Interim Report 2020

Banking Together in COVID-19 Times

Rabobank

Growing a better world together.

Chairman's Foreword

Rabobank Supported 80,000 Clients in COVID-19 Times

In the first half of 2020 the COVID-19 situation had a major impact on our bank and our customers. We provided temporary financial relief to a total of approximately 80,000 customers (7,500 private customers and 72,500 business clients), maintained our strong capital and liquidity position and posted a modest positive net result of 227 million.

Never before have we faced such rapidly changing circumstances as in this first half year, due to COVID-19. Its impact has been enormous. First and foremost, it caused a health crisis and massive suffering across the world. It also hit the economy hard. Our customers and all our employees have been affected by multiple aspects of the corona virus, sometimes facing profound and far-reaching impacts. Moreover, the pandemic is not over yet. It is our mission *Growing a better world together* that guides us to support our clients through rough times and remain focused on the well-being of our employees. The biggest support that we can give the community is by helping our clients and employees adapt to the new reality and, by doing so, support the economy.

As a result of consistent execution of strategy, our bank was in a strong position when the outbreak started. Our strong buffers will help us see us through this difficult period and to support our customers and the economy. We were able to quickly adapt to the new reality and continued delivering services to our customers mainly through digital channels. In addition, we provided temporary financial relief to our customers through, for instance, payment holidays for loan instalments and repayments, payment holidays for lease payments and no forced home sales due to arrears. Also, our IBAN-name check service SurePay (Rabo Moonshot venture) is being used by the Dutch and UK government to verify that COVID-19 payments are distributed to the right beneficiaries.

Central banks have been taking several measures to support the economy as well. The purpose of these measures is to fund housholds, SME's and corporate customers in need of extra liquidity. In March 2020, the European Central Bank (ECB) issued a recommendation to banks not to pay dividends until at least October 1, 2020. The ECB updated this recommendation on July 27, 2020 and extended this period to January 1, 2021. Rabobank is adhering to both recommendations, which means that we will not pay any cash distributions on the Rabobank Certificates during the full year 2020. The updated recommendation itself does not preclude Rabobank from making a distribution in the form of Rabobank Certificates. We will carefully and assess such forms of distributions at our full discretion. We want to emphasize that we remain committed to our longstanding relationship with both retail and institutional investors.

We saw an increased use of digital services by our customers in these unprecedented times. We were able to quickly deploy our online credit platform to ensure a rapid automated response to requests for payment holidays from SMEs. Online mortgage consultations became the norm within weeks. Another initiative worth mentioning was the *#supportyourlocalsNL* campaign in which Rabobank is a partner: the idea is to encourage people to sustain and support local food producers by setting up short food supply chains. Our efforts to promote sustainability worldwide were recognized by Sustainalytics who once again rated Rabobank number 1 among a group of 374 diversified banks.

Working from home has become the new normal. Our employees have quickly adapted to online meetings and events as part of everyday working life. We expect this transition to stick. The COVID-19 crisis has taught us that the "old normal" of going to work or going home all at the same time in a full train or getting stuck in traffic was not that normal. We have seen that working can be done more effectively from home. We thank all of our employees for their boundless efforts and flexibility in the face of all the challenges that COVID-19 presented to each and every one of us.

We will continue to give top priority to our role as gatekeeper of the financial system. A great milestone was the establishment of Transaction Monitoring Netherlands (TMNL). Within TMNL, we will join other Dutch banks in a concerted effort against financial crime on top of our own transaction monitoring initiatives. We are also continuing our collaboration within the Public Private Partnerships around themes such as Trade Based Money Laundering. We will stay keenly focused on working towards a robust and future-proof KYC-structure and organization.

An evaluation by 'De Nederlandsche Bank' (DNB) regarding Rabobank's compliance with the terms of DNB's injunction on this topic is ongoing. It is not yet certain when DNB's investigation will be completed or what the outcome will be.

Financial Performance

Our net result for the first half year 2020 was EUR 227 million. This lower result compared to the same period in 2019 can be primarily attributed to the impact of COVID-19. The persistent low interest rate environment also played a role though. The effects of COVID-19 are reflected in the significantly higher loan impairment charges, which have increased to EUR 1,442 (H1 2019: 440) million, equivalent to 69 (H1 2019: 23) basis points of the average loan portfolio. We remain the mortgage market leader in the Netherlands with a market share of 22%. Income was down due to lower economic activity and negative asset revaluations driven by the COVID-19 pandemic. Operating costs continued on their downward trend, thanks in part to the deconsolidation of RNA in the United States. in 2019. The cost/income ratio rose to 65.3%.

The loan portfolio remained relatively stable at EUR 415.4 billion. Thanks to our strategic focus the Food & Agri loan portfolio grew by EUR 1.1 billion to EUR 108.3 billion. Rabobank remains the mortgage market leader in the Netherlands with a market share of 22%. Deposits from retail and wholesale customers rose by EUR 23.0 billion (+8%) in the first half of 2020. This is in line with the general trend in the Dutch savings market related to the impact of COVID-19 and includes the seasonal impact of holiday allowances.

Our capital position remains robust with a common equity tier 1 (CET 1) ratio of 16.6%, which is well above the supervisory requirement and exceeds our own ambition of at least 14%. In turbulent times, our bank demonstrated yet again its ongoing strong access to funding and capital by issuing a number of transactions in different formats and currencies. The return on equity amounted to 1.1% (5.9% in the first half of 2019).

Outlook

The coming period will be marked by uncertainty. It is still not clear how the pandemic will develop in the second half of 2020, how long it will last, or what measures will be needed to bring the virus under control. The first wave of COVID-19 has shown the agility and resilience of our organization to adapt to the new reality. The measures we took during this period will help us adapt even faster if a second wave occurs.

Wiebe Draijer, Chairman of the Managing Board

In line with our mission of *Growing a better world together,* we will continue to help our customers weather this crisis. However, even the generous government support measures and our own initiatives will not be enough for everyone. We will see the impact of COVID-19 reflected in our full-year results for 2020 and we will remain focused on our costs. We will further strengthen the core of our business guided by our mission and clear strategic agenda. Finally, as a cooperative bank, we will continue to offer our customers initiatives and services that contribute to global transitions.

Wiebe Draijer,
Chairman of the Managing Board

Management Report

Contents

Key Figures

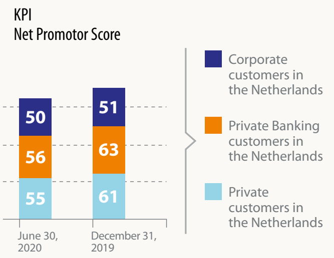
Amounts in millions of euros	*6-30-2020 2020-I*	*12-31-2019 2019*	*6-30-2019 2019-I*	*12-31-2018 2018*	*6-30-2018 2018-I*	*12-31-2017 2017*
Financial Key Figures						
Common equity tier 1 ratio	16.6%	16.3%	15.8%	16.0%	15.8%	15.5%
Total capital ratio	24.3%	25.2%	24.4%	26.6%	26.1%	26.2%
Leverage ratio	5.9%	6.3%	5.9%	6.4%	6.0%	6.0%
Risk-weighted assets	205,617	205,797	207,281	200,531	199,348	198,269
Wholesale funding	137,471	151,742	152,342	153,223	163,774	160,407
Cost/income ratio including regulatory levies	65.3%	63.8%	64.0%	65.9%	64.6%	71.3%
Underlying cost/income ratio including regulatory levies	64.3%	62.9%	61.6%	63.9%	62.9%	65.3%
Return on equity	1.1%	5.3%	5.9%	7.3%	8.5%	6.7%
Income	5,212	11,915	5,686	12,020	6,029	12,001
Operating expenses	3,101	7,115	3,369	7,446	3,611	8,054
Impairment charges on financial assets	1,442	975	440	190	-37	-190
Net profit	227	2,203	1,212	3,004	1,698	2,674
Total assets	620,117	590,598	606,834	590,437	607,845	602,991
Private sector loan portfolio	415,402	417,914	416,156	416,025	415,732	410,964
Deposits from customers	381,521	342,536	344,908	342,410	346,617	340,682
Liquidity Coverage ratio	160%	132%	124%	135%	136%	123%
Loan-to-deposit ratio	1.08	1.21	1.20	1.21	1.20	1.21
Non-performing loans	14,884	15,705	16,841	18,436	-	-
Non-Financial Key Figures						
Net promotor score private customers in the Netherlands	55	61	62	57	56	53
Net promotor score private banking customers in the Netherlands	56	63	65	61	60	50
Net promotor score Corporate Customers in the Netherlands	50	51	51	53	52	43
% Online active private customers in the Netherlands	65.1	64.0	62.9	61.8	-	-
% Online active corporate customers in the Netherlands	81.9	81.5	81.0	80.8	-	-
Availability of Internet Banking	99.8%	99.7%	99.8%	99.9%	99.8%	99.9%
Availability of Mobile Banking	99.8%	99.6%	99.8%	99.9%	99.8%	99.9%
Availability of iDEAL	99.9%	99.7%	99.8%	99.8%	-	-
Total sustainable financing	48,539	46,000	-	46,607	-	17,377
RepTrak pulse score	71.8	71.5	71.3	70.8	70.8	69.5
Member engagement score	53%	49%	46%	45%	47%	-
Community funds and donations	15.8	45.4	19.0	48.8	-	45.5
Employee engagement scan	70.4	64	61.5	61	-	-
Diversity: % Women employed in the Netherlands	50%	51%	51%	52%	-	-
Absenteeism in the Netherlands	3.5%	4.3%	-	4.3%	4.4%	4.0%
Ratings						
Standard & Poor's	A+	A+	A+	A+	A+	A+
Moody's	Aa3	Aa3	Aa3	Aa3	Aa3	Aa2
Fitch	AA-	AA-	AA-	AA-	AA-	AA-
DBRS	AA	AA	AA	AA	AA	AA
Sustainalytics ESG Risk Rating category diversified banks	1	1	2	1	-	-

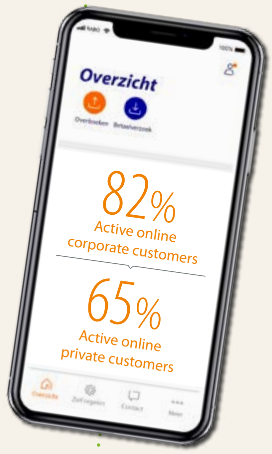
Rabobank's Strategic Pillars

Social Themes

- **Financial Health for Everyone:** 24% of consumers say Rabobank helps them to build a financially healthy future
- **Sustainable Growth for Entrepreneurs:** Impact loans EUR 85 million
- **Sustainable Food & Agri:** Funds to restructure Dairy & Horticulture sectors
- **Sustainable Housing for Everyone:** Sustainable mortgages EUR 30 billion

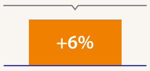
Net Promotor Score





Sustainable Financing

48,539
million



12-31-2019 46,000 million

Sustainability Performance of Clients (Client Photo)

Frontrunner Clients Wholesale (A-level)
27%

Frontrunner Clients Rabobank's Dutch Retail Banks (A-level)
11%

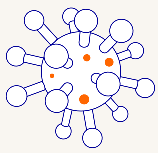
We measure the sustainability performance of our clients with an exposure over EUR 1 million in a client photo, using a rating scale of A to D.

Domestic Market Shares in %

33% savings

22% mortgages

COVID-19 related support



7,500 private customers supported by:
- Three-month payment holidays for mortgage loan instalments and consumer loan repayments
- No forced home sales due to arrears
- Lower interest rate for overdrafts on payment accounts and an extra three months for balance settlement

72,500 business clients supported by:
- Six-month payment holidays for principal repayments on loans
- Postponement of scheduled reductions of credit facilities
- Three-month payment holidays for lease payments

Excellent Customer Focus

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

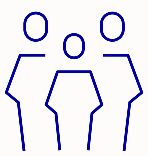
Meaningful Cooperative

Rabobank is committed to making a difference as a cooperative customer-driven bank, championing customer issues like sustainable food, financial health for everyone, sustainable housing, and the sustainable growth of entrepreneurs.

Community Funds and Donations

In the first six months of 2020, we allocated part of our net profit for future investments in local community initiatives in the Netherlands.

15.8
EUR million
June 30, 2019: 19.0 million



53%
Member Engagement Score
June 30, 2019: 46%

Projects & Funds

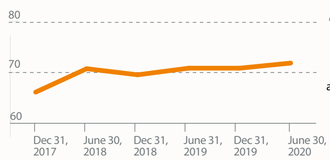
- **Fund for Young Farmers**
- **#supportyour localsNL**
- **Good Fashion Fund**
- **SHIFT III**
- **AGRI 3 Fund**
- **Biodiversity monitor**

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

RepTrak Score Reputation Management

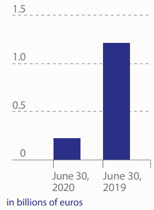


71.8
as of June 30, 2020

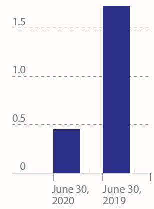
Financial Capital & Funding

Equity	Deposits from customers	Wholesale funding
39.7 billion	381.5 billion	137.5 billion
12-31-2019 41.3 billion	12-31-2019 342.5 billion	12-31-2019 151.7 billion

Net Profit 227 EUR million
as of June 30, 2020



Underlying Profit Before Tax 451 EUR million
as of June 30, 2020



Ambitions 2022 / Results 2020

as of June 30, 2020

	Ambitions 2022	Results 2020
Fully loaded CET1 ratio	>14%	16.6%
Profitability ROE	>6-7%	1.1%
Cost/income ratio including regulatory levies	low 60%	65.3%

Loan Book

	Private Sector Loan Portfolio	Volume of Loans to F&A	Volume of Loans to Trade, Industry and Services
EUR billion	415.4	108.3	115.9
12-31-2019	417.9 billion	107.2 billion	119.4 billion
Change	-1%	+1%	-2%

Ratings

S&P A+ | Moody's Aa3 | Fitch AA- | DBRS AA

Sustainalytics ESG Risk Rating 1 out of 374

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

Engagement Scan

70.4

84% of our employees like going to work at Rabobank

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

Diversity & Inclusion

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

83%

Percentage of women ...

- 40% in the Managing Board
- 33% in the first level below the Managing Board
- 50% employed

% of Employees...

- 77% is doing well during the COVID-19 crisis
- 88% is able to continue to deliver the same value as in the situation before the COVID-19 crisis

Number of Employees

Worldwide as of June 30, 2020

43,270 FTE

December 31, 2019 = 43,822

Our Performance

Rabobank

The COVID-19 pandemic had a significant impact on our results in the first half of 2020. In addition the persistent low interest rate environment continued to negatively impact our net interest income. Our income was lower than in the first half of 2019 and the current economic outlook resulted in materially higher impairment charges on financial assets (69 basis points). At the same time, we were able to further reduce our expenses. As a result net profit decreased to EUR 227 million.

Our results were impacted by exceptional items[1], resulting in an underlying operating profit before tax of EUR 451 (2019: 1,725) million. The decrease in underlying income increased our underlying cost/income ratio (including regulatory levies) to 64.3% (2019: 61.6%). Our return on equity (RoE) amounted to 1.1% (2019: 5.9%).

Our private sector loan portfolio remained stable and deposits form retail and wholesale customers rose by EUR 23.0 billion. Deposits at Domestic Retail Banking (DRB) increased by EUR 17.3 billion in the first half of 2020 following the general trend in the Dutch savings market related to the impact of COVID 19.

1 The exceptional items include the result on fair value items (as of 2020 this includes our hedge accounting results and the XVA income of our Markets division), the divestment of RNA, restructuring expenses and an additional provision for the derivatives recovery framework.

Rabobank's Financial Results

Results			
Amounts in millions of euros	*06-30-2020*	*06-30-2019*	*Change*
Net interest income	4,100	4,214	-3%
Net fee and commission income	845	923	-8%
Other results	267	549	-51%
Total income	**5,212**	**5,686**	**-8%**
Staff costs	2,351	2,392	-2%
Other administrative expenses	554	766	-28%
Depreciation and amortization	196	211	-7%
Total operating expenses	**3,101**	**3,369**	**-8%**
Gross result	**2,111**	**2,317**	**-9%**
Impairment charges on financial assets	1,442	440	228%
Regulatory levies	302	268	13%
Operating profit before tax	**367**	**1,609**	**-77%**
Income tax	140	397	-65%
Net profit	**227**	**1,212**	**-81%**
Impairment charges on financial assets (in basis points)	69	21	
Ratios			
Cost/income ratio including regulatory levies	65.3%	64.0%	
Underlying cost/income ratio including regulatory levies	64.3%	61.6%	
RoE	1.1%	5.9%	
Balance Sheet			
Amounts in billions of euros	*06-30-2020*	*12-31-2019*	
Total assets	620.1	590.6	5%
Private sector loan portfolio	415.4	417.9	-1%
Deposits from customers	381.5	342.5	11%
Number of internal employees (in FTEs)	34,583	34,451	0%
Number of external employees(in FTEs)	8,687	9,371	-7%
Total number of employees(in FTEs)	43,270	43,822	-1%

Notes to Rabobank's Financial Results

Net Profit Decreased to EUR 227 Million

In the first half of 2020, our net profit was pressured by lower income and materially higher impairment charges on financial assets. Net profit amounted to EUR 227 (2019: 1,212) million, which is 81% lower than last year. The divestment of our international retail activities in 2019 and the persistent low interest rate environment had a downward effect on our net interest income. Negative asset revaluations as a result of the COVID-19 pandemic had an additional negative impact on total income. The pandemic also had a material upward effect on impairment charges on financial assets, which increased to EUR 1,442 (2019: 440) million. The downward trend in operating expenses continued with 8% lower expenses, driven by the divestment of our international retail activities, which positively impacted net profit. The underlying operating profit before tax fell by EUR 1,274 million to EUR 451 million. Our underlying cost/income ratio – including regulatory levies – increased to 64.3% (2019: 61.6%).

Development of Underlying Operating Profit Before Tax			
Amounts in millions of euros		*06-30-2020*	*06-30-2019*
Income		**5,212**	**5,686**
	Fair value items	92	126
Adjustments to income	Divestment RNA	0	(175)
Underlying income		***5,304***	***5,637***
Operating expenses		**3,101**	**3,369**
	Restructuring expenses	(8)	28
	Derivatives framework	0	15
Adjustments to expenses	Divestment RNA	0	123
Underlying expenses		***3,109***	***3,203***
Underlying gross result		**2,195**	**2,434**
Impairment charges on financial assets		1,442	440
Adjustments to impairments	Divestment RNA	-	(1)
Underlying impairments charges		*1,442*	*439*
Regulatory levies		302	268
Operating profit before tax		**367**	**1,609**
Total adjustments		***84***	***116***
Underlying operating profit before tax		**451**	**1,725**

We retained EUR 93 (2019: 713) million of our net profit. Taxes amounted to EUR 140 (2019: 397) million, an effective tax rate of 38% (2019: 25%). The higher effective tax rate was mainly driven by taxes at W&R where losses were mainly registered in low tax regions (Asia) or were tax exempt, while positive results were shown in higher tax regions (Australia).

Income Decreased by 8%

Net Interest Income 3% Lower

Net interest income totaled EUR 4,100 (2019: 4,214) million. This 3% decrease was the result of the divestment of our international retail activities in 2019, while the persistent lower interest rate environment also pressured our net interest income. The low interest rates specifically impacted margins on savings and current accounts at Domestic Retail Banking (DRB), partly mitigated by sound and stable margins on new lending. The decrease in net interest income at Wholesale & Rural (W&R) is the result of retail activities divested in 2019 and no longer contributing to income in the first half of 2020. Corrected for this divestment, net interest income at W&R increased due to increasing commercial margins and higher lending volumes. The average net interest margin, calculated by dividing the net interest income by the average balance sheet total, changed from 1.40% in 2019 to 1.36% in 2020 due to a higher average balance sheet total driven by higher liquidity buffers and a decrease in net interest income.

Net Fee and Commission Income Impacted by COVID-19

Our net fee and commission income decreased by 8% to EUR 845 (2019: 923) million. At local Rabobanks, net fee and commission income on both payment accounts and insurance policies remained stable. At W&R, net fee and commission income decreased as COVID-19 resulted in lower economic activity. DLL's net fee and commission income decreased by 17% mainly as a result of lower asset management income and less syndication income.

Other Results Decreased by 51%

Other results decreased to EUR 267 (2019: 549) million. The COVID-19 pandemic required negative assets revaluations of our stake in Mechanics Bank and in our Corporate Investment division. The result on our stake in Achmea was lower which had a downward effect on other results. The decrease in other results was partly offset by a lower gross loss on fair value items: a loss of EUR 92 million in the first half of 2020 compared to a loss of EUR 126 million in the first half of 2019.

Operating Expenses Decreased by 8%

Staff Costs 2% Lower

In the first half of 2020, Rabobank's total staff numbers (including external hires) decreased by 552 FTEs to 43,270 (2019: 43,822) FTEs. At DRB, FTEs remained stable because decreases as a result of the introduction of a new operating model in the Netherlands were offset by FTE increases for Customer Due Diligence (CDD), transaction monitoring and digitalization. Driven by our divestments of retail operations, staff numbers at W&R decreased by 372 FTEs. Staff levels at DLL increased to accommodate business growth and provide extra staff to address customers needs arising from the COVID-19 pandemic. Staff costs decreased by 2% to EUR 2,351 (2019: 2,392) million.

Other Administrative Expenses Decreased by 28%

Total other administrative expenses decreased to EUR 554 (2019: 766) million. At DRB, W&R, and Property Development, administrative expenses were lower than in the first half of 2019. This decrease was driven by lower restructuring costs, lower expenses related to the SME derivatives recovery framework, and a VAT relief in the first half of 2020, partly off-set by a downward revaluation of property for own use. Lower other administrative expenses at W&R were driven by lower event and travel expenses and the divestment of our retail activities in 2019.

Depreciation and Amortization Down by 7%

Following property reduction at DRB, depreciation and amortization decreased to EUR 196 (2019: 211) million. This decrease was tempered by higher depreciation of internally generated software at W&R in the Netherlands and Australia.

Impairment Charges on Financial Assets

In the first six months of 2020 impairment charges on financial assets amounted to EUR 1,442 million. This represents an increase of EUR 1,002 million compared to the same period last year, which we largely attribute to the impact of the COVID-19 pandemic outbreak and the subsequent lockdown measures taken by governments to contain the spread of the coronavirus. On an annual basis impairment charges on financial assets amounted to 69 (2019: 21) basis points, which is far above the long-term average (period 2010-2019) of 29 basis points. Less optimistic macro-economic scenarios caused impairment charges in Stages 1 and 2 to increase to EUR 889 (2019: 239) million. The still modest increase in our level of defaulted/Stage 3 exposures was partly the result of measures we implemented to support clients combined with government emergency relief programs.

On June 30, 2020 the non-performing loans (NPL) decreased to EUR 14.8 (2019: 15.7) billion. The NPL ratio was 2.7% (2019: 3.0%) and the NPL Coverage ratio was 23% (2019: 20%). The decrease of NPL is mainly the result of proactive NPL management.

Balance Sheet Developments

Balance Sheet

Amounts in billions of euros	*06-30-2020*	*12-31-2019*
Cash and cash equivalents	85.4	63.1
Loans and advances to customers	444.3	440.5
Financial assets	21.4	17.4
Loans and advances to banks	22.7	29.3
Derivatives	29.6	23.6
Other assets	16.7	16.7
Total assets	**620.1**	**590.6**
Deposits from customers	381.5	342.5
Debt securities in issue	116.9	130.4
Deposits from banks	22.9	21.2
Derivatives	29.2	24.1
Financial liabilities	6.4	6.7
Other liabilities	23.5	24.4
Total liabilities	**580.4**	**549.3**
Equity	39.7	41.3
Total liabilities and equity	**620.1**	**590.6**

Private Sector Loan Portfolio Relatively Stable

Our private sector lending decreased slightly by EUR 2.5 billion to 415.4 EUR billion in June 2020. This decrease is fully attributable to FX effects, which when corrected for, increased the loan portfolio slightly. At DRB the mortgage portfolio stabilized, where strong new production has balanced out with the high level of early repayments. DRB's total private sector loan portfolio amounts to EUR 270.7 billion (2019: 271.2). W&R's loan portfolio decreased by EUR 0.9 billion and DLL's portfolio ended up EUR 0.8 billion lower than on December 31, 2019. Corrected for FX effects, both portfolios increased. The combined commercial real estate loan exposure over all segments amounted to EUR 19.8 (2019: 19.8) billion on June 30, 2020.

Loan Portfolio

Amounts in billions of euros	*06-30-2020*	*12-31-2019*
Total loans and advances to customers	**444.3**	**440.5**
Of which to government clients	3.1	2.0
Reverse repurchase transactions and securities borrowing	18.0	13.6
Interest rate hedges (hedge accounting)	7.8	7.0
Private sector loan portfolio	**415.4**	**417.9**
Domestic Retail Banking	270.7	271.2
Wholesale & Rural	111.5	112.4
Leasing	32.4	33.2
Property Development	0.3	0.3
Other	0.5	0.8

The geographic split of the loan portfolio (based on debtor's country) on June 30, 2020 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	*06-30-2020*		*12-31-2019*	
Loans to private individuals	191.2	46%	191.3	46%
Loans to trade, industry and services	115.9	28%	119.4	29%
of which in the Netherlands	*80.6*		*82.4*	
of which in other countries	*35.3*		*37.0*	
Loans to Food & Agri	108.3	26%	107.2	26%
of which in the Netherlands	*38.4*		*37.9*	
of which in other countries	*69.9*		*69.3*	
Private sector loan portfolio	**415.4**	**100%**	**417.9**	**100%**

1 In the country where the entity is established.

Deposits from Customers Increased by EUR 39 Billion

Total deposits from customers increased significantly to EUR 381.5 (2019: 342.5) billion. This increase includes EUR 16.0 billion higher drawings under the ECB's open market operations, including our recent participation in the TLTRO III program. We participated in this program in June for EUR 20 billion, to support our customers with attractive lending rates. Our participation in TLTRO III replaces existing ECB instruments (such as TLTRO II, LTRO, and USD operations), which have matured or been repaid. Excluding our participation in the ECB's open market operations, deposits from customers increased by EUR 23.0 billion. Our loan-to-deposit ratio (LtD ratio) amounted 1.08 (2019: 1.21). Excluding our ECB's open market operations the LtD ratio would have been 1.14 (2019: 1.22). Deposits from DRB customers increased to EUR 270.4 (2019: 253.1) billion partly as a result of lower spending due to the COVID-19 pandemic combined with holiday allowances. Retail savings at DRB increased by EUR 8.2 billion to EUR 131.9 billion. Deposits from customers in other segments increased to EUR 111.1 (2019: 89.5) billion mainly as the result of higher volumes at W&R and Treasury. The increase at Treasury was predominantly related to the TLTRO III program.

Deposits from Customers

Amounts in billions of euros	*06-30-2020*	*12-31-2019*
Retail savings	**152.9**	**145.8**
Domestic Retail Banking	131.9	123.7
Other segments	20.9	22.1
Other deposits from customers	**228.7**	**196.7**
Domestic Retail Banking	138.5	129.3
Other segments	90.2	67.4
of which: ECB's open market operations	20.0	4.0
Total deposits from customers	**381.5**	**342.5**

Liquidity

We endeavor to 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 resulting in an increase of our readily available liquidity buffers far beyond the regulatory requirements in order to protect ourselves and our customers. As a result we increased our Liquidity Coverage Ratio to 160% (2019: 132%). Together with the extraordinary measures taken by Central Banks this provides us with the confidence that we can continue to service our clients and cover their long and short term liquidity demands. We have a strong liquidity buffer which increased to EUR 134 (2019: 112) billion. This liquidity buffer consists of EUR 101 (2019: 77) billion High Quality Liquid Assets (HQLA) and more than EUR 30 billion of uencumbered, ECB eligible retained RMBS and covered bonds which are available as contingent liquidity buffer, with additional eligible mortgage loan accessibility to increase this amount.

Equity

Our equity decreased to EUR 39.7 (2019: 41.3) billion almost entirely because of the redemption of Capital Securities in the first half of 2020. Our equity on June 30, 2020 consisted of 71% (2019: 68%) retained earnings and reserves, 19% (2019: 18%) Rabobank Certificates, 9% (2019: 13%) hybrid capital and subordinated capital instruments, and 1% (2019: 1%) other non-controlling interests.

Development of Equity	
Amounts in millions of euros	
Equity at the end of December 2019	**41,347**
Net profit for the period	227
Other comprehensive income	(196)
Payments on Capital Securities issued by Rabobank	(122)
Redemption of Capital Securities	(1,500)
Other	(7)
Equity at the end of June 2020	**39,749**

Wholesale Funding
Our use of wholesale funding had already been reduced over the last several years which helps to make our bank less sensitive to potential future financial market instability. In 2020, the amount of wholesale funding decreased further to EUR 137.5 (2019: 151.7) billion. The main sources of wholesale funding are short- and long-term issued debt securities.

Risks and Uncertainties

The outbreak and spread of COVID-19, along with the subsequent containment measures, have caused a standstill throughout a substantial part of the global economy. This has had a direct impact on many clients, and some sectors are expected to be hit more than others. Generally speaking, the COVID-19 crisis has increased the risks for our organization. As in any unfolding situation, the total impact remains difficult to estimate. We have been working hard to ensure stable operations, and the continuity of business, and safe operations despite these unprecedented, challenging times.

We established a full crisis organization to deal with both the financial and non-financial aspects of the pandemic. We provided concrete and immediate support to our customers, including postponing principal payments and providing liquidity. In the Netherlands, various government guaranteed loans are also in place (e.g., BMKB and the GO facility). In our scenario analyses we also looked at very extreme scenarios. Even though the losses increase in those scenarios, we can still absorb these losses and stay above the regulatory minima.

Macro-economic Environment
The outbreak of the COVID-19 pandemic and the subsequent containment measures taken by authorities worldwide have led to an unprecedented macroeconomic development. The world economy is now in a severe recession. We expect real GDP to decrease in 2020 by 4.1% globally, in the eurozone by 9.1%, and in the Netherlands by 5.7%, with recovery to follow in late 2020, 2021, and 2022. These expectations are based on our June baseline scenario, which we also used to calculate the model-based allowances as per June 30, 2020. We generated a positive and negative scenario on the basis of historical statistical variance. In the allowance calculations, the baseline scenario has a weight of 70% and the plus and minus scenarios each weigh 15%. For more details, see the section "Forward-looking Information and Macro-economic Scenario" under "Note 7" of the Interim Financial Statements.

The baseline scenario for the Netherlands looks as follows:

The Netherlands				
Year-on-year volume change (%)	*2019*	*2020*	*2021*	*2022*
Gross domestic product	1.8	(5.7)	2.9	2.6
Private investments	1.4	(6.8)	3.9	4.5
Business investments	6.8	(7.0)	3.7	2.1
Housing investments	1.9	(2.0)	3.8	0.6
Government expenditure	1.6	1.8	2.3	1.1
Export volume of goods and services	2.3	(7.2)	5.5	3.5
Import volume of goods and services	3.0	(5.8)	6.3	3.9
Inflation	2.7	0.7	1.3	1.8
Unemployment	3.4	5.0	6.3	4.9

The recovery is likely to be modest in the coming period, as unemployment is expected to rise sharply, especially among workers with flexible contracts. This will weigh on domestic demand. The relatively open Dutch economy will also suffer from the global economic recession. We anticipate that house prices will drop for some time starting in the second half of this year mainly due to declining employment and fear of job loss.

Relief Measures Taken by Authorities and Banks
Central banks took measures to ensure that banks remain in a position to absorb losses and continue lending to the economy during the COVID-19 pandemic. Banks were encouraged to draw on their capital and liquidity buffers, to grant payment moratoria to groups of clients without the obligation to classify these clients immediately as forborne or place them in Stage 2, and/or to grant new loans, government-guaranteed or not, to individual business clients. At the same time, banks protected their capital by withholding dividends. In addition, the credit risk for banks is being eased by very significant support packages to companies and self-employed people, which cushion the impact of the demand-side shock. Finally, monetary policy has effectively tempered an increase in funding costs and market losses from bond holdings.

Rabobank Certificates
On March 27, 2020, the European Central Bank (ECB) recommended that banks not pay out dividends (ECB/2020/19) until at least October 1, 2020. We announced on March 29, 2020 that no payments would be made on Rabobank Certificates on the scheduled payment dates of March 29, June 29, and

September 29. As a result Rabobank received several questions and complaints from certificate holders and interest groups. On July 27, 2020, the ECB extended the recommendation to freeze dividend payments until January 1, 2021.

Credit Portfolio

Credit risk is one of the most prominent risks in any economic downturn, so we expect some quality deterioration of our credit portfolio, which is resulting in higher impairment charges and increasing NPLs. The overall scale of the deterioration in asset quality will largely depend on factors that are still uncertain, such as the depth and length of the recession and the speed of the recovery.

Containment Measure Impact on Specific Sectors

The outbreak of COVID-19 led to liquidity issues for many of our clients and other counterparties. Currently, the sectors that appear to have been most critically affected are food services, leisure & entertainment, non-food retail, transport, and animal protein (the latter in North America). The severity for most sectors depends on the length of the lockdown, the stringency of measures (e.g. concerning 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 made heatmaps to subdivide the portfolio into three categories of expected impact: high, moderate, and low.

Approximately 5% of the private sector loan portfolio of EUR 415.4 billion falls into the high impact category. A moderate impact is expected for 23% of the exposure. The remainder (72%) is expected to experience a low impact, a large part of which is the domestic residential mortgage portfolio, valued at EUR 188 billion.

We developed a framework for our business loan portfolio at DRB to actively steer the portfolio on a short-cycle basis during the COVID-19 crisis in addition to regular portfolio management. The framework allows us to:

- Identify which (sub)sectors should be classified as “most vulnerable”, meaning that the short-term COVID-19 impact is substantial and the fundamental outlook is poor;
- Quantify the expected impact on credit risk parameters (Probability of Default, Loss Given Default, and Loan Quality Classification) including a sensitivity analysis of the provisioning level;
- Define additional and mitigating actions to manage the credit risk and the underwriting criteria of the portfolio.

Impairments: Effects of the COVID-19 Pandemic

The severe deterioration in the macroeconomic outlook since the beginning of March became evident in the development of new macro economic scenarios on a monthly basis both for calculating allowances and stress testing.

In the new baseline scenarios, both clients' point-in-time Probability of Default (PD) and Loss Given Default (LGD) have increased, leading to higher Expected Credit Losses (ECL) and thus substantially higher impairment allowances in Stages 1 and 2: this is called the *performing* part of the portfolio. Also, some clients' exposure moved from Stage 1 to Stage 2 due to the Delta PD trigger or downgrades of the Loan Quality Classification.

We also made some so-called Top Level Adjustments on the model-based allowances in addition to allowances for the macro-economic scenario. For instance, we applied extra PD increases in the calculations for clients who had not yet received a revised rating after the outbreak of COVID-19 and for clients in specifically hard-hit sectors. This led to an increase of the share of the Stage 1 and 2 allowances in the total impairment allowance from 19% at year-end 2019 to 32% on June 30, 2020. Also, the share of impairment charges in Stages 1 and 2 in the first half of 2020 (62%) was significantly higher than in the full-year of 2019 (25%) as the following table shows:

Impairment Charges

Amounts in EUR millions	*06-30-2020*	*06-30-2019*
Stage 1	424	53
Stage 2	465	57
Stage 3	553	330
Rabobank Group	**1,442**	**440**

As a result of government and banking support measures, the lag time until an increase in defaulted clients is observed will be longer than usual. We anticipate an increase in the NPLs beginning in the second half of 2020. This increase is expected to be concentrated in business loans (retail and corporate). While the increase could be substantial, the exact size and timing of the impact is hard to predict at this stage.

Stage Composition Portfolio

	06-30-2020	*12-31-2019*
Stage 1	87.6%	92.4%
Stage 2	9.3%	4.4%
Stage 3	3.1%	3.2%
Rabobank Group	**100%**	**100%**

NPL Strategy

We updated our NPL strategy in 2019, driven by the introduction of prudential backstop regulations by both the European Commission and the European Central Bank (ECB). These regulations will lead to additional capital requirements/ deductions for NPLs without collateral and for NPLs which have been nonperforming for a long time (long duration). The NPL strategy aims to provide new perspectives to our clients while mitigating the impact of the prudential backstop regulation where possible.

Over the past two years, we successfully de-risked our credit portfolio and restructured several activities, for example, through the sale of part of FGH Bank, the sale of ACC in Ireland, the sale of part of RNA in California, and the sale of our retail business in Indonesia. In addition to these restructuring and risk-reducing measures, we devised many initiatives to actively manage the NPL portfolio.

In the Dutch commercial business segment, NPL inflow to date has been limited, mainly as a result of the effective relief measures we provided to clients and state emergency relief measures. Nonetheless, further effects of COVID-19 are likely to be seen in the second half of 2020 once current emergency measures expire.

Climate Risk

Climate change can affect the credit portfolio mainly via two risk pathways: 1) transitional risks (e.g. changing regulation and reputation) and 2) physical risks (weather events like storms and wildfires and seasonal events like flooding and drought). Both physical and transition risk could massively impact the quality of our credit portfolio, especially our F&A and mortgage portfolios. These two sectors make up two of the four categories that the Task Force on Climate-related Financial Disclosures (TCFD) classifies as the most exposed to climate change risks (energy, transportation, materials & building (including real estate), agriculture, food and forestry products). Our current overall exposure to these four TCFD industry sectors is roughly 60% of our group exposure at default (EAD). 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.

Our Sustainability Committee coordinates initiatives related to climate change. We assessed the loan portfolio for physical and transition risk and concluded that further integration across multiple elements of our risk management framework is required to effectively manage climate risks. The three fundamental elements to focus on in 2020/21 are first, to continue to understand and measure potential exposure to climate change risk; secondly, to reassess our ambition level to integrate climate change into Risk Management, and finally, to finetune a multi-year roadmap that builds our risk assessments and vision.

We are involved in various discussions on how the world can be better prepared for the inevitable effects of climate change:, so-called climate adaptation. Because agriculture is such a crucial domain of climate adaptation and financing that change is so important, we have an obvious interest. Climate change risk plays an increasingly important role in the credit granting, approval, and monitoring processes, and we actively engage with our clients and their strategies to help them manage climate risk.

Nitrogen (PAS)

The Dutch Council of State determined in May 2019 that the assessment on which the PAS, the program that was supposed to manage the nitrogen emission problem, was not suitable for both the intended preventative and regulatory purposes. Following this decision, permits and other consent decisions may not be granted with only a reference to the appropriate assessment pursuant to the PAS. The ruling does not affect permits that have already become irrevocable and can therefore no longer be challenged in court. Within our portfolio, the sectors most likely to see their credit quality affected by the Council of State's decision are the real estate development, construction, transport, and dairy.

Although COVID-19 and the economic fall-out of the pandemic are the highest priority items on the government’s agenda at the moment, the nitrogen issue has not been forgotten. A government support package of EUR 5 billion was announced for nitrogen, a sign of the Dutch government’s commitment to continue working on a solution for the emissions problem. We are currently investigating the impact of the proposed measures and their likely effect on our business.

PFAS

PFAS is a collective name for per- and polyfluoroalkyl substances. This group of manmade chemical compounds can have a negative effect on the environment and health. Some research suggests that some have carcinogenic properties. The substances are released into the environment through emissions from factories that make or use either the PFAS or PFAS-containing products. They are now found in, among other things, soil, dredging spoil, and surface water. New government policy is to limit the adverse effects of exposure to PFAS on humans and the environment. In 2019, construction and dredging activities in the Netherlands were restricted due to high PFAS contamination values in Dutch soil and dredging spoil. These restrictions affected our clients.

Based on new investigations, the Dutch government decided on July 1, 2020 that restrictions on working with PFAS contaminated soil and dredging spoil will be loosened for the construction and dredging sectors. The new measures also take environmental and health considerations into account. The construction and dredging sectors will be able to resume a large part of their activities. Meanwhile, the European Commission is discussing a Dutch proposal to eliminate the non-essential uses of PFAS in the European Union.

Trade War

Trade tensions between the United States and China are ongoing. An escalation of this situation could have a major effect on Rabobank, especially if agricultural trade flows were affected.

Brexit

The U.K. left the E.U. on January 31, 2020 and entered the transition period that will expire at year-end 2020. The U.K. and the E.U. must negotiate their future relationship during this pre-determined timeframe, the short duration of which was already considered a challenge, but became more trying when the spread of COVID-19 put the negotiations on hold for some time too. After negotiations started again in June, it became clear that reaching an agreement in 2020 will be extremely difficult. Without an extention to the transition period, a Hard Brexit will follow at year-end 2020. We anticipate a negative economic impact for the U.K. and the Netherlands too, as one of its main trading partners, and it is likely that our clients will face many uncertainties in 2021. These anticipated effects will have a negative impact on our impairment level.

Financial Sector Gatekeeper

As a gatekeeper to the financial system, we are strongly committed to preventing the use of our products and services for money laundering (ML) and terrorism financing purposes in addition to preventing violations of sanctions regulations. A board-level global committee oversees our Anti Money Laundering (AML), Counter Terrorism Financing (CTF) and sanctions framework and its execution. After receiving an injunction (in Dutch: last onder dwangsom) from De Nederlandsche Bank (DNB) in September 2018, we further intensified our know-your-customer (KYC), Customer Due Dilligence (CDD) and Transaction Monitoring (TM), activities.

In 2019 we strengthened the on-boarding procedures in the distribution channels in the Netherlands and further improved the remediation procedures of client files. We have expanded our resources worldwide by 3,000 employees and invested substantially in CDD and AML activities. Some KYC (CDD and TM) activities that the bank used to conduct manually can now be done automatically (i.e. with robotics) which is time and cost effective. In addition we further improved our (dynamic) monitoring tools, allowing us to identify unusual transactions or changed client behavior at an earlier stage. In 2020, Rabobank's change program transitions into BAU activities of Rabobank's Global KYC organization that further focuses on consolidating existing KYC initiatives, innovation and automation. In the coming years we will continue to further invest in our AML, CTF and sanction framework. As of April 1, 2020, DNB has been verifying whether Rabobank meets all requirements of the injunction and will determine, among other things, if Rabobank's client portfolio is now adequately classified. Should DNB conclude that Rabobank did not meet all requirements of the injunction on April 1, 2020, a penalty payment of EUR 500,000 will be immediately forfeited, for which Rabobank made a EUR 500,000 provision. In addition, the timing of completion of DNB's investigation and the final outcome are currently uncertain.

Domestic Retail Banking

Highlights

In the Netherlands, Rabobank 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. Income was pressured by the low interest rate environment in the first half of 2020, resulting in 11% lower net interest income. Operating expenses decreased by 8%. Staff costs this past half-year were in line with last year as the downward effect of digitalization and centralization of services was offset by additional hired capacity for CDD and transaction monitoring. Deposits from customers increased significantly in 2020 by EUR 17.3 billion, while the private sector loan portfolio remained stable. Our mortgage loan portfolio remained stable at EUR 187.6 billion as repayments were off-set by an increase in new mortgage origination, and our SME loan portfolio stabilized at EUR 81.1 billion.

Financial Results

Results			
Amounts in millions of euros	*06-30-2020*	*06-30-2019*	*Change*
Net interest income	2,392	2,679	-11%
Net fee and commission income	665	669	-1%
Other results	(3)	35	-109%
Total income	**3,054**	**3,383**	**-10%**
Staff costs	1,326	1,332	0%
Other administrative expenses	395	522	-24%
Depreciation and amortization	41	52	-21%
Total operating expenses	**1,762**	**1,906**	**-8%**
Gross result	**1,292**	**1,477**	**-13%**
Impairment charges on financial assets	471	21	-
Regulatory levies	149	124	20%
Operating profit before tax	**672**	**1,332**	**-50%**
Income tax	167	335	-50%
Net profit	**505**	**997**	**-49%**
Impairment charges on financial assets (in basis points)	35	2	
Ratios			
Cost/income ratio including regulatory levies	62.6%	60.0%	
Underlying cost/income ratio including regulatory levies	63.0%	59.0%	
Balance Sheet			
Amounts in billions of euros	*06-30-2020*	*12-31-2019*	
External assets	275.7	275.9	0%
Private sector loan portfolio	270.7	271.2	0%
Deposits from customers	270.4	253.1	7%
Number of internal employees (in FTEs)	19,969	19,913	0%
Number of external employees (in FTEs)	6,621	6,976	-5%
Total number of employees (in FTEs)	26,590	26,889	-1%

Notes to the Financial Results

Development of Underlying Operating Profit Before Tax			
Amounts in millions of euros		*06-30-2020*	*06-30-2019*
Income		**3,054**	**3,383**
Operating expenses		**1,762**	**1,906**
Adjustments to expenses	Restructuring expenses	(12)	18
	Derivatives framework	0	15
Underlying expenses		***1,774***	***1,873***
Impairment charges on financial assets		471	21
Regulatory levies		149	124
Operating profit before tax		**672**	**1,332**
Total adjustments		***(12)***	***33***
Underlying operating profit before tax		**660**	**1,365**

Underlying Performance Decreased 50%

DRB's underlying performance decreased in the first half of 2020 compared to the same period in 2019. The underlying operating profit before tax amounted to EUR 660 million, compared to EUR 1,365 million in the first half of 2019. In calculating this underlying profit before tax, we made corrections for restructuring costs and for the additional provision taken for the interest rate derivatives framework. Underlying income decreased by EUR 144 million, while underlying operating expenses decreased by EUR 123 million. The COVID-19 pandemic resulted in higher impairment charges on financial assets, which amounted to EUR 471 million and tempered net profit.

Income Down by 10%

Total income decreased to EUR 3,054 (2019: 3,383) million. Despite sound margins on mortgages, net interest income was pressured by continued shrinking margins on savings and current accounts as a result of the low interest rate environment. Total net interest income of EUR 2,392 (2019: 2,679) million was 11%

lower. Net fee and commission income was in line with last year and remained stable at EUR 665 (2019: 669) million. Other results decreased to minus EUR 3 (2019: 35) million mainly as a result of value adjustments on securitization transactions at Obvion.

Operating Expenses Down by 8%

Total operating expenses decreased to EUR 1,762 (2019: 1,906) million. Staff costs were flat at EUR 1,326 (2019: 1,332) million because the average size of the workforce was snakker as a consequence of the centralization of services and digitalization. However, these expenses were partly offset by the extra staffing requirements for CDD and transaction monitoring. Other administrative expenses went down to EUR 395 (2019: 522) million and were positively impacted by a VAT relief in the first half of 2020. Furthermore, project expenses related to the derivatives project were lower than in the same period last year and restructuring costs were lower at EUR 12 (2019: 18) million. Depreciation and amortization decreased to EUR 41 (2019: 52) million, partly because of the reduced amount of property. The revaluation of property for own use had an upward effect on expenses of EUR 25 million, whereas in the first half of 2019, it had a downward effect on other administrative expenses of similar size.

Higher Impairment Charges on Financial Assets

Impairment charges on financial assets increased in 2020, as the COVID-19 pandemic resulted in less favorable economic conditions in the Netherlands. Impairment charges on financial assets amounted to EUR 471 (2019: 21) million, which translates to 35 (2019: 2) basis points of the average private sector loan portfolio – above the long-term average of 18 basis points.

Loan Portfolio Stable

In the first half of 2020, clients' extra mortgage repayments – all those on top of the mandatory repayments – at local Rabobanks and Obvion totaled approximately EUR 10.2 (2019: 8.7) billion. Of this amount, EUR 1.7 (2019: 1.4) billion related to partial repayments and EUR 8.5 (2019: 7.3) billion to mortgages paid off in full, which was partly the result of customers moving to a new house. The total volume of our residential mortgage loan portfolio on June 30, 2020 was EUR 187.6 (2019: 187.7) billion. The figure includes Obvion's loan portfolio, valued at EUR 30.2 (2019: 29.7) billion. The total DRB portfolio (including business lending) remained stable at EUR 270.7 (2019: 271.2) billion and the total SME portfolio currently amounts to EUR 81.1 (2019: 81.4) billion.

Loan Portfolio by Sector

Amounts in billions of euros	*06-30-2020*	*12-31-2019*
Volume of loans to private individuals	189.5	189.8
Volume of loans to Trade, Industry & Services	54.4	56.2
Volume of loans to Food & Agri	26.7	25.2
Private sector loan portfolio	**270.7**	**271.2**

Mortgage Loan Portfolio

Rabobank's share of the Dutch mortgage market increased to 21.5% (2019: 20.9%) of new mortgage production in 2020[1]. The local Rabobanks' market share was somewhat lower at 15.2% (2019: 15.5%), while Obvion's market share decreased to 4.9% (2019: 5.4%) and the market share of Vista amounted to 1.4%. Despite the COVID-19 outbreak, the quality of Rabobank's residential mortgage loan portfolio remained high. The higher net additions for the first half of 2020 were chiefly the result of a much more pessimistic macro economic scenario being used for the IFRS 9 Stage 1 and 2 allowances. Actual non-performing loans still show a decreasing trend. In the first half of 2020, financing backed by the National Mortgage Guarantee (Nationale Hypotheek Garantie (NHG)) decreased to 18.2% of the mortgage loan portfolio. The weighted average indexed loan-to-value (LTV) of the mortgage loan portfolio was 59% (2019: 60%) on June 30, 2020.

Residential Mortgage Loans

Amounts in millions of euros	*06-30-2020*	*12-31-2019*
Mortgage portfolio	187,612	187,671
Weighted-average LTV	59%	60%
Non-performing loans (amount)	1,480	1,609
Non-performing loans (in % of total mortgage loan portfolio)	0.79%	0.86%
More-than-90-days arrears	0.19%	0.21%
Share NHG portfolio	18.2%	18.7%
Impairment allowances on financial assets	275	198
Coverage ratio non-performing loans	8%	8%
	06-30-2020	06-30-2019
Net additions	95	(12)
Net additions (in basis points)	10	(1)
Write-offs	18	17

1 Source: Dutch Land Registry Office (Kadaster)

Deposits from Customers Increased by EUR 17 Billion

The private savings market in the Netherlands had grown by 5% to EUR 387.3 (2019: 368.2) billion on June 30, 2020 due to less consumer spending following the COVID-19 pandemic and holiday allowances. Our market share was 33.5% (2019: 33.1%)[1]. Deposits from customers rose 7% to EUR 270.4 (2019: 253.1) billion. Retail savings deposited at DRB increased by EUR 8.2 billion to EUR 131.9 (2019: 123.7) billion. Other deposits from customers went up by EUR 0.1 billion mainly due to an increase in current accounts.

1 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 are what drives the W&R portfolio. Formerly known as WRR, this segment is now called W&R to reflect changes in our strategy for retail activities over the past few years, especially the sale of RNA (North America), ACC (Ireland), and RII (Indonesia). W&R's performance in the first half of 2020 was lower than in the first half of 2019, as illustrated by the development of the net profit, which was negative. Impairment charges on financial assets increased significantly by EUR 364 million as a result of the COVID-19 pandemic. The resulting level of economic activity had a downward effect on income.

Financial Results

Results

Amounts in millions of euros	*06-30-2020*	*06-30-2019*	*Change*
Net interest income	1,165	1,238	-6%
Net fee and commission income	137	216	-37%
Other results	81	245	-67%
Total income	**1,383**	**1,699**	**-19%**
Staff costs	633	699	-9%
Other administrative expenses	72	228	-68%
Depreciation and amortization	40	38	5%
Total operating expenses	**745**	**965**	**-23%**
Gross result	**638**	**734**	**-13%**
Impairment charges on financial assets	698	334	109%
Regulatory levies	92	86	7%
Operating profit before tax	**(152)**	**314**	**-148%**
Income tax	22	89	-75%
Net profit	**(174)**	**225**	**-177%**
Impairment charges on financial assets (in basis points)	124	61	

Ratios

Cost/income ratio including regulatory levies	60.5%	61.9%	
Underlying cost/income ratio including regulatory levies	60.0%	54.6%	

Balance Sheet

Amounts in billions of euros	*06-30-2020*	*12-31-2019*	
External assets	143.7	137.1	5%
Private sector loan portfolio	111.5	112.4	-1%
Number of internal employees (in FTEs)	8,162	8,269	-1%
Number of external employees (in FTEs)	1,364	1,628	-16%
Total number of employees (in FTEs)	9,526	9,897	-4%

Notes to the Financial Results

Development of Underlying Operating Profit Before Tax

Amounts in millions of euros		*06-30-2020*	*06-30-2019*
Income		**1,383**	**1,699**
	Fair value items	63	0
Adjustments to income	Divestment RNA	0	(175)
Underlying income		***1,446***	***1,524***
Operating expenses		**745**	**965**
Adjustments to expenses	Restructuring expenses	7	0
	Divestment RNA	0	123
Underlying expenses		**738**	**842**
Impairment charges on financial assets		698	334
Adjustment to impairments		0	(1)
Underlying impairments charges		*698*	*333*
Regulatory levies		92	86
Operating profit before tax		**(152)**	**314**
Total adjustments		**70**	**(53)**
Underlying operating profit before tax		**(82)**	**261**

COVID-19 Impacts Underlying Performance

The underlying operating profit before tax in the first half of 2020 amounted to minus EUR 82 million compared to EUR 261 million in the first half of 2019. The calculation includes a correction for fair value items, the divestment of RNA and restructuring costs. Total underlying income decreased by 6% and underlying operating expenses decreased by 12%. Significantly higher impairment charges on financial assets largely caused by the COVID-19 pandemic had a downward effect on profit.

Income Down by 19%

W&R's total income decreased to EUR 1,383 (2019: 1,699) million in the first half of 2020, mainly driven by our divestments of retail operations in 2019, and net interest income decreased to EUR 1,165 (2019: 1,238) million. This decrease was tempered by higher lending volumes. The strongest increase in net interest income occurred in our Rural division, while in Wholesale the net interest income increase was mainly evident in Markets, Asset Based Finance and the Loan Products activities. Net interest income decreased at Rabo Direct. Net fee and commission income declined to EUR 137 (2019: 216) due to lower economic activity because of COVID-19 which impacted our capital markets and corporate finance business. Other results decreased by EUR 164 million to EUR 81 (2019: 245) mostly because of negative assets revaluations at our Corporate Investment division.

Operating Expenses Decreased by 23%

Operating expenses were lower in the first half of 2020, amounting to EUR 745 (2019: 965) million. Staff numbers at W&R showed a 4% decrease. These lower staff numbers can be explained by the divestment of our retail activities in 2019. The reduction in staff was partly offset by growth initiatives within Rural and additional staff related to structural investments in infrastructure and compliance. Staff costs decreased to EUR 633 (2019: 699) million, a 9% decrease compared to last year. Other administrative expenses decreased to EUR 72 (2019: 228) million and were positively impacted by a VAT relief in the first half of 2020. Depreciation and amortization went slightly up to EUR 40 (2019: 38) million due to higher depreciation on internally generated software in the Netherlands and Australia.

Impairment Charges on Financial Assets Up EUR 364 Million

The impact of COVID-19 is reflected in significantly higher impairment charges on financial assets, which increased to EUR 698 (2019: 334) million. Impairments have been rising since the first half of 2018 and the outbreak of the COVID-19 pandemic accelerated this increase. There were significant increases in the Stage 1 and Stage 2 impairments, whereas higher Stage 3 impairments were partly related to our Trade and Commodity Finance division. Total impairment charges on financial assets amounted to 124 (2019: 61) basis points of the average private sector loan portfolio, above the long-term average of 47 basis points.

Loan Portfolio Decreased Slightly by 1%

In 2020, the total loan portfolio of W&R decreased to EUR 111.5 (2019: 112.4) billion. This decrease is fully attributable to FX effects. Corrected for FX effects the portfolio increased. The volume of lending to the Food & Agri sector decreased to EUR 70.2 (2019: 71.2) billion, which accounted for 63% (2019: 63%) of W&R's total loan portfolio. Loans to the Trade, Industry, and Services (TIS) sectors remained stable at EUR 40.4 (2019: 40.4) billion.

Dutch and International Wholesale

The Wholesale portfolio totaled EUR 76.3 (2019: 76.8) billion. Excluding FX effects the Wholesale portfolio increased. Lending to the largest Dutch companies increased in 2020 to EUR 21.9 (2019: 20.3) billion and the size of the Wholesale loan portfolio granted to clients outside the Netherlands was EUR 54.4 (2019: 56.5) billion on June 30, 2020.

International Rural Banking

Lending to rural clients amounted to EUR 35.2 (2019: 35.6) billion. Excluding FX effects the Rural portfolio increased. 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 11.7 (2019: 11.0) billion, in New Zealand EUR 6.6 (2019: 6.9) billion, in the United States EUR 12.4 (2019: 13.0) billion, in Brazil EUR 3.3 (2019: 3.6) billion, and in Chile, Peru and Argentina in aggregate EUR 1.0 (2019: 1.0) billion.

Deposits at RaboDirect Decreased 4%

RaboDirect is our online savings bank that operates in Belgium, Germany, Australia, and New Zealand. Deposits entrusted by clients to RaboDirect are used for funding our international Rural banking business and other divisions. RaboDirect's savings balances decreased to EUR 24.9 (2019: 26.0) billion at June 30, 2020. The number of online savings bank clients remained stable at approximately 690,000 (2019: 690,000).

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 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 decrease in DLL's net profit by 74%, can be fully attributed to an increase in impairment charges on financial assets as a result of the negative effects of the COVID-19 pandemic. The lease portfolio remained stable, excluding currency movements, as new business declined due to lock downs imposed by various governments to control the spread of COVID-19. On June 30, 2020 the Food & Agri share of the portfolio amounted to EUR 14.5 (2019: 14.5) billion, representing 41% (2019: 40%) of the DLL portfolio.

Financial Results

Results			
Amount in millions of euros	*06-30-2020*	*06-30-2019*	*Change*
Net interest income	550	522	5%
Net fee and commission income	53	64	-17%
Other results	148	135	10%
Total income	**751**	**721**	**4%**
Staff costs	275	266	3%
Other administrative expenses	97	86	13%
Depreciation and amortization	13	15	-13%
Total operating expenses	**385**	**367**	**5%**
Gross result	**366**	**354**	**3%**
Impairment charges on financial assets	272	86	216%
Regulatory levies	18	15	20%
Operating profit before tax	**76**	**253**	-70%
Income tax	29	75	-61%
Net profit	**47**	**178**	-74%
Impairment charges on financial assets (in basis points)	153	52	
Ratios			
Cost/income ratio including regulatory levies	53.7%	53.0%	
Underlying cost/income ratio including regulatory levies	53.3%	53.0%	
Balance Sheet			
Amounts in billions of euros	*06-30-2020*	*12-31-2019*	
Lease portfolio	35.4	36.2	-2%
Number of internal employees (in FTEs)	5,005	4,877	3%
Number of external employees (in FTEs)	369	426	-13%
Total number of employees (in FTEs)	5,374	5,303	1%

Notes to the Financial Results

Development of Underlying Operating Profit Before Tax			
Amounts in millions of euros		*06-30-2020*	*06-30-2019*
Income		**751**	**721**
Operating expenses		**385**	**367**
Adjustments to expenses	Restructuring expenses	3	0
Underlying expenses		**382**	**367**
Impairment charges on financial assets		272	86
Regulatory levies		18	15
Operating profit before tax		**76**	**253**
Total adjustments		**3**	***0***
Underlying operating profit before tax		**79**	**253**

Income Up by 4%

Total income of the Leasing segment increased by 4% to EUR 751 (2019: 721) million in the first half of 2020. Net interest income increased by 5% to EUR 550 (2019: 522) million, mainly as a result of an improvement of margins and on average higher volumes. Net fee and commission income decreased to EUR 53 (2019: 64) million, mainly because of lower asset management income and lower syndication income, both caused by the impact of the COVID-19 pandemic. Other results, mainly consisting of income from operating leases and sales on end-of-lease assets, increased to EUR 148 (2019: 135) million.

Operating Expenses Up by 5%

Total operating expenses in the Leasing segment were EUR 385 (2019: 367) million. Staff costs increased to EUR 275 (2019: 266) million, caused by an increase in the number of employees. Staff numbers in the Leasing segment increased by 71 FTEs to 5,374 FTEs in the first half of 2020 as a result of business growth and to address customer needs arising from the COVID-19 pandemic. Other administrative expenses increased to EUR 97

(2019: 86) million. The total for depreciation and amortization was somewhat lower at EUR 13 (2019: 15) million.

Impairment Charges on Financial Assets Increased

The COVID-19 pandemic had an upward effect on the impairment charges on financial assets of the Leasing segment, which increased to EUR 272 (2019: 86) million, corresponding with 153 (2019: 52) basis points of the average loan portfolio and above DLL's long-term average of 56 basis points. The measures taken by governments worldwide to control the COVID-19 pandemic also impacted DLL’s vendors and customers. DLL has supported customers by granting payment relief when needed. Nonetheless, impairments have still increased. A significant driver of the increased impairments was related to Stage 1 and Stage 2 as a result of the more pessimistic macro economic outlook. Stage 1 and Stage 2 impairments amounted to EUR 177 (2019: 20) million.

Income Tax Down 61%

Income tax in the Leasing segment decreased to EUR 29 million from EUR 75 million as a result of the lower operating profit before tax.

Lease Portfolio Decreased 2%

The lease portfolio decreased to EUR 35.4 (2019: 36.2) billion, entirely due to changes in exchange rates. Excluding FX effects the lease portfolio increased slightly. In the first half of 2020, the Food & Agri share of the portfolio remained stable at EUR 14.5 (2019: 14.5) billion, representing 41% (2019: 40%) of the DLL portfolio.

Property Development

Highlights

The Property Development segment is mainly composed of the activities of Bouwfonds Property Development (BPD). BPD operates in the Netherlands and Germany. Although the COVID-19 pandemic did not significantly affect the segment's results, BPD did not match its results of the first half of 2019, despite selling more houses in both the Netherlands and Germany. We do expect the pandemic and the related economic conditions to somewhat slow the number of transactions in the second half of the year. 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	*06-30-2020*	*06-30-2019*	*Change*
Net interest income	(4)	(7)	-43%
Net fee and commission income	1	6	-83%
Other results	110	126	-13%
Total income	**107**	**125**	**-14%**
Staff costs	44	43	2%
Other administrative expenses	16	19	-16%
Depreciation and amortization	4	3	33%
Total operating expenses	**64**	**65**	**-2%**
Gross result	**43**	**60**	**-28%**
Impairment charges on financial assets	1	-	-
Regulatory levies	1	1	0%
Operating profit before tax	**41**	**59**	**-31%**
Income tax	11	16	-31%
Net profit	**30**	**43**	**-30%**
of which: BPD	*32*	*35*	*-9%*
Ratios			
Cost/income ratio incl. regulatory levies	60.7%	52.8%	
Underlying cost/income ratio incl. regulatory levies	60.7%	52.0%	
Balance Sheet			
Number of houses sold	2,992	2,318	29%
Amounts in billions of euros	*06-30-2020*	*12-31-2019*	
Loan portfolio	0.3	0.3	0%
Number of internal employees (in FTEs)	631	605	4%
Number of external employees (in FTEs)	100	96	4%
Total number of employees (in FTEs)	731	701	4%

Notes to the Financial Results

Development of Underlying Operating Profit Before Tax			
Amounts in millions of euros		*06-30-2020*	*06-30-2019*
Income		**107**	**125**
Operating expenses		**64**	**65**
Adjustments to expenses	Restructuring expenses	0	1
Underlying expenses		**64**	**64**
Impairment charges on financial assets		1	-
Regulatory levies		1	1
Operating profit before tax		**41**	**59**
Total adjustments		***0***	***1***
Underlying profit before tax		**41**	**60**

Income Decreased by 14%

Tthe Property Development segment's total income decreased to EUR 107 (2019: 125) million. Despite an increase in the number of houses sold, BPD's income in the first half of 2020 was lower compared to the first half of 2019, BPD's resuts were boosted by income from development and sale of land. Moreover, the real costs of completed projects in 2019 were lower than expected, resulting in a gain.

Operating Expenses Down by 2%

Total operating expenses decreased to EUR 64 (2019: 65) million. Slightly higher staff numbers resulted in an increase in staff costs of EUR 1 million compared to the same period in 2019, totaling EUR 44 (2019: 43) million. Staff numbers increased by 4% to 631 FTEs on June 30, 2020. Other administrative expenses decreased to EUR 16 (2019: 19) million due to the phasing out of activities. Depreciation and amortization increased slightly to EUR 4 (2019: 3) million.

Higher Number of Property Transactions

The number of residential property transactions by BPD increased by 29% to 2,992 (2019: 2,318). This is excluding 515 of BPD's transactions to the BPD Woningfonds in the first half of 2020. The impact of COVID-19 is still limited, and sales are more or less in line with last year. In the Netherlands BPD sold 1,842 houses (2019: 1,618). The total number of transactions in Germany was 1,150 (2019: 700).

Capital Developments

Maintaining a Strong Capital Position

Capital Ratios		
Amounts in millions of euros	*06-30-2020*	*12-31-2019*
Retained earnings	28,988	28,910
Expected distributions	(2)	(3)
Rabobank Certificates	7,449	7,449
Part of non-controlling interest treated as qualifying capital	0	0
Reserves	(930)	(753)
Regulatory adjustments	(1,394)	(2,007)
Transition guidance	76	0
Common equity tier 1 capital	**34,187**	**33,596**
Capital securities	3,462	4,951
Grandfathered instruments	313	313
Non-controlling interests	0	0
Regulatory adjustments	(104)	(106)
Transition guidance	0	0
Additional tier 1 capital	*3,671*	*5,158*
Tier 1 capital	**37,858**	**38,754**
Part of subordinated debt treated as qualifying capital	12,138	13,299
Non-controlling interests	0	0
Regulatory adjustments	(6)	(92)
Transition guidance	(73)	0
Tier 2 capital	**12,059**	**13,207**
Qualifying capital	**49,917**	**51,961**
Risk-weighted assets	**205,617**	**205,797**
Common equity tier 1 ratio	16.6%	16.3%
Tier 1 ratio	18.4%	18.8%
MREL buffer	29.8%	29.3%
Total capital ratio	24.3%	25.2%
Equity capital ratio	17.7%	17.7%
Common equity tier 1 ratio of Coöperatieve Rabobank U.A. solo (issuer level)	16.6%	16.8%

On June 30, 2020, our CET 1 ratio amounted to 16.6% (2019: 16.3%). This is well above our >14% ambition. The increase in the CET 1 ratio was mainly due to a decline in shortfall as a result of increased IFRS 9 allowances and the removal of an add on to risk weighted assets for a macro prudential measure for retail mortgages postponed by DNB. Our leverage ratio – that is, our tier 1 capital divided by our balance sheet positions and off-balance-sheet liabilities – is calculated based on the definitions provided in the CRR/CRD IV. Our leverage ratio on June 30, 2020 was 5.9% (2019: 6.3%), which is well above the minimum leverage ratio of 3% required by the Basel III guidelines. In line with our capital strategy, our total capital ratio decreased to 24.3% (2019: 25.2%), mainly as a result of the call of several Capital Securities and Trust Preferred Securities.

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 crisis. In the first half of 2020 , our risk-weighted assets decreased to EUR 205.6 (2019: 205.8) billion. Due to the fact that not all client assessments were sufficiently up to date due to the COVID 19 pandemic we increased risk weighted assets by EUR 1.7 billion by approximating higher PDs and LGDs for business loans in sectors with a strong economic downturn. The effects of TRIM will continue in the second half of 2020. Based on pro-forma calculations we estimate the remaining impact of the Basel Committee proposals to lead to an increase of approximately 25%-28% in risk-weighted assets on a fully loaded basis (before mitigation). With mitigation included, the impact is estimated to be below 25%. Postponing the implementation of Basel IV gives us additional time to prepare for and mitigate impact. We also expect to absorb part of the remaining impact before 2023 due to TRIM and other model changes. Our estimate for the remaining Basel IV impact is based 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 final impact of Basel IV 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;
- Data improvements such as data mapping, improved revenue information storage, collateral information and external ratings, and/or
- Repricing of longer-term assets.

Regulatory Transitional Arrangements for IFRS 9

In accordance with ECB's recommendation that banks that have not yet done so adopt the IFRS 9 transitional rules, Rabobank have applied for and been granted permission to apply the IFRS 9 transitional arrangements as of June 30, 2020. A surplus of IFRS 9 allowances compared to prudential expected credit loss for performing exposures can be added back to CET 1 capital instead of to tier 2 capital under the transitional arrangements. The impact on the CET 1 ratio was limited to 3.5 basispoints, but in the longer term the proposed extension of the arrangements could affect our regulatory capital position more favorably if the crisis becomes more severe.

Risk-weighted Assets

Our external 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 capital amounted to EUR 16.4 (2019: 16.5) billion on June 30, 2020, of which 80% related to credit and transfer risk, 16% to operational risk, and 3% to market risk.

Regulatory Capital by Business Segment

Amounts in billions of euros	*06-30-2020*	*12-31-2019*
Domestic Retail Banking	6.0	6.0
Wholesale & Rural	6.8	6.7
Leasing	1.6	1.6
Property Development	0.3	0.3
Other	1.6	1.7
Rabobank	**16.4**	**16.5**

Our MREL Eligible Capital Buffer

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

We have received formal notification from De Nederlandsche Bank (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 European Union have sufficient own funds and eligible liabilities to absorb losses in the case of a potential bank failure. This MREL requirement is set at a consolidated level of Rabobank Group, as determined by the SRB. This SRB's calibration of the MREL requirement is based on our full-year 2017 results. Our requirement has been set at the percentage of 9.64% of Total Liabilities and Own Funds (TLOF). Our TLOF is based on a calibration of the various MREL components at 28.58% of RWA in 2017, and includes amounts for loss absorption amount, recapitalization amount and market confidence. The calibration we used is based on the framework for MREL under BRRD I, the EBA RTS and the 2018 SRB MREL policy. We expect that the requirement will be lowered due to the lowered CRR/CRD capital requirements. In response to the COVID-19 crisis, De Nederlandsche Bank lowered the Systemic Risk Buffer from 3% to 2%, and several jurisdictions have lowered their Counter Cyclical Capital Buffer. These developments may also translate to changes in the calibration of future MREL requirements.

The recent adoption of CRR2 and BRRD2 (as part of the "Banking Risk Reduction Package") which contain a revised MREL framework, will likely result in further changes to banks' MREL requirements. A revised MREL target under the new framework and the recently published SRB 2020 MREL policy are expected in early 2022. As under BRRD I, Preferred Senior debt that meets the relevant criteria is MREL eligible. We already meet our current MREL requirement, so we have not yet set a transition period.

The MREL framework in CRR2 and BRRD2 also allows for some portion of the MREL requirement to be met with Preferred Senior debt under certain conditions, subject to minimum subordination requirements to be met with Own Funds and Non-Preferred Senior instruments. We intend to meet our MREL requirement with a combination of Own Funds and Non-Preferred Senior only. In the first half of 2020, we issued a number of Non-Preferred Senior bonds. With MREL eligible capital and debt of 29.8%, our additional MREL needs are manageable.

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 60.3 billion to EUR 61.3 billion due to profit retention and the issuance of new instruments. This increase corresponds to 29.8% (2019: 29.3%) of risk-weighted assets.

MREL Eligible Capital and Non-Preferred Senior Bonds Buffer

Amounts in billions of euros	*06-30-2020*	*12-31-2019*
Qualifying capital	49.9	52.0
Non qualifying grandfathered additional tier 1 capital	0	0
Amortized tier 2 >1 year remaining maturity	2.2	1.7
Non-Preferred Senior bonds > 1 year remaining maturity	9.2	6.7
MREL eligible capital and Non-Preferred Senior bonds buffer	**61.3**	**60.3**
Risk-weighted assets	205.6	205.8
MREL eligible capital and Non-Preferred Senior bonds buffer / risk-weighted assets	29.8%	29.3%

Interim Financial Statements 2020

Contents

Consolidated Statement of Financial Position

Consolidated Statement of Financial Position			
Amounts in millions of euros	*Note*	*June 30, 2020*	*December 31, 2019*
Assets			
Cash and cash equivalents		85,420	63,086
Loans and advances to credit institutions		22,653	29,297
Financial assets held for trading		2,817	1,870
Financial assets designated at fair value		90	101
Financial assets mandatorily at fair value		2,177	1,905
Derivatives		29,557	23,584
Loans and advances to customers	6	444,301	440,507
Financial assets at fair value through other comprehensive income		16,302	13,505
Investments in associates and joint ventures		2,206	2,308
Goodwill and other intangible assets		822	829
Property and equipment		4,949	5,088
Investment properties		403	371
Current tax assets		156	169
Deferred tax assets		820	933
Other assets		7,181	6,610
Non-current assets held for sale	15	263	435
Total assets		**620,117**	**590,598**
Liabilities			
Deposits from credit institutions		22,876	21,244
Deposits from customers	8	381,521	342,536
Debt securities in issue		116,913	130,403
Financial liabilities held for trading		636	399
Financial liabilities designated at fair value		5,761	6,328
Derivatives		29,239	24,074
Other liabilities		6,422	6,835
Provisions	9	616	783
Current tax liabilities		152	228
Deferred tax liabilities		549	540
Subordinated liabilities		15,682	15,790
Liabilities held for sale	15	1	91
Total liabilities		**580,368**	**549,251**
Equity			
Reserves and retained earnings	10	28,058	28,157
Equity instruments issued by Rabobank			
- Rabobank Certificates		7,449	7,449
- Capital Securities		3,775	5,264
		11,224	**12,713**
Other non-controlling interests		467	477
Total equity		**39,749**	**41,347**
Total equity and liabilities		**620,117**	**590,598**

Consolidated Statement of Income

Consolidated Statement of Income			
Amounts in millions of euros	*Note*	*First half-year 2020*	*First half-year 2019*
Interest income from financial assets using the effective interest method	1	7,029	8,085
Other interest income	1	153	114
Interest expense	1	3,082	3,985
Net interest income	**1**	**4,100**	**4,214**
Fee and commission income		1,008	1,082
Fee and commission expense		163	159
Net fee and commission income		**845**	**923**
Income from other operating activities	2	1,044	955
Expenses from other operating activities	2	846	741
Net income from other operating activities	**2**	**198**	**214**
Income from investments in associates and joint ventures		12	89
Gains/ (losses) arising from the derecognition of financial assets measured at amortized cost		(1)	33
Gains/ (losses) on financial assets and liabilities at fair value through profit or loss		(87)	88
Gains/ (losses) on financial assets at fair value through other comprehensive income		55	21
Other income		90	104
Income		**5,212**	**5,686**
Staff costs	3	2,351	2,392
Other administrative expenses	4	554	766
Depreciation and amortization		196	211
Operating expenses		**3,101**	**3,369**
Impairment charges on financial assets	5	1,442	440
Regulatory levies		302	268
Operating profit before tax		**367**	**1,609**
Income tax		140	397
Net profit for the period		**227**	**1,212**
Of which attributed to Rabobank		93	713
Of which attributed to Rabobank Certificates[1]		-	242
Of which attributed to Capital Securities issued by Rabobank		121	225
Of which attributed to Capital Securities issued by subsidiaries		-	4
Of which attributed to Trust Preferred Securities IV		-	11
Of which attributed to other non-controlling interests		13	17
Net profit for the period		**227**	**1,212**

1 Following ECB and DNB announcements, Rabobank decided to make no distributions on the Rabobank Certificates in 2020

Condensed Consolidated Statement of Comprehensive Income

Condensed Consolidated Statement of Comprehensive Income		
Amounts in millions of euros	*First half-year 2020*	*First half-year 2019*
Net profit for the period	**227**	**1,212**
Other comprehensive income transferred to profit or loss if specific conditions are met, net of tax:		
Exchange differences on translation of foreign operations	(266)	54
Increase/ (decrease) in the fair value of debt instruments at fair value through other comprehensive income	90	56
Costs of hedging	(13)	(4)
Cash flow hedges	-	(16)
Share of other comprehensive income of associates and joint ventures	(73)	85
Other	-	9
Other comprehensive income not to be transferred to profit or loss, net of tax:		
Remeasurements of post-employee benefit obligations	6	7
Increase/ (decrease) in the fair value of equity instruments at fair value through other comprehensive income	(33)	27
Share of other comprehensive income of associates and joint ventures	11	(2)
Decrease/ (increase) in the fair value due to own credit risk on financial liabilities designated at fair value	82	(70)
Other comprehensive income	**(196)**	**146**
Total comprehensive income	**31**	**1,358**
Of which attributed to Rabobank	(84)	856
Of which attributed to Rabobank Certificates[1]	-	242
Of which attributed to Capital Securities issued by Rabobank	121	225
Of which attributed to Capital Securities issued by subsidiaries	-	4
Of which attributed to Trust Preferred Securities IV	-	11
Of which attributed to other non-controlling interests	(6)	20
Total comprehensive income	**31**	**1,358**

1 Following ECB and DNB announcements, Rabobank decided to make no distributions on the Rabobank Certificates in 2020

Consolidated Statement of Changes in Equity

Consolidated Statement of Changes in Equity

			Non-controlling interests		
Amounts in millions of euros	*Reserves and retained earnings*	*Equity instruments issued by Rabobank*	*Equity instruments issued by subsidiaries*	*Other*	*Total*
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 (note 10)	(12)	(1,488)	-	-	(1,500)
Other	(2)	(1)	-	(4)	(7)
Balance on June 30, 2020	**28,058**	**11,224**	**-**	**467**	**39,749**
Balance on 31 December, 2018	**27,264**	**13,938**	**553**	**481**	**42,236**
Net profit for the period	1,195	-	-	17	1,212
Other comprehensive income	143	-	-	3	146
Total comprehensive income	**1,338**	**-**	**-**	**20**	**1,358**
Payments on Rabobank Certificates	(242)	-	-	-	(242)
Payments on Capital Securities issued by Rabobank	(162)	-	-	-	(162)
Payments on Capital Securities issued by subsidiaries	(5)	-	-	-	(5)
Redemption of Capital Securities	(493)	(2,502)	(164)	-	(3,159)
Other	2	35	1	(9)	29
Balance on June 30, 2019	**27,702**	**11,471**	**390**	**492**	**40,055**

Condensed Consolidated Statement of Cash Flows

Condensed Consolidated Statement of Cash Flows		
Amounts in millions of euros	*First half-year 2020*	*First half-year 2019*
Operating profit before tax	367	1,609
Non-cash items recognized in operating profit before tax	1,922	743
Net change in assets and liabilities relating to operating activities	33,620	(7,399)
Net cash flow from operating activities	**35,909**	**(5,047)**
Net cash flow from investing activities	**35**	**30**
Net cash flow from financing activities	**(13,443)**	**(4,912)**
Net change in cash and cash equivalents	**22,501**	**(9,929)**
Cash and cash equivalents on January 1	63,086	73,335
Net change in cash and cash equivalents	22,501	(9,929)
Exchange rate differences on cash and cash equivalents	(167)	29
Cash and cash equivalents on June 30	**85,420**	**63,435**

Notes to the Interim Financial Statements

Corporate Information

Rabobank is an international financial services provider operating on the basis of cooperative principles. Rabobank offers retail banking, wholesale banking, private banking, leasing, and real estate services. The Interim Financial Statements of Rabobank 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 2019 Consolidated Financial Statements of Rabobank Group, which were prepared in accordance with the IFRS as adopted by the European Union and the applicable articles of Part 9 of Book 2 of the Dutch Civil Code. The accounting policies used in this interim report are consistent with those set out in the notes to the 2019 Consolidated Financial Statements of Rabobank Group, except for the changes in accounting policies described in the section "New and Amended Standards Issued by the International Accounting Standards Board (IASB) and Adopted by the European Union which Apply in the Current Year" section and in the "Changes in presentation" section.

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 COVID-19 pandemic affected Rabobank's credit portfolio in the first half of 2020. The lock-down measures to contain the virus taken by governments across the world resulted in lower economic activity in Rabobank's market areas. The credit exposure was negatively affected in terms of credit quality, which led to high exposure inflow in Stage 2. Rabobank expects that these higher Stage 2 exposures will result in more defaults in coming periods and lead to higher Stage 3 exposures.

Recommendations ECB, EBA, and ESMA

Rabobank adheres to the view of the EBA that the application of public or private moratoria aimed at addressing the adverse impact of the COVID-19 pandemic should not in itself be deemed an automatic trigger to conclude that a significant increase in credit risk has occurred. Rabobank also applies the ECB, EBA, and ESMA recommendations regarding the identification and classification of non-performing loans. Loans can be renegotiated without diminishing the financial position of the lender. In other words, the net present value of cash flows of the loan remains the same after modification. In this case, if the obligor remains likely to meet their obligations under the renegotiated contract, there is no need to classify the exposure as defaulted.

Rabobank's Relief Measures

Rabobank provided a range of relief measures to support clients negatively impacted by COVID-19 in the Netherlands and around the world, in addition to government measures in the various countries where Rabobank operates.

Eligible General Payment Moratoria

The Dutch Banking Association (NVB) communicated the two formalized (private) general payment moratoria on its website for business customers.

- A private moratiorium for business customers with an exposure < EUR 2,5 million.
- A private moratorium for business customers with an exposure > EUR 2,5 million and < EUR 50 million.

Rabobank applies these two general payment moratoria to allow for the postponement of payments on loans and credit facilities originated before March 15, 2020. These suspensions are available to all business customers who had no payment difficulties before the COVID-19 crisis and have their headquarters in the Netherlands. The payment moratoria are granted without an ex ante client-specific creditworthiness assessment and without affecting their classification as forborne. The granted payment moratoria in themselves are not considered a significant increase in credit risk leading to Stage 2 migration. Most of these customers will be subject to client-specific assessment in the coming period as part of a regular periodic review.

Rabobank offers the following to its business customers under the NVB moratoria:

- A general payment moratorium on repayment of principal for a maximum of six months with exposures up to EUR 50 million; and
- Payment holidays for lease payments (where Rabobank acts as lessor) for which the resulting net present value change is less than EUR 100 for retail business and EUR 500 for larger exposures (> EUR 1 million).

Outside the Netherlands Rabobank does not offer an EBA compliant public or private moratorium to its customers.

Postponement of Principal and/or Interest Not Qualifying as a General Payment Moratorium
Rabobank also offered relief measures that do not fall under a general payment moratorium but which allow clients to temporarily postpone principal repayment and/or interest payments both in the Netherlands and abroad. These measures includes postponement of mortgage payments offered to private individuals. Two elements are important in considering the impact of these other postponement measures on credit risk classification

- The length of the period during which payments are postponed, and
- The occurrence of a material economic loss for Rabobank by impacting the net present value (NPV) of the credit obligation.

Based on this, Rabobank distinguishes three types of non-General Payment Moratoria postponement measures:

- Without a material NPV effect (< EUR 100 for retail and < EUR 500 for larger exposures) and a duration of ≤ 3 months: This measure does not lead to a significant increase in credit risk or to another credit risk classification if there are no other indications of financial difficulty.
- Without a material NPV effect and a duration of > 3 months: Fore these measures a client-specific assessment is performed to determine the appropriate credit risk classification.
- With a material NPV effect (any duration): This measure is considered to be a sign of possible financial difficulty on the part of the client and is considered a forbearance measure and, at least, a Stage 2 trigger.

Additional (Liquidity) Financing
Rabobank also offered additional financing (new loans) to clients in need of additional liquidity due to COVID-19 crisis. These loans were granted with or without a government guarantee. An example of additional financing with a Dutch government guarantee is the BKMB-C facility. Government guarantees issued as a credit risk mitigating measure for Rabobank did not influence client quality measurements such as PD. Business loans that were issued with a government guarantee are considered unfunded credit protection, a safeguard that is taken into account in loss estimates such as LGD and ECL. For all non-government guaranteed additional financing requests, a client-specific assessment was performed.

Impact on IFRS 9 Impairment Allowances: Forward-looking Information

Forward-looking Information
Much of the impact on the expected credit losses resulting from the COVID-19 pandemic is related to changes to the forward-looking information that had an upward effect on IFRS 9 Stage 1 and 2 impairment allowances. Please refer to Section 6, "Loans and Advances to Customers", for an overview of the exposures and impairment allowances per Stage. The macroeconomic scenarios applied in the first half of 2020 were very different to those applied in 2019. Rabobank's base-case scenario reflects a downturn in 2020 followed by a recovery in 2021, as it foresees a significant mitigating effect from government financial support packages. The base-case scenario is considered the most likely at a 70% compared to 15% likelihood for both the downside and the upside scenarios.

Baseline Scenario: General
As a result of the COVID-19 pandemic, the baseline scenario paints a gloomy picture of the global economy. It was only a few months ago that COVID-19 was considered just a downside risk to global economic growth, but it quickly developed into an event that has dramatically changed the global outlook. Rabobank has made

a substantial downward adjustment to growth forecasts around the globe and predicts a global recession in 2020. The subsequent higher growth figures in 2021 reflect a bounce-back. Rabobank revised its forecasts downwards during the first half of 2020 on several occasions.

Baseline Scenario for Rabobank's Most Important Market: The Netherlands

The Netherlands has several advantages when it comes to being accustomed to working from home and shopping online before the COVID-19 pandemic. This peparedness has helped cushion the shock to economic activity in a lockdown that was relatively mild to begin with. Compared to Germany, which had a similarly mild lockdown, the GDP forecast for 2020 is higher in the Netherlands due to a more positive carry-over effect from a better performance in the latter part of 2019, and a better performance in 2020 Q1. Just like its counterpart in Germany, the Dutch government can afford a sizeable fiscal and financial effort and has delivered this so far. All in all, the initial impact of the COVID-19 crisis on the Netherlands is expected to be milder than in other eurozone countries.

Nonetheless, the recovery will be modest in the coming quarters, as unemployment (both formal and informal) is expected to rise, especially among workers with flexible contracts. This will weigh on domestic demand. In addition, the relatively open Dutch economy will suffer from the global economic recession. 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 Scenario

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. Use the stochastic function of NiGEM to run 1000 scenarios starting in the first quarter where the plus and minus scenarios may differ from the baseline and ending in the final quarter of the RaboResearch delivery. NiGEM uses historical residuals (randomly chosen) from the model equations to give shocks during the forecast period (Monte Carlo simulation). The result is the distribution of macroeconomic outcomes based on the historical variance of the world trade loss.

2. Look up the two scenarios which represent the 15% upper scenarios and the 15% lower scenarios of the distribution.

Expert Judgement Resulting in Post Model Adjustments

The unusual circumstances due to the COVID-19 pandemic have led to model outcomes that required expert judgement and adjustments. In the Netherlands, the government gave generous liquidity support for affected industries, such as Food services, Flowers, Leisure & entertainment, Non-food retail, Transport and the Energy business, and also for private individuals. This support postponed the direct impact of the lockdown measures. For this reason, management has judged (based on internal sectorial investigation) that for the Netherlands the model outcome did not lead to a sufficient increase in expected credit losses. Also due to the fact that not all customers already had a new post-COVID-19 credit risk assessment Rabobank also applied an override of the credit risk rating for those customers. An internal sector-assessment on expected credit risk deterioration resulted in a management adjustments for an amount of EUR 0.3 billion on top of the model-based impairment allowances.

Furthermore the model outcomes in the United States for Stage1 and Stage 2 impairment allowances also required expert judgement. Management performed a top-down and bottom up analysis to assess the impact of the macroeconomic developments on the impairment allowances in relation to the credit quality of the loan portfolio in the United States, leading to an adjustment that reduced the model based impairment allowance by EUR 0.1 billion.

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 judgment. Rabobank uses estimates and management judgment 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, judgment is required to estimate the expected future cash flows and for the weighting of the three scenarios.

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 and Other Intangible Assets and Investments in Associates and Joint Ventures

Goodwill and other intangible assets are assessed for impairment – at least once a year – by comparing the recoverable value to the carrying amount, while investments in associates and joint ventures are tested for impairment when specific triggers are identified. Rabobank concluded that the COVID 19 pandemic did not trigger an impairment. 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 judgments 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 inestimating 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 International Accounting Standards Board (IASB) and Adopted by the European Union Which Apply in the Current Financial Year

Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

Rabobank applied these amendments as of January 1, 2020. The amendments modify specific hedge accounting requirements, so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark is not altered as a result of the interest rate benchmark reform. The changes mandatorily apply to all hedging relationships that are directly affected by the interest rate benchmark reform. If a hedging relationship no longer meets the requirements for hedge accounting for reasons other than those specified by the amended Standards, then discontinuation of hedge accounting is still required.

Rabobank closely monitors the market and the output from the various industry working groups, central banks and regulators in order to manage the transition to alternative benchmark interest rates. Rabobank has set up an IBOR transition program and governance structure that focuses on all areas of impact, including but not limited to product development and operational readiness, client outreach and contract changes, reporting and valuation, education and communication. The implementation of these amendments does not affect profit or equity.

Other Amendments to IFRS

Minor amendments have been made to IFRS 3, IAS 1, and IAS 8, and to References to the Conceptual Framework in IFRS Standards. The implementation of these amendments does not affect profit or equity.

New Standards Issued by the International Accounting Standards Board (IASB) but Not Yet Endorsed by the European Union

IFRS 17 Insurance Contracts

In May 2017, 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. Rabobank is currently assessing the impact on its own financial statements.

Other Amendments to IFRS

Minor amendments have been made to IAS 1 with an effective date of annual periods beginning on or after January 1, 2023 regarding the classification of liabilities as current or non-current. 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.

Changes in Presentation

As per the Interim Financial Statements 2020, expenses related to payment services have been reclassified from "Other administrative expenses" to "Fee and commission expense" to align with the supervisory financial reporting. The comparative figures were reclassified for an amount of EUR 77 million on June 30, 2019.

Notes to the Primary Financial Statements

1. Net Interest Income

Net Interest Income

Amounts in millions of euros	*First half-year 2020*	*First half-year 2019*
Interest income		
Cash and cash equivalents	88	184
Loans and advances to credit institutions	46	122
Loans and advances to customers	6,705	7,587
Derivatives used for fair value hedge-accounting	61	(35)
Financial assets at fair value through other comprehensive income	129	227
Interest income from financial assets using the effective interest method	**7,029**	**8,085**
Financial assets held for trading	17	16
Financial assets designated at fair value	3	-
Financial assets mandatorily at fair value	9	13
Interest income on financial liabilities with a negative interest rate	62	51
Other	62	34
Other interest income	**153**	**114**
Total interest income	**7,182**	**8,199**
Interest expense		
Deposits from credit institutions	71	100
Deposits from customers	925	1,370
Debt securities in issue	1,146	1,550
Financial liabilities held for trading	3	3
Derivatives held as economic hedges	367	336
Financial liabilities designated at fair value	74	95
Subordinated liabilities	354	393
Interest expense on financial assets with a negative interest rate	128	127
Lease liability	9	9
Other	5	2
Total interest expense	**3,082**	**3,985**
Net interest income	**4,100**	**4,214**

2. Net Income from Other Operating Activities

Net Income from Other Operating Activities

Amounts in millions of euros	*First half-year 2020*	*First half-year 2019*
Income from real estate activities	569	524
Expenses from real estate activities	465	410
Net income real estate activities	**104**	**114**
Income from operational lease activities	462	417
Expenses from operational lease activities	374	325
Net income from operational lease activities	**88**	**92**
Income from investment property	13	14
Expenses from investment property	7	6
Net income from investment property	**6**	**8**
Net income from other operating activities	**198**	**214**

3. Staff Costs

Staff Costs

Amounts in millions of euros	*First half-year 2020*	*First half-year 2019*
Wages and salaries	1,331	1,322
Social security contributions and insurance costs	152	165
Pension costs - defined contribution plans	198	201
Addition/ (release) of other post-employment provisions	4	21
Training and travelling expenses	58	96
Other staff costs	608	587
Staff costs	**2,351**	**2,392**

4. Other Administrative Expenses

Other Administrative Expenses

Amounts in millions of euros	*First half-year 2020*	*First half-year 2019*
Additions and releases of provisions	(29)	59
IT expenses and software costs	169	153
Consultants fees	185	164
Publicity expenses	43	69
Result on derecognition and impairments on (in)tangible assets	19	(13)
Other expenses	167	334
Other administrative expenses	**554**	**766**

The other expenses were impacted by a VAT relief.

5. Impairment Charges on Financial Assets

Impairment Charges on Financial Assets

Amounts in millions of euros	*First half-year 2020*	*First half-year 2019*
Loans and advances to customers and credit institutions	1,487	436
Financial assets at fair value through other comprehensive income	1	-
Recoveries following write-off	(42)	(57)
Loan commitments and financial guarantees	(4)	61
Impairment charges on financial assets	**1,442**	**440**

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, 2020*	*December 31, 2019*
Gross carrying amount loans and advances to customers	**441,356**	**437,403**
Hedge accounting adjustment	7,824	7,044
Impairment allowances on loans and advances to customers	(4,879)	(3,940)
Total loans and advances to customers	**444,301**	**440,507**

June 30, 2020	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying amount loans and advances to customers	384,145	42,802	14,409	441,356
Impairment allowances on loans and advances to customers	694	836	3,349	4,879

December 31, 2019	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying amount loans and advances to customers	401,895	20,418	15,090	437,403
Impairment allowances on loans and advances to customers	369	346	3,225	3,940

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

The tables below 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, 2020	402	366	3,323	4,091
Increases due to origination and acquisition	105	6	45	156
Decreases due to derecognition	(65)	(48)	(127)	(240)
Changes due to change in credit risk	341	550	680	1,571
Write-off of defaulted loans during the year	(6)	(2)	(400)	(408)
Other changes	(20)	1	(104)	(123)
Balance on June 30, 2020	**757**	**873**	**3,417**	**5,047**

Amounts in millions of euros	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Balance on January 1, 2019	301	253	3,315	3,869
Increases due to origination and acquisition	96	6	146	248
Decreases due to derecognition	(94)	(79)	(300)	(473)
Changes due to change in credit risk	106	194	941	1,241
Write-off of defaulted loans during the year	(8)	(8)	(718)	(734)
Other changes	1	-	(61)	(60)
Balance on December 31, 2019	**402**	**366**	**3,323**	**4,091**

Significant Increase in Credit Risk

Judgment is required to transfer assets from Stage 1 to Stage 2. To demonstrate the sensitivity of the ECL to the PD thresholds, an analysis was run, which assumed all assets were below the PD threshold and apportioned a 12-month ECL. On the same asset base an analysis was run which assumed all assets were above the PD threshold and apportioned a lifetime ECL. These analyses resulted in ECLs of EUR 1,198 million and EUR 2,838 million, respectively. The total Stage 1 and Stage 2 impairment allowances as per June 30, 2020 are EUR 1,630 million. The large increase of Stage 2 exposures was mainly caused by economic deteriation due to the COVID-19 pandemic.

Forward-looking Information and Macro-economic Scenarios

Estimating expected credit losses for each stage and assessing significant increases in credit risk require the consideration of information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions (forward-looking information). Rabobank uses three probability-weighted, global macroeconomic scenarios (consisting of a baseline, a baseline minus and a baseline plus scenario) in our ECL models to determine the expected credit losses. Important variables are gross domestic product growth, unemployment rates and interest rates. These forward-looking macroeconomic forecasts require judgment and are delivered by internal Rabobank research. An sensitivity analysis 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.

Netherlands		2020	2021	2022	ECL unweighted	Probability	Weighted ECL in millions of euro per June 30, 2020	Weighted ECL in millions of euro per December 31, 2019
Plus	GDP per capita	-5.6%	4.7%	2.1%				
	Unemployment	4.7%	4.7%	2.1%	544	15%		
	Real Interest Rate	1.0%	0.4%	-0.3%				
Baseline	GDP per capita	-6.0%	2.7%	2.4%				
	Unemployment	5.0%	6.3%	4.9%	645	70%	655	387
	Real Interest Rate	0.9%	-0.1%	-0.4%				
Minus	GDP per capita	-6.5%	-0.6%	3.1%				
	Unemployment	5.2%	7.8%	7.5%	809	15%		
	Real Interest Rate	0.9%	-0.9%	-0.7%				

A probability weighting of 10% for both the minus and plus scenario and a probability weighting of 80% for the baseline scenario, would decrease the total (for all regions) weighted ECL by EUR 7 million. If the probability weighting for both the minus and plus scenario was 20% and 60% for the baseline scenario, it would increase the total (for all regions) weighted ECL by EUR 7 million.

8. Deposits from Customers

Deposits from Customers

Amounts in millions of euros	*June 30, 2020*	*December 31, 2019*
Current accounts	104,531	89,010
Deposits with agreed maturity	81,087	63,627
Deposits redeemable at notice	187,342	180,159
Repurchase agreements	11	32
Fiduciary deposits	8,340	9,522
Other deposits from customers	210	186
Total deposits from customers	**381,521**	**342,536**

Funds from ECB's open market operations of EUR 20 billion (2019 EUR 4 billion) are included in Deposits with agreed maturity.

9. Legal and Arbitration Proceedings

Rabobank is active in a legal and regulatory environment that exposes it to asubstantial risk of litigation. Rabobank is involved in legal cases, arbitrations, and regulatory proceedings in the Netherlands and in other countries. The most relevant legal and regulatory claims which could give rise to liability on the part of Rabobank are described below. Provisions for legal claims are recognized for obligations arising as a result of a past event where it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When determining whether the probability that claims lead to an outflow of resources is more likely than not (i.e. with a likelihood of over 50%), Rabobank takes several factors into account. These factors include (but are not limited to) the type of claim and the underlying facts; the procedural process and history of each case; rulings from legal and arbitration bodies; Rabobank's experience and that of third parties in similar cases (if known); previous settlement discussions, third-party settlements in similar cases (where known); available (potential) recourse; and the advice and opinions of legal advisors and other experts. Similar types of cases are grouped together and some cases may also consist of a number of claims. When estimated loss for individual cases is assessed by Rabobank as information that could be detrimental to the outcome of such cases, this information is not disclosed separately. The estimated potential losses and provisions are based on the information available at the time and are largely subject to judgments and a number of different assumptions, variables and known and unknown uncertainties. These uncertainties may include the inaccuracy or incompleteness of information available to Rabobank (especially in the early stages of a case). In addition, assumptions made by Rabobank about the future rulings of legal or other instances or the likely actions or attitudes of supervisory bodies or the parties opposing Rabobank may turn out to be incorrect. Furthermore, estimates of potential losses relating to legal disputes are often impossible to process using statistical or other quantitative analysis instruments that are generally used to make judgments and estimates. The group of cases for which Rabobank determines that the risk of future outflows of funds is more likely than not to occur varies over time, as do the number of cases for which the bank can estimate the potential loss. In practice, the end results could turn out considerably higher or lower than the estimates of potential losses in those cases where an estimate was made. Rabobank can also sustain losses from legal risks where the occurrence of a loss may not be probable, but is not improbable either, and for which no provisions have been recognized. For those cases where (a) the probability of an outflow of funds is not probable but also not remote or (b) the probability of an outflow of funds is more likely than not but the potential loss cannot be estimated reliably, a contingent liability is disclosed. Rabobank may settle legal cases or regulatory proceedings or investigations before any fine is imposed or liability is determined. Reasons for settling could include (i) the wish to avoid costs and/or management effort, (ii) avoiding other adverse business consequences and/or (iii) pre-empt the regulatory or reputational consequences of continuing with disputes relating to liability, even if Rabobank believes it has good arguments in its defence. Furthermore, Rabobank may, for the same reasons, compensate third parties for their losses, even in situations where Rabobank does not believe that it is legally required to do so.

Interest Rate Derivatives

Rabobank concludes interest rate derivatives, such as interest rate swaps, with Dutch business customers who wish to reduce the interest rate risk associated with variable (e.g. Euribor-indexed) loans. An interest rate swap protects businesses from rising variable interest rates and helps them to keep their interest payments at an acceptable level. The Dutch Minister of Finance appointed an independent committee which on July 5, 2016 published a recovery framework (the Recovery Framework) on the reassessment of Dutch SME interest rate derivatives. Rabobank takes part in the Recovery Framework. In addition, Rabobank is involved in civil proceedings in the Netherlands relating to interest rate derivatives entered into with Dutch business customers. These civil proceedings concern individual cases before the District Court, the Court of Appeals and the Supreme Court . These actions concern allegations of misinforming clients with respect to interest rate derivatives . Rabobank will defend itself against all these claims. With respect to the (re-)assessment of the interest rate derivatives of its Dutch SME business customers and the advance payments made, Rabobank recognized on June 30, 2020 a provision of EUR 44 million (December 31, 2019: EUR 107 million). Rabobank's payments to clients under the Recovery Framework amounted to EUR 63 million in 2020.

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 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 (CHF 390.000 (excluding costs made by the authority)) 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 Federal 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 (inc. class action suits) relating to interest rate benchmarks. Since the class action suits and civil proceedings listed 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 defenses against these claims. Rabobank ntends 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 34 million (December 31, 2019: EUR 91 million). In addition to the contingent liability-cases described above, Rabobank has identified other less relevant cases in terms of size as a contingent liability. The maximum amount claimed for those contingent liability cases amounts to EUR 481 million (December 31, 2019: EUR 288 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, 2020*	*December 31, 2019*	*June 30, 2019*
Foreign currency translation reserves	(996)	(742)	(769)
Revaluation reserve – Financial assets at fair value through other comprehensive income	299	308	345
Revaluation reserve – Cash flow hedges	(26)	(26)	(56)
Revaluation reserve – Costs of hedging	33	46	26
Revaluation reserve – Assets held for sale	(26)	(26)	40
Remeasurement reserve – Pensions	(153)	(170)	(140)
Revaluation reserve – Fair value changes due to own credit risk on financial liabilities designated at fair value	(61)	(143)	(101)
Retained earnings	28,988	28,910	28,357
Total reserves and retained earnings	**28,058**	**28,157**	**27,702**

11. Redemption of Equity Instruments in the First Half of 2020

Rabobank issued the EUR 1,500 million Capital Securities on January 22, 2005. In accordance with the Terms and Conditions of these Capital Securities, Rabobank redeemed these Capital Securities on the first call date, of June 29, 2020.

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 2019 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, 2020		*December 31, 2019*	
Amounts in millions of euros	*Carrying amount*	*Fair value*	*Carrying amount*	*Fair value*
Assets				
Cash and cash equivalents	85,420	85,431	63,086	63,104
Loans and advances to credit institutions	22,653	22,648	29,297	29,314
Loans and advances to customers	444,301	459,436	440,507	455,258
Liabilities				
Deposits from credit institutions	22,876	22,918	21,244	21,267
Deposits from customers	381,521	387,047	342,536	347,905
Debt securities in issue	116,913	117,787	130,403	132,326
Subordinated liabilities	15,682	17,824	15,790	17,625

The figures stated in the table above 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 must be considered including the time-value of money, volatility, underlying options and the credit quality of the counterparty. The valuation process is designed to systematically use market prices that are available on a periodic basis. This systematic valuation process proved its worth during the credit crisis. Modifications to assumptions may 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, 2020				
Assets carried at fair value in the statement of financial position				
Financial assets held for trading	2,150	104	563	2,817
Financial assets designated at fair value	73	16	1	90
Financial assets mandatorily at fair value	355	579	1,243	2,177
Derivatives	16	29,318	223	29,557
Financial assets at fair value through other comprehensive income	13,882	2,147	273	16,302
Non-current assets held for sale	-	-	263	263
Liabilities carried at fair value in the statement of financial position				
Derivatives	15	29,182	42	29,239
Financial liabilities held for trading	636	-	-	636
Financial liabilities designated at fair value	-	5,761	-	5,761
Amounts in millions of euros				
On December 31, 2019				
Assets carried at fair value in the statement of financial position				
Financial assets held for trading	1,649	147	74	1,870
Financial assets designated at fair value	100	-	1	101
Financial assets mandatorily at fair value	72	620	1,213	1,905
Derivatives	36	23,434	114	23,584
Financial assets at fair value through other comprehensive income	11,608	1,671	226	13,505
Non-current assets held for sale	-	-	435	435
Liabilities carried at fair value in the statement of financial position				
Derivatives	28	23,980	66	24,074
Financial liabilities held for trading	399	-	-	399
Financial liabilities designated at fair value	-	6,328	-	6,328

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, 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 June 30, 2020
Assets									
Financial assets held for trading	74	(143)	-	654	(22)	-	-	-	563
Financial assets designated at fair value	1	-	-	-	-	-	-	-	1
Financial assets mandatorily at fair value	1,213	(50)	-	107	(27)	-	-	-	1,243
Derivatives	114	149	-	-	-	(39)	(1)	-	223
Financial assets at fair value through other comprehensive income	226	-	(2)	-	-	-	49	-	273
Liabilities									
Derivatives	66	17	-	-	-	(40)	(1)	-	42
Financial liabilities designated at fair value	-	-	-	-	-	-	-	-	-

Amounts in millions of euros	Balance on January 1, 2019	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, 2019
Assets									
Financial assets held for trading	63	-	-	17	(6)	-	-	-	74
Financial assets designated at fair value	8	-	-	1	(7)	(1)	-	-	1
Financial assets mandatorily at fair value	1,563	94	-	400	(738)	(106)	-	-	1,213
Derivatives	256	8	-	-	-	(138)	(12)	-	114
Financial assets at fair value through other comprehensive income	464	2	10	10	(31)	-	-	(229)	226
Liabilities									
Derivatives	123	59	-	-	-	(115)	(1)	-	66
Financial liabilities designated at fair value	-	-	-	-	-	-	-	-	-

The total gains/(losses) recognized in the income statement for the period relating to the assets and liabilities held in Level 3 at the end of the reporting period are shown in the following table.

Gains/(Losses) of Level 3 Financial Instruments Recognized in Profit or Loss

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, 2020			
Assets			
Financial assets held for trading	(144)	1	(143)
Financial assets designated at fair value	-	-	-
Financial assets mandatorily at fair value	(50)	-	(50)
Derivatives	144	5	149
Financial assets at fair value through other comprehensive income	-	-	-
Liabilities			
Derivatives	12	5	17
Financial liabilities designated at fair value	-	-	-
On December 31, 2019			
Assets			
Financial assets held for trading	-	-	-
Financial assets designated at fair value	-	-	-
Financial assets mandatorily at fair value	71	23	94
Derivatives	8	-	8
Financial assets at fair value through other comprehensive income	2	-	2
Liabilities			
Derivatives	36	23	59
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 127 million (2019: 90 million) and on other comprehensive income EUR 4 million (2019: 3 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 -127 million (2019: -69 million) and EUR -3 million (2019: -3 million) on other comprehensive income.

Level 3 of the financial assets at fair value mainly include private equity interests. The total amount of these Level 3 financial assets at fair value is EUR 1,138 million (2019: EUR 1,117 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 7.5 (2019: 8.8), with a range of -1 (unfavorable) and +1 (favorable) of the multiplier.

13. Related Parties

In the normal course of business, Rabobank enters into various transactions with related parties. Parties are considered related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions. Related parties of Rabobank include, among others, its joint ventures, associates, and key management personnel. Transactions between related parties include rendering or receiving services, leases, transfers under finance arrangements and provisions of guarantees or collateral. No related party transactions occurred in the first half of 2020 that have materially affected Rabobank's financial position or performance during this period.

14. 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 61 (2019: EUR 58) billion. The contingent liabilities related to litigation are disclosed in Section 9, "Legal and Arbitration Proceedings".

15. Non-Current Assets and Liabilities Held for Sale

The non-current assets held for sale amount to EUR 263 million (2019: EUR 435 million) and include assets related to the sale of Rabobank Indonesia for EUR 39 million, various types of real estate in the segments Domestic Retail Banking and Real Estate for an amount of EUR 107 million, and a stake in a financial service provider in Africa for an amount of EUR 108 million. The carrying values are expected to be realized through sale rather than through continuing use.

Sale of Rabobank Indonesia

On May 4, 2020, Rabobank signed a revised conditional sale and purchase agreement to sell our shares in Rabobank Indonesia including the banking license. The completion of the transaction is expected to take place in the second half year of 2020.
On June 30, 2020 Rabobank Indonesia is classified as held for sale according to IFRS 5. The assets and liabilities are included in the Wholesale & Rural segment and are measured at their carrying value.

16. 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, Acquisition Finance, Global Corporate Clients, Export & Project Finance, Trade & Commodity Finance, Financial Institutions Group and Rabo Corporate 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 B.V.), 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.

Rabobank decided to allocate recharges of the Head Office operations related to staff expenses from "Other administrative expenses" to "Staff costs" to better reflect a comprehensive cost view within the business segments. The figures in the previous period's segment information have been adjusted accordingly to align with internal management reporting.

Business Segments

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	1,165	550	(4)	(1)	(2)	4,100
Net fee and commission income	665	137	53	1	(3)	(8)	845
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	395	72	97	16	17	(43)	554
Depreciation and amortization	41	40	13	4	32	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
External assets	275,525	143,685	36,890	3,272	160,745	-	620,117
Goodwill	322	-	70	-	-	-	392
Private sector loan portfolio	270,685	110,461	32,404	264	1,588	-	415,402

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	74	32	50	-	-	-	156
Decreases due to derecognition	(160)	(62)	(18)	-	-	-	(240)
Changes due to change in credit risk	600	708	262	1	-	-	1,571
Write-off of defaulted loans during the year	(198)	(131)	(79)	-	-	-	(408)
Other adjustments	-	(113)	(10)	-	-	-	(123)
Balance on June 30, 2020	**2,440**	**2,030**	**562**	**15**	**-**	**-**	**5,047**
Stage 1	312	298	146	1	-	-	757
Stage 2	513	184	176	-	-	-	873
Stage 3	1,615	1,548	240	14	-	-	3,417
Balance on June 30, 2020	**2,440**	**2,030**	**562**	**15**	**-**	**-**	**5,047**

Amounts in millions of euros	*Domestic Retail Banking*	*W&R*	*Leasing*	*Property Development*	*Other Segments*	*Consolidation Effects*	*Total*
First half-year 2019							
Net interest income	2,679	1,238	522	(7)	(218)	-	4,214
Net fee and commission income	669	216	64	6	(7)	(25)	923
Other results	35	245	135	126	(15)	23	549
Income	**3,383**	**1,699**	**721**	**125**	**(240)**	**(2)**	**5,686**
Staff costs	1,332	699	266	43	102	(50)	2,392
Other administrative expenses	522	228	86	19	(65)	(24)	766
Depreciation and amortization	52	38	15	3	30	73	211
Operating expenses	**1,906**	**965**	**367**	**65**	**67**	**(1)**	**3,369**
Impairment charges on financial assets	21	334	86	-	(1)	-	440
Regulatory levies	124	86	15	1	42	-	268
Operating profit before tax	**1,332**	**314**	**253**	**59**	**(348)**	**(1)**	**1,609**
Income tax	335	89	75	16	(118)	-	397
Net profit	**997**	**225**	**178**	**43**	**(230)**	**(1)**	**1,212**
Cost/income ratio including regulatory levies (in %)[1]	60.0	61.9	53.0	52.8	n/a	n/a	64.0
Impairment charges on financial assets (in basis points of average private sector loan portfolio)[2]	2	61	52	n/a	n/a	n/a	21
As per 31 December 2019							
External assets	275,885	137,092	37,876	3,201	136,544	-	590,598
Goodwill	322	-	70	-	-	-	392
Private sector loan portfolio	271,165	112,410	33,169	256	914	-	417,914

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, 2019	**2,267**	**1,330**	**265**	**7**	**-**	**-**	**3,869**
Increases due to origination and acquisition	120	92	36	-	-	-	248
Decreases due to derecognition	(283)	(139)	(51)	-	-	-	(473)
Changes due to change in credit risk	345	660	254	1	(19)	-	1,241
Write-off of defaulted loans during the year	(324)	(254)	(156)	-	-	-	(734)
Other adjustments	(1)	(93)	9	6	19	-	(60)
Balance on December 31, 2019	**2,124**	**1,596**	**357**	**14**	**-**	**-**	**4,091**
Stage 1	176	158	68	-	-	-	402
Stage 2	213	76	77	-	-	-	366
Stage 3	1,735	1,362	212	14	-	-	3,323
Balance on December 31, 2019	**2,124**	**1,596**	**357**	**14**	**-**	**-**	**4,091**

17. Events After Reporting Date

In line with its previous decision Rabobank also decided to adhere to the updated ECB recommendation of 27th July 2020 and will not pay any cash distributions on the Rabobank Certificates during the full year of 2020. The updated recommendation itself does not preclude Rabobank from making a distribution in the form of Rabobank Certificates. Rabobank will carefully and in its full discretion assess its possibilities for such form of distribution.

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, *CEO*
Bas Brouwers, *CFO*
Els de Groot, *CRO*
Kirsten Konst, *member*
Bart Leurs, *member*
Mariëlle Lichtenberg, *member*
Berry Marttin, *member*
Jan van Nieuwenhuizen, *member*
Ieko Sevinga, *member*
Janine Vos, *member*

Utrecht, August 11, 2020

pwc

Review report

To: the general members council and the 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 2020 of Coöperatieve Rabobank U.A., Amsterdam, which comprises the consolidated statement of financial position as at 30 June 2020, 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 the notes, comprising a summary of significant accounting policies and other 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 2020 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

Amsterdam, 11 August 2020
PricewaterhouseCoopers Accountants N.V.

This document is electronically signed by:

Rogier E.H.M. van Adrichem
R.E.H.M. van Adrichem RA

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Colophon

Published by
Rabobank Communications & Corporate Affairs

Reporting
As part of its report Rabobank published the following documents in 2020:

- Management Report and Corporate Governance Report 2019
- Consolidated Financial Statements 2019 Rabobank
- Company Financial Statements 2019 Rabobank
- Capital Adequacy and Risk Management Report 2019 (Pillar 3)
- Interim Report 2020

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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August 2020
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