Interim Report 2021

The cooperative Rabobank in Covid-19 times.

The cooperative **Rabobank**

Chairman's Foreword

Rabobank posts net result of EUR 2,160 million for first half of 2021 supported by a strong economic recovery.

The positive economic growth rates and rebound from the financial impact of Covid-19 are clearly visible in our financial performance. The strong net result of EUR 2,160 million in the first half of 2021 is driven by a net release of loan impairment charges and positive assets revaluations resulting from improved market conditions, next to solid business performance. Despite the improved operating conditions, structural challenges such as the low interest rate environment have not dissappeared and continue to affect banking sector results.

The pandemic still holds a firm grip on society. Although the initial lifting of Covid-19 restrictions in several countries marked the end of a difficult period, some of them have returned now that new variants are thriving. We are very aware that the pandemic is far from over and Covid-19 will continue to impact our clients, colleagues, societies and Rabobank in the foreseeable future.

There are two sides of the story when looking at the first half of 2021. One is that we see clients benefitting from the economic recovery. Our transaction data show that consumer spending increased. Also, Food & Agri sectors proved to be resilient. On the other hand, although a number of the sectors impacted by Covid-19 have recovered, we see that some clients are still struggling. And some are expected to face financial difficulties in the second half of the year as various government support measures end in the Netherlands. Next to that, we have to take into consideration extreme climate events such as droughts and floods that are impacting our clients, as are shortages in, for instance, chips, construction materials, and the labor force.

We have progressed with our mission of "Growing a better world together" within the changing financial landscape. Our customers increasingly interact with us via new digital services, and we kept on innovating and adjusting to their needs. Accordingly, the announced restructuring of our traditional branch network in the Netherlands is underway. In this landscape, we now report a strong result, which is partly driven by a rebound of the negative swing in 2020. Our operations are solid, but they have to be stronger considering the structural challenges to the banking sector. The extensive regulations for banks, competition from new (digital) non-banks, cyber risks, and low interest rates will continue to put pressure on the traditional banking model.

Wiebe Draijer, Chairman of the Managing Board

Our role as a gatekeeper to the financial system is a top priority for the bank. Since the start of 2021, we have onboarded and trained an additional workforce of more than 500 KYC employees in the Retail Netherlands domain, increasing the total number of individuals dedicated to KYC activities worldwide to approximately 4,500. Also, collective transaction monitoring in Transaction Monitoring Netherlands (TMNL) started with commercial payment transactions, which will strengthen the stance of Dutch society in the fight against money laundering and terrorist financing.

An exciting new development is that last February we started activities in our Rabo Carbon Bank and launched its first project enabling thousands of smallholder farmers to remove carbon, with more projects to come. In our mortgage branch, we've made decarbonization of homes more accessible: 36,500 clients used our new online scanning tool which offers them advice and concrete offers to improve their houses. Another highlight is that we were able to reopen our green savings product for new customers in April. With a significant growth of 13% in total savings until July, we can now invest EUR 2,313 million in green initiatives. This is our mission at its core: connecting clients, our knowledge and financial instruments to help solve societal challenges, from the climate and energy transition to the transitions toward sustainable living and sustainable food.

Is it enough? Surely not. There is a long path ahead of us, where our ambition is to continue developing climate-friendly ways of working, together with our clients. We feel this as our responsibility for the future. I'm proud of the efforts our employees made on this road to change, while also meeting the challenges of the pandemic and our daily work. I thank all my colleagues for their contribution and commitment.

Financial performance

Rabobank's financial performance in the first six months of 2021 was strong with a net profit of EUR 2,160 million, significantly higher compared to the same period last year. Next to solid business performance in the first half of 2021, the improved market conditions contributed to the bank's financial results. Last year, Covid-19 had a significant impact on the economy, our clients, the financial sector, and the bank itself. This unprecedented situation resulted in materially higher impairment charges and pressure on income.

Despite further lockdown restrictions, there has been a sharp economic recovery in the first half of 2021 due to the growing availability and rollout of vaccines. The expected deterioration in credit quality has not materialized thus far, which is mainly the result of this recovery, the resilience of Food & Agri sectors, and the (extension of) various government support measures in the Netherlands. These developments have resulted in a further decrease of sectors considered "vulnerable" and in a net release of impairment charges on financial assets of EUR 274 million in the first half of 2021 (minus 13 bps of the average loan portfolio), which is EUR 1,716 million lower than in the same period last year. Although uncertainties around future recovery have diminished, they have not disappeared completely. The end of government support measures for businesses as well as a potential resurgence of infections due to new coronavirus variants require the bank to remain cautious. The credit quality of our business loan portfolio could still be impacted in the second half of 2021 or in 2022.

The persistent low interest rate environment continued to impact net interest income. Nevertheless, total income increased by 17%. Reasons for this performance include the benefit from our participation in the TLTRO III programme of EUR 192 million in H1 2021, as well as improved market conditions resulting in positive revaluations of the bank's equity participations. Net fee and commission income also rebounded compared to H1 2020 and was EUR 128 million higher. The improved financial performance is visible across all business lines, with Rabo Investments performing especially well.

The increase in income more than offset the slight rise in expenses, resulting in an improved cost/income ratio of 58.0% (2020: 65.3%). At the same time the Return on Equity improved to 10.4% (2020: 2.7%).

The loan portfolio increased by EUR 4.8 billion to EUR 414.2 billion, partly driven by FX effects. The Food & Agri portfolio increased by 4% to EUR 104.8 billion. Furthermore, we remained market leader in the Dutch residential mortgage market with a 23% market share of new production. Deposits from retail and wholesale customers increased by 4% which is in line with the increase of the Dutch savings market and which can be mainly attributed to the impact of Covid-19.

Driven by the strong H1 2021 results the CET 1 ratio increased to 17.2%. Rabobank's capital position therefore remains rock solid.

Outlook

Looking ahead, further costs of the pandemic may follow. It might be later and less than commonly expected, but still, we have clients in financial peril. We will give them our utmost attention and will continue to support them where we can. For example, we have created a Post-Covid Growth Fund in the Netherlands together with other parties that can strengthen the equity position of companies in need.

Uncertainty persists given the development of the virus. We therefore remain cautious as the credit quality of our business loan portfolio could still be impacted in the near future. Also the low interest rate environment will continue to put pressure on our results, as will our investments in KYC.

We strive to be transparent in our reporting on sustainable growth. Over the years, we have maintained our top spot in the ESG risk rating by sustainability rating agency Sustainalytics. Our policies on sustainability are sound. We've been acting as a frontrunner, but we need to speed up the pace, considering our portfolio and the development of the climate crisis. This is what urged us to launch a pilot in July offering a discount for sustainable Dutch dairy farmers. Next to that, we kicked off our Rabo SmartBuilds initiative, the construction of 12,000 flexible and climate-neutral rental homes over the next ten years in the Netherlands which also helps stimulate financial well-being for our customers.

As a cooperative bank, we will continue to put maximum effort toward achieving our societal priorities: investing in our role as gatekeeper of the financial system and advanced KYC technology, supporting the Sustainable Development Goals, and helping solve the housing shortage in the Netherlands.

Wiebe Draijer,
Chairman of the Managing Board

Management Report

Contents

Key Figures

Amounts in millions of euros	*06-30-2021 2021 HY*	*12-31-2020 2020 FY*	*06-30-2020 2020 HY*	*12-31-2019 2019 FY*	*06-30-2019 2019 HY*	*12-31-2018 2018 FY*
Financial Key Figures						
Common equity tier 1 ratio	17.2%	16.8%	16.6%	16.3%	15.8%	16.0%
Total capital ratio	23.0%	24.2%	24.3%	25.2%	24.4%	26.6%
Leverage ratio	7.1%	7.0%	5.9%	6.3%	5.9%	6.4%
Risk-weighted assets	210,768	205,773	205,617	205,797	207,281	200,531
Wholesale funding	126,088	131,361	137,523	151,742	152,342	153,223
Cost/income ratio including regulatory levies	58.0%	65.8%	65.3%	63.3%	64.0%	65.9%
Underlying cost/income ratio including regulatory levies	58.6%	64.5%	64.3%	63.0%	61.6%	63.9%
Return on equity	10.4%	2.7%	1.1%	5.3%	5.9%	7.3%
Income	6,112	10,782	5,212	11,756	5,686	12,020
Operating expenses	3,177	6,542	3,101	6,956	3,369	7,446
Impairment charges on financial assets	(274)	1,913	1,442	975	440	190
Net profit	2,160	1,096	227	2,203	1,212	3,004
Total assets	650,997	632,258	620,117	590,598	606,834	590,437
Private sector loan portfolio	414,197	409,380	415,402	417,914	416,156	416,025
Deposits from customers	376,859	361,028	361,521	338,536	339,631	337,410
Liquidity Coverage ratio	229%	193%	160%	132%	124%	135%
Loan-to-deposit ratio	1.10	1.12	1.14	1.22	1.22	1.23
Non-performing loans	12,276	13,882	14,844	15,705	16,841	18,436
Non Financial Key Figures						
Net Promotor Score Private Customers in the Netherlands	57	56	55	61	62	57
Net Promotor Score Private Banking Customers in the Netherlands	59	57	56	63	65	61
Net Promotor Score Corporate Customers in the Netherlands	51	51	50	51	51	53
% Online Active Private Customers in the Netherlands	65.4	65.6	65.1	64.0	62.9	61.8
% Online Active Corporate Customers in the Netherlands	81.7	82.2	81.9	81.5	81.0	80.8
Availability of Internet Banking	99.9%	99.8%	99.8%	99.7%	99.8%	99.9%
Availability of Mobile Banking	99.9%	99.8%	99.8%	99.6%	99.8%	99.9%
Availability of iDEAL	99.9%	99.9%	99.9%	99.7%	99.8%	99.8%
Total sustainable financing	60,720	49,813	48,539	44,583	-	46,607
RepTrak Pulse Score	71.8	72.6	71.8	71.5	71.3	70.8
Member engagement score	47%	52%	53%	49%	46%	45%
Community funds and donations	5.6	42.5	15.8	45.4	19.0	48.8
Employee engagement scan	70	69	70	64	62	61
Diversity: % Women employed in the Netherlands	49%	49%	50%	51%	51%	52%
Absenteeism in the Netherlands	3.5%	3.4%	3.5%	4.3%	-	4.3%
Ratings						
Standard & Poor's	A+	A+	A+	A+	A+	A+
Moody's Investors service	Aa3	Aa3	Aa3	Aa3	Aa3	Aa3
Fitch ratings	A+	A+	AA-	AA-	AA-	AA-
DBRS	AA (Low)	AA	AA	AA	AA	AA
Sustainalytics ESG Risk Rating category diversified banks	1	1	1	1	2	1

Rabobank's Strategic Pillars

Social Themes

- **Financial Health for Everyone:** 24% of consumers say Rabobank helps them to build a financially healthy future
- **Sustainable Growth for frontrunners:** Impact loans EUR 83 million
- **Sustainable Housing for Everyone:** Sustainable mortgages EUR 43 billion

Domestic market shares

23% Mortgages

34% Savings

Sustainable

Funding	Finance
8,219	60,720
2020: 6,256	2020: 49,813

Assets under Management	Transactions Supervised
29,515	9,516
2020: 16,339	2020: 14,219

in millions of euros

See Methodology Report for more information and definitions

Sustainability Performance of Clients (Client Photo)

Frontrunner Clients Wholesale (A-level)

32%

Frontrunner Clients Rabobank's Dutch Retail Banks (A-level)

14%

We measure the sustainability performance of our clients with an exposure over EUR 1 million in a client photo.

Active online

82% **corporate customers**

65% **private customers**

Covid-19 related support

We have supported more than 84,000 clients, who have loans that have received a Covid-19 related support measure during the Covid-19 pandemic, of which 79,000 clients no longer need this support.

Excellent Customer Focus

We aim to be a leading bank in which current and future requirements can be fully satisfied through good advice, products, digital convenience and innovative services.

Meaningful Cooperative

Rabobank is committed to making a difference as a cooperative customer-driven bank, being the bank for the major transitions that are needed in the society, such as sustainable food, sustainable growth and energy supply, sustainable living and financial well-being.

Projects & Funds

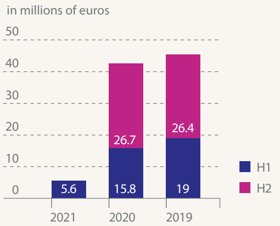
- **#supportyour localsNL**
- **AGRI 3 Fund**
- **Biodiversity Monitor**
- **Rabo Rural Fund**
- **Rabo Foundation**
- **Post-Covid Growth Fund**
- **Rabo Smart Builds**

47% Member Engagement Score

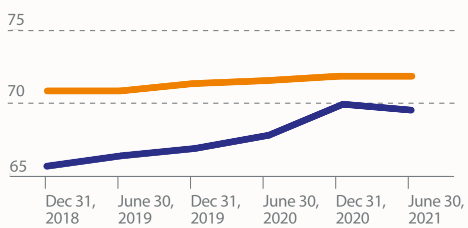
June 30, 2020: 53%

Community Funds and Donations

We allocate a percentage of our net profit for investments in local community initiatives in the Netherlands.



RepTrak Score (June 30, 2021)



Reputation Management

71.8

Social Impact Score

69.5

Partnerships & Memberships

We believe we can achieve more if we work together with partners. That's why we invest in partnerships and memberships.

- WBCSD
- UNEP FI
- WWF
- PCAF
- NVB
- EACB
- FAO
- WEF
- IDH

Loan Book

	Private Sector Loan Portfolio	Volume of Loans to F&A	Volume of Loans to Trade, Industry and Services
EUR billion	414.2	104.8	115.0
2020	EUR 409.4 billion	EUR 100.8 billion	EUR 116.3 billion
Change	1%	4%	-1%

Financial Capital & Funding

42.3 EUR billion
2020 EUR 40.6 billion
Equity

377 EUR billion
2020 EUR 361 billion
Deposits from customers

126 EUR billion
2020 EUR 131 billion
Wholesale funding

Ratings

S&P: A+
Moody's[1]: Aa3
Fitch: A+
DBRS: AA (low)

Sustainalytics
ESG Risk Rating
1 out of 417

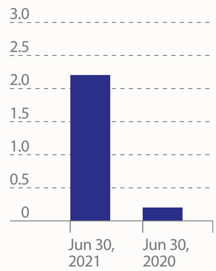
[1] On July 13, 2021, Moody's upgraded Rabobank's issuer rating to Aa2 from Aa3 with a stable outlook

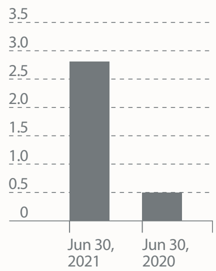
Net Profit

as of June 30, 2021
2,160
EUR million

Underlying Profit Before Tax

as of June 30, 2021
2,804
EUR million





in billions of euros

Results 2021

as of June 30, 2021

	Results 2021	Ambitions 2024
Fully loaded CET1 ratio	17.2%	>14%
RoE	10.4%	6-7%
Cost/income ratio (including regulatory levies)	58.0%	low 60%

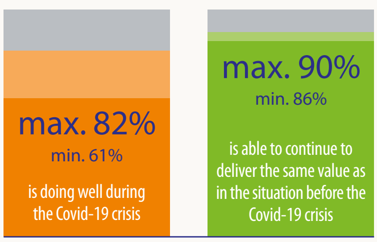
Rock-Solid Bank

Remaining a rock-solid bank is a cornerstone of our strategy. We strive to do the right things well, with everyone taking ownership and remaining conscious of the risks.

Empowered Employees

Our people define who we are as Rabobank. Our employees help our customers achieve their ambitions.

% of employees ...



Number of Employees

Worldwide, as of June 30, 2021

43,263
FTE

December 31, 2020 = 43,272

Engagement Scan

70

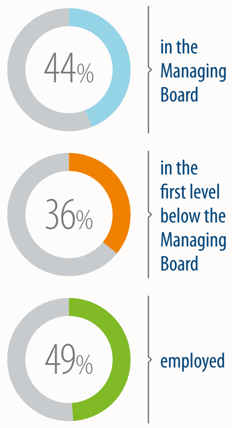
87% of our employees enjoy their work at Rabobank

Diversity & Inclusion

"In my organization, I can be successful as my authentic self"

84%

Percentage of women ...



Our Performance

Rabobank

In 2020, Covid-19 had a significant impact on the economy, our clients, the financial sector, and Rabobank. The unprecedented situation resulting from the pandemic led to many government measures, materially higher impairment charges on financial assets, and lower income from negative revaluations of our equity participations and lower net fee and commission income. The government support measures contributed towards preventing a large inflow in Stage 3.

In the first half of 2021, despite further lock down restrictions, we saw a sharp recovery of the economy due to the broad availability and rollout of vaccines. As a result, the expected deterioration in credit quality has not materialized so far, also due to higher commodity prices that mainly benefit our F&A clients, and the extension of various government support measures. Furthermore, we have continued to support our customers throughout the crisis. These factors combined resulted in a decrease in sectors that we categorize as "vulnerable" and in a net release of impairment charges on financial assets of EUR 274 million (minus 13 basis points) in the first half of 2021, which is EUR 1,716 million lower than in the same period last year. Although the persistent negative interest rate environment continued to impact our net interest income, total income increased by 17%. This performance includes the benefit from our participation in the Targeted Longer-Term Refinancing Operations (TLTRO) III program (EUR 192 million), and positive revaluations of our equity participations due to improved market conditions. Next to that, our net fee and commission income rebounded compared to the first half of 2020 and was EUR 128 million higher. Overall, these developments resulted In a significantly higher net profit of EUR 2,160 (2020: 227) million.

Our private sector loan portfolio grew by almost EUR 5 billion, partly driven by currency fluctuations. Deposits from retail and wholesale customers rose by EUR 15.9 billion. Deposits from customers at Domestic Retail Banking (DRB) increased by EUR 11.6 billion in the first half of 2021. Despite the fact that consumer spending is picking up, the general trend in the Dutch savings market is that lockdowns and economic uncertainty due to Covid-19 have led to lower consumption levels.

Although uncertainties around future recovery have diminished, they certainly have not disappeared. We still do not know what the impact of ending government measures on our clients will be, or if new variants of the coronavirus will cause a resurgence in the number of infections. We therefore remain cautious about our cost of risk because the credit quality of our loan portfolio could still be impacted in the second half of 2021 or in 2022. In addition, the structural challenges to the banking sector will continue to affect us in the coming years: extensive regulations for banks, competition from new (digital) non-banks, cyber risks, and negative interest rates putting pressure on the traditional banking model.

Rabobank's Financial Results

Results			
Amounts in millions of euros	*06-30-2021*	*06-30-2020*	*Change*
Net interest income	4,130	4,080	1%
Net fee and commission income	993	865	15%
Other results	989	267	270%
Total income	**6,112**	**5,212**	**17%**
Staff costs	2,279	2,351	-3%
Other administrative expenses	720	554	30%
Depreciation and amortization	178	196	-9%
Total operating expenses	**3,177**	**3,101**	**2%**
Gross result	**2,935**	**2,111**	**39%**
Impairment charges on financial assets	(274)	1,442	-119%
Regulatory levies	368	302	22%
Operating profit before tax	**2,841**	**367**	**674%**
Income tax	681	140	386%
Net profit	**2,160**	**227**	**852%**
Impairment charges on financial assets (in basis points)	(13)	69	
Ratios			
Cost/income ratio including regulatory levies	58.0%	65.3%	
Underlying cost/income ratio including regulatory levies	58.6%	64.3%	
RoE	10.4%	1.1%	
Balance Sheet			
Amounts in billions of euros	*06-30-2021*	*12-31-2020*	
Total assets	651.0	632.3	3%
Private sector loan portfolio	414.2	409.4	1%
Deposits from customers	376.9	361.0	4%
Number of internal employees (in FTEs)	35,582	35,222	1%
Number of external employees(in FTEs)	7,681	8,050	-5%
Total number of employees(in FTEs)	43,263	43,272	0%

Notes to Rabobank's Financial Results

Net Profit Increased to EUR 2,160 Million

Our financial performance in the first six months of 2021 was strong with a net profit of EUR 2,160 (2020: 227) million, which is significantly higher compared to the same period last year. Next to a solid business performance in 2021, the improved market conditions were an important driver in achieving this result. Our net result in the first half of 2020 was severely impacted by the effect of the Covid-19 pandemic, resulting in lower income and materially higher impairment charges on financial assets. The anticipated deterioration of our credit quality has not materialized so far, due to the continuation of government support measures and a more positive economic outlook. Consequently, impairment charges on financial assets were significantly lower and amounted to a release of EUR 274 million which is EUR 1,716 million lower than in the first half of 2020.

The robust economic recovery in the first half of 2021 has positively impacted our total income, which improved by 17% in the first half of 2021, and most business segments delivered positive returns. The persistent negative interest rate environment impacted our net interest income, which decreased by EUR 142 million (excluding the TLTRO III benefit). The participation in the TLTRO program (EUR 192 million benefit) and the positive revaluations of our equity participations contributed to the strong rebound of our total income to EUR 6,112 million.

Operating expenses were slightly higher in 2021, as expenses in 2020 were tempered by an incidental VAT relief. Our costs have been falling structurally for years and we continue to focus on achieving a further decline in cost levels in the coming years. To that end, we introduced the so-called 'WIN program': our ambition is to realize gross savings of EUR 600 million by 2024 and to create a simplified and more efficient organization. We have made good progress delivering on various WIN initiatives in the first half 2021.

The underlying operating profit before tax increased by EUR 2,352 million to EUR 2,804 million. Our underlying cost/income ratio – including regulatory levies – improved to 58.6% (2020: 64.3%).

Development of Underlying Operating Profit Before Tax			
Amounts in millions of euros		*06-30-2021*	*06-30-2020*
Income		**6,112**	**5,212**
Adjustments to income	Fair value items	2	93
Underlying income		***6,114***	***5,305***
Operating expenses		**3,177**	**3,101**
Adjustments to expenses	Restructuring expenses	(39)	(8)
Underlying expenses		***3,216***	***3,109***
Underlying gross result		**2,898**	**2,196**
Impairment charges on financial assets		(274)	1,442
Regulatory levies		368	302
Operating profit before tax		**2,841**	**367**
Total adjustments		***(37)***	***85***
Underlying operating profit before tax		**2,804**	**452**

We retained EUR 1,755 (2020: 93) million of our net profit. Taxes amounted to EUR 681 (2020: 140) million, an effective tax rate of 24% (2020: 38%).

Income Increased by 17%

Net Interest Income Slightly Higher

Net interest income totaled EUR 4,130 (2020: 4,080) million, which equals a slight increase of 1%. This performance includes the benefit from our participation in the TLTRO III program (EUR 192 million). Corrected for this benefit, our net interest income decreased by 3%, which was mainly caused by the persistent negative interest rate environment. The negative interest rates mainly impacted margins on savings and current accounts at DRB. Net interest income at Wholesale and Rural (W&R) increased as the TLTRO benefit and increasing asset levels at Wholesale were partly offset by lower income on capital. The 1-year rolling net interest margin, calculated by dividing the net interest income by the average balance sheet total, decreased from 1.35% in the first half of 2020 to 1.27% at June 30, 2021. This number has been negatively impacted by a higher balance sheet due to the TLTRO participation.

Net Fee and Commission Income Is Picking Up

Our net fee and commission income increased by 15% to EUR 993 (2020: 865) million. At DRB, net fee and commission income on both payment accounts and insurance policies increased. At W&R, net fee and commission income increased as the event-driven business lines (i.e., Markets, M&A and ECM) performed well in the first half of 2021 following a year of lower market activity due to the negative impact of the pandemic on the economy.

Other Results Increased Significantly

Other results increased to EUR 989 (2020: 267) million. This boost in other results can be attributed to a strong rebound of the economy which resulted in the positive assets revaluation of our stake in Mechanics Bank (EUR 167 million higher) and higher income on the well performing portfolio of our Rabo Investments division (EUR 320 million higher). In the first half of 2020 these items had a negative impact on our results. The result on our stake in Achmea was higher, which also had a positive effect. The improved result on fair value items[1] also contributed to the higher other results, with a loss of EUR 2 million in the first half of 2021 compared to a loss of EUR 93 million in the first half of 2020.

Operating Expenses Slightly Higher

Staff Costs 3% Lower

In the first half of 2021, Rabobank's total staff numbers (including external hires) remained stable at 43,263 (2020: 43,270) FTEs. At DRB total FTEs decreased only slightly since staff reductions in the branch network were offset by additional staffing for KYC. To support business growth, staff numbers at W&R increased by 146 FTEs whereas at DLL staff level was 84 FTEs lower. Staff costs decreased by 3% to EUR 2,279 (2020: 2,351) million. Lower travel and hotel costs as a result of Covid-19 restrictions contributed to the decline in staff costs.

Higher Other Administrative Expenses

Total other administrative expenses increased to EUR 720 (2020: 554) million. In the first half of 2020 other administrative expenses at DRB and W&R were tempered by a VAT relief. Per 30 June 2021, we recognized a provision as a result of our decision to compensate customers who took out certain revolving credit facilities and/or overdraft consumer products with variable interest rates. Following Kifid rulings, we have established that for a part of our clients (~15%) we did not consistently adjust our interest rates in accordance with a particular reference rate. In the coming months we will investigate further which customers are affected and how to compensate them. This proactive approach is in line with our cooperative principles. The increase in other administrative expenses was partly offset by lower restructuring expenses.

Depreciation and Amortization Down by 9%

Following lower depreciation on internally generated software, depreciation and amortization decreased to EUR 178 (2020: 196) million. This decrease was tempered by increased depreciation on specific projects at W&R.

Impairment Charges on Financial Assets

In the first six months of 2021 impairment charges on financial assets amounted to a net release of EUR 274 million. This represents a decrease of EUR 1,716 million compared to the same period last year. The expected deterioration in the credit quality in the business loan portfolio has not yet materialized, mainly due to the (extension of) government support measures, economic recovery, and the improved outlook. We remain cautious though, as the credit quality of our loan portfolio could still be impacted in the second half of 2021 and/or in 2022. Therefore, we decided to maintain our Covid-19 related top-level adjustments of the impairment allowances for the performing part of our portfolio at almost the same level as at year end 2020.

On an annual basis impairment charges on financial assets amounted to minus 13 (2020: 69) basis points, which is below the long-term average (period 2011-2020) of 31 basis points. More optimistic macroeconomic scenarios resulted in a decrease in impairment charges in Stages 1 and 2. Also Stage 3 impairment

1 The result on fair value items includes our hedge accounting results and the XVA income of our Markets division.

charges were significantly lower than in the first half of 2020. Please see the "Risks and Uncertainties" section for more details.

The amount of non-performing loans (NPL) decreased in the first half of 2021 to EUR 12.3 (2020: 13.9) billion. The NPL ratio was 2.1% (2020: 2.5%) and the NPL coverage ratio was 23% (2020: 23%). The decrease in NPL is mainly the result of the execution of our NPL strategy and limited inflow of newly impaired loans.

Balance Sheet Developments

Balance Sheet

Amounts in billions of euros	*06-30-2021*	*12-31-2020*
Cash and cash equivalents	123.8	108.5
Loans and advances to customers	437.9	436.2
Financial assets	20.4	20.1
Loans and advances to banks	25.9	21.4
Derivatives	23.6	29.6
Other assets	19.5	16.5
Total assets	**651.0**	**632.3**
Deposits from customers	376.9	361.0
Debt securities in issue	110.6	113.5
Deposits from banks	75.5	61.2
Derivatives	20.7	28.4
Financial liabilities	5.7	6.2
Other liabilities	19.5	21.3
Total liabilities	**608.7**	**591.7**
Equity	42.3	40.6
Total liabilities and equity	**651.0**	**632.3**

Private Sector Loan Portfolio Increased

Our private sector lending increased slightly by EUR 4.8 billion to 414.2 EUR billion in June 2021. This increase is for an amount of approximately EUR 2.7 billion attributable to currency fluctuations. At DRB the mortgage portfolio stabilized as strong new production compensated for the continued high level of early repayments. DRB's total private sector loan portfolio amounts to EUR 273.7 (2020: 271.3) billion. The loan portfolio of W&R and DLL both increased. Corrected for FX effects, both portfolios remained relatively stable. The combined commercial real estate loan exposure over all segments amounted to EUR 19.9 (2020: 19.6) billion on June 30, 2021.

Loan Portfolio

Amounts in billions of euros	*06-30-2021*	*12-31-2020*
Total loans and advances to customers	**437.9**	**436.2**
Of which to government clients	2.1	2.0
Reverse repurchase transactions and securities borrowing	16.5	17.4
Interest rate hedges (hedge accounting)	5.0	7.4
Private sector loan portfolio	**414.2**	**409.4**
Domestic Retail Banking	273.7	271.3
Wholesale & Rural	107.2	105.9
Leasing	33.0	31.9
Property Development	0.1	0.1
Other	0.2	0.2

On June 30, 2021, the geographic split of the private sector loan portfolio (based on debtor's country) was as follows: 71% in the Netherlands, 10% in North America, 8% in Europe (outside the Netherlands), 6% in Australia and New Zealand, 3% in South America, and 2% in Asia.

Loan Portfolio by Sector[1]

Amounts in billions of euros	*06-30-2021*		*12-31-2020*	
Loans to private individuals	194.4	47%	192.3	47%
Loans to trade, industry and services	115.0	28%	116.3	28%
of which in the Netherlands	*80.8*		*81.5*	
of which in other countries	*34.2*		*34.9*	
Loans to Food & Agri	104.8	25%	100.8	25%
of which in the Netherlands	*39.9*		*38.2*	
of which in other countries	*64.9*		*62.6*	
Private sector loan portfolio	**414.2**	**100%**	**409.4**	**100%**

1 In the country where the entity is established.

Deposits from Customers Increased by EUR 15.9 Billion

Total deposits from customers increased significantly to EUR 376.9 (2020: 361.0) billion. Our loan-to-deposit ratio (LtD ratio) is historically low at 1.10 (2020: 1.12). Deposits from DRB customers increased to EUR 290.9 (2020: 279.4) billion, partly as a result of lower consumer spending due to the Covid-19 pandemic combined with unused holiday allowances. Retail savings at DRB increased by EUR 6.3 billion to EUR 141.4 billion. Deposits from customers in other segments increased to EUR 85.9 (2020: 81.7) billion mainly because of higher volumes at Treasury which were partly off-set by a decrease in deposits at International Direct Banking (IDB). The lower volumes at IDB can be explained by the public announcement to discontinue our direct banking operations in Europe.

Deposits from Customers

Amounts in billions of euros	*06-30-2021*	*12-31-2020*
Retail savings	**159.8**	**155.9**
Domestic Retail Banking	141.4	134.8
Other segments	18.4	21.1
Other deposits from customers	**217.1**	**205.1**
Domestic Retail Banking	149.6	144.6
Other segments	67.5	60.6
Total deposits from customers	**376.9**	**361.0**

Liquidity

We protect ourselves against the impact of a potential liquidity crisis whatever the cause might be. During the Covid-19 crisis, we put even more emphasis on this in order to protect ourselves and our clients. This resulted in an increase of our readily available liquidity buffers far beyond the regulatory requirements. As a result and in combination with the impact on our liquidity buffer from our TLTRO participation, our Liquidity Coverage Ratio (LCR) remained high at 229% (2020: 193%). We are confident that we can continue to service our clients and cover their long and short-term liquidity demands. At EUR 143 (2020: 133) billion, we have a strong liquidity buffer that consists of EUR 136 (2020: 119) billion in High Quality Liquid Assets (HQLA). In addition, we have a portfolio of unencumbered, ECB eligible retained RMBS and covered bonds with a liquidity value of EUR 7 billion. This portfolio is, available as a contingent liquidity buffer, the amount of which can be increased with additional eligible mortgage loan accessibility. The buffer excludes EUR 40 billion weighted LCR Inflows.

Equity

Our equity increased to EUR 42.3 (2020: 40.6) billion driven by retained earnings in the first half of 2021. Our equity on June 30, 2021 consisted of retained earnings and reserves: 71% (2020: 69%), Rabobank Certificates: 18% (2020: 19%), Capital Securities: 9% (2020: 11%), and other non-controlling interests: 1% (2020: 1%).

Development of Equity

Amounts in millions of euros	
Equity at the end of December 2020	**40,632**
Net profit for the period	2,160
Other comprehensive income	222
Payments on Rabobank Certificates	(86)
Payments on Capital Securities issued by Rabobank	(99)
Issue of Capital Securities	750
Cost of issue Capital Securities	(4)
Redemption of Capital Securities	(1,250)
Other	5
Equity at the end of June 2021	**42,330**

Wholesale Funding

We have been significantly reducing and diversifying our use of Wholesale funding over the past several years. Doing so makes our bank less sensitive to capital markets developments. In 2021, the amount of Wholesale funding decreased further to EUR 126.1 (2020: 131.4) billion. The main sources of Wholesale funding are short- and long-term issued debt securities. In 2021 we increased our participation in the TLTRO III program by EUR 15 billion to EUR 55 billion, of which we only use EUR 6 billion as substitute for our Wholesale funding.

Risks and Uncertainties

Covid-19 and the subsequent containment measures still have a direct impact on clients in specific sectors. Generally speaking, the Covid-19 crisis has increased the risks for our business, but the full expected impact has either not materialized or has been prevented through government support for some of our clients.

In the past six months we followed up on the support we provided to our clients, such as postponing principal payments and providing liquidity. In the Netherlands, various government guaranteed loans are also in place (e.g., BMKB and the GO facility).

Our scenario analyses also tested very extreme scenarios. Even though the losses would increase in those scenarios, we would still be capable of absorbing those potential losses while staying well above the CET1 minimums.

Macroeconomic Environment

The Covid-19 pandemic led to an unprecedented macroeconomic impact in 2020. The world economy landed in a severe recession whereby real GDP decreased by 3.2% globally, in the Eurozone by 6.7%, and in the Netherlands by 3.7%. In Q3-2020 there was a strong recovery after the economy re-opened, but new lockdowns again led to negative growth in Q4-2020 and Q1-2021. Now that the economy is being re-opened more permanently based on the effectiveness of the vaccinations, we expect a robust recovery for the remainder of 2021 and in 2022. This expectation is based on our June baseline scenario, which we also used to calculate the model-based allowances as per June 30, 2021. We generated a positive and negative scenario on the basis of historical statistical variance. In the loan loss allowance calculations, the baseline scenario has a weight of 60% and the plus and minus scenarios each weigh 20%. For more details, see the section "Forward-looking Information and Macroeconomic Scenario" under "Note 7" of the Interim Financial Statements.

In our baseline scenario, we expect the Dutch economy to be back at pre-Covid-19 level in the third quarter of this year. That is a bit faster than other European countries. Some reasons for the faster recovery include the fact that Dutch house prices are currently increasing at a high pace due to a combination of low interest rates, low unemployment and a shortage of housing stock. This will, potentially, lead to a double-digit increase in house prices in 2021 (10.9%) and more modest growth of 4.6% next year. In later years the increases can go back to more sustainable levels and even drop to around zero in 2025 and 2026 due to the then anticipated gradual, increase of mortgage rates.

The baseline scenario for the Netherlands looks as follows:

The Netherlands

Year-on-year volume change (%)	*2020*	*2021*	*2022*	*2023*
Gross domestic product (GDP)	(3.8)	3.8	3.7	1.7
Private consumption	(6.4)	2.6	6.0	1.4
Business Investments	(4.7)	5.5	1.7	1.6
Housing investments	(2.7)	2.5	-1.8	1.6
Government expenditure	0.0	3.3	2.4	1.9
Export volume of goods and services	(4.3)	6.9	5.5	3.3
Import volume of goods and services	(4.3)	6.3	5.8	3.5
Inflation (%)	1.1	1.8	1.7	1.7
Unemployment (%)	3.8	3.5	4.1	4.0
p.m. World GDP	(3.2)	5.6	4.4	3.2
p.m. Eurozone GDP	(6.7)	4.3	3.9	1.8

Relief Measures Taken by Authorities and Banks

The fiscal, monetary, prudential and bank crisis measures (e.g., payment moratoria) have played a key role in softening the economic damage of the pandemic. Once Covid-19 is under control and the economy begins to recover, it is important that the exceptional crisis measures are phased out because they have undesired side effects, such as increasing debt levels and upward pressure on asset prices. The phasing out should take place gradually to avoid cliff-edge effects. Also, more targeted transition measures are necessary. It is also important to restore normal economic dynamics to the corporate sector, where the number of bankruptcies is at an all-time low. Although it is difficult to assess this accurately, the number of business closures and bankruptcies are expected to increase in heavy-hit sectors.

Credit Portfolio

Credit risk is one of the most prominent risks in any economic downturn. The downturn of 2020, however, was a-typical as it was mainly caused by sudden and prolonged obligatory containment measures taken by governments. At the same time large support packages were introduced to help businesses survive the pandemic and to prevent a steep rise in unemployment. The result was that the expected quality deterioration of our credit portfolio, resulting in higher Stage 3 impairment charges and increasing NPLs, has not (yet) materialized. At this moment, it is still unclear how large the ultimate pandemic impact on our asset quality will be. Given the expected robust economic recovery in the second half of 2021, the impact will be less severe than originally feared in 2020.

Impact on Specific Sectors

The outbreak of Covid-19 and the subsequent containment measures have had different impacts per sector. The severity of the sector impact depends on multiple circumstances such as the duration of lockdowns, the stringency of measures (e.g., around mobility) and restrictions dictating the path of recovery, potential structural changes to the business, and the benefits resulting from government measures to support businesses. We performed an in depth analysis on all sectors worldwide regarding the impact of Covid-19 to determine the relative strength and outlook of subsectors within the broad sector grouping. The objective of the exercise was to identify "vulnerable" sectors. Vulnerable sector exposures are considered to have a significant increase in credit risk and are placed in Stage 2. Exposure within vulnerable subsectors is almost fully related to non-F&A subsectors per June 2021.

Vulnerable subsectors are Commercial Real Estate (retail and leisure), Accommodation & food services (hotels, restaurants and pubs), Wholesale and retail trade (automotive, retail fashion and shoes), Arts, entertainment & recreation (sport facilities, fitness, and amusement and theme parks), Administrative and support service activities (rental & leasing and travel agencies). The only vulnerable F&A subsector is within beverages NL (e.g. SME customers not able to switch to home delivery) with a modest exposure. Total vulnerable subsector exposure amounts to 3% (2020: 4%) of the private sector loan portfolio of EUR 414 (2020: 409) billion. The size of the vulnerable sector exposure substantially decreased in the first half of 2021 compared to year end 2020 due to updated estimates of the severity of potential impact. A very large part is experiencing a low impact, e.g. the domestic residential mortgage portfolio, valued at EUR 191 billion (46% of private sector portfolio), thanks to the booming Dutch housing market.

Impairments: Effects of the Covid-19 Pandemic

In 2020 substantially higher impairment allowances in Stages 1 and 2 (for the performing part of the portfolio), were recognized. In the second half of last year, the macroeconomic outlook became more positive leading to a release in the calculated model-based allowances. Government support measures have mostly prevented a substantial increase in defaults throughout the largest (Dutch) part of the portfolio. For this reason we decided to introduce top-level adjustments (TLA's) to compensate for this "delay effect." This resulted in an increase of the share of the Stage 1 and 2 allowances in the total impairment allowance to 33% at December 31, 2020 (2019: 19%).

In the first half of 2021 the macroeconomic outlook improved further. Economic performance was better than expected despite strict lockdown measures to combat the second wave of the pandemic. Government support packages were also extended, which again led to a possible delay in Stage 3 impairments.

Against this backdrop, we decided to maintain our Covid-19 related top-level adjustments of the impairment allowances for the performing part of our portfolio at almost the same level as at year end 2020. In the first half of 2021 the sum of our Covid-19 related TLAs decreased to EUR 649 (2020: 681) million. The first table below shows the impairment charges in the different stages. Stage 3 showed a net release in the first half of 2021. These developments in the first half of 2021 led to a small decrease of the share of the Stage 1 and 2 allowances in the total impairment allowance to 32%.

The second table shows improvement in the quality of the portfolio since mid-2020 with decreases in the share of Stage 2 and 3 exposure. Also the NPL portfolio continued its decrease in the first half of 2021. On June 30, NPLs were EUR 12.3 (2020: 13.9) billion . The NPL ratio ended at 2.1% (2020: 2.5%), which is lower than the Stage 3 ratio mainly because deposits at central banks are included in the denominator of the calculation. The decrease mainly occurred in the domestic portfolio due to the ongoing implementation of the NPL Strategy and modest inflow of new defaults.

Impairment Charges

Amounts in millions of euros	2021-H1	in %	2020	in %	2020-H1	in %
Stage 1	(256)	94%	419	22%	424	29%
Stage 2	32	(12%)	474	25%	465	32%
Stage 3	(50)	18%	1,020	53%	554	38%
Rabobank Group	**(274)**	**100%**	**1,913**	**100%**	**1,442**	**100%**

Stage Composition Portfolio

	2021-H1	2020	2020-H1
Stage 1	89.9%	89.5%	87.6%
Stage 2	7.5%	7.5%	9.3%
Stage 3	2.6%	3.0%	3.1%
Rabobank Group	**100%**	**100%**	**100%**

NPL Strategy

Our NPL portfolio is managed within the framework of a group-wide NPL strategy that is monitored closely and supported by regional or product-driven sub portfolio strategies where deemed necessary. Individual client strategies are based on our mission and values to create new perspectives with our customers. Besides the required assessments with regard to the business and financial viability of each individual client in financial distress, we also weigh the impact of the prudential backstop regulations by both the European Commission and the European Central Bank (ECB). These regulations will lead to additional capital requirements like deductions for NPLs with and without collateral and for NPLs which have been non-performing for a long time (long duration). An important part of our mission is to strive to decrease the amount of time a client is serviced through our financial restructuring and recovery departments.

Over the past two years, we have successfully de-risked our credit portfolio and restructured several activities. Multiple measures have been implemented to actively manage the NPL portfolio, including changing exposure types, the sale of portfolios, and individual exposures in the secondary market. The increased attention to vintage and average duration further contributed to a reduction of the NPL portfolio.

In the Dutch business lending area, half year 2021 NPL inflow was modest, as a result of the effective relief measures we provided to our clients and through government measures since the Covid-19 outbreak. Nonetheless, we may see further effects of Covid-19 in the second half of 2021 once the current measures expire. We are closely monitoring potentially vulnerable sectors.

Despite a modest decrease in the NPL portfolio of W&R, we experienced a NPL increase in the food service sector due to the impact of the strict Covid-19 containment measures in many countries.

Overall, we carefully monitor the NPL portfolio via risk appetite thresholds combining NPL% and NPL EUR, and by closely assessing relevant regional or sectoral developments.

Climate Risk

Climate change can affect the credit portfolio through two risk pathways: 1) transition risks (e.g., changes in regulations, technologies, and market sentiment) and 2) physical risks (e.g., changes in acute weather events like storms, wildfires, flooding, and long-lasting events like sea level rise and drought). Both physical and transition risks could impact the quality of our credit portfolio, especially our F&A and mortgage portfolios. Of the four categories that the Task Force on Climate-related Financial Disclosures (TCFD) distinguished, we classify these two portfolios as the most exposed to climate change risks. The four categories are (i) energy, (ii) transportation, (iii) materials & building including real estate, and (iv) agriculture, food, and forestry products. Our current overall exposure to these four industry sectors is roughly 60% of our group exposure at default (EAD). Ongoing heat-mapping exercises will yield qualitative risk estimates of climate- and environmental-related risks based on geographical location, sector, and time horizon. Regulatory changes aiming to curb greenhouse gas emissions are expected to increase going forward, which will put pressure on those most exposed sectors in particular.

Nitrogen (PAS)

On July 1, 2021, the new "Nitrogen Law" came into effect in the Netherlands. Circa EUR 2 billion will be invested by the Dutch government in the coming years to structurally reduce nitrogen emissions in the most important sectors (agriculture, industry, mobility, and construction). Furthermore, almost EUR 3 billion will be invested in the recovery and strengthening of nature. These investments will make new economic developments possible. Specifically for agriculture there will be grants for farmers who consider switching to more sustainable business models and for those who are considering giving up farming. The government's ultimate goal is that in 2035 at least 74% of so-called Natura 2000 areas will experience acceptable nitrogen depositions. We are closely following these developments and their possible impact on our portfolio. Given the current government investments and grants that ultimately support our customers, no top-level adjustment as of June 30, 2021 on the allowances was deemed necessary.

PFAS

On July 1, 2020, restrictions on working with PFAS contaminated soil and dredging spoil were loosened for the construction and dredging sectors. The new measures also take environmental and health considerations into account. The construction and dredging sectors were therefore able to resume a large part of their activities. This reduced pressure on our clients. At the same time, the Netherlands and some other E.U. countries are working on a proposal to prohibit all uses of PFAS in the European Union.

Cybersecurity

As the use of digital services continues to grow, it has become increasingly important to ensure the availability of the IT applications and infrastructure on which people depend, while also ensuring data confidentiality. Business and private customers rely on their payment apps and expect them to work; they expect transactions to be processed 24/7 and without delay. Meeting these expectations is a major balancing act. At a time that both our customers and Rabobank are being targeted by cybercriminals by means of increasingly sophisticated attacks, we therefore need to adapt our products and services to respond to changes in regulations and society and initiate major changes in the organization, business processes, and supporting IT systems.

Cybercriminals are taking a more selective approach and target victim companies who they assume will be more willing to pay (companies with a high availability of IT systems), and combine this with a strategy to put pressure on their victims by encrypting data (ransomware), resulting in the disruption of processes and services, and threatening to sell or publish stolen data. The increasing threat of tailored malware attacks comes from the vast increase in the number of these type of attacks, as well as their increased impact. Another trend is the increase in supply chain attacks. In this type of attack, the organization is not targeted directly, but the systems of related IT business partners are compromised, which can indirectly impact the organization.

We continue to invest in cybersecurity to protect information systems and serve our customers' interests. We constantly improve processes and technology to counter existing and future attack methods by applying the international accepted standards for information security, cyberthreats and IT-risks, and by developing the knowledge and expertise of our professionals. Also, we collaborate closely with other banks, security researchers, experts, and industry-leading organizations from all over the world to counter cyberattacks.

External Fraud

It becomes more and more difficult to distinguish genuine from malicious messages, which is why phishing-attacks are still successful. These attacks are used by criminals to establish a foothold to monitor customers or employees for a longer period and use the acquired information to attack at the best opportunity. Spoofing is another increasingly frequent issue. With the data that fraudsters acquire they can mislead customers and urge them to make a payment transfer or hand over their bankcard to the fraudster. The use of money mules in itself is also seen as a social problem against which we collaborate with other parties to create awareness. We are making steps in anti-fraud measures by ensuring a safe online banking environment and setting up an integrated, society-wide approach, and aim for a fair compensation policy for our clients.

Financial Sector Gatekeeper

Our role as a gatekeeper to the financial system is a top priority for the bank. We are furthering a foundation for compliance with applicable laws and regulations and good customer service. We have substantially improved KYC activities and increased investments in KYC compliance in recent years. We operate a KYC program to enhance the quality of our client files and data to identify (potential) criminal activity. The execution of this program falls under the direct responsibility of the Managing Board. The Supervisory Board has set up a (temporary) committee to monitor progress of the program. Going forward, DNB will also continue to supervise our KYC program.

Despite our efforts, DNB determined that Rabobank did not meet the requirements of the Dutch Anti-Money Laundering and Anti-Terrorist Financing Act (Wwft). While we have made improvements, much still remains to be done. We will therefore continue our dedication to, and investment in our KYC program. Since the start of 2021, we have onboarded and trained an additional workforce of more than 500 KYC employees in the Retail Netherlands domain, increasing the total number of individuals dedicated to KYC activities worldwide to approximately 4,500. We will continue to substantially invest in training for all staff. Furthermore, we adjusted our commercial policies in alignment with the bank's adjusted risk appetite. We will also continue to invest in our KYC activities and advanced technology, which will increasingly enable us to detect transaction patterns that would otherwise not be visible or would not be detected as unusual. We will stay focused on quality assurance and increasing the effectiveness and efficiency of processes.

Moreover, we will promote even closer cooperation between banks and various parties in the public sector. This joint effort is essential in reinforcing our common fight against financial and economic crime. In 2021, collective transaction monitoring in TMNL started with commercial payment transactions. TMNL is a joint initiative of five Dutch banks: Rabobank, ABN AMRO, ING, Triodos Bank and de Volksbank. This collective initiative enables these banks to improve their detection of complex criminal money flows and networks. This will strengthen the stance of Dutch society in the fight against money laundering and terrorist financing.

Domestic Retail Banking

Highlights

In the Netherlands, Domestic Retail Banking (DRB) is a leading player in providing loans in the residential mortgage market and offering products and services in savings, payments, investments, and insurance. DRB is also market leader in the SME and Food & Agri markets. Net interest income was again pressured by the negative interest rate environment but only decreased by 1% as the benefits from our participation in the TLTRO III program had a positive impact. Operating expenses decreased by 2%. Staff costs were 7% down driven by a lower staff level and especially a decrease in staff expenses for temporary staff. Impairment charges on financial assets showed a release of EUR 248 million as the expected deterioration of the credit quality of our loan portfolio has not materialized so far. Deposits from customers increased significantly in the first six months of 2021 by EUR 11.6 billion, while the private sector loan portfolio grew slightly by 1%. Our mortgage loan portfolio increased slightly to EUR 191.1 billion as repayments were offset by an increase in new mortgage origination.

Financial Results

Results			
Amounts in millions of euros	*06-30-2021*	*06-30-2020*	*Change*
Net interest income	2,364	2,392	-1%
Net fee and commission income	713	665	7%
Other results	45	(3)	-
Total income	**3,122**	**3,054**	**2%**
Staff costs	1,230	1,326	-7%
Other administrative expenses	440	372	18%
Depreciation and amortization	65	64	2%
Total operating expenses	**1,735**	**1,762**	**-2%**
Gross result	**1,387**	**1,292**	**7%**
Impairment charges on financial assets	(248)	471	-153%
Regulatory levies	195	149	31%
Operating profit before tax	**1,440**	**672**	**114%**
Income tax	360	167	116%
Net profit	**1,080**	**505**	**114%**
Impairment charges on financial assets (in basis points)	(18)	35	
Ratios			
Cost/income ratio including regulatory levies	61.8%	62.6%	
Underlying cost/income ratio including regulatory levies	63.7%	63.0%	
Balance Sheet			
Amounts in billions of euros	*06-30-2021*	*12-31-2020*	
External assets	278.1	275.5	1%
Private sector loan portfolio	273.7	271.3	1%
Deposits from customers	290.9	279.4	4%
Number of internal employees (in FTEs)	20,556	20,317	1%
Number of external employees (in FTEs)	5,655	5,963	-5%
Total number of employees (in FTEs)	26,211	26,280	0%

Notes to the Financial Results

Development of Underlying Profit Before Tax			
Amounts in millions of euros		*06-30-2021*	*06-30-2020*
Income		**3,122**	**3,054**
Operating expenses		**1,735**	**1,762**
Adjustments to expenses	Restructuring expenses	(58)	(12)
Underlying expenses		***1,793***	***1,774***
Impairment charges on financial assets		(248)	471
Regulatory levies		195	149
Operating profit before tax		**1,440**	**672**
Total adjustments		***(58)***	***(12)***
Underlying operating profit before tax		**1,382**	**660**

Underlying Performance Significantly Higher

In the first half of 2021 the underlying performance of DRB increased compared to the same period in 2020. The underlying operating profit before tax amounted to EUR 1,382 million, compared to EUR 660 million last year. In calculating this underlying profit before tax, we made a correction for restructuring costs. The persistent negative interest environment is still pressuring our net interest income. Despite this, income was higher in the first half of 2021 due to the benefit from our TLTRO III participation. Underlying operating expenses increased by EUR 19 million. The deterioration of the credit quality of our loan portfolio that we anticipated has not materialized so far. The better than expected economic conditions and outlook resulted in a net release of impairment charges of EUR 248 million and had an upward impact on net profit.

Income Increased by 2%

Total income increased to EUR 3,122 (2020: 3,054) million. Net interest income was stable despite the pressure on all commercial margins because of the low interest rate environment. Increasing volumes and the benefit from our participation in the TLTRO III program in the first half of 2021 (EUR 66 million) had an upward effect on net interest income. Total net interest income amounted to EUR 2,364 (2020: 2,392) million. Net fee and commission income was higher at EUR 713 (2020: 665) million, largely driven by higher fee income on mortgages, payments, investments, and insurances. Other results increased to EUR 45 (2020: minus 3) million mainly as amongst others fair value adjustments on securitization transactions.

Operating Expenses Slightly Down

Total operating expenses are more or less in line with last year and amounted to EUR 1,735 (2020: 1,762) million. Staff costs decreased by 7% to EUR 1,230 (2020: 1,326) million. This decrease was partly due to a lower average workforce than in the first half of 2020 as a consequence of further centralization of services. The decrease in FTEs was partly offset by the extra staffing requirements for KYC. The main driver behind the lower staff costs was lower expenses related to temporary staff. Travel expenses and training expenses were also lower than last year, which can be largely related to the Covid-19 pandemic. Other administrative expenses went up to EUR 440 (2020: 372) million as this line item was positively impacted by a VAT relief in the first half of 2020. Furthermore, we recognized a provision as a result of our decision to compensate customers who took out certain revolving credit facilities and/or overdraft consumer products with variable interest rates. Following Kifid rulings, we have established that for a part of our clients (~15%) we did not consistently adjust our interest rates in accordance with a particular reference rate. In the coming months we will investigate further which customers are affected and how to compensate them. This proactive approach is in line with our cooperative principles. Restructuring costs were lower at minus EUR 58 (2020: minus 12) million. The workforce at local banks decreased in the first half of the year, with many employees voluntarily accepting a position outside the organization and others finding another job within our organization. Consequently, this resulted in less restructuring expenses than anticipated. Depreciation and amortization remained stable at EUR 65 (2020: 64) million.

Impairment Charges Substantially Lower

Although we anticipated a deterioration of the credit quality of our loan portfolio that led to a high level of impairment charges on financial assets (EUR 471 million) in the first half of 2020, it has not happened so far. The positive developments caused by the improved economic outlook and ongoing government support measures resulted in a net release of impairment charges worth EUR 248 million, which translates to minus 18 (2020: 35) basis points of the average private sector loan portfolio and is well below the long-term average of 19 basis points.

Loan Portfolio EUR 2.4 Billion Higher

In the first half of 2021, clients' extra mortgage repayments – all those on top of the mandatory repayments – at local Rabobanks and Obvion totaled approximately EUR 12.0 (2020: 10.2) billion. Of this amount, EUR 2.2 (2020: 1.7) billion related to partial repayments and EUR 9.8 (2020: 8.5) billion to mortgages that were paid off in full, partly because of customers moving to new homes. The total volume of our residential mortgage loan portfolio was EUR 191.1 (2020: 188.8) billion on June 30, 2021. The figure includes Obvion's loan portfolio of EUR 32.1 (2020: 31.0) billion. The total DRB portfolio (including business lending) ended higher in the last half year at EUR 273.7 (2020: 271.3) billion.

Loan Portfolio by Sector

Amounts in billions of euros	*06-30-2021*	*12-31-2020*
Volume of loans to private individuals	192.7	190.7
Volume of loans to Trade, Industry & Services	53.0	52.7
Volume of loans to Food & Agri	28.0	27.9
Private sector loan portfolio	**273.7**	**271.3**

Mortgage Loan Portfolio

Residential Mortgage Loans

Amounts in millions of euros	*06-30-2021*	*12-31-2020*
Mortgage portfolio	191,078	188,761
Weighted-average LTV	56%	57%
Non-performing loans (amount)	992	1,253
Non-performing loans (in % of total mortgage loan portfolio)	0.52%	0.66%
More-than-90-days arrears	0.08%	0.12%
Share NHG portfolio	16.9%	17.5%
Impairment allowances on financial assets	110	153
Coverage ratio non-performing loans	5%	7%
	06-30-2021	06-30-2020
Net additions	(40)	95
Net additions (in basis points)	(4)	10
Write-offs	8	18

Rabobank's share of the Dutch mortgage market increased to 22.5% (2020: 22.0%) of new mortgage production in the first half of 2021[1]. The local Rabobanks' market share was somewhat lower at 15.5% (2020: 15.7%), while Obvion's market share remained stable at 4.9% (2020: 4.9%) and the market share of Vista grew steadily to 2.1% (2020: 1.4%). In the first half year 2021 new defaults are still below expectations due to better realized and forecasted macroeconomic scenarios. The government support measures still have a positive effect. As a result net additions decreased significantly in the first half of the year. Furthermore, the NPL outflow – through cures, write-offs, and amortizations – continued at a steady rate. Actual non-performing loans continued to decrease throughout the first half year of 2021, and account for 0.52% (2020: 0.66%) of the mortgage loan portfolio. Financing backed by the National Mortgage Guarantee (Nationale Hypotheek Garantie (NHG)) decreased to 16.9% (2020: 17.5%). The weighted-average indexed loan-to-value (LTV) of the mortgage loan portfolio was 56% (2020: 57%) on June 30, 2021.

Deposits from Customers Increased by EUR 11.6 Billion

The private savings market in the Netherlands had grown by 4% to EUR 407.1 (2020: 390.0) billion on June 30, 2021. Consumers continued to spend less following the Covid-19 pandemic and unspent vacation allowances also contributed to increased savings. Our market share was 34.1% (2020: 33.9%)[2]. Deposits from customers rose 4% to EUR 290.9 (2020: 279.4) billion. Retail savings deposited at DRB increased by EUR 6.6 billion to EUR 141.4 (2020: 134.8) billion. Other deposits from customers at DRB went up by EUR 5.0 billion mainly due to an increase in current accounts.

1 Source: Dutch Land Registry Office (Kadaster)

2 Source: Statistics Netherlands (Centraal Bureau voor de Statistiek)

Wholesale & Rural

Highlights

The Wholesale & Rural (W&R) segment operates in six regions: the Netherlands & Africa, North America, South America, Australia & New Zealand, Europe, and Asia. Our Banking for Food and Banking for the Netherlands strategies drive the W&R portfolio. W&R's performance in the first half of 2021 was substantially higher than in the same period last year, as illustrated by the development of the net profit, which increased by EUR 871 million. Impairment charges on financial assets were EUR 690 million lower as a result of economic recovery and a more positive outlook. Income increased by 34% driven by a solid performance of M&A and Capital Markets and the well performing portfolio of Rabo Investments, which were the main items that negatively impacted the W&R segment's results in 2020.

Financial Results

Results			
Amounts in millions of euros	*06-30-2021*	*06-30-2020*	*Change*
Net interest income	1,177	1,145	3%
Net fee and commission income	216	157	38%
Other results	462	81	470%
Total income	**1,855**	**1,383**	**34%**
Staff costs	607	633	-4%
Other administrative expenses	177	72	146%
Depreciation and amortization	48	40	20%
Total operating expenses	**832**	**745**	**12%**
Gross result	**1,023**	**638**	**60%**
Impairment charges on financial assets	8	698	-99%
Regulatory levies	126	92	37%
Operating profit before tax	**889**	**(152)**	**685%**
Income tax	196	26	654%
Net profit	**693**	**(178)**	**489%**
Impairment charges on financial assets (in basis points)	2	124	
Ratios			
Cost/income ratio including regulatory levies	51.6%	60.5%	
Underlying cost/income ratio including regulatory levies	52.5%	58.3%	
Balance Sheet			
Amounts in billions of euros	*06-30-2021*	*12-31-2020*	
External assets	136.7	135.5	1%
Private sector loan portfolio	107.2	105.9	1%
Number of internal employees (in FTEs)	8,454	8,256	2%
Number of external employees (in FTEs)	1,355	1,407	-4%
Total number of employees (in FTEs)	9,809	9,663	2%

Notes to the Financial Results

Development of Underlying Profit Before Tax			
Amounts in millions of euros		*06-30-2021*	*06-30-2020*
Income		**1,855**	**1,383**
Adjustments to income	Fair value items	(30)	64
Underlying income		***1,825***	***1,447***
Operating expenses		**832**	**745**
Adjustments to expenses	Restructuring expenses	0	(7)
Underlying expenses		**832**	**752**
Impairment charges on financial assets		8	698
Regulatory levies		126	92
Operating profit before tax		**889**	**(152)**
Total adjustments		***(30)***	***57***
Underlying operating profit before tax		**859**	**(95)**

Strong Recovery of Underlying Performance

After a difficult 2020, the W&R segment showed a strong rebound on the back of economic recovery. The underlying operating profit before tax in the first half of 2021 amounted to EUR 859 million compared to a loss of EUR 95 million in the first half of 2020. The calculation includes a correction for fair value items and restructuring costs. Total underlying income increased by 26%, mainly driven by the strong performance from event-driven business and exceptional results of our Rabo Investments division. By comparison, in 2020 these items were negatively impacted by the Covid-19 pandemic, but the effects of the strong economic rebound became tangible during the first half of 2021. Credit quality remained better than expected and resulted in the release of impairment charges with an upward effect on profit of EUR 690 million.

Income Benefits from Economic Recovery

W&R's total income increased to EUR 1,855 (2020: 1,383) million in the first half of 2021. Net interest income increased by 3% to EUR 1,177 (2020: 1,145) million. The benefit from our participation in the TLTRO III program in the first half of 2021 (EUR 49 million) and increasing asset levels contributed to this increase. The increase was partly offset by lower income on capital. Net fee and commission was higher and amounted to EUR 216 (2020: 157) million, due to a strong performance of M&A (mainly in the Netherlands and North America) and Loan Syndication (mainly in Europe), after a modest previous year. Other results increased significantly by EUR 381 million to EUR 462 (2020: 81) million driven by higher income on the high performing portfolio of our Rabo Investment department. These higher results were driven by a combination of Covid-19 reversals which benefited the entire sector, a number of successful exits, portfolio growth, and the stock price performance.

Operating Expenses 12% Higher

Operating expenses were higher in the first half of 2021, amounting to EUR 832 (2020: 745) million. Staff numbers at W&R showed a 2% increase, which can be explained by growth initiatives within Rural and additional staff related to structural investments in infrastructure and compliance. Despite the increase in FTEs, staff costs decreased to EUR 607 (2020: 633) million, driven by lower expenses for travel, hotels, and recruitment related to Covid-19 measures. Other administrative expenses increased to EUR 177 (2020: 72) million as we benefited from an incidental VAT relief in the first half of 2020. Depreciation and amortization went up to EUR 48 (2020: 40) million because of increased depreciation on large infrastructural projects.

Significantly Lower Impairment Charges

The Covid-19 pandemic made 2020 a year of high impairment charges, but in the first half of this year, the level of impairment charges has been low, at just EUR 8 (2020: 698) million. The expected deterioration of the credit quality has not materialized so far and no significant specific provisions have been taken. This trend is visible across almost all regions and all business lines. Total impairment charges on financial assets amounted to 2 (2020: 124) basis points of the average private sector loan portfolio, well below the long-term average of 48 basis points.

Dutch and International Wholesale

The Wholesale portfolio totaled EUR 73.1 (2020: 73.2) billion. Lending to the largest Dutch companies decreased in 2021 to EUR 20.5 (2020: 22.3) billion and the size of the Wholesale loan portfolio granted to clients outside the Netherlands was EUR 52.6 (2020: 51.0) billion on June 30, 2021.

International Rural Banking

Lending to Rural clients amounted to EUR 34.0 (2020: 32.7) billion. This increase was partly driven by FX effects. The main markets for Rural banking are Australia, New Zealand, the United States, and Brazil, and we are also present in Chile, Peru, and Argentina. The loan portfolio in Australia totaled EUR 11.6 (2020: 10.9) billion, in New Zealand EUR 7.1 (2020: 7.0) billion, in the United States EUR 11.6 (2020: 10.8) billion, in Brazil EUR 2.9 (2020: 3.0) billion, and EUR 0.9 (2020: 0.9) billion in Chile, Peru, and Argentina in aggregate.

IDB Deposits Decreased by 12%

International Direct Banking (IDB) is our online savings bank that operates in Belgium, Germany, Australia, and New Zealand. Deposits entrusted by clients to IDB are used for funding our international Rural banking business and other divisions. Earlier this year we publicly announced to discontinue our direct banking operations in Europe. Consequently, the savings balances of IDB decreased to EUR 22.0 (2020: 25.0) billion on June 30, 2021. The number of online savings bank clients also declined, to approximately 656,000 (2020: 685,000).

Leasing

Highlights

As a global asset finance company, our leasing subsidiary DLL partners with equipment manufacturers, dealers, and distributors, as well as end-customers on a direct basis, to provide businesses with easier access to equipment, technology, and software. DLL provides financial solutions to the Agriculture, Food, Healthcare, Clean Technology, Construction, Transportation, Industrial, Office Equipment, and Technology industries in more than 30 countries. The EUR 233 million increase in DLL's net profit can be primarily attributed to a significantly lower level of impairment charges on financial assets (a net release of EUR 36 million) as a result of more favorable economic conditions. The lease portfolio grew by almost 1% (excluding currency movements) when compared to 2020. On June 30, 2021, the Food & Agri share of the portfolio amounted to EUR 15.6 (2020: 14.7) billion, representing 43% (2020: 42%) of the DLL portfolio.

Financial Results

Results			
Amount in millions of euros	*06-30-2021*	*06-30-2020*	*Change*
Net interest income	558	550	1%
Net fee and commission income	53	53	0%
Other results	140	148	-5%
Total income	**751**	**751**	**0%**
Staff costs	269	275	-2%
Other administrative expenses	90	97	-7%
Depreciation and amortization	13	13	0%
Total operating expenses	**372**	**385**	**-3%**
Gross result	**379**	**366**	**4%**
Impairment charges on financial assets	(36)	272	-113%
Regulatory levies	28	18	56%
Operating profit before tax	**387**	**76**	409%
Income tax	107	29	269%
Net profit	**280**	**47**	496%
Impairment charges on financial assets (in basis points)	(21)	153	
Ratios			
Cost/income ratio including regulatory levies	53.3%	53.7%	
Underlying cost/income ratio including regulatory levies	53.4%	53.3%	
Balance Sheet			
Amounts in billions of euros	*06-30-2021*	*12-31-2020*	
Lease portfolio	35.8	34.9	3%
Number of internal employees (in FTEs)	5,098	5,168	-1%
Number of external employees (in FTEs)	327	341	-4%
Total number of employees (in FTEs)	5,425	5,509	-2%

Notes to the Financial Results

Development of Underlying Profit Before Tax			
Amounts in millions of euros		*06-30-2021*	*06-30-2020*
Income		**751**	**751**
Operating expenses		**372**	**385**
Adjustments to expenses	Restructuring expenses	(1)	3
Underlying expenses		**373**	**382**
Impairment charges on financial assets		(36)	272
Regulatory levies		28	18
Operating profit before tax		**387**	**76**
Total adjustments		***(1)***	***3***
Underlying operating profit before tax		**386**	**79**

Total Income Stable

The total income of the Leasing segment was stable at EUR 751 (2020: 751) million in the first half of 2021. Net interest income increased by 1% to EUR 558 (2020: 550) million, mainly as a result of improved margins on new business volumes. Net fee and commission income was stable at EUR 53 (2020: 53) million. Other results, mainly consisting of income from operating leases and sales on end-of-lease assets, decreased to EUR 140 (2020: 148) million.

Operating Expenses 3% Lower

Total operating expenses in the Leasing segment decreased by 3% to EUR 372 (2020: 385) million. Staff costs decreased by 2% to EUR 269 (2020: 275) million, in part due to lower travel costs, as international mobility continued to be impacted by Covid-19 restrictions. Staff numbers in the Leasing segment decreased by 84 FTEs to 5,425 FTEs in the first half of 2021. Other administrative expenses were lower and amounted to EUR 90 (2020: 97) million. The total amount for depreciation and amortization was stable at EUR 13 (2020: 13) million.

Lower Impairment Charges on Financial Assets

In the first half of 2020, impairment charges were high (EUR 272 million) as a result of the deteriorating outlook created by the Covid-19 pandemic. DLL has supported customers affected by the pandemic and subsequent containment measures by granting temporary payment relief when needed. Due to much improved macroeconomic conditions in the first half of 2021, and credit quality remaining higher than expected, DLL was able to reverse previously booked provisions, resulting in impairment charges on financial assets of minus EUR 36 million. This result corresponds to minus 21 (2020: 153) basis points of the average loan portfolio and is below DLL's long-term average of 52 basis points.

Lease Portfolio 3% Higher

The lease portfolio grew by 3% to EUR 35.8 (2020: 34.9) billion, primarily due to changes in exchange rates. Excluding FX effects, the lease portfolio grew by 1%. In the first half of 2021, the Food & Agri share of the portfolio remained stable at EUR 15.6 (2020: 14.7) billion, representing 43% (2020: 42%) of the DLL portfolio.

Property Development

Highlights

The Property Development segment is mainly composed of the activities of Bouwfonds Property Development (BPD), which operates in the Netherlands and Germany. The Covid-19 pandemic did not negatively impact the segment's results as the housing market remained strong with very high activity levels. The commercial results at BPD were higher than in the first half of 2020 as a result of a strong housing market and improved margins in both the Netherlands and Germany. Since 2018 the activities of Bouwfonds Investment Management (BIM) have been phased out and therefore represent only a small part of the segment's results.

Financial Results

Results			
Amount in millions of euros	*06-30-2021*	*06-30-2020*	*Change*
Net interest income	(10)	(4)	150%
Net fee and commission income	0	1	-100%
Other results	147	110	34%
Total income	**137**	**107**	**28%**
Staff costs	48	44	9%
Other administrative expenses	16	16	0%
Depreciation and amortization	4	4	0%
Total operating expenses	**68**	**64**	**6%**
Gross result	**69**	**43**	60%
Impairment charges on financial assets	-	1	
Regulatory levies	1	1	0%
Operating profit before tax	**68**	**41**	**66%**
Income tax	17	11	55%
Net profit	**51**	**30**	**70%**
of which: BPD	*49*	*32*	*53%*
Ratios			
Cost/income ratio incl. regulatory levies	50.4%	60.7%	
Underlying cost/income ratio incl. regulatory levies	50.4%	60.7%	
Balance Sheet			
Number of property transactions	2,723	2,992	-9%
Amounts in billions of euros	*06-30-2021*	*12-31-2020*	
Loan portfolio	0.1	0.1	0%
Number of internal employees (in FTEs)	686	655	5%
Number of external employees (in FTEs)	112	93	20%
Total number of employees (in FTEs)	798	748	7%

Notes to the Financial Results

Development of Underlying Profit Before Tax			
Amounts in millions of euros		*06-30-2021*	*06-30-2020*
Income		**137**	**107**
Operating expenses		**68**	**64**
Adjustments to expenses	Restructuring expenses	0	0
Underlying expenses		**68**	**64**
Impairment charges on financial assets		-	1
Regulatory levies		1	1
Operating profit before tax		**68**	**41**
Total adjustments		***0***	***0***
Underlying profit before tax		**68**	**41**

Strong Housing Markets Resulted in Higher Income

The Property Development segment's total income increased to EUR 137 (2020: 107). BPD's solid performance is mainly due to the persistent high activity on the housing market. In addition, margins improved in both the Netherlands and Germany.

Operating Expenses 6% Higher

Total operating expenses were higher at EUR 68 (2020: 64) million. Higher staff numbers to support business growth resulted in an increase in staff costs of EUR 4 million compared to the same period in 2020, totaling EUR 48 (2020: 44) million. Staff numbers increased by 7% to 798 FTEs on June 30, 2021.
Other administrative expenses were stable at EUR 16 (2020: 16) million due to the phasing out of activities. Depreciation and amortization were unchanged at EUR 4 (2020: 4) million.

Property Transactions Remain at High Level

Despite seeing the number of residential property transactions decrease by 9% to 2,723 (2020: 2,992), the number of BPD's transactions remains at a high level. Covid-19 had no negative impact on the level of transactions in the first half of 2021, and the level of sales for the full year is expected to be more or less in line with that of 2020. In the Netherlands the number of transactions amounted to 2,024 (2020: 1,842) and the total number of transactions in Germany was 699 (2020: 1,150).

Capital Developments

Maintaining a Strong Capital Position

Capital Ratios

Amounts in millions of euros	*06-30-2021*	*12-31-2020*
Retained earnings	31,118	29,234
Expected distributions	(170)	(2)
Rabobank Certificates	7,825	7,822
Part of non-controlling interest treated as qualifying capital	0	0
Reserves	(1,172)	(1,382)
Regulatory adjustments	(1,400)	(1,080)
Transition guidance	6	55
Common equity tier 1 capital	**36,207**	**34,647**
Capital securities	3,980	4,441
Grandfathered instruments	0	41
Non-controlling interests	0	0
Regulatory adjustments	(100)	(67)
Transition guidance	0	0
Additional tier 1 capital	*3,880*	*4,415*
Tier 1 capital	**40,087**	**39,062**
Part of subordinated debt treated as qualifying capital	8,515	10,816
Non-controlling interests	0	0
Regulatory adjustments	(91)	33
Transition guidance	0	(60)
Tier 2 capital	**8,424**	**10,789**
Qualifying capital	**48,511**	**49,851**
Risk-weighted assets	**210,768**	**205,773**
Common equity tier 1 ratio	17.2%	16.8%
Tier 1 ratio	19.0%	19.0%
MREL buffer	30.1%	30.2%
Total capital ratio	23.0%	24.2%
Equity capital ratio	18.5%	18.0%
Common equity tier 1 ratio of Coöperatieve Rabobank U.A. solo (issuer level)	15.9%	16.0%

On June 30, 2021, our CET 1 ratio amounted to 17.2% (2020: 16.8%). This is well above our >14% ambition. The development of the CET 1 ratio was positively influenced by the addition of net profit to retained earnings. In accordance with the CRR, the Rabobank Certificates' payment policy has been taken into account for the deductions from 2021 interim profit included in CET1 Capital. This includes a deduction for the difference between the distributions paid over the first two quarters of 2021 and the amounts foreseen in the payment policy over this period. RWA increased by roughly EUR 5 billion, limiting the CET1 ratio increase. We calculate our leverage ratio – our tier 1 capital divided by our balance sheet positions and off-balance-sheet liabilities – using the definitions provided in the CRR/CRD IV. Our leverage ratio on June 30, 2021 was 7.1% (2020: 7.0%), which is well above the minimum leverage ratio of 3% required by the Basel III guidelines. In line with our capital strategy, we issued NPS instruments to meet future MREL requirements. Our total capital ratio decreased to 23.0% (2020: 24.2%) following the call of a EUR 2 billion Tier 2 instrument and the amortization of the eligible amount of outstanding Tier 2 instruments, in line with our intentions. We will allow our total capital to trend downward towards 20%.

Risk-weighted Assets

In anticipation of Basel IV, we will continue to strengthen our capital position in the next few years. The implementation date of Basel IV has been postponed to 2023 in response to the Covid-19 pandemic. In the first half of 2021, overall RWA increased to EUR 210.8 (2020: 205.8) billion.

Based on pro-forma calculations, we estimate that the remaining impact of the Basel Committee proposals will lead to an increase in risk-weighted assets at the lower end of the 15%-18% range on a fully loaded basis. The postponed implementation of Basel IV allows us additional time to prepare for and mitigate the impact. We based our estimate of the remaining Basel IV impact on our current interpretation of the proposals (including credit risk, operational risk, market risk, CVA, and the aggregated output floor) and the choices we currently anticipate in connection with the Basel proposals. The ultimate impact of Basel IV on RWA's could be mitigated through:

- Changes in product and portfolio composition, for example, a reduction of committed credit lines and undrawn headroom in credit lines;
- Distribution of assets; and
- Data improvements such as data mapping, improved revenue information storage, collateral information, external ratings.

Regulatory Capital

The regulatory capital requirement is 8% of our risk-weighted assets. Our requirement represents the minimum amount of capital which the CRR and CRD IV require us to hold. Our regulatory (required) capital amounted to EUR 16.9 (2020: 16.5) billion on June 30, 2021, of which 82% related to credit and transfer risk, 15% to operational risk, and 3% to market risk.

Regulatory Capital by Business Segment

Amounts in billions of euros	*06-30-2021*	*12-31-2020*
Domestic Retail Banking	5.8	5.9
Wholesale & Rural	7.0	6.6
Leasing	1.6	1.6
Property Development	0.3	0.3
Other	2.2	2.0
Rabobank	**16.9**	**16.5**

Our MREL Eligible Capital Buffer

We aim to protect senior creditors and depositors against the unlikely event of a bail-in. We therefore hold a large buffer of equity, subordinated debt, and Non-preferred senior debt that will absorb initial losses in the event of a bail-in.

We have received formal notification from (DNB) of the Single Resolution Board's (SRB) determination of the binding minimum requirement for own funds and eligible liabilities (MREL). The MREL requirement was established to ensure that banks in the E.U. have sufficient own funds and eligible liabilities to absorb losses in the event of a potential bank failure. This MREL requirement is set at a consolidated level for Rabobank, as determined by the SRB for the time being. Our preliminary binding MREL requirement is 27.62% of RWA (including the stacked CBR) and 7.5% of Leverage Ratio Exposure, which must be met by January 1, 2022.

We define our MREL eligible capital and debt buffer as qualifying capital plus the non-qualifying part of the grandfathered additional tier 1 instruments, the (amortized part of) tier 2 capital instruments with a remaining maturity of at least one year, and Non-preferred senior bonds with a remaining maturity of at least one year. The buffer increased from EUR 62.2 billion to EUR 63.4 billion due to profit retention and the issuance of new instruments, which corresponds with 30.1% (2020: 30.2%) of risk-weighted assets. Our additional MREL needs are manageable.

MREL Eligible Capital Buffer

Amounts in billions of euros	*06-30-2021*	*12-31-2020*
Qualifying capital	48.5	49.9
Non-qualifying grandfathered additional tier 1 capital	0	0
Amortized tier 2 >1 year remaining maturity	3.3	2.7
Non-Preferred Senior bonds > 1 year remaining maturity	11.6	9.7
MREL eligible capital and Non-Preferred Senior bonds buffer	**63.4**	**62.2**
Risk-weighted assets	210.8	205.8
MREL eligible capital and Non-Preferred Senior bonds buffer / risk-weighted assets	30.1%	30.2%

Interim Financial Statements 2021

Contents

Consolidated Statement of Financial Position

Consolidated Statement of Financial Position			
Amounts in millions of euros	*Note*	*June 30, 2021*	*December 31, 2020*
Assets			
Cash and cash equivalents		123,792	108,466
Loans and advances to credit institutions		25,883	21,383
Financial assets held for trading		2,818	2,536
Financial assets designated at fair value		2	1
Financial assets mandatorily at fair value		2,527	2,075
Derivatives		23,601	29,638
Loans and advances to customers	6	437,863	436,182
Financial assets at fair value through other comprehensive income		15,050	15,495
Investments in associates and joint ventures		2,203	2,183
Goodwill and other intangible assets		719	740
Property and equipment		4,481	4,565
Investment properties		447	450
Current tax assets		105	136
Deferred tax assets		732	849
Other assets		10,669	7,507
Non-current assets held for sale	17	105	52
Total assets		**650,997**	**632,258**
Liabilities			
Deposits from credit institutions		75,473	61,162
Deposits from customers	8	376,859	361,028
Debt securities in issue		110,573	113,521
Financial liabilities held for trading		1,246	998
Financial liabilities designated at fair value		4,405	5,175
Derivatives		20,665	28,402
Other liabilities		6,223	6,647
Provisions	9	609	619
Current tax liabilities		371	158
Deferred tax liabilities		359	430
Subordinated liabilities		11,884	13,486
Total liabilities		**608,667**	**591,626**
Equity			
Reserves and retained earnings	10	29,946	27,852
Equity instruments issued by Rabobank			
- Rabobank Certificates		7,825	7,822
- Capital Securities		4,020	4,482
		11,845	**12,304**
Non-controlling interests		539	476
Total equity		**42,330**	**40,632**
Total equity and liabilities		**650,997**	**632,258**

Consolidated Statement of Income

Consolidated Statement of Income			
Amounts in millions of euros	*Note*	*First half-year 2021*	*First half-year 2020*
Interest income from financial assets using the effective interest method	1	5,972	7,009
Other interest income	1	584	153
Interest expense	1	2,426	3,082
Net interest income	**1**	**4,130**	**4,080**
Fee and commission income		1,126	1,028
Fee and commission expense		133	163
Net fee and commission income		**993**	**865**
Income from other operating activities	2	1,067	1,044
Expenses from other operating activities	2	806	846
Net income from other operating activities	**2**	**261**	**198**
Income from investments in associates and joint ventures		199	12
Gains/ (losses) arising from the derecognition of financial assets measured at amortized cost		(1)	(1)
Gains/ (losses) on financial assets and liabilities at fair value through profit or loss		356	(87)
Gains/ (losses) on financial assets at fair value through other comprehensive income		80	55
Other income		94	90
Income		**6,112**	**5,212**
Staff costs	3	2,279	2,351
Other administrative expenses	4	720	554
Depreciation and amortization		178	196
Operating expenses		**3,177**	**3,101**
Impairment charges on financial assets	5	(274)	1,442
Regulatory levies		368	302
Operating profit before tax		**2,841**	**367**
Income tax		681	140
Net profit for the period		**2,160**	**227**
Of which attributed to Rabobank		1,755	93
Of which attributed to Rabobank Certificates[1]		254	-
Of which attributed to Capital Securities issued by Rabobank		99	121
Of which attributed to Non-controlling interests		52	13
Net profit for the period		**2,160**	**227**

1 As a result of the announcement by the ECB that it will not extend the recommendation to limit dividend distributions beyond September 30, 2021, on August 2, 2021 Rabobank has announced its intention to make an exceptional quarterly distribution of EUR 1.21478 per Rabobank Certificate on December 29, 2021 and has reiterated its intention to revert to its payment policy thereafter. The amount presented of EUR 254 million relates to distributed (EUR 86 million) and non-distributed amounts on the Rabobank Certificates concerning the H1 2021 reporting period. The non-distributed amount concerns the difference between the amounts foreseen in the payment policy over this period and the distributions paid over the first two quarters of 2021. Regardless of the above, any distributions on Rabobank Certificates, including the aforementioned non-distributed amount(s), remain at the full discretion of Rabobank.

Condensed Consolidated Statement of Comprehensive Income

Condensed Consolidated Statement of Comprehensive Income		
Amounts in millions of euros	*First half-year 2021*	*First half-year 2020*
Net profit for the period	**2,160**	**227**
Other comprehensive income transferred to profit or loss if specific conditions are met, net of tax:		
Exchange differences on translation of foreign operations	270	(266)
Increase/ (decrease) in the fair value of debt instruments at fair value through other comprehensive income	(125)	90
Costs of hedging	36	(13)
Cash flow hedges	21	-
Share of other comprehensive income of associates and joint ventures	9	(73)
Other comprehensive income not to be transferred to profit or loss, net of tax:		
Remeasurements of post-employee benefit obligations	(11)	6
Increase/ (decrease) in the fair value of equity instruments at fair value through other comprehensive income	33	(33)
Share of other comprehensive income of associates and joint ventures	(6)	11
Decrease/ (increase) in the fair value due to own credit risk on financial liabilities designated at fair value	(5)	82
Other comprehensive income	**222**	**(196)**
Total comprehensive income	**2,382**	**31**
Of which attributed to Rabobank	1,965	(84)
Of which attributed to Rabobank Certificates[1]	254	-
Of which attributed to Capital Securities issued by Rabobank	99	121
Of which attributed to Non-controlling interests	64	(6)
Total comprehensive income	**2,382**	**31**

1 As a result of the announcement by the ECB that it will not extend the recommendation to limit dividend distributions beyond September 30, 2021, on August 2, 2021 Rabobank has announced its intention to make an exceptional quarterly distribution of EUR 1.21478 per Rabobank Certificate on December 29, 2021 and has reiterated its intention to revert to its payment policy thereafter. The amount presented of EUR 254 million relates to distributed (EUR 86 million) and non-distributed amounts on the Rabobank Certificates concerning the H1 2021 reporting period. The non-distributed amount concerns the difference between the amounts foreseen in the payment policy over this period and the distributions paid over the first two quarters of 2021. Regardless of the above, any distributions on Rabobank Certificates, including the aforementioned non-distributed amount(s), remain at the full discretion of Rabobank.

Consolidated Statement of Changes in Equity

Consolidated Statement of Changes in Equity

Amounts in millions of euros	*Reserves and retained earnings*	*Equity instruments issued by Rabobank*	*Non-controlling interests*	*Total*
Balance on December 31, 2020	**27,852**	**12,304**	**476**	**40,632**
Net profit for the period	2,108	-	52	2,160
Other comprehensive income	210	-	12	222
Total comprehensive income	**2,318**	**-**	**64**	**2,382**
Payments on Rabobank Certificates	(86)	-	-	(86)
Payments on Capital Securities issued by Rabobank	(99)	-	-	(99)
Issue of Capital Securities (note 11)	-	750	-	750
Cost of issue of Capital Securities (note 11)	-	(4)	-	(4)
Redemption of Capital Securities (note 11)	(9)	(1,241)	-	(1,250)
Other	(30)	36	(1)	5
Balance on June 30, 2021	**29,946**	**11,845**	**539**	**42,330**
Balance on December 31, 2019	**28,157**	**12,713**	**477**	**41,347**
Net profit for the period	214	-	13	227
Other comprehensive income	(177)	-	(19)	(196)
Total comprehensive income	**37**	**-**	**(6)**	**31**
Payments on Capital Securities issued by Rabobank	(122)	-	-	(122)
Redemption of Capital Securities	(12)	(1,488)	-	(1,500)
Other	(2)	(1)	(4)	(7)
Balance on June 30, 2020	**28,058**	**11,224**	**467**	**39,749**

Condensed Consolidated Statement of Cash Flows

Condensed Consolidated Statement of Cash Flows		
Amounts in millions of euros	*First half-year 2021*	*First half-year 2020*
Operating profit before tax	2,841	367
Non-cash items recognized in operating profit before tax	(360)	1,922
Net change in assets and liabilities relating to operating activities	17,430	33,620
Net cash flow from operating activities	**19,911**	**35,909**
Net cash flow from investing activities	**53**	**35**
Net cash flow from financing activities	**(5,127)**	**(13,443)**
Net change in cash and cash equivalents	**14,837**	**22,501**
Cash and cash equivalents on January 1	108,466	63,086
Net change in cash and cash equivalents	14,837	22,501
Exchange rate differences on cash and cash equivalents	489	(167)
Cash and cash equivalents on June 30	**123,792**	**85,420**

Notes to the Interim Financial Statements

Corporate Information

Rabobank is an international financial services provider operating on the basis of cooperative principles. Our focus is on delivering all-finance services in the Netherlands and on serving our Food & Agri customers internationally. We create value with our strategy and the products and services we offer customers in Retail Banking, Wholesale Banking, Rural Banking, Private Banking, Vendor Finance, Leasing, and Property Development. Rabobank's Interim Financial Statements include the financial information of Coöperatieve Rabobank U.A. and its consolidated subsidiaries in the Netherlands and abroad.

Basis for Preparation

Rabobank's Interim Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union.

For the publication of its Interim Financial Statements, Rabobank has opted to present condensed versions of its Consolidated Statement of Comprehensive Income and Consolidated Statement of Cash Flows. These Interim Financial Statements do not include all the information and disclosures required in the Consolidated Financial Statements and should be read in conjunction with the 2020 Consolidated Financial Statements of Rabobank Group, which were prepared in accordance with the IFRS as adopted by the E.U. and the applicable articles of Part 9 of Book 2 of the Dutch Civil Code. The accounting policies used in this report are consistent with those set out in the notes to the 2020 Consolidated Financial Statements of Rabobank Group, except for the changes in accounting policies as described in the section "New and Amended Standards Issued by the IASB and Adopted by the E.U. which Apply in the Current Financial Year" and the establishment of an accounting policy regarding government grants.

Accounting Policy Government Grant
Government grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. Government grants shall not be recognised until there is reasonable assurance that i) the entity will comply with the conditions attaching to them; and ii) the grants will be received. Rabobank recognizes government grants in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to assets shall be presented in the statement of financial position as “Other assets”. For more information about the government grant recognition in the TLTRO III, reference is made to the section “Judgements and Estimates”.

Going Concern
The Managing Board considers it appropriate to adopt the going concern basis of accounting in preparing these Interim Financial Statements.

Judgements and Estimates
In preparing these Interim Financial Statements, management applied judgement with respect to estimates and assumptions that affect the amounts reported for assets and liabilities, the reporting of contingent assets and liabilities on the date of the Consolidated Financial Statements, and the amounts reported for income and expenses during the reporting period.

The accounting principles listed below require critical estimates that are based on assessments and assumptions. Although management estimates are based on the most careful assessment of current circumstances and activities on the basis of available financial data and information, the actual results may deviate from these estimates.

Accounting Implications of the Covid-19 Pandemic

General
The severe impact of the Covid-19 pandemic on society in big parts of the world is gradually coming to an end now that vaccination programs are being rolled out. However new mutations of the Covid-19 virus are creating renewed uncertainty in the short term leading to new government measures to contain the virus in the Netherlands and many other countries across the globe.

Due to government support to Rabobank’s business clients, there is still no increase in clients facing (re-)payment difficulties. Rabobank expects that the current relatively high Stage 2 exposure will lead to increased inflow in Stage 3 after government support ends.

Impact on IFRS 9 Impairment Allowances: Forward-looking Information

Forward-looking Information
When Covid-19 pandemic started to have its impact on Rabobank's main markets in March 2020, Rabobank saw an upward effect on IFRS 9 Stage 1 and 2 impairment allowances. The total level of impairment allowances and the volume of loans in Stage 2 are (historically) still on the high end, but recovery is starting to show its effects reflecting in negative impairment charges for the first half year 2021.

The baseline macroeconomic scenario is considered the most likely at a 60% (December 31, 2020: 70%) likelihood, compared to 20% (December 31, 2020: 15%) likelihood for both the minus and the plus scenarios. The adjustments to the likelihood of the scenarios were made in 2021 to reflect increased uncertainty about future macroeconomic outcomes. This can be fully attributed to the economic impact of the Covid-19 pandemic.

Baseline Scenario: General
The main markets of Rabobank are in a phase of recovery and slowly going back to a more normal situation. The macro-economic expectations are positive and this translates into lower Stage 1 and Stage 2 impairment allowances.

Baseline Scenario for Rabobank's Largest Market: The Netherlands
The impact of the Covid-19 crisis in the Netherlands has been milder than in most other countries. Due to the progress of the vaccination campaign, government financial support packages are expected to come to an end. Rabobank foresees that by then more defaults will occur (postponed defaults).

Further information on the macroeconomic scenarios and forward-looking information in the Netherlands can be found in Section 7 ,"Impairment Allowances on Financial Assets and Credit Related Contingent Liabilities."

Plus and Minus Scenarios
We used a statistical simulation method from the National Institute Global Econometric Model (NiGEM) to generate our plus and minus scenarios. The procedure for the formulation involves two steps:

1. Application of the stochastic function of NiGEM to run 1,000 scenarios starting in the third quarter where the plus and minus scenarios may differ from the baseline. NiGEM uses historical residuals (randomly chosen) from the model equations that results in shocks during the forecast period (Monte Carlo simulation). The result is a distribution of possible macroeconomic outcomes. The impact of these scenarios on the volume of world trade is used in step 2.
2. Look up the two scenarios which represent the 20% plus scenarios and the 20% minus scenarios of the distribution.

Top Level Adjustments (TLAs)
The developments of the Covid-19 virus continue to translate into a high level of uncertainty surrounding the expected credit losses of Rabobank. During the first half year of 2021, Rabobank noted that the impairment allowances calculated by the IFRS 9 ECL models are decreasing, driven by the more optimistic macroeconomic outlook. Rabobank continues to hold several temporary Covid-19 related TLAs to correct for specific items not captured in the models. In June 2021, the Delta-variant of the Covid-19 virus spread over Europe. The Dutch government decided to expand the measures to reduce the spread of the Delta-variant. The national governments in Europe still provide generous liquidity support to compensate for the effects of the Covid-19 restrictions. Also, in the Netherlands support measures were taken by government to support affected industries. This support delayed to a certain extent the direct financial impact of the Covid-19 restrictions for most of Rabobank's business clients. As a result the bankruptcies has been very low in the Netherlands. For this reason, management has judged that for the business loans in Europe the IFRS 9 ECL model outcome did not appropriately reflect the increase in expected credit losses. Therefore a Covid-19 management adjustment of EUR 442 million (December 31, 2020: EUR 594 million) was deemed necessary using the IFRS 9 ECL model with altered MES model inputs, to compensate for the delayed impact as a result of government supports.

Management considers a significant increase in credit risk for business loans exposures in certain sectors that are hit hard by the government restrictions to contain the virus and for which the pandemic has lasting negative effects on future business. All sectors worldwide (over 30) where Rabobank has an exposure, have been analyzed on the impact of Covid-19 to determine the relative strength and outlook of subsectors within the broad sector grouping. The goal of this exercise was to identify vulnerable sectors. Vulnerable sector exposures are considered to have a significant increase in credit risk and are placed in its entirety in Stage 2 (recognising a lifetime expected credit loss). 0.2% (December 31, 2020: 2.6%) of F&A sectors and 11.1% (December 31, 2020: 11.4%) of non-F&A sectors are classified as vulnerable. This is 3% (December 31, 2020: 4%) of the total loans to private sector clients. The Stage 2 migration led to a Covid-19 management adjustment of EUR 48 million (December 31, 2020: EUR 87 million). Next to adjusting the staging, Rabobank also applied an override for the loss given default parameters for clients in vulnerable sectors as the deterioration of the credit quality will also have a negative impact om the recovery possibilities when a client gets in default. This leads to an adjustment of EUR 159 million (December 31, 2020: nil).

In addition to the Covid-19 management adjustments, Rabobank applied other significant top level adjustments. On June 30, 2021, an addition of EUR 136 million (December 31, 2020: EUR 114 million) related to IFRS 9 model back-test results. The remainder of the top level adjustments relate to amongst others lower expected receipts from foreclosures due to the Dutch Act on the Confirmation of Private Plans (Wet Homologatie Onderhands Akkoord, known as WHOA in Dutch), calibration of parameters based on recent back-testing and a floor for specific impairment allowances, in total EUR 306 million (December 31, 2020: EUR 273 million).

Impairment Allowances on Financial Assets

The three-stage expected credit loss impairment models for measuring and recognizing expected credit losses involve a significant degree of management judgement. Rabobank uses estimates and management judgement in the determination of the expected credit losses for the model-based impairment allowances and for the measurement of individually assessed financial assets. Information regarding the model-based impairment allowances is included in Section 7, "Impairment Allowances on Financial Assets and Credit Related Contingent Liabilities". A discounted cash flow calculation is performed for credit-impaired financial assets that are assessed on an individual basis. In many cases, judgement is required to estimate the expected future cash flows and for the weighting of the three scenarios.

Classification and Measurement of TLTRO III

Rabobank is participating in the third series of the ECB's TLTRO III. According to the terms, interest rates in these operations are the average interest rate on the main refinancing operations minus an interest bonus of 50 basis points during the special interest period from June 24, 2020 to June 23, 2021, and the additional special interest period from June 24, 2021 to June 23, 2022, and the average interest rate on the deposit facility during the remainder of the life of the respective TLTRO III transaction. Lower interest rates will apply if Rabobank achieves certain predefined lending thresholds. Interest will be settled in arrears on the maturity of each TLTRO III operation or on early repayment.

At 31 December 2020 Rabobank did not include the conditional special interest bonus of 50 basis points for the period from June 24, 2020 to June 23, 2021 as there was uncertainty whether the applicable lending threshold would be reached. Rabobank measured the TLTRO III according to IFRS 9 and considers the whole unconditional TLTRO III interest rate as a floating rate in scope of IFRS 9.B5.4.5. The TLTRO III funding was initially recognised at fair value and is subsequently measured at amortized cost and presented as "Deposits from credit institutions."

Rabobank achieved the threshold for the conditional special interest bonus in the first quarter of 2021, and revised its estimates of payments and receipts. The conditional special interest rate bonus is considered to be a below market interest rate. On that basis, Rabobank determined that the difference between the value of the TLTRO determined at the market interest rate including the conditional special interest bonus and the value of the TLTRO determined at the market interest rate excluding the conditional special interest bonus is a government grant. Rabobank considers the ECB as a government or similar body for the purpose of applying IAS 20.

For the recognition of the conditional special interest bonus, Rabobank has established an accounting policy as from January 1, 2021 to classify the conditional special interest bonus as a government grant under IAS 20 which is classified in the balance sheet in “Other assets”.

Rabobank recognizes income from government grants if there is reasonable assurance that it will comply with the conditions attached to the grant and that it will receive the grant. The conditional special interest bonus is presented in interest income and is recognized during the (additional) special interest period in which the government grant accrues. The government grant amounted to EUR 192 million per June 30, 2021 and was fully recognised in 2021. For further information on the interest income recognized from the TLTRO III per June 30, 2021, see note 1 "Net interest income".

Fair Value of Financial Assets and Liabilities

Information on determining the fair value of financial assets and liabilities is included in Section 12, "Fair Value of Financial Assets and Liabilities".

Impairment of Goodwill, Other Intangible Assets, and Investments in Associates and Joint Ventures

The other intangible assets and the investments in associates and joint ventures are tested for impairment if specific triggers are identified. Goodwill is tested at least once a year. If the recoverable value is lower than the carrying amount, an impairment loss is recognized. Determining the recoverable amount in an impairment assessment of these assets requires estimates based on quoted market prices, prices of comparable businesses, present value, or other valuation techniques, or a combination thereof, which necessitate management to make subjective judgements and assumptions. Because these estimates and assumptions could result in significant differences to the amounts reported if the underlying circumstances were to change, these estimates are considered to be critical.

Taxation
Estimates are used when determining the income tax charge and the related current and deferred tax assets and liabilities. The tax treatment of transactions is not always clear or certain and, in a number of countries, prior year tax returns often remain open and subject to tax authority approval for lengthy periods. The tax assets and liabilities reported are based on the best available information, and where applicable, on external advice. Differences between the final outcome and the original estimates are accounted for in the current and deferred tax assets and liabilities in the period in which reasonable certainty is obtained. Income tax is recognized in the interim period on the basis of the best estimate of the weighted average annual rate of income tax expected for the full financial year.

Other Provisions
In applying IAS 37, judgement is required to determine whether a present obligation exists as well as in estimating the probability, timing, and amount of any outflows. More information on judgements regarding the provision for legal and arbitration proceedings is included in Section 9, "Legal and Arbitration Proceedings."

New and Amended Standards Issued by the IASB and Adopted by the E.U. Which Apply in the Current Financial Year

Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16)
Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16). In August 2020, the IASB issued amendments that complement those issued in 2019 (Phase 1) and focus on the effects of the interest rate benchmark reform on a company's financial statements that arise when, for example, an interest rate benchmark used to calculate interest in a financial asset is replaced with an alternative benchmark rate. Phase 2 amendments address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships. In Phase 2, the IASB amended requirements in IFRS 9 Financial instruments, IAS 39 Financial instruments: Recognition and Measurement, IFRS 7 Financial instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Lease relating to i) changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities ii) hedge accounting and iii) disclosures. These Phase 2 amendments apply only to changes required by the interest rate benchmark reform to financial instruments and hedging relationships. The amendments are effective for annual periods beginning on or after January 1, 2021. The implementation of these amendments did not affect profit or equity since the relief intends to prevent an accounting effect on profit or equity of changes in contractual cash flows of financial assets, financial liabilities, lease liabilities, or hedging relationships as a result of the benchmark rate replacement.

Amendments to IFRS 4 Insurance Contracts
Amendments have been made to IFRS 4 regarding the deferral of IFRS 9. The amendments to IFRS 4 permit entities that predominantly undertake insurance activities the option to defer the effective date of IFRS 9 until January 1, 2023. The effect of such a deferral is that the entities concerned may continue to report under IAS 39 Financial Instruments: Recognition and Measurement. IAS 28 Investments in Associates and Joint Ventures requires an entity to apply uniform accounting policies when using the equity method. Nevertheless, for annual periods beginning before January 1, 2023, an entity is permitted, but not required, to retain the relevant accounting policies applied by the associate or joint venture as follows: (a) the entity applies IFRS 9, but the associate or joint venture applies the temporary exemption from IFRS 9; or (b) the entity applies the temporary exemption from IFRS 9, but the associate or joint venture applies IFRS 9. These amendments are effective for annual periods beginning on or after January 1, 2021. Rabobank applies IFRS 9 as of January 1, 2018. Achmea BV, an associate of Rabobank, that undertakes insurance activities has chosen to use the option to defer the effective date of IFRS 9 and therefore continues to apply IAS 39. Rabobank uses the temporary exemption to not apply IFRS 9 when measuring Achmea BV according to the equity method under IAS 28.

New and Amended Standards Issued by the IASB and Adopted by the E.U. Which Do Not Yet Apply in the Current Financial Year

Amendments have been made to IFRS 3, IAS 16, IAS 37 and the Annual Improvements 2018-2020 which will be effective for annual periods beginning on or after January 1, 2022. Although these new requirements are currently being analyzed and their impact is not yet known, Rabobank does not expect the implementation of these amendments to affect profit or equity.

New Standards Issued by the IASB but Not Yet Endorsed by the E.U.

IFRS 17 Insurance Contracts

The IASB issued IFRS 17 Insurance Contracts with an effective date of annual periods beginning on or after January 1, 2023. IFRS 17 establishes the principles for the recognition, measurement, presentation, and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information provides a basis for users of financial statements to assess the effect that insurance contracts have on an entity's financial position, financial performance and cash flows. The standard will affect Rabobank's associate, Achmea BV. Rabobank is currently assessing the impact on its own financial statements.

Other Amendments to IFRS

Minor amendments have been made to IAS 1 and IAS 8 which will be effective for annual periods beginning on or after January 1, 2023. The amendments relate to the classification of liabilities as current or non-current, the disclosure of accounting policies and the definition of accounting estimates. Although these new requirements are currently being analyzed and their impact is not yet known, Rabobank does not expect the implementation of these amendments to affect profit or equity.

Notes to the Primary Financial Statements

1. Net Interest Income

Net Interest Income

Amounts in millions of euros	*First half-year 2021*	*First half-year 2020*
Interest income		
Cash and cash equivalents	27	88
Loans and advances to credit institutions	49	46
Loans and advances to customers	5,731	6,685
Derivatives used for fair value hedge accounting	111	61
Financial assets at fair value through other comprehensive income	54	129
Interest income from financial assets using the effective interest method	**5,972**	**7,009**
Financial assets held for trading	17	17
Financial assets designated at fair value	-	3
Financial assets mandatorily at fair value	8	9
Interest income on financial liabilities with a negative interest rate	519	62
Other	40	62
Other interest income	**584**	**153**
Total interest income	**6,556**	**7,162**
Interest expense		
Deposits from credit institutions	32	71
Deposits from customers	682	925
Debt securities in issue	765	1,146
Financial liabilities held for trading	8	3
Derivatives held as economic hedges	340	367
Financial liabilities designated at fair value	65	74
Subordinated liabilities	298	354
Interest expense on financial assets with a negative interest rate	220	128
Lease liability	8	9
Other	8	5
Total interest expense	**2,426**	**3,082**
Net interest income	**4,130**	**4,080**

In the interest income on financial liabilities with a negative interest rate, an amount of EUR 319 million is included from the TLTRO III program which includes EUR 192 million for the conditional special interest bonus.

2. Net Income from Other Operating Activities

Net Income from Other Operating Activities

Amounts in millions of euros	*First half-year 2021*	*First half-year 2020*
Income from real estate activities	578	569
Expenses from real estate activities	453	465
Net income real estate activities	**125**	**104**
Income from operational lease activities	477	462
Expenses from operational lease activities	356	374
Net income from operational lease activities	**121**	**88**
Income from investment property	12	13
Expenses from investment property	(3)	7
Net income from investment property	**15**	**6**
Net income from other operating activities	**261**	**198**

3. Staff Costs

Staff Costs

Amounts in millions of euros	*First half-year 2021*	*First half-year 2020*
Wages and salaries	1,382	1,331
Social security contributions and insurance costs	148	152
Pension costs - defined contribution plans	211	198
Addition/ (release) of other post-employment provisions	3	4
Training and travelling expenses	32	58
Other staff costs	503	608
Staff costs	**2,279**	**2,351**

4. Other Administrative Expenses

Other Administrative Expenses

Amounts in millions of euros	*First half-year 2021*	*First half-year 2020*
Additions and releases of provisions	43	(29)
IT expenses and software costs	186	169
Consultants fees	181	185
Publicity expenses	36	43
Result on derecognition and impairments on (in)tangible assets	27	19
Other expenses	247	167
Other administrative expenses	**720**	**554**

5. Impairment Charges on Financial Assets

Impairment Charges on Financial Assets

Amounts in millions of euros	*First half-year 2021*	*First half-year 2020*
Loans and advances to customers and credit institutions	(242)	1,487
Financial assets at fair value through other comprehensive income	1	1
Recoveries following write-off	(56)	(42)
Loan commitments and financial guarantees	23	(4)
Impairment charges on financial assets	**(274)**	**1,442**

6. Loans and Advances to Customers

A breakdown of the loan portfolio is presented in the following table.

Loans and Advances to Customers

Amounts in millions of euros	*June 30, 2021*	*December 31, 2020*
Gross carrying amount loans and advances to customers	**436,976**	**433,463**
Hedge accounting adjustment	5,046	7,419
Impairment allowances on loans and advances to customers	(4,159)	(4,700)
Total loans and advances to customers	**437,863**	**436,182**

Loans and Advances to Customers per Stage

June 30, 2021	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying amount loans and advances to customers	390,595	34,424	11,957	436,976
Impairment allowances on loans and advances to customers	487	858	2,814	4,159

December 31, 2020	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying amount loans and advances to customers	385,745	34,211	13,507	433,463
Impairment allowances on loans and advances to customers	720	846	3,134	4,700

7. Impairment Allowances on Financial Assets and Credit Related Contingent Liabilities

The following tables depict the reconciliation from the opening balance to the closing balance of the impairment allowances of financial assets and credit related contingent liabilities.

Impairment Allowances on Financial Assets and Credit Related Contingent Liabilities

Amounts in millions of euros

	Stage 1	Stage 2	Stage 3	Total
Balance on January 1, 2021	758	864	3,222	4,844
Increases due to origination and acquisition	95	3	49	147
Decreases due to derecognition	(62)	(51)	(175)	(288)
Changes due to change in credit risk	(268)	63	120	(85)
Write-off of defaulted loans during the year	(16)	(2)	(355)	(373)
Other changes	9	(6)	48	51
Balance on June 30, 2021	**516**	**871**	**2,909**	**4,296**

Amounts in millions of euros

	Stage 1	Stage 2	Stage 3	Total
Balance on January 1, 2020	402	366	3,323	4,091
Increases due to origination and acquisition	241	13	131	385
Decreases due to derecognition	(147)	(93)	(300)	(540)
Changes due to change in credit risk	284	586	1,278	2,148
Write-off of defaulted loans during the year	(13)	(4)	(1,070)	(1,087)
Other changes	(9)	(4)	(140)	(153)
Balance on December 31, 2020	**758**	**864**	**3,222**	**4,844**

Significant Increase in Credit Risk

Transferring assets from Stage 1 to Stage 2 requires judgement. To demonstrate the sensitivity of the ECL to the PD thresholds, we performed an analysis, which assumed all assets were below the PD threshold and apportioned a 12 month ECL. On the same asset base, we performed an analysis, which assumed all assets were above the PD threshold and apportioned a lifetime ECL. Both analyses were performed without taking into account the impact of top-level adjustments and resulted in ECLs of EUR 660 million (December 31, 2020: EUR 912 million) and EUR 1,847 million (December 31, 2020: EUR 1,976 million), respectively. The total Stage 1 and Stage 2 impairment allowances as per June 30, 2021 are EUR 1,387 million (December 31, 2020: EUR 1,622 million).

Forward-looking Information and Macroeconomic Scenarios

When estimating expected credit losses for each stage and assessing significant increases in credit risk, Rabobank uses information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions (forward-looking information). We use three, probability-weighted, macroeconomic scenarios (consisting of a baseline scenario, a baseline minus scenario and a baseline plus scenario) in our ECL models to determine the expected credit losses. Important variables are gross domestic product growth, unemployment rates, and interest rates. These forward-looking macroeconomic forecasts require judgement and are largely based on internal Rabobank research. An analysis on the sensitivity of key forward-looking macroeconomic inputs used in the ECL modelling process for Stage 1 and Stage 2 provisioning and the probability weights applied to each of the three scenarios is presented below for the region that contributes the most to the ECL, i.e. the Netherlands, without taking into account the impact of top-level adjustments.

Macroeconomic Scenarios

Netherlands		***2021***	***2022***	***2023***	***ECL unweighted***	***Probability***	***Weighted ECL in millions of euro per June 30, 2021***	***Weighted ECL in millions of euro per December 31, 2020***
Plus	GDP per capita	3.9%	5.1%	0.8%				
	Unemployment	3.5%	3.6%	3.1%	254	20%		
	Real Interest Rate	-0.6%	0.8%	0.2%				
Baseline	GDP per capita	3.6%	3.5%	1.4%				
	Unemployment	3.5%	4.1%	4.0%	291	60%	302	383
	Real Interest Rate	-0.7%	0.4%	0.1%				
Minus	GDP per capita	3.0%	0.3%	2.5%				
	Unemployment	3.7%	5.0%	5.5%	384	20%		
	Real Interest Rate	-0.7%	-0.6%	0.0%				

A probability weighting of 15% for both the minus and plus scenario and a probability weighting of 70% for the baseline scenario would decrease the total (for all regions) weighted ECL for Stage 1 and 2 exposures by EUR 14 million. If the probability weighting was 25% for both the minus and plus scenario and 50% for the baseline scenario, this would increase the total (for all regions) weighted ECL for Stage 1 and 2 exposures by EUR 14 million.

External Developments Potentially Affecting Credit Risk

Climate Risk

Climate change can affect the credit portfolio through two risk pathways: 1) transition risks (e.g., changes in regulations, technologies, and market sentiment) and 2) physical risks (e.g., changes in acute weather events like storms, wildfires, flooding, and long-lasting events like sea level rise and drought). Both physical and transition risks could impact the quality of the credit portfolio, especially for F&A and mortgage portfolios. Of the four categories that the Task Force on Climate-related Financial Disclosures (TCFD) distinguishes (energy, transportation, materials & building including real estate, agriculture, food, and forestry products), Rabobank classifies these two portfolios as the most exposed to climate change risks. The current overall exposure of Rabobank to these four industry sectors is roughly 60% of the consolidated exposure at default (EAD). Ongoing heat-mapping exercises will yield qualitative risk estimates of climate- and environment-related risks based on geographical location, sector, and time horizon. Regulatory changes aiming to curb greenhouse gas emissions are expected to increase going forward, which will put pressure on those most exposed sectors in particular. As long as structured climate risk data is not available for a longer period, climate risk cannot be used as an input for our ECL models. However, if climate risk has an impact on our ECLs it will be added via a top-level adjustment.

Nitrogen (PAS)

On July 1, 2021, the new “Nitrogen Law” came into effect in the Netherlands. More than EUR 2 billion will be invested by the Dutch government in the coming years to structurally reduce nitrogen emissions in the most important sectors (agriculture, industry, mobility, and construction). Another EUR 3 billion will be invested in the recovery and strengthening of nature. These investments will make new economic developments possible. Specifically for agriculture there will be grants for farmers who consider to switch to more sustainable business models and for those who are considering giving up farming. The government’s ultimate goal is that in 2030 at least 50% of so-called Natura 2000 areas will experience acceptable nitrogen depositions. Rabobank is closely following these developments and their possible impact on its loan portfolio. As of June 30, 2021, no top-level adjustment on the IFRS 9 allowances was deemed necessary.

PFAS

On July 1, 2020, restrictions on working with PFAS contaminated soil and dredging spoil were loosened for the construction and dredging sectors. The new measures also take environmental and health considerations into account. The construction and dredging sectors were therefore able to resume a large part of their activities. This reduced pressure on our clients. Meanwhile, the European Commission is discussing a Dutch proposal to eliminate non-essential uses of PFAS in the European Union (E.U.). At the same time, the Netherlands and some other EU countries are working on a proposal to come to an E.U. wide prohibition of all uses of PFAS.

8. Deposits from Customers

Deposits from Customers		
Amounts in millions of euros	*June 30, 2021*	*December 31, 2020*
Current accounts	118,253	107,706
Deposits with agreed maturity	60,033	56,411
Deposits redeemable at notice	193,524	190,699
Repurchase agreements	794	550
Fiduciary deposits	4,125	5,570
Other deposits from customers	130	92
Total deposits from customers	**376,859**	**361,028**

9. Legal and Arbitration Proceedings

Rabobank is active in a legal and regulatory environment that exposes it to a substantial risk of litigation. Rabobank is involved in legal cases, arbitrations, and regulatory proceedings in the Netherlands and in other countries. Please refer to section 4.10 "Legal and Arbitration Proceedings" of the 2020 Consolidated Financial Statements Rabobank Group for further general information in this respect. The most relevant legal and regulatory claims which could give rise to liability on the part of Rabobank are described below.

Interest Rate Derivatives

Rabobank is involved in civil proceedings before the Dutch District Court, the Court of Appeals, and the Supreme Court relating to interest rate derivatives entered into with Dutch business customers. Claimants in these proceedings in general claim to have been misinformed. Rabobank takes the stance that it has substantive and convincing legal and factual defenses against these claims. Rabobank intends to continue to defend itself against these claims. With respect to the (re-)assessment of the interest rate derivatives of its Dutch SME business customers and the advance payments made and due on grounds of settlements having been concluded, Rabobank recognized on June 30, 2021 a provision of EUR 8 million (December 31, 2020: EUR 12 million).

Compensation Scheme Consumer Credit Facilities

Per 30 June 2021, we recognized a provision as a result of our decision to compensate customers who took out certain revolving credit facilities and/or overdraft consumer products with variable interest rates. Following Kifid rulings, we have established that for a part of our clients (~15%) we did not consistently adjust our interest rates in accordance with a particular reference rate. In the coming months we will investigate further which customers are affected and how to compensate them.

Imtech

The Imtech Group was declared bankrupt in August 2015. Rabobank was one of the banks that extended financing to this group and participated in the rights offerings of both July 2013 and October 2014. On January 30, 2018, Rabobank received a liability letter from a group of shareholders indicating that legal proceedings may be started at a later stage with respect to a potential collective action based on alleged misstatements in the prospectuses and for alleged actio pauliana (fraudulent preference). By letter of March 28, 2018, the VEB (a Dutch party aimed at promoting the interests of shareholders in general) held parties including Rabobank liable for damage allegedly suffered by the Imtech investors. On August 10, 2018, Rabobank received formal notification from Imtech's trustees that they were seeking to nullify a large number of transactions and claim various damages. The letter aimed to interrupt limitation periods in view of the possible claims. No legal proceedings have been started and no further (legal) actions have been taken by any of the aforementioned parties. Rabobank considers the Imtech case to be a contingent liability because it is not possible to assess the outcome of these (possible) claims at this moment. No provision has been made.

Libor/Euribor

Rabobank has been involved for a number of years in regulatory proceedings in relation to benchmark-related issues. Rabobank has cooperated, and will continue to cooperate as appropriate, with the regulators and authorities involved in these proceedings. On October 29, 2013, Rabobank entered into settlement agreements with a number of these authorities in relation to their investigations into the historical Libor and Euribor submission processes of Rabobank. All amounts payable under these settlement agreements were fully paid and accounted for by Rabobank in 2013. Rabobank entered into one additional related settlement agreement with an authority on July 2, 2019. The amount payable under this settlement agreement was fully paid and accounted for by Rabobank in 2019. Rabobank, along with a large number of other panel banks and inter-dealer brokers, has been named as a defendant in a number of putative class action suits and individual civil court cases brought before the Courts in the United States. These proceedings relate to U.S. Dollar (USD) Libor, British Pound Sterling (GBP) Libor, Japanese Yen (JPY) Libor, Tibor (note: Rabobank was never a member of the Tibor panel) and Euribor. Rabobank and/or its subsidiaries have also received complaints and writs of summons ordering Rabobank to appear before various Dutch, Argentine, United Kingdom, Irish, and Israeli courts in civil proceedings (including class action suits) relating to interest rate benchmarks. Since the civil proceedings set out above are intrinsically subject to uncertainties, it is difficult to predict their outcome. Rabobank takes the stance that it has substantive and convincing legal and factual defences against these claims. Rabobank intends to continue to defend itself against these claims. Rabobank considers the Libor/Euribor group of cases to be a contingent liability because the probability of an outflow of funds is neither probable nor remote. No provision has been made.

Other Cases

Rabobank is subject to other legal proceedings for which provisions have been recognized. These cases are individually less significant in size and are therefore not separately disclosed (as discussed above). The total provision for these cases amounts to EUR 64 million (December 31, 2020: EUR 73 million). The maximum amount of non-remote measurable contingent liabilities relating to claims is EUR 221 million (December 31, 2020: EUR 474 million).

10. Reserves and Retained Earnings

The reserves and retained earnings can be broken down as follows:

Reserves and Retained Earnings

Amounts in millions of euros	*June 30, 2021*	*December 31, 2020*	*June 30, 2020*
Foreign currency translation reserves	(1,155)	(1,412)	(996)
Revaluation reserve – Financial assets at fair value through other comprehensive income	239	321	299
Revaluation reserve – Cash flow hedges	(26)	(47)	(26)
Revaluation reserve – Costs of hedging	72	36	33
Revaluation reserve – Assets held for sale	-	-	(26)
Remeasurement reserve – Pensions	(188)	(171)	(153)
Revaluation reserve – Fair value changes due to own credit risk on financial liabilities designated at fair value	(114)	(109)	(61)
Retained earnings	31,118	29,234	28,988
Total reserves and retained earnings	**29,946**	**27,852**	**28,058**

11. Issue and Redemption of Equity Instruments in the First Half of 2021

In the first half of 2021, Rabobank issued Capital Securities for an amount of EUR 750 million. The coupon is 3.10% per year and was made payable semi-annually in arrears as of the issue date (April 21, 2021) for the first time on June 29, 2021. The Capital Securities are perpetual and first redeemable on June 29, 2028. As of June 29, 2028, and subject to Capital Securities not being redeemed early, the distribution is set for a five-year period, but without a step-up, based on the five-year euro swap rate + 3.234%. The coupon is fully discretionary.

Rabobank issued the EUR 1,250 million Capital Securities on April 16, 2016. In accordance with the Terms and Conditions of these Capital Securities, Rabobank redeemed these Capital Securities on the first call date, of June 29, 2021.

12. Fair Value of Financial Assets and Liabilities

This section should be read in conjunction with Section 4.9, "Fair Value of Financial Assets and Liabilities" of the 2020 Consolidated Financial Statements, which provides more detail about the adopted accounting policies, valuation methodologies used to calculate fair value and the valuation control framework governing the oversight of valuations. No changes have occurred to either the adopted accounting policies or the valuation methodologies applied.

The following table shows the fair value of financial instruments, recognized at amortized cost on the basis of the valuation methods and assumptions detailed below. Fair value represents the price that would have been received for the sale of an asset or that would have been paid in order to transfer a liability in a standard transaction conducted between market participants on the valuation date. For fair value measurement, Rabobank assumes that the transaction to sell the asset or transfer the liability is conducted in the principal market for the asset or liability or in the most advantageous market if there is no principal market.

Market prices are not available for a large number of the financial assets and liabilities that Rabobank holds or issues. For these financial instruments, the fair values shown in the following table have been estimated using the present value techniques or the results of other estimation and valuation methods, based on the market conditions on the reporting date. The values produced using these methods are highly sensitive to the underlying assumptions used for the amounts as well as for the timing of future cash flows, discount rates, and possible market illiquidity.

Fair Value of Financial Instruments Measured at Amortized Cost in the Statement of Financial Position

	June 30, 2021		*December 31, 2020*	
Amounts in millions of euros	*Carrying amount*	*Fair value*	*Carrying amount*	*Fair value*
Assets				
Cash and cash equivalents	123,792	123,792	108,466	108,474
Loans and advances to credit institutions	25,883	25,930	21,383	21,388
Loans and advances to customers	437,863	451,998	436,182	452,017
Liabilities				
Deposits from credit institutions	75,473	75,414	61,162	61,065
Deposits from customers	376,859	381,678	361,028	366,903
Debt securities in issue	110,573	111,865	113,521	115,351
Subordinated liabilities	11,884	13,738	13,486	15,716

The figures stated in the table represent management's best possible estimates on the basis of a range of methods and assumptions. If a quoted price on an active market is available, this is the best estimate of fair value.

If no quoted prices on an active market are available for fixed-term securities, equity instruments, derivatives, or commodity instruments, we base the expected fair value on the present value of future cash flows, discounted at market rates which correspond to the credit ratings and terms to maturity of these investments. A model-based price can also be used to determine fair value. Rabobank's policy is to have independent expert staff validate all models used for valuing financial instruments. These employees may not be responsible for determining the fair values of the financial instruments.

In determining market values or fair values, various factors have to be considered. These factors include the time value of money, volatility, underlying options, and credit quality of the counterparty. The valuation process has been designed in such a way that periodically available market prices are systematically used. Modifications to assumptions might affect the fair value of financial assets and liabilities held for trading and non-trading purposes.

The following table illustrates the fair value hierarchy used to determine the fair value of financial assets and liabilities. The breakdown is as follows:

- Level 1: Quoted prices on active markets for identical assets or liabilities; an "active market" is one in which transactions relating to the asset or liability occur with sufficient frequency and volume to provide price information on a permanent basis.
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability not based on observable market data.

For recurrent valuations of financial instruments at fair value, Rabobank determines when transfers between the various categories of the fair value hierarchy occurred by reassessing the level at the end of each reporting period.

Fair Value Hierarchy of Financial Assets and Liabilities Measured at Fair Value in the Statement of Financial Position

Amounts in millions of euros	*Level 1*	*Level 2*	*Level 3*	*Total*
On June 30, 2021				
Assets carried at fair value in the statement of financial position				
Financial assets held for trading	2,032	166	620	2,818
Financial assets designated at fair value	-	-	2	2
Financial assets mandatorily at fair value	20	732	1,775	2,527
Derivatives	82	23,447	72	23,601
Financial assets at fair value through other comprehensive income	11,999	2,787	264	15,050
Non-current assets held for sale	-	-	105	105
Liabilities carried at fair value in the statement of financial position				
Derivatives	78	20,546	41	20,665
Financial liabilities held for trading	1,246	-	-	1,246
Financial liabilities designated at fair value	-	4,405	-	4,405
Amounts in millions of euros				
On December 31, 2020				
Assets carried at fair value in the statement of financial position				
Financial assets held for trading	1,950	86	500	2,536
Financial assets designated at fair value	-	-	1	1
Financial assets mandatorily at fair value	16	704	1,355	2,075
Derivatives	22	29,558	58	29,638
Financial assets at fair value through other comprehensive income	12,774	2,460	261	15,495
Non-current assets held for sale	-	-	52	52
Liabilities carried at fair value in the statement of financial position				
Derivatives	21	28,353	28	28,402
Financial liabilities held for trading	998	-	-	998
Financial liabilities designated at fair value	-	5,175	-	5,175

The next table shows the movements in financial instruments which are carried at fair value in the statement of financial position, and which are classified in Level 3. The fair value adjustments in Level 3 which are included in equity are accounted for in the revaluation reserves for financial assets at fair value through comprehensive income.

Financial Instruments at Fair Value in Level 3

Amounts in millions of euros	*Balance on January 1, 2021*	*Fair value changes incorporated in profit or loss*	*Fair value changes incorporated in OCI*	*Purchases*	*Sales*	*Settlements*	*Transfers to or from Level 3*	*Transfers to Held for sale*	*Balance on June 30, 2021*
Assets									
Financial assets held for trading	500	11	-	572	(463)	-	-	-	620
Financial assets designated at fair value	1	-	-	2	(1)	-	-	-	2
Financial assets mandatorily at fair value	1,355	321	-	154	(55)	-	-	-	1,775
Derivatives	58	30	-	-	-	(16)	-	-	72
Financial assets at fair value through other comprehensive income	261	-	2	6	(5)	-	-	-	264
Liabilities									
Derivatives	28	29	-	-	-	(16)	-	-	41
Financial liabilities designated at fair value	-	-	-	-	-	-	-	-	-

Amounts in millions of euros	*Balance on January 1, 2020*	*Fair value changes incorporated in profit or loss*	*Fair value changes incorporated in OCI*	*Purchases*	*Sales*	*Settlements*	*Transfers to or from Level 3*	*Transfers to Held for sale*	*Balance on December 31, 2020*
Assets									
Financial assets held for trading	74	(10)	-	462	(26)	-	-	-	500
Financial assets designated at fair value	1	-	-	-	-	-	-	-	1
Financial assets mandatorily at fair value	1,213	(33)	-	254	(79)	-	-	-	1,355
Derivatives	114	4	-	-	-	(59)	(1)	-	58
Financial assets at fair value through other comprehensive income	226	-	-	2	(16)	-	49	-	261
Liabilities									
Derivatives	66	21	-	-	-	(59)	-	-	28
Financial liabilities designated at fair value	-	-	-	-	-	-	-	-	-

The amount of total gains or losses recognized in the income statement relating to the assets and liabilities in Level 3 is given in the following table.

Amounts in millions of euros	*Instruments held at the end of the reporting period*	*Instruments no longer held at the end of the reporting period*	*Total*
On June 30, 2021			
Assets			
Financial assets held for trading	11	-	11
Financial assets designated at fair value	-	-	-
Financial assets mandatorily at fair value	308	13	321
Derivatives	20	10	30
Financial assets at fair value through other comprehensive income	-	-	-
Liabilities			
Derivatives	19	10	29
Financial liabilities designated at fair value	-	-	-
On December 31, 2020			
Assets			
Financial assets held for trading	(11)	1	(10)
Financial assets designated at fair value	-	-	-
Financial assets mandatorily at fair value	(33)	-	(33)
Derivatives	(6)	10	4
Financial assets at fair value through other comprehensive income	-	-	-
Liabilities			
Derivatives	11	10	21
Financial liabilities designated at fair value	-	-	-

The potential effect before taxation, if more favorable reasonable assumptions are used for the valuation of the financial instruments in Level 3 on the income statement, is EUR 134 million (December 31, 2020: EUR 118 million) and on other comprehensive income EUR 3 million (December 31, 2020: EUR 5 million). The potential effect before taxation, if more unfavorable reasonable assumptions are used for the valuation of Level 3 financial instruments on the income statement, is EUR -135 million (December 31, 2020: EUR -119 million) and EUR -2 million (December 31, 2020: EUR -2 million) on other comprehensive income.

Financial assets at fair value in Level 3 mainly include private equity interests. The total amount of these Level 3 financial assets at fair value is EUR 1,629 million (December 31, 2020: EUR 1,254 million). A significant unobservable input for the valuation of the private equity interests is the multiplier which is applied to the EBITDA. The average weighted multiplier is 9.9 (December 31, 2020: 7.8), with a range of -1 (unfavorable) and +1 (favorable).

13. Related Parties

Two parties are considered related if one party exercises control or has significant influence over the other party regarding financial or operating decisions. In the normal course of business, Rabobank conducts a wide variety of transactions with related entities. These involve different types of loans, deposits, and transactions in foreign currencies. Transactions between related parties also includes transactions with associates, pension funds, joint ventures, the Managing Board, and the Supervisory Board. These transactions are conducted under commercial terms and conditions and against market prices. No related party transactions occurred in the first half of 2021 that have materially affected Rabobank's financial position or performance during this period.

14. Interest Rate Benchmark Reform

In prior years the reliability and robustness of the IBORs - the key interbank benchmark interest rate- has been questioned, due to cases of attempted manipulation and the decline of liquidity in interbank unsecured funding markets. In 2014 the Financial Stability Board issued a report with its recommendations on interest rate benchmarks that triggered the benchmark reform. The IBORs are expected to be phased out by the end of 2021 with the possibility that some tenors of USD Libor be extended until June 30, 2023. The IBORs will be replaced by risk free rates (RFRs), which are more liquid and anchored in active markets rates.

Rabobank has created a program to lead the bank through the transition from the current benchmark rates to the reformed benchmarks. The program provides a robust governance structure which oversees design and execution of the transition in the businesses with monthly updates to the design board. The design board is the central authority with the mandate to ratify policies and design choices proposed by its members.

During this year the program has initiated and aims to complete the repapering of the IBOR legacy contracts especially for the GBP, JPY, CHF currencies, and EONIA, which will cease on January 1 and 3, 2022. Rabobank is progressing as planned to finalize the IT operational readiness for the outstanding new RFR products.

The following table contains details of the financial instruments that Rabobank held on June 30, 2021 with reference to EONIA, EUR Libor, GBP Libor or USD Libor, and that have not yet transitioned to their alternative interest rate benchmarks. The amount of financial instruments that have been repapered before June 30, 2021 is negligible.

Financial Instruments currently exposed to IBORs

Amounts in millions of euros	*Carrying amount*	*Of which: matures after transition date*
On June 30, 2021		
Assets currently exposed to EONIA and EUR Libor		
Non-Derivative financial assets	3,778	974
- Current accounts	-	-
- Other loans and advances to customers	17	17
- Other non-derivative assets	3,761	957
Liabilities currently exposed to EONIA and EUR Libor		
Non-Derivative financial liabilities	444	300
- Deposits from customers	35	35
- Other non-derivative liabilities	409	265
	Notional amount	*Of which: matures after transition date*
Derivatives	143,291	79,577
Assets currently exposed to USD Libor	*Carrying amount*	*Of which: matures after transition date*
Non-Derivative financial assets	32,754	12,309
- Current accounts	143	143
- Other Loans and advances to customers	32,061	12,166
- Other non-derivative assets	550	0
Liabilities currently exposed to USD Libor		
Non-Derivative financial liabiliities	7,635	2,283
- Deposits from customers	4,421	2,072
- Other non-derivative liabilities	3,214	211
	Notional amount	*Of which: matures after transition date*
Derivatives	547,855	346,964
Assets currently exposed to GBP Libor	*Carrying amount*	*Of which: matures after transition date*
Non-Derivative financial assets	1,549	1,135
- Current accounts	16	16
- Other Loans and advances to customers	1,512	1,119
- Other non-derivative assets	21	-
Liabilities currently exposed to GBP Libor		
Non-Derivative financial liabilities	285	250
- Deposits from customers	250	250
- Other non-derivative liabilities	35	-
	Notional amount	*Of which: matures after transition date*
Derivatives	39,203	37,589

Hedge Accounting Directly Affected by Interest Rate Benchmark Reform

The Phase 1 amendments address the uncertainty in the period before the actual interest rate benchmark reform takes place. The hedge accounting relationship is affected by interest rate benchmark reform only if the reform gives rise to uncertainties about:

(a) the interest rate benchmark (contractually or non-contractually specified) designated as a hedged risk; and/or

(b) the timing or the amount of interest rate benchmark-based cash flows of the hedged item or of the hedging instrument.

Rabobank is of the opinion that the uncertainty only arises when there is a liquidity switch point and/or when there is a trigger/ cessation event. On March 5, 2021, the FCA announced the cessation of Libor. As of this date Rabobank applies the Phase 1 amendments which modify specific hedge accounting requirements. Rabobank assumes that the interest rate benchmark is not altered as a result of the interest rate benchmark reform and that the interest benchmark designated as hedged risk was separately identifiable at inception. Any uncertainty arising from the reform should end when the IBORs legacy contracts are repapered completely.

The table below indicates the nominal amounts and maturities of the derivatives and the hedged risks in hedge accounting relationships that are affected by the IBOR reform. We note that only IBORs that are included in the cessation announcement are included. The interest rate swaps designated in the hedge accounting relationships provide a close approximation of the extent of the designated hedged risk (floating leg Libor of the swap) impacted by the reform. The cross currency interest rate swaps designated in hedge relationships are not affected by the IBOR reform as these are fixed foreign currency to floating Euribor swaps. However, the hedged risk (Libor of respective fixed leg currency of the swap) in these hedge accounting relationships is affected by the IBOR reform.

Derivatives and Hedged Risks in Hedge Accounting Relationships affected by the IBOR Reform

Amounts in million of euros	*Nominal amount per maturity bucket*			
	Less than 1 year	*1 - 5 years*	*Longer than 5 years*	*Total*
On June 30, 2021				
Interest rate swaps				
GBP Libor 3 months	-	-	117	117
USD Libor 3 months	94	2,548	5,211	7,853
USD Libor 6 months	-	-	169	169
Total	**94**	**2,548**	**5,497**	**8,139**
Cross currency interest rate swaps				
CHF Libor to EUR 3 months	456	-	351	807
CHF Libor to EUR 6 months	-	205	273	478
GBP Libor to EUR 3 months	583	699	2,613	3,895
GBP Libor to EUR 6 months	-	829	-	829
JPY Libor to EUR 3 months	-	1,025	128	1,153
USD Libor to EUR 3 months	-	-	727	727
USD Libor to EUR 6 months	-	632	-	632
Total	**1,039**	**3,390**	**4,092**	**8,521**

15. Credit Related Contingent Liabilities

Credit related contingent liabilities represent the unused portions of funds authorized for granting credit in the form of loans, financial guarantees, letters of credit, and other lending related financial instruments. The credit related contingent liabilities are EUR 68 billion (December 31, 2020: EUR 65 billion). The contingent liabilities related to litigation are disclosed in Section 9, "Legal and Arbitration Proceedings".

16. Anti-Money Laundering, Counter Terrorism Financing & Sanctions

Rabobank’s role as a gatekeeper to the financial system is a top priority for the bank. Rabobank is furthering a foundation for compliance with applicable laws and regulations and good customer service. Rabobank has substantially improved KYC activities and increased investments in KYC compliance in recent years. The bank operates a KYC program to enhance the quality of client files and data to identify (potential) criminal activity. The execution of this program falls under the direct responsibility of the Managing Board. The Supervisory Board has set up a (temporary) committee to monitor progress of the program. Going forward, DNB will also continue to supervise Rabobank’s KYC program.

Despite Rabobank's efforts, DNB determined that Rabobank did not meet the requirements of the Dutch Anti-Money Laundering and Anti-Terrorist Financing Act (Wwft). While Rabobank has made improvements, much still remains to be done. Rabobank will therefore continue its dedication to, and investment in its KYC program.

Since the start of 2021, Rabobank has onboarded and trained an additional workforce of more than 500 KYC employees in the Retail Netherlands domain, increasing the total number of individuals dedicated to KYC activities worldwide to approximately 4,500. Rabobank will continue to substantially invest in training for all staff. Furthermore, Rabobank adjusted its commercial policies in alignment with the bank's adjusted risk appetite. Rabobank will also continue to invest in its KYC activities and advanced technology, which will increasingly enable us to detect transaction patterns that would otherwise not be visible or would not be detected as unusual. Rabobank will stay focused on quality assurance and increasing the effectiveness and efficiency of processes.

Moreover, Rabobank will promote even closer cooperation between banks and various parties in the public sector. This joint effort is essential in reinforcing our common fight against financial and economic crime. In 2021, collective transaction monitoring in TMNL started with commercial payment transactions. TMNL is a joint initiative of five Dutch banks: Rabobank, ABN AMRO, ING, Triodos Bank, and de Volksbank. This collective initiative enables these banks to improve their detection of complex criminal money flows and networks. This will strengthen the stance of Dutch society in the fight against money laundering and terrorist financing.

17. Non-Current Assets Held for Sale

The non-current assets held for sale amount to EUR 105 million (December 31, 2020: EUR 52 million) and include various types of real estate in the segments Domestic Retail Banking and Property Development for an amount of EUR 79 million. The carrying values are expected to be realized through sale rather than through continuing use.

18. Business Segments

The business segments Rabobank uses in its reporting are defined from a management viewpoint. This means that the segments are reviewed as part of the strategic management of Rabobank and are used to make business decisions with different risks and returns.

Rabobank distinguishes five major business segments: Domestic Retail Banking (DRB); Wholesale & Rural (W&R); Leasing; Property Development; and Other Segments.

- DRB mainly encompasses the activities of the local Rabobanks, Obvion, and Financial Solutions.
- W&R supports wholesale activities in the Netherlands and focuses on the Food & Agri sectors internationally. This segment develops corporate banking activities and also controls globally operating divisions such as Markets, Leverage Lending, Corporate Lending, Export Finance, Project Finance, Trade & Commodity Finance, Value Chain Finance, Advisory and Rabo Investments. The segment also contains international rural operations under the Rabobank label.
- In the Leasing segment, DLL is responsible for leasing activities and offers a wide range of leasing products. DLL supports manufacturers, vendors, and distributors globally in their sales with products relevant to asset financing.
- Property Development mainly encompasses the activities of BPD. The core activity is the development of housing.
- Other segments within Rabobank include various subsegments of which no single segment meets the criteria for separate disclosure. This segment mainly comprises the financial results of investments in associates (in particular Achmea BV), Treasury, and Head Office operations.

There are no customers who represent more than a 10% share in Rabobank's total revenues. Transactions between the various business segments are conducted under regular commercial terms. Other than operating activities, no other material comprehensive income exists between the business segments. The financial reporting principles used for the segments are identical to those described in the "Basis for Preparation" section. As management primarily relies on net interest income to assess the performance of the segments and to make decisions about resources to be allocated to the segment, the segment’s interest income is presented net of its interest expense.

Business Segments

Amounts in millions of euros	*Domestic Retail Banking*	*W&R*	*Leasing*	*Property Development*	*Other Segments*	*Consolidation Effects*	*Total*
First half-year 2021							
Net interest income	2,364	1,177	558	(10)	42	(1)	4,130
Net fee and commission income	713	216	53	-	(4)	15	993
Other results	45	462	140	147	187	8	989
Income	**3,122**	**1,855**	**751**	**137**	**225**	**22**	**6,112**
Staff costs	1,230	607	269	48	160	(35)	2,279
Other administrative expenses	440	177	90	16	(16)	13	720
Depreciation and amortization	65	48	13	4	4	44	178
Operating expenses	**1,735**	**832**	**372**	**68**	**148**	**22**	**3,177**
Impairment charges on financial assets	(248)	8	(36)	-	2	-	(274)
Regulatory levies	195	126	28	1	18	-	368
Operating profit before tax	**1,440**	**889**	**387**	**68**	**57**	**-**	**2,841**
Income tax	360	196	107	17	2	(1)	681
Net profit	**1,080**	**693**	**280**	**51**	**55**	**1**	**2,160**
Cost/income ratio including regulatory levies (in %)[1]	61.8	51.6	53.3	50.4	n/a	n/a	58.0
Impairment charges on financial assets (in basis points of average private sector loan portfolio)[2]	(18)	2	(21)	n/a	n/a	n/a	(13)
External assets	278,064	136,670	37,191	3,298	195,774	-	650,997
Goodwill	322	-	-	-	-	-	322
Private sector loan portfolio	273,737	107,172	33,025	98	165	-	414,197

1 Operating expenses plus regulatory levies divided by income.

2 Annualized impairment charges on financial assets divided by the 6-month average of the private sector loan portfolio.

Amounts in millions of euros	*Domestic Retail Banking*	*W&R*	*Leasing*	*Property Development*	*Other Segments*	*Consolidation Effects*	*Total*
Impairment allowances on financial assets and credit related contingent liabilities							
Balance on January 1, 2021	**2,393**	**1,849**	**602**	**-**	**-**	**-**	**4,844**
Increases due to origination and acquisition	69	15	63	-	-	-	147
Decreases due to derecognition	(190)	(79)	(19)	-	-	-	(288)
Changes due to change in credit risk	(104)	81	(62)	-	-	-	(85)
Write-off of defaulted loans during the year	(216)	(70)	(87)	-	-	-	(373)
Other adjustments	(3)	48	5	1	-	-	51
Balance on June 30, 2021	**1,949**	**1,844**	**502**	**1**	**-**	**-**	**4,296**
Impairment allowance 12-month ECL	208	192	116	-	-	-	516
Impairment allowance lifetime ECL non-credit impaired	545	186	140	-	-	-	871
Impairment allowance lifetime ECL credit-impaired	1,196	1,466	246	1	-	-	2,909
Balance on June 30, 2021	**1,949**	**1,844**	**502**	**1**	**-**	**-**	**4,296**

Amounts in millions of euros	*Domestic Retail Banking*	*W&R*	*Leasing*	*Property Development*	*Other Segments*	*Consolidation Effects*	*Total*
First half-year 2020							
Net interest income	2,392	1,145	550	(4)	(1)	(2)	4,080
Net fee and commission income	665	157	53	1	(3)	(8)	865
Other results	(3)	81	148	110	(73)	4	267
Income	**3,054**	**1,383**	**751**	**107**	**(77)**	**(6)**	**5,212**
Staff costs	1,326	633	275	44	98	(25)	2,351
Other administrative expenses	372	72	97	16	40	(43)	554
Depreciation and amortization	64	40	13	4	9	66	196
Operating expenses	**1,762**	**745**	**385**	**64**	**147**	**(2)**	**3,101**
Impairment charges on financial assets	471	698	272	1	-	-	1,442
Regulatory levies	149	92	18	1	42	-	302
Operating profit before tax	**672**	**(152)**	**76**	**41**	**(266)**	**(4)**	**367**
Income tax	167	26	29	11	(93)	-	140
Net profit	**505**	**(178)**	**47**	**30**	**(173)**	**(4)**	**227**
Cost/income ratio including regulatory levies (in %)[1]	62.6	60.5	53.7	60.7	n/a	n/a	65.3
Impairment charges on financial assets (in basis points of average private sector loan portfolio)[2]	35	124	153	n/a	n/a	n/a	69
As per 31 December 2020							
External assets	275,524	135,457	36,073	3,191	182,013	-	632,258
Goodwill	322	-	-	-	-	-	322
Private sector loan portfolio	271,262	105,889	31,911	119	199	-	409,380

1 Operating expenses plus regulatory levies divided by income.

2 Annualized impairment charges on financial assets divided by the 6-month average of the private sector loan portfolio.

Amounts in millions of euros	*Domestic Retail Banking*	*W&R*	*Leasing*	*Property Development*	*Other Segments*	*Consolidation Effects*	*Total*
Impairment allowances on financial assets and credit related contingent liabilities							
Balance on January 1, 2020	**2,124**	**1,596**	**357**	**14**	**-**	**-**	**4,091**
Increases due to origination and acquisition	199	62	124	-	-	-	385
Decreases due to derecognition	(349)	(152)	(24)	(15)	-	-	(540)
Changes due to change in credit risk	829	975	342	2	-	-	2,148
Write-off of defaulted loans during the year	(417)	(487)	(183)	-	-	-	(1,087)
Other adjustments	7	(145)	(14)	(1)	-	-	(153)
Balance on December 31, 2020	**2,393**	**1,849**	**602**	**-**	**-**	**-**	**4,844**
Impairment allowance 12-month ECL	312	241	205	-	-	-	758
Impairment allowance lifetime ECL non-credit impaired	599	136	129	-	-	-	864
Impairment allowance lifetime ECL credit-impaired	1,482	1,472	268	-	-	-	3,222
Balance on December 31, 2020	**2,393**	**1,849**	**602**	**-**	**-**	**-**	**4,844**

19. Events After Reporting Date

There were no subsequent events to be disclosed.

Managing Board Responsibility Statement

The Managing Board of Coöperatieve Rabobank U.A. (Rabobank) hereby declares that, to the best of its knowledge:

These Interim Financial Statements give a true and fair view of Rabobank and the companies included in the consolidation's assets, liabilities, financial position, and profit or loss. This Interim Report gives a true and fair view of the information required of Rabobank and the companies included in the consolidation pursuant to Section 5:25d, paragraphs 8 and 9 of the Dutch Financial Supervision Act.

Wiebe Draijer, *Chairman*
Bas Brouwers, *CFO*
Els de Groot, *CRO*
Kirsten Konst, *member*
Bart Leurs, *member*
Mariëlle Lichtenberg, *member*
Berry Marttin, *member*
Ieko Sevinga, *member*
Janine Vos, *member*

Utrecht, August 10, 2021

pwc

Review report

To: the general members' council and supervisory board of Coöperatieve Rabobank U.A.

Introduction

We have reviewed the accompanying condensed consolidated interim financial information for the six-month period ended 30 June 2021 of Coöperatieve Rabobank U.A., Amsterdam, which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of income, the condensed consolidated statement of comprehensive income, the consolidated statement of changes in equity, the condensed consolidated statement of cash flows for the period then ended and selected explanatory notes. The managing board is responsible for the preparation and presentation of this condensed interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope

We conducted our review in accordance with Dutch law including standard 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information for the six-month period ended 30 June 2021 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

Amsterdam, 10 August 2021
PricewaterhouseCoopers Accountants N.V.

This document is electronically signed by:
Jeroen M. de Jonge

J.M. de Jonge RA

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Colophon

Published by
Rabobank Communications & Corporate Affairs

Reporting
As part of its report Rabobank published the following documents in 2021:

- Management Report and Corporate Governance Report 2020
- Consolidated Financial Statements 2020 Rabobank
- Company Financial Statements 2020 Rabobank
- Capital Adequacy and Risk Management Report 2020 (Pillar 3)
- Interim Report 2021
- Capital Adequacy and Risk Management Report June 2021 (Pillar 3)

These reports are available online at www.rabobank.com/annualreports and www.rabobank.com/jaarverslagen.

Contact
Rabobank has exercised the utmost care in the preparation of this Interim Report. If you have questions or suggestions on how we can improve our reporting, please send them by email to jaarverslagen@rabobank.nl.

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Interim Report 2021 Rabobank
August 2021
www.rabobank.com/annualreports

Rabobank