>146,295</b>	<b>927,158</b>

Change in equity from currency translation	Consolidated net income/loss for the year which is attributable to the parent company	Total	Non-controlling interests			Group equity
			Non-controlling interests before change in equity from currency translation and profit for the year	Profit/loss attributable to non-controlling interests	Total	Total
TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
8,566	74,669	780,863	134,427	11,868	146,295	927,158
		-40,000		-2,181	-2,181	-42,181
	-74,669	-4,541	7,522	-9,687	-2,165	-6,706
-9,349		-9,349				-9,349
				-77	-77	-77
	29,935	29,935		7,806	7,806	37,741
<b>-783</b>	<b>29,935</b>	<b>756,908</b>	<b>141,949</b>	<b>7,729</b>	<b>149,678</b>	<b>906,586</b>

# Statement of cash flows

Deutsche Sparkassen Leasing AG & Co. KG Group<sup>5</sup>

	2019/2020	2018/2019
	TEUR	TEUR
<b>1. Consolidated net income for the year</b>	<b>37,663</b>	<b>86,538</b>
2. + Depreciation on leasing assets	2,642,195	2,616,171
3. - Write-ups on leasing assets	-366	-1,634
4. - Additions to leasing assets	-3,103,763	-3,896,989
5. + Residual book values of disposed leasing assets	931,983	1,016,387
6. - Decrease in accrued leasing instalments	-10,695	-7,091
<b>7. Depreciation on and changes to leasing assets</b>	<b>459,354</b>	<b>-273,156</b>
8. - Increase in hire-purchase receivables	-231,006	-718,776
9. +/- Decrease/increase in receivables from credit institutions	38,527	-68,668
10. - Increase in receivables from customers (excl. hire-purchase)	-142,854	-342,241
11. - Increase in other assets	-80,629	-9,749
12. + Amortisation of intangible assets and depreciation of property, plant and equipment	24,203	21,012
13. + Interest payments received	133,394	134,848
<b>14. Change in hire-purchase and other assets</b>	<b>-258,365</b>	<b>-983,574</b>
15. + Increase in liabilities owed to credit institutions	324,245	1,112,351
16. - Decrease in liabilities owed to customers	-49,255	-833,863
17. +/- Decrease/increase in liabilities evidenced by certificates	-33,281	851,451
18. +/- Decrease/increase in deferred income from sales of receivables	-250,219	91,206
19. +/- Interest expenses less income	-202	6,125
20. - Interest paid	-133,192	-140,973
<b>21. Changes in refinancing leasing and hire-purchase</b>	<b>-141,904</b>	<b>1,086,297</b>
22. + Increase in provisions	5,013	39,045
23. +/- Decrease/increase in other liabilities and other items	-2,593	57,582
24. + Income tax expenses less income	18,815	18,585
25. - Income tax payments	-14,085	-10,211
<b>26. Change in other liabilities and other items</b>	<b>7,150</b>	<b>105,001</b>
<b>27. Cash inflow from current business activities</b>	<b>103,898</b>	<b>21,106</b>
28. + Cash inflow from the sale of intangible assets	1,039	2,190
29. - Payments for acquisition of intangible assets	-14,308	-13,920
30. + Cash inflow from the sale of property, plant and equipment	1,374	2,831
31. - Payments for acquisition of property, plant and equipment	-5,823	-13,395
<b>32. Cash outflow from investing activities</b>	<b>-17,718</b>	<b>-22,294</b>
33. - Cash outflow to the parent company's shareholders	-40,000	-40,000
34. - Cash outflow to other shareholders	-2,181	-2,772
<b>35. Cash outflow from financing activities</b>	<b>-42,181</b>	<b>-42,772</b>
<b>Changes in cash and cash equivalents: Items no. (27) + (32) + (35)</b>	<b>43,999</b>	<b>-43,960</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>61,038</b>	<b>104,998</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>105,037</b>	<b>61,038</b>

<sup>5</sup> The structure of the statement of cash flows reflects the specific characteristics of the leasing sector.







# Auditor's report<sup>6</sup>

KPMG AG Wirtschaftsprüfungsgesellschaft has issued the following unqualified auditor's report for the consolidated financial statements as of 30 September 2020 and the related combined management report:

## Audit opinions

We have audited the financial statements<sup>7</sup> of Deutsche Sparkassen Leasing AG & Co. KG, Bad Homburg v. d. Höhe – comprising the balance sheet as of 30 September 2020, the profit and loss account for the financial year from 1 October 2019 to 30 September 2020 and the notes to the financial statements for the financial year 2019/2020, including the presentation of the accounting policies – and the consolidated financial statements of Deutsche Sparkassen Leasing AG & Co. KG, Bad Homburg v. d. Höhe, and its subsidiaries (the Group) – comprising the consolidated balance sheet as of 30 September 2020, the consolidated profit and loss account for the period from 1 October 2019 to 30 September 2020, the statement of changes in equity and the statement of cash flows for the financial year from 1 October 2019 to 30 September 2020 and the notes to the consolidated financial statements for the financial year 2019/2020, including the presentation of the accounting policies. In addition, we have audited the company and Group management report (hereinafter: the “combined management report”) of Deutsche Sparkassen Leasing AG & Co. KG, Bad Homburg v. d. Höhe, for the financial year from 1 October 2019 to 30 September 2020.

In our opinion based on the findings of our audit,

- the attached financial statements comply in all material respects with the requirements of German commercial law applicable for institutions and give a true and fair view of the company's net asset and financial position as of 30 September 2020 and of its earnings position for the financial year from 1 October 2019 to 30 September 2020, in compliance with the German principles of orderly accounting,

- the attached consolidated financial statements comply in all material respects with the requirements of German commercial law applicable for institutions and give a true and fair view of the Group's net asset and financial position as of 30 September 2020, and of its earnings position for the financial year from 1 October 2019 to 30 September 2020, in compliance with the German principles of orderly accounting, and
- the attached combined management report as a whole presents an accurate view of the company's and the Group's position. In all material respects, this combined management report is consistent with the financial statements and consolidated financial statements, complies with the requirements of German law and suitably presents the risks and opportunities associated with future development.

Pursuant to § 322 (3) Clause 1 HGB, we state that our audit has not led to any reservations with regard to the orderliness of the financial statements and consolidated financial statements or the combined management report.

## BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the financial statements and consolidated financial statements and the combined management report in accordance with § 317 HGB and the generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, IDW). Our responsibility according to these regulations and standards is described in further detail in the “Responsibility of the Auditor for the Audit of the Financial Statements and Consolidated Financial Statements and the Combined Management

<sup>6</sup> The reproduction of the auditor's report is printed in the annual report without the signatures and seal of KPMG AG Wirtschaftsprüfungsgesellschaft.

<sup>7</sup> The financial statements are not printed in the annual report. The financial statements can be viewed in the electronic version of the German Federal Gazette (Bundesanzeiger) in the context of disclosure.

Report” section of our auditor’s report. We are independent of the company and its subsidiaries in compliance with the provisions of German commercial law and professional law and have fulfilled our other German professional obligations in compliance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to serve as a basis for our audit opinions regarding the financial statements and consolidated financial statements and the combined management report.

#### OTHER INFORMATION

The legal representatives are responsible for the other information.

This other information comprises the other parts of the annual report, with the exception of the audited financial statements and consolidated financial statements and the combined management report as well as our auditor’s report.

Our audit opinions regarding the financial statements and consolidated financial statements and the combined management report do not extend to this other information, and accordingly we provide neither an audit opinion nor any other form of audit conclusion in this regard.

As part of our audit, we have a responsibility to read this other information and to evaluate whether it

- exhibits material discrepancies in relation to the financial statements or the consolidated financial statements, the combined management report or the knowledge we have obtained during our audit, or
- otherwise seems significantly incorrect.

#### RESPONSIBILITY OF THE LEGAL REPRESENTATIVES AND THE SUPERVISORY BOARD FOR THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

The legal representatives are responsible for preparing the financial statements and consolidated financial statements, which in all material respects comply with the requirements of German commercial law applicable for institutions, and for the financial statements and consolidated financial statements giving a true and fair view of the net asset, financial and earnings position of the company and the Group in compliance with the German principles of orderly accounting. Furthermore, the legal representatives are responsible for the internal controls that, in accordance with the German principles of orderly accounting, they deemed necessary to enable the preparation of financial statements and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

When preparing the financial statements and consolidated financial statements, the legal representatives are responsible for assessing the company’s and the Group’s status as a going concern. In addition, they have a responsibility to disclose matters related to the status as a going concern, if relevant. They are also responsible for accounting on the basis of the going concern principle, unless prevented by actual or legal circumstances.

Moreover, the legal representatives are responsible for preparing the combined management report, which as a whole provides an accurate view of the company’s and the Group’s position and is consistent with the financial statements and consolidated financial statements in all material respects, complies with the requirements of German law and suitably presents the

risks and opportunities associated with future development. The legal representatives are also responsible for the arrangements and measures (systems) that they considered necessary to enable the preparation of a combined management report in compliance with the applicable requirements of German law and to allow sufficient, suitable evidence to be provided for the statements in the combined management report.

The Supervisory Board is responsible for monitoring the company's accounting process for the preparation of the financial statements and consolidated financial statements and the combined management report.

#### **RESPONSIBILITY OF THE AUDITOR FOR THE AUDIT OF THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT**

Our objective is to obtain reasonable assurance as to whether the financial statements and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an accurate view of the company's and the Group's position and is in all material respects consistent with the financial statements and consolidated financial statements and with the findings of the audit, complies with the requirements of German law and suitably presents the risks and opportunities associated with future development, and to issue an auditor's report containing our audit opinions regarding the financial statements and consolidated financial statements and the combined management report.

Reasonable assurance is a high level of assurance but not a guarantee that an audit carried out in compliance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated

by the Institute of Public Auditors in Germany (IDW) will always uncover a material misstatement. Misstatements can result from transgressions or inaccuracies and are deemed material if it could be reasonably expected that they would individually or together influence the financial decisions made by users on the basis of these financial statements and consolidated financial statements as well as the combined management report.

We exercise due discretion during the audit and maintain a critical attitude. In addition,

- we identify and evaluate the risks of material misstatements, whether due to fraud or error, in the financial statements and consolidated financial statements and the combined management report, plan and implement audit procedures in response to these risks and obtain audit evidence that is sufficient and appropriate to serve as a basis for our audit opinions. The risk that material misstatements are not uncovered is higher in the case of transgressions than in the case of inaccuracies, as transgressions can entail fraudulent collaboration, falsifications, deliberate omissions, misleading depictions or the suspension of internal controls.
- we gain an understanding of the internal control system relevant for the audit of the financial statements and consolidated financial statements and of the arrangements and measures relevant for the audit of the combined management report in order to plan audit procedures that are appropriate given the circumstances, but not with the aim of providing an audit opinion regarding the effectiveness of these systems.
- we evaluate the appropriateness of the accounting policies used by the legal representatives and the reasonableness of the estimated values presented by the legal representatives and the associated disclosures.

- we draw conclusions about the appropriateness of the going concern principle applied by the legal representatives and, on the basis of the audit evidence obtained, whether there is material uncertainty regarding events or circumstances that could cause significant doubt about the company's and the Group's ability to continue as a going concern. If we come to the conclusion that there is material uncertainty, we are obliged to call attention to the associated disclosures in the financial statements and consolidated financial statements and in the combined management report in our auditor's report or, if these disclosures are inappropriate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our auditor's report. However, future events or circumstances may mean that the company or the Group is no longer a going concern.
- we evaluate the overall presentation, the structure and the content of the financial statements and consolidated financial statements, including the disclosures, and whether the financial statements and consolidated financial statements present the underlying transactions and events such that the financial statements and consolidated financial statements give a true and fair view of the net asset, financial and earnings position of the company and the Group in compliance with the German principles of orderly accounting.
- we obtain sufficient appropriate audit evidence for the accounting information of the company and its subsidiaries or business activities within the Group to provide a basis for our audit opinions regarding the financial statements and consolidated financial statements and the combined management report. We are responsible for the direction, supervision and performance of the audit of the financial statements and consolidated financial statements. We remain solely responsible for our opinions.

- we evaluate the consistency of the combined management report with the financial statements and consolidated financial statements, its legality and the view it gives of the position of the company and the Group.
- we conduct audit procedures regarding the forward-looking disclosures made by the legal representatives in the combined management report. On the basis of sufficient appropriate audit evidence, we examine the significant assumptions underlying the legal representatives' forward-looking disclosures in particular and evaluate the appropriateness of the derivation of the forward-looking disclosures from these assumptions. We do not provide a separate audit opinion regarding the forward-looking disclosures or the underlying assumptions. There is a considerable, unavoidable risk that future events will differ significantly from the forward-looking disclosures.

Topics for discussion with those responsible for monitoring include the planned scope and scheduling of the audit as well as significant audit findings, including any deficiencies in the internal control system that we find during our audit.

Frankfurt am Main, 16 December 2020

KPMG AG  
Wirtschaftsprüfungsgesellschaft

Dielehner  
Wirtschaftsprüfer  
(German Public Auditor)

Loginov  
Wirtschaftsprüfer  
(German Public Auditor)

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**Shareholders**

Deutsche Sparkassen Leasing AG & Co. KG

**Association of savings banks**

Rheinischer Sparkassen- und Giroverband	20.02 per cent
Sparkassenverband Baden-Württemberg	18.80 per cent
Sparkassenverband Bayern	12.54 per cent
Sparkassen- und Giroverband Hessen-Thüringen	10.67 per cent
Sparkassenverband Westfalen-Lippe	9.61 per cent
Sparkassenverband Niedersachsen	6.27 per cent
Ostdeutscher Sparkassenverband	5.70 per cent
Hanseatischer Sparkassen- und Giroverband	4.22 per cent
Landesbank Berlin AG	3.86 per cent
Sparkassen- und Giroverband Schleswig-Holstein	3.68 per cent
Sparkassenverband Rheinland-Pfalz	3.56 per cent
Sparkassenverband Saar	1.07 per cent

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**Supervisory Board**  
Deutsche Sparkassen Leasing Verwaltungs-Aktiengesellschaft

Alexander Wüerst, Chairman	Chief Executive Officer, Kreissparkasse Köln, Cologne
Frank Brockmann, Deputy Chairman	Deputy Executive Officer, Hamburger Sparkasse AG, Hamburg
Helmut Schleweis	President, Deutscher Sparkassen- und Giroverband e.V., Berlin

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**Supervisory Board**  
Deutsche Leasing AG

Alexander Wüerst, Chairman	Chief Executive Officer, Kreissparkasse Köln, Cologne
Frank Brockmann, Deputy Chairman	Deputy Executive Officer, Hamburger Sparkasse AG, Hamburg
Helmut Schleweis	President, Deutscher Sparkassen- und Giroverband e.V., Berlin

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**Supervisory Board**  
Deutsche Sparkassen Leasing AG & Co. KG

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Alexander Wüerst, Chairman	Chief Executive Officer, Kreissparkasse Köln, Cologne
Marina Barth, Deputy Chairwoman (since February 2021)	Deputy Executive Officer, Sparkasse Hannover, Hannover
Dr Walter Eschle, Deputy Chairman (until February 2021)	Deputy Executive Officer, Stadtparkasse Augsburg, Augsburg (retired since July 2020)
Andreas Bartsch	Chief Executive Officer, Sparkasse Marburg-Biedenkopf, Marburg
Dr Joachim Bonn	Chief Executive Officer, Sparkasse Duisburg, Duisburg
Frank Brockmann	Deputy Executive Officer, Hamburger Sparkasse AG, Hamburg
Roland Burgis	Deputy Executive Officer, Sparkasse Nürnberg, Nuremberg
Bernd Fischer (since February 2021)	Deputy Executive Officer, Sparkasse Memmingen-Lindau-Mindelheim, Memmingen
Michael Fröhlich	Chief Executive Officer, Sparkasse Bielefeld, Bielefeld
Horst Herrmann	Chief Executive Officer, Kreissparkasse Saarlouis, Saarlouis
Günter Högner	Chief Executive Officer, Nassauische Sparkasse, Wiesbaden
Michael Huber	Chief Executive Officer, Sparkasse Karlsruhe Ettlingen, Karlsruhe
Hans Jürgen Kulartz	Member of the Management Board, Landesbank Berlin AG, Berlin
Ulrich Lepsch	Chief Executive Officer, Sparkasse Spree-Neiße, Cottbus
Thomas Piehl	Chief Executive Officer, Sparkasse Holstein, Bad Oldesloe
Matthäus Reiser	Chief Executive Officer, Kreissparkasse Rottweil, Rottweil
Helmut Schleweis	President, Deutscher Sparkassen- und Giroverband e. V., Berlin
Rainer Schwab	Works Council Chairman, Deutsche Sparkassen Leasing AG & Co. KG, Bad Homburg v. d. Höhe
Anke Tiedge	Product Manager, Deutsche Sparkassen Leasing AG & Co. KG, Bad Homburg v. d. Höhe
Thomas Traue	Chief Executive Officer, Sparkasse Vorderpfalz, Ludwigshafen

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### Management Board

Deutsche Sparkassen Leasing Verwaltungs-Aktiengesellschaft  
(managing shareholder of Deutsche Sparkassen Leasing AG & Co. KG)  
Deutsche Leasing AG

Kai Ostermann	Chief Executive Officer
Georg Hansjürgens	Management Board member
Sonja Kardorf	Management Board member
Markus Strehle	Management Board member
Rainer Weis	Management Board member

### Executive Managers and Members of the Management Team

Heinz-Hermann Hellen	Finance
Karsten Reinhard, Thomas Stahl, Meinolf Zörb	International
Frank Hägele, Dr Hubertus Mersmann	Mobility
Dieter Behrens, Frank Speckmann	Savings Banks and SMEs

### Directors of Market Units

Bo Liedtke, Cornelius Schneider	Insurance Services
Norbert Schmidt	Sales and Product Management

### Directors of Divisions/Central Staff Units

Mirko Beigel	Accounting, Controlling, Taxation
Klaus-Günther Rasch	Intensive Care & Asset Management
Axel Brinkmann	Group Audit
Michael Orth	Middle Office
Dirk Spingler	Operational Risk & Compliance
Christoph Khodja	Organisation/Information Technology
Otto Schmitz	Organisation/Information Technology International
Andreas Kaffka	Human Resources
Michael Felde	Legal Department
Kristina Tonn	Risk Controlling
Maik Mittelberg	Domestic Risk Management
Anika Christophe	International Risk Management
Jörn van Rossum	Treasury
Ansgar Wagner	Corporate Development

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**Managing Directors of Subsidiaries/Investments<sup>8</sup>**  
Germany

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Sonja Kardorf, Rainer Weis, Andreas Geue, Maik Mittelberg, Frank Speckmann, Michael Orth	Deutsche Leasing Finance GmbH
Bo Liedtke, Cornelius Schneider	Deutsche Leasing Insurance Services GmbH
Andreas Geue (Chairman), Tobias Bergmann, Kai Eberhard	DAL Deutsche Anlagen-Leasing GmbH & Co. KG
Frederik Wegner, Holger Würk	DAL Bautec Baumanagement und Beratung GmbH
Dr Hubertus Mersmann, Michael Velte	AutoExpo Deutsche Auto-Markt GmbH
Christian Eymery (Spokesman), Fedor Krüger	Deutsche Factoring Bank GmbH & Co. KG
Andreas Appel, Dr Thomas Schneider	Bad Homburger Inkasso GmbH
Heinz-Günter Scheer, Jan Welsch	S-Kreditpartner GmbH

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**Managing Directors of Subsidiaries/Investments<sup>8</sup>**  
Other countries

Ursula Leutl, Heinz Scheibenpflug	Deutsche Leasing Austria GmbH
Marc Andries, Nora Vermin	Deutsche Leasing Benelux N.V. Deutsche Leasing Nederland B.V.
Rosen Mishev, Neno Stanev	Deutsche Leasing Bulgaria EAD
Cheryl Johnson, Moritz von Gemmingen	Deutsche Leasing Canada, Corp. Deutsche Leasing Canada (Del), Inc.
Renato Di Chiara, Olive Xu, Vladimir Vladimirov	Deutsche Leasing (China) Co., Ltd.
Uta Reichel, Lenka Pivonkova	Deutsche Leasing ČR, spol. s r.o.
Eric Alessandrin	Deutsche Leasing France S.A.S. Deutsche Leasing France Operating S.A.S.
Jörn van Rossum, Bastiaan Hoekstra	Deutsche Leasing Funding B.V.
Georg Hansjürgens, Katalin Nyikos, Andrés Trautmann	Deutsche Leasing Hungaria Kft. Deutsche Leasing Hungaria Zrt.
Raúl Sánchez	DL Ibérica EquipRent, S.A. Deutsche Leasing Ibérica, E.F.C., S.A.
Fabien Léon Leduc, Simon Dufton	Deutsche Leasing (Ireland) D.A.C.
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### Remarketing

AutoExpo Deutsche Auto-Markt GmbH <sup>9</sup>	100 per cent
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### Insurance

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# Deutsche Sparkassen Leasing AG & Co. KG

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## Mobile Equipment/Real Estate Leasing

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