Annual Report 2019

Building the Renewed Cooperative Bank

Rabobank

Growing a better world together

About this Report

Our Reporting Approach in 2019

In preparing this Integrated Annual Report, we have taken the Global Reporting Initiative (GRI) Standards- Option: core- into account. This report and financial statements have been prepared in accordance with the appropriate reporting standards and guidelines. The statements and report refer to the reporting period January 1, 2019 to December 31, 2019 and were first published on March 12, 2020 on our corporate website. The Annual Report takes an integrated approach that highlights our contribution to our stakeholders by providing both financial and non-financial information. Throughout the report, we provide detailed performance data. The Financial Report includes the Financial Statements. We describe our reporting approach in Appendix 1.

Materiality

The materiality analysis provides insight into the choices we made in the reporting year. A materiality matrix illustrates which topic require the most attention due to their significant impact on Rabobank and our stakeholders. We explain the process of determining materiality and the boundaries of the topics in Appendix 1.

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Chairman's Foreword

Strengthening Our Core and Spreading Our Wings

2019 was a dynamic year. We had to deal with political and economic instability and persistent low interest rates. The consequences are apparent in our results for the year. Yet even in this challenging environment, we can report a net profit of EUR 2.2 billion and we showed good progress on our strategic objectives. Interest income was down slightly, but at the same time we managed to further reduce costs. Our capital position has improved and remains solid. We completed the sale of non-core activities and invested in future-proofing the bank.

We made good progress on contributing to major societal themes in 2019. For instance, we invested in making the housing market more sustainable and in the energy transition. With our subsidiary and project developer BPD, we are taking the first steps in developing new build properties to tackle bottlenecks in the rental market. In the past year we further shaped our international efforts to make the food chain more sustainable, partly through the AGRI3 Fund which Rabobank initiated and the work of Rabo Foundation in Africa. And we are working to help our private customers in the Netherlands achieve greater financial self-reliance and to reduce debt problems. These initiatives are fine examples of how the cooperative Rabobank expresses its mission to work in partnership to make the world a better place.

We are proud of the transition our bank has made in the past few years. This transition is starting to show through in our daily operations. Customer satisfaction is rising, as is our employee engagement. The balance sheet has been optimized, our cost levels are lower, and we are working more efficiently. We have significantly expanded and improved our digital service offering for both private and commercial customers. We made good progress in performing our role as gatekeeper of the financial system, but further improvements could be made, for instance through more collaboration in the sector.

This was all made possible thanks to the efforts and active commitment of our employees and many of our members. A sincere thanks to you all.

Our profits in 2019 are lower than the record profit of EUR 3 billion we posted over 2018. The interest rate environment significantly impacted our results and contributed to the devaluation of our participation in Achmea by EUR 300 million. The sale of RNA resulted in a one-off positive result of EUR 342 million. In the past year additions to the impairment charges were substantially higher than the historically low level of previous years. At 23 basis points the level of impairment charges has once again normalized.

Costs were down by 4% and the cost/income ratio went down from 65.9% to 63.8%. The factors driving cost development include substantial investments in digitalization and the IT infrastructure and costs related to regulation and supervision, including CDD and AML activities. Nonetheless, we aim to further improve the cost/income ratio to a percentage slightly above 60% in the coming years. The long-term ambition is for a percentage of about 55%. What we can actually achieve remains tied to interest rate fluctuations.

Our capital position remains robust: the common equity tier 1 (CET 1) ratio is 16.3%, which is well above the regulatory requirement and Rabobank’s own minimum target of 14%. The increase of 0.3 percentage points is partly attributed to retained earnings and the sale of non-core activities. Our strong capital position enables Rabobank to adequately absorb the future effects of, among others, Basel IV. The return on equity amounted to 5.3% (7.3% in 2018).

The loan portfolio grew by EUR 6 billion in 2019, excluding the sale of the RNA portfolio, due mainly to growth in international Food & Agri and at leasing subsidiary DLL. Underlying deposits from customers rose by EUR 11 billion with the most evident growth in Domestic Retail Banking.

The impact of the low interest rates caused by central bank policy and monetary stimulus measures are hitting us harder. We would certainly welcome a monetary policy aimed at normalizing interest rates. The economy is unpredictable and the effects of climate change are affecting us all.

The sale of non-core activities in North America (RNA), Ireland (ACC loan portfolio) and the remaining retail activities in Indonesia gives us space to grow our core activities. We see opportunities in Food & Agri where we have been a strong player for many years in the Netherlands and around the world. This position provides a strong foundation to achieve more economies of scale and increase our market share. We see the lease market as another opportunity where there is a clear trend from ownership to usage models. This provides interesting openings for our subsidiary DLL, which is well-positioned in this market.

Wiebe Draijer, Chairman of the Managing Board

Our role as gatekeeper of the financial system will once again be a top priority in the coming year. We are joining forces with the other leading banks to work together in the public domain. Only then can we truly take a stance on financial crime and illicit finance. In the past year we have made considerable investments in people and resources to further reinforce our role as gatekeeper of the financial system. Once again, this year we will devote considerable attention to the associated challenges including risk management, transaction monitoring and customer due diligence.

After a year in which many Dutch farmers took to the streets for their futures, we wish to emphasize that Rabobank is and will remain their partner. We continue to support the agricultural sector on its road to more sustainable land use and natural balance. At the same time, we are conscious of the challenges to the future prospects of the farmers themselves. In the coming year we will actively intensify our efforts to support this transition.

We will continuously improve our core and at the same time will spread our wings. We want to make a meaningful contribution to major societal transitions both as a cooperative bank and as part of our growth in the Netherlands and in the international Food & Agri business. At the same time, we have a duty to safeguard the revenue model of our cooperative way of providing services. To this end we will seek closer connections with our members. We will work together on solutions that benefit our customers, society and the world around us.

Wiebe Draijer, *Chairman of Rabobank's Managing Board*

Management Report

Contents

Key Figures

Amounts in millions of euros	*2019*	*2018*	*2017*	*2016*	*2015*
Non-Financial Key Figures					
Net promotor score Private Customers in the Netherlands	61	57	53	36	33
Net promotor score Private Banking Customers in the Netherlands	63	61	50	41	37
Net promotor score Corporate Customers in the Netherlands	51	53	43	30	21
% Online active private customers in the Netherlands	64.0%	61.8%	-	-	-
% Online active corporate customers in the Netherlands	81.5%	80.8%	-	-	-
Reptrak pulse score	71.5	70.8	69.5	66.1	-
Member engagement score	50%	44%	-	-	-
Employee engagement scan	64	61	-	-	-
Financial Key Figures					
Common equity tier 1 ratio (fully loaded)	16.3%	16.0%	15.5%	13.5%	12.0%
Total capital ratio (transitional)	25.2%	26.6%	26.2%	25.0%	23.2%
Leverage ratio (transitional)	6.3%	6.4%	6.0%	5.5%	5.1%
Risk-weighted assets	205,797	200,531	198,269	211,226	213,092
Wholesale funding	151,742	153,223	160,407	188,862	203,218
Cost/income ratio including regulatory levies	63.8%	65.9%	71.3%	70.9%	65.2%
Underlying cost/income ratio including regulatory levies	63.5%[1]	63.9%	65.3%	64.8%	64.6%
ROIC[2]	5.5%	7.4%	6.9%	5.2%	6.0%
Return on equity	5.3%	7.3%	6.7%	4.9%	5.5%
Return on assets	0.4%	0.5%	0.4%	0.3%	0.3%
Other Financial Figures					
Income	11,915	12,020	12,001	12,805	13,014
Operating expenses	7,115	7,446	8,054	8,594	8,145
Impairment charges on financial assets	975	190	-190	310	1,033
Net profit	2,203	3,004	2,674	2,024	2,214
Total assets	590,598	590,437	602,991	662,593	678,827
Private sector loan portfolio	417,914	416,025	410,964	424,551	433,927
Deposits from customers	342,536	342,410	340,682	347,712	345,884
Equity	41,347	42,236	39,610	40,524	41,197
Loan-to-deposit ratio	1.21	1.21	1.21	1.22	1.25
Non-performing loans	15,705	18,436	18,315	18,873	19,763
Ratings					
Standard & Poor's	A+	A+	A+	A+	A+
Moody's Investors Service	Aa3	Aa3	Aa2	Aa2	Aa2
Fitch Ratings	AA-	AA-	AA-	AA-	AA-
DBRS	AA	AA	AA	AA	AA
Sustainalytics Ranking category diversified banks	5	2	7	2	11
Sustainalytics ESG Risk Rating category diversified banks	1	1	-	-	-
About Rabobank					
Local Rabobanks	89	101	102	103	106
Offices in the Netherlands	371	409	446	475	506
Availability of internet banking	99.7%	99.9%	99.9%	99.7%	99.8%
Availability of mobile banking	99.6%	99.9%	99.9%	99.7%	99.8%
Availability of iDEAL	99.7%	99.8%	-	-	-
Community funds and donations	45.4	48.8	45.5	43.3	45
CO_2 emissions (tonnes per FTE)	2.9	3.3[3]	4.0	3.8	3.5
Sustainable Products & Services					
Total sustainable financing	46,000	46,607	17,377	-	-
Total sustainable assets under management and assets held in custody	6,399	4,726	4,030	3,835	2,843

Amounts in millions of euros	*2019*	*2018*	*2017*	*2016*	*2015*
Total sustainable funding	5,300	3,941	3,436	2,985	2,122
Total financial transactions supervised by Rabobank	6,701	7,140	6,236	5,750	6,313
Sustainability performance (Client Photo) of clients of local Rabobanks in the Netherlands (exposure > EUR 1M) coverage	98%	99%	98%	99%	-
Sustainability performance (Client Photo) of clients of local Rabobanks in the Netherlands (exposure > EUR 1M) % A-level[4]	8%	5%	4%	5%	-
Sustainability performance (Client Photo) of clients of Wholesale offices (exposure > EUR 1M) coverage	86%	87%	73%	85%	-
Sustainability performance (Client Photo) of clients of Wholesale offices (exposure > EUR 1M) % A-level[4]	24%	24%	21%	26%	-
Personnel Data					
Number of employees (total in FTE)[5]	43,822	43,247	45,063	46,781	53,269
Diversity: % Women in Managing Board	40%	40%	40%	14%	-
Diversity: % Women in first level below Managing Board	33%	31%	29%	-	-
Diversity: % Women employed in the Netherlands	51%	52%	-	-	-
Staff costs	4,821	4,868	4,472	4,680	4,787
Absenteeism in the Netherlands	4.3%	4.3%	4.0%	3.6%	3.7%

1 Adjusted for the result on fair value items, the sale of RNA, restructuring expenses and the additional provision for the derivatives recovery framework

2 The ROIC is calculated by dividing the net profit realized after non-controlling interests by the core capital (actual tier 1 capital plus the goodwill in the balance sheet at the end of the reporting period) minus deductions for non-controlling interests in Rabobank's equity.

3 The 2018 figure was restated due to an improved calculation method.

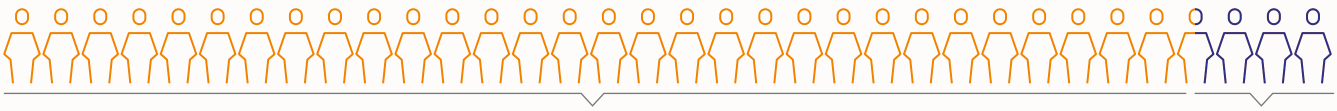
4 We measure the sustainability performance of our clients with an exposure over EUR 1 million in a client photo ranking them from A-D.

5 As a result of definition refinement the comparative FTE figures were adjusted.

Rabobank at a Glance

Mission | Growing a better world together

Almost 9.5 million customers



8.8 million Dutch customers[1]

0.7 million international customers[2]

The Netherlands

89 Local Rabobanks

Domestic Retail Banking

371 offices

1.9 million members

8.0 million private customers[3]

0.8 million corporate customers

What We Offer in the Netherlands

(amounts in EUR billions)

187.7 Dutch Private Mortgages

82.4 Lending to Trade, Industry and Services[4]

37.9 Lending to Food & Agri[4]

1.7 billion point-of-sale terminal transactions

123.7 Savings

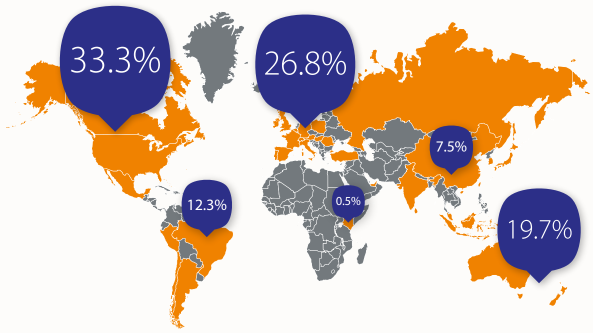
47.1 Assets Under Management

1.7 Leasing

4,485 BPD transactions

International

39 Countries



What We Offer Internationally

(amounts in EUR billions)

69.3 Private sector lending to Food & Agri

37.0 Private sector lending to Trade, Industry, and Services

31.5 Leasing

Example of a Food & Agri Value Chain - The Coffee Chain

Farmers/producers
Rabobank Foundation/Rabo Partnerships/ Rabo Rural Fund/Rabo Rural Banking

▶ **Traders**
Trade & Commodity Finance

▶ **Roasters**
Local Rabobanks/ Global Corporate Clients

▶ **Retail**
Local Rabobanks/ Global Corporate Clients

1 Local Rabobanks and Obvion
2 Wholesale, Rural & Retail
3 As of 2019 the client definition for local bank is refined to improve representativeness and resulted in an increase in the number of clients.
4 WRR the Netherlands & domestic DLL portfolio included

Rabobank at a Glance

Our History
We emerged from small agricultural cooperative banks, first founded by Dutch farmers and horticulturists in the late nineteenth century. They had been eager to improve the future of agriculture and horticulture and make farmers prosperous through a credit cooperative. From 1895 on, several banks modeled on this "Raiffeisen system" were set up in different parts of the Netherlands. The organizational model centered on self-help, taking individual and mutual responsibility, and the involvement of all stakeholders. Today, we are active in 40 countries with 43,822 employees (FTE). Our commitment to these founding principles and to making a difference in society is as strong as ever.

Our Activities
Our focus is on delivering all-finance services in the Netherlands and on serving our Food & Agri customers internationally. We create value with our strategy and the products and services we offer customers in Retail Banking, Wholesale Banking, Rural Banking, Private Banking, Vendor Finance, Leasing and Real Estate.

Our Business Model
We offer our customers a varied package of products and services which include payment services, savings, and insurance and loans, as well as strategic advisory services, such as treasury and mergers and acquisitions. Our income is made up primarily of net interest, in other words, the difference between the interest we receive from our customers and the interest we pay on our deposits and for funding. This income pays our costs, for instance, the salaries of our employees, taxes, investments in innovation and digitalization, and dividend payments to our investors.

Adding Value for Our Stakeholders
We are committed to creating value for stakeholders and society. Changing client behavior, technological developments and a complex economic environment, mean that value is created through enduring relationships with all stakeholders, and by responding appropriately to client needs against the backdrop of today's trends and uncertainties. We describe this value creation process in our value creation model. It shows the key inputs we use in our business model, along with our mission, vision, strategy, and our products and services. Finally, the output and impact section of the value creation model is structured around our strategic cornerstones and provides insight in our alignment with the relevant U.N. Sustainable Development Goals (SDGs). For more detailed information, see the downloads.

Trends and Uncertainties
Every year we analyze trends and developments that affect our stakeholders and us. For example, trends in consumer behavior, climate, technology, innovation, market players, regulations, the economy and society. All present opportunities as well as challenges.

Trends and Uncertainties in a Nutshell
- *The risk of economic conditions and (geo)political tensions*
  Given the low interest rate environment, the current economy and other factors we must continue to operate on a cost-effective basis and further improve our cost/income ratio. Geopolitical unrest is undiminished and trade wars are reshaping the global economy.
- *The risk of increased competition in financial services enabled by lowered entry barriers and greater technical possibilities*
  Client preferences are changing rapidly and significantly. The world of financing and lending is always dynamic. Plenty of individuals and organizations are prepared to offer funding and venture capital to third parties. We will continue to focus on our core activities whilse also developing crowdfunding initiatives. To meet customer needs, we proactively monitor innovations and we are entering into strategic partnerships.
- *The risk of loss of data or disruption of our services caused by cyber security threats*
  Digital interaction is increasingly replacing face-to-face contact, so we are investing in the quality and the further innovation of our (digital) services, artificial intelligence and robotization. It is evident that technology is impacting our business and that of our customers, varying from on-farm drones to the use of personal data. All this data needs to be kept secure and organized. The threat and impact of cyberattacks on the financial sector is increasing. We are strengthening our capabilities to address risks of cybercriminals exploiting online financial services with cloud technology, for example.
- *The risk of climate events and transition to a more sustainable society*
  Climate change is a bitter reality. Despite the intentions and ambitions of the Paris Climate Agreement, the world is warming up, which poses risks for the environment and the food security of communities. We use the SDGs) as a guiding framework to align our activities as we try to tackle challenges like climate change, hunger and poverty. Therefore, we participate in different initiatives such as the World Economic

Forum and the Dutch Climate Agreement talks. We aim to accelerate the energy transition and to lower the CO_2 footprint.

- *The risk of dissatisfied customers caused by sector behavior and adaptability to change*
  Ethics, culture and behavior are increasingly on the agenda of the financial services sector. A fast-changing environment requires our organization to be agile and to respond rapidly. Inappropriate behavior or the failure to respond quickly to resolve issues can result in reputational damage followed by claims, lawsuits, and supervisory sanctions.
- *The risk of tightened regulations and the additive effect thereof*
  Regulators and new regulations are increasingly shaping the ways banks can provide their services. Our role as gatekeeper to the financial sector and (regulatory) expectations in this regard continue to require close examination and monitoring. Expectations regarding our duty of care keep expanding. A lack of consistency between overlapping regulations in independent jurisdictions increases regulatory uncertainty, which may result in different regulatory actions or supervisory interpretations. Operational risks are subject to various supervisors (ECB, DNB, AFM and the Dutch Data Protection Authority) locally as well as internationally. New and existing regulations put pressure on our ability to comply in a timely manner.

For more detailed information about how we manage these uncertainties, please refer to the "Risk Management" chapter.

Stakeholder Engagement

We engage with stakeholders who directly and indirectly impact our organization. We are committed to a strategic, constructive and proactive dialogue with all our stakeholders: clients, members, employees, investors, credit rating agencies, non-government organizations, government agencies, media, politicians, supervisory bodies, regulators, other banks, fintech and start-ups. These are the most influential stakeholder groups connected with our organization. We engage with them through member councils, client feedback platforms, client and employee surveys, participation in sector initiatives, and other means. Our Managing Board Members meet with clients, employees, politicians and other stakeholders to discuss our strategic progress, receive their feedback on our contribution to society and debate developments in the financial sector, both generally and in specific relation to Rabobank.

Our Fundamentals

Our mission, vision, strategy, values, behaviors, and leadership model are the fundamentals of the way we operate.

Mission

Our mission is: "Growing a better world together". This is what we stand for and what we aim to achieve through being client-driven and action-oriented, purposeful and courageous, professional and considerate and by bringing out the best in each other while continually learning.

Vision

We are committed to making a difference as a cooperative, customer-driven all-finance bank, in the Netherlands and in Food & Agri around the world. We aim to be a courageous, socially responsible bank, championing customer issues that have a major impact on society. We want to make a substantial contribution to well-being and prosperity in the communities where we are active and to feeding the world sustainably. We aim to realize our vision through focusing on four themes: financial well-being for all, sustainable living, sustainable growth, and sustainable food. We promote sustainable well-being and prosperity at the community level by being at the heart of local society and with our network, knowledge and our financial capabilities.

Strategic Cornerstones

We strive to enable customers to make independent decisions. Our strategy is founded on four cornerstones: Excellent Customer Focus, Meaningful Cooperative, Rock-Solid Bank, and Empowered Employees. These are the four cornerstones of all our actions, priorities, key performance indicators (KPI's), values and behaviors.

We feel a responsibility to make a meaningful contribution to achieving the 17 UN SDGs. While all the SDGs are important, our capacity to support their individual achievement varies. We focus most on the eight SDGs that our organization can influence through our strategy: SDGs 2, 7, 8, 11, 12, 13, 15 and 17. Before discussing our performance on the strategic cornerstones in the following chapters, we will first outline our ambitions on the four cornerstones below.

Excellent Customer Focus

Being client-driven should be deeply embedded in our culture. Current and future client requirements can best be satisfied through good advice and by delivering convenient and innovative products and digital services. Our wide range of products and services generates economic activity, helps keep the economy moving and makes our clients future proof (SDGs 7, 8 and 12).

Mission	Growing a better world together			
Vision	Banking for the Netherlands		Banking for Food	
Strategy	Excellent customer focus	Meaningful cooperative	Rock-solid bank	Empowered employees
SDGs	7 8 12	2 11 13 15 17	8	8
Priorities	• 100% digital convenience in everything • Top customer advice nearby • Growth with innovation	• Concrete socially responsible contribution • Involved members and communities	• Top performance • Optimal balance sheet • Exceptionally good execution	• Inspired employees • One Rabobank culture
Rabobank values and behaviours	We are client-driven and action-oriented	We are purposeful and courageous	We are professional and considerate	We bring out the best in each other and keep learning
	I go the extra mile for my clients	I dare to make a difference for the world	I am doing the right thing exceptionally well	I make you better
Bold targets and KPIs	Collective and cascaded KPIs			

Meaningful Cooperative
We translate social developments into specific contributions for the long-term. Cooperative banking means that we actively involve members, employees, customers and other partners and we connect them in a network with each other (SDGs 11 and 17). We take a stance on social issues that matter to our clients and stakeholders, like climate change (SDG 13) and biodiversity (SDG 15). By working on our vision to feed the world sustainably, we aim to contribute to zero hunger (SDG 2).

Rock-Solid Bank
It is our ambition to do the right things well, or even exceptionally well, with everyone taking ownership, remaining conscious of risks and operating as professionals. We understand the importance of our role as gatekeeper in preventing our products and services from being used for money laundering and terrorism financing. We aim to ensure our continuity with our financial performance and strong ratings. Therefore, we are working hard to reduce our cost level (SDG 8).

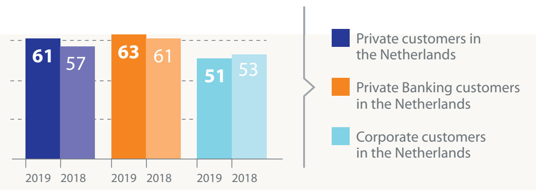
Empowered Employees
We aim to provide a good inclusive working environment for our employees (SDG 8). Our employees are proud and driven. They demonstrate craftsmanship, vitality and adaptability. They feel empowered to represent our organization, are inspired by our mission and want to grow a better world together. It is our aim that top talent want to work, develop and stay at Rabobank.

Excellent Customer Focus

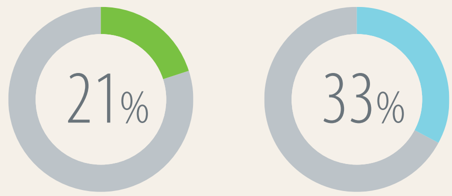
Being client-driven is deeply embedded in the Rabobank culture. Current and future client requirements can be fully satisfied through giving good advice and by delivering convenient and innovative products and digital services. Our diverse offering helps generate economic activity and keeps the economy moving (SDG 8).

Excellent Customer Focus

KPI Net Promoter Score



Domestic market shares



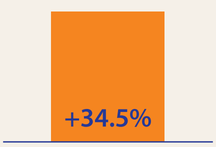
Dutch Private Mortgages

Private Savings

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

Excellent Customer Focus

Sustainable Funding
5,300 million

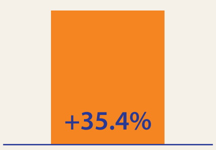


2018: 3,941 million

Sustainable Finance
46,000 million

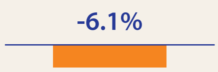
2018: 46,607 million

Sustainable Assets under Management
6,399 million



2018: 4,726 million

Sustainable Transactions Supervised
6,701 million



2018: 7,140 million

Innovative services

komgo – Catalyzing the commodity trade network by providing a fully decentralized, interoperable blockchain solution to act as a data exchange for the industry.

fundr – Digital lending based on machine learning.

treasurUp – Facilitates simple digital currency hedging offered to banks globally.

Sustainability Performance of Clients (Client Photo)

Frontrunner Clients Wholesale (A-level)	Frontrunner Clients Local Rabobanks (A-level)
24%	8%

We measure the sustainability performance of our clients with an exposure over EUR 1 million in a client photo ranking them from A-D.

Excellent Customer Focus

To prepare our customers for a sustainable and financially healthy future, we launched new online tools and services in 2019. For private clients, the emphasis was on financial well-being and more sustainable living. For corporate clients, the focus was on growing more sustainably. And we continue on our mission for all customers by helping to build a sustainable food system for everyone. Meanwhile the customer satisfaction of our retail customers remained on track in most areas, but dropped lightly among our corporate clients. In response to growing customer demand for digital services, we introduced a new customer service model. In the transition period, a number of customers reported issues, to which we have been responding. Our Wholesale team was involved in a number of landmark deals this year.

Performance and Scores

More and more customers are using our digital services. 64.0% of our private customers are active online as are 81.5% of our online corporate customers. At the end of March, we were the first Dutch bank to start offering an API link for payment services to financial service providers. Our customers can now also add accounts they have with other banks to their Rabo Banking App so that they have a better overview of all their finances. We also introduced Apple Pay this year and were the first bank to enable business customers to use this payment service.

We worked on the further digitalization of our services. Customer satisfaction further improved according to our CES score (51), and our slightly higher NPS score (2019 private customers: 61). Our Wholesale customers' appreciation also remained high. Our IOS banking app received a score of 4.6 and our Android App a 4.1. According to "Fondsnieuws", we had the best performance on our model portfolios. Our reputation score rose from 70.8 in 2018 to 71.5 in 2019.

Better Financial Health for Everyone

As society changes, people need more money for the future. A good overview of one's financial situation is essential. We have started developing our app into a "financial coach" that gives customers control over their finances. The app categorizes income and spending, provides insight into future income and expenditure and allows customers to create goal-specific piggy banks. During 2019, we provided advice about saving and investing. For instance, we developed the platform www.strakshebjehetnodig.nl. All banks together taught more than 4,000 guest lectures at elementary schools and we helped found Geldfit.nl, a platform for people in debt. We also worked with various partners to shape the Dutch Schuldhulproute (Road to Debt Relief), which starts at Geldfit.nl. We also participate in alliances that prevent financial abuse of the elderly.

The introduction of (online) tools to help clients achieve their financial goals are finding traction. For instance, since we added the piggy bank functionality to the app in March 2019, customers have created more than 782,000 piggy banks.

Sustainable Living for Everyone

To accelerate the energy transition, we are launching various initiatives with the aim of making sustainable living accessible to everyone. Sustainability is a recurring theme in mortgage consultations. In 2019, 10% of clients took measures to reduce energy consumption when taking out a new mortgage. Local Rabobanks organized many sustainable housing events, and we also partnered with De Hypotheekshop to develop a course called "Acrcredited Advisor on Sustainable Living". The course is also open to non-Rabobank mortgage advisers and intermediaries.

Clients can also finance sustainability modifications. For example the Rabo Groendepot (green construction deposit account) is an account, in which money can be reserved for energy-saving measures for homes. We also lowered the mortgage rate for sustainable homes. The sustainability discount helps customers make sustainable investments in their homes to reduce their energy bills. The energy label ratings of our mortgage portfolio also improved, as shown in the table below.

Energy Labels in the Mortgage Portfolio

Energy label	*% of houses funded by Rabobank (2019)*[1]	*% of houses funded by Rabobank (2018)*[2]
A	24%	20%
B	15%	15%
C	25%	26%
D	13%	15%
E	9%	10%
F	7%	7%
G	7%	7%
Total	**100%**	**100%**

1 In 2019, approximately 21% of the mortgage portfolio has a confirmed energy label.

2 In 2018, approximately 17% of the mortgage portfolio has a confirmed energy label.

Sustainable Growth for Entrepreneurs

To help ambitious companies, we offer more than financial support alone. We also share our knowledge and networks. We have partnered with X!Delft, an initiative that aims to help researchers, students and corporates innovate together. Rabo & Crowd connects companies to investors. We offer solutions for different stages of business development to facilitate the transition to a more sustainable and circular economy. For example, we organized various regional Circular Enterprise Challenges and launched the Circular Enterprise Desk, which advises companies about strategic issues relating to circular business models.

We invest in our services for corporate clients with our own innovations as well as investments in existing platforms and start-ups. We have granted EUR 25 million for the Subordinated Innovation Loan. Entrepreneurs can now apply for business loans of up to EUR 250,000 using the online platform Fundr. Through Rabo Frontier Ventures, we invested in AgroStar, an agri-platform that offers farmers in India access to more knowledge, data and technology.

Transition Toward a Sustainable Food & Agri Sector

As a leading global Food & Agri (F&A) bank, we are committed to making a contribution to securing enough healthy and sustainable food for people and planet alike.

We bring customers from the entire F&A value chain together to work on solutions. For example, 2019 saw the launch of the Rabobank North America Food & Beverage Packaging Forum. In addition, 1,300 clients met in Sydney for Farm2Fork , a full day program on the future of F&A. In October, 43 leading farmers from 16 countries travelled across Brazil during the Global Farmers Master Class. Over 11 days, they discussed topics like succession planning and the environmental impact of their production, and attended workshops on, for example, storytelling.

The F&A Innovation Fund invests in early growth and seed capital for innovative F&A companies. Through this fund, we support valuable, cutting-edge innovations including virtual fencing for autonomous livestock management, UV lighting development for increasing crop yields, and novel agri-chemical discovery. By supporting leading-edge F&A start-ups, we bring value to large corporate clients curious about the innovation pipeline. The Sustainable Ag Challenge Asia was also launched in 2019; 138 start-ups and F&A entrepreneurs attended. Also, FoodBytes! events were organized in London, Chicago and San Francisco.

During 2019 we also worked on blockchain-enabled supply chain traceability solutions. In the project Trado, for example, we partnered with start-ups alongside Unilever, Sainsbury's and three other banks to develop a solution for tea farmers from Malawi. Another success was the first trade on blockchain-based trade finance platform Komgo.

Banking for Sustainability Transitions

We believe that green finance accelerates the sustainability transition. In 2019, we helped Philips launch their Inaugural Green Innovation Bond and issued our own Green Bond. We also invested EUR 5 million in the Netherlands in the Borski Fund for women-led companies. In 2019, we accounted for EUR 46 billion in sustainable finance. Part of the sustainable finance figure consists of so called impact loans to businesses with a meaningful sustainability label. Our suite of Impact Loans is aimed at stimulating social and environmental impact. The fourth and largest Rabo Impact Loan tranche was issued by the end of 2019. The Social Impact loan, with two tranches of EUR 50 million, was fully allocated in September 2019. We signed a new contract with the Council of Europe Development Bank (CEB) signed for another two tranches representing a total of EUR 150 million.

We want to help customers develop sustainable business models. To gain better insight into our clients' approaches and achievements related to environmental, social and governance (ESG) matters, we use the Client Photo. Relationship managers profile their Wholesale clients and assign them one of five possible ratings, ranging from "sustainable leader" to "does not adhere to Rabobank's sustainability policy." We have integrated the Client Photo as a criterion in our primary lending process. We are in the process of improving our proprietary rating methodology for Dutch SME and rural clients and will update the Client Photo methodology for our Wholesale clients in the coming year. The Client Photo methodology is, amongst other sources, based on the Sustainability Policy Framework. This framework outlines how we expect to identify, prevent, mitigate and account for sustainability risks, such as social and human rights matters and client performance.

Sustainability Performance Clients with an Exposure > EUR 1 Million

	2019	2018	Target 2020
Local Rabobanks coverage	98%	99%	100%
Local Rabobanks A-level Clients	8%	5%	n/a
Wholesale Offices coverage	86%	87%	100%
Wholesale Offices A-level Clients	24%	24%	n/a

Rabo AgriFinance announced the new Organic Transition Loan for crop farmers seeking organic certification. The financial framework helps farmers manage upfront costs associated with changing production practices. We also re-emphasized our commitment to the AGRI3 Fund, our partnership with UN Environment. The disbursement of funds to a Brazilian sugar and ethanol firm marks the second AGRI3 transaction. Further deals in Asia, Africa and South-America are currently in the pipeline.

Future-Proofing Our IT Organization

We continued to simplify our global IT landscape to realize cost savings and to increase flexibility. The uptime score for internet banking and iDEAL was 99.7% and 99.6% for mobile banking.

Building on our data foundation, we are creating an environment in which data relations are established, analyses can be made and our services and business processes can be further optimized. Data protection is a key element of our IT security and cybercrime approach. We are working to improve our cyber security resilience, for example with a group-wide Security Threat Elimination Program (STEP).

Throughout the year, we initiated a number of cyber security awareness activities to engage and empower our employees. In October, we hosted the kick-off event for European Cyber Security Month in Utrecht. We also reached out to engage with a broader public. Kids Day was an opportunity to improve cyber security awareness skills among the younger generation.

Fair Finance Guide

Fair Finance Guide International (FFGI) is an international civil society network initiated by Oxfam. It seeks to strengthen the commitment of banks and other financial institutions to social, environmental and human rights standards. By benchmarking the investment policies and practices of financial institutions in critical areas such as human rights and climate impact, the Fair Finance Guide aims to enable consumers and policyholders to make socially responsible, fair, and sustainable investment decisions.

We measure our investment policy according to the Fair Finance Guide. The table below provides some examples of our results. The Fair Finance Guide rates the bank's policies on a scale of 1 to10, where 1 is very bad and 10 is excellent.

Fair Finance Guide

	2018[1]	2016
Human rights	8	8
Climate change	5	3
Labor rights	9	9
Remuneration	3	5
Corruption	8	8
Food	8	6
Fisheries	6	6
Financial sector	3	3
Transparency and accountability	5	5
Gender equality	2	4

1 The most recent results were published in December 2018.

Derivatives

On July 7, 2016, we decided to endorse the Recovery Framework on the reassessment of Dutch SME interest rate derivatives as published by an independent committee on behalf of the Dutch Minister of Finance. As of December 31, 2019, all Dutch SME business customers eligible under the Recovery Framework have received clarity on the remuneration of the reassessment of their interest rate derivatives. When customers agree to the remuneration amount, we will draw up a closing letter and an Independent Reviewer will review the reassessment. All reassessments and reviews are expected to be finished in 2020. At year-end 2019, we recognized a provision of EUR 109 (2018: 316) million, while payments in 2019 to clients under the Recovery Framework amounted to EUR 247 million.

Financial Sector Gatekeeper

The global financial crisis and rising geopolitical tension challenged the financial sector over the last few years. Financial institutions are under considerable regulatory scrutiny regarding their ability to prevent and detect the evolving threat of financial crime. More numerous and more stringent regulatory standards continue to present execution challenges. Knowing your customers (KYC principle) is the basis of good customer service. Given increasing globalization, digitalization and the growing complexity of financial economic crime, we need to know our clients and their businesses even better than we do now.

Financial crime is complex. We are one of many stakeholders in the sector-wide campaign to manage Anti-Money Laundering (AML) and Counter Terrorist Financing (CTF) risks. We cooperate with other market participants and the public sector to explore which forms of (increased) cooperation work to achieve a comprehensive approach for the whole sector to mitigate AML and CTF risks. One of our key strategic initiatives is public-private cooperation in the fight against financial crime. We pro-actively engage with relevant authorities, public sector parties and market participants to find a solution to this sector-wide problem.

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 terrorist financing (TF) purposes in addition to preventing violations of sanctions regulations. For this purpose, we continue to substantially invest in our change program. A board-level global committee oversees our AML, 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 KYC (CDD and TM) activities. In 2019, we strengthened the on-boarding procedures in the distribution channels in the Netherlands, as well as the remediation of client files. The Managing Board runs a global program concerning the quality of our client files and our use of data to identify potential criminal activity in transaction flows. Specifically for the retail domain in the Netherlands, we have expanded our resources with up to 3,000 employees globally 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 or changed transaction or client behavior at an earlier stage. From April 1, 2020 onwards, DNB will verify wether Rabobank meets all requirements of the injunction and determine, among other things if, as a result, Rabobank's client portfolio is now adequately classified.

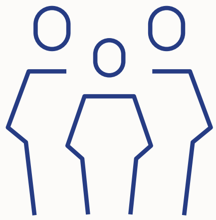
Dilemma

As a gatekeeper, we are committed to contributing to a healthy financial sector by preventing money laundering, fraud, and terrorism financing. A decision taken by financial institutions to no longer accept certain individuals or companies, in a certain sector, as a customer, may create a negative side-effect. These customers and companies may become unbankable. As a consequence, they may go underground or may bank with less reliable parties abroad to continue their businesses. To obtain a complete and detailed picture of both transactions and customers, insight at the level of one individual bank alone often does not suffice. Therefore we are working with other banks and the public sector to take a stance against financial crime.

Meaningful Cooperative

We translate social developments into specific contributions for the long-term. Cooperative banking means that we actively involve members, employees, customers and other partners and connects them in a network with each other (SDG 17). We take a stance on social issues that matter to our clients and stakeholders, like climate change (SDG 13). By working on our vision to feed the world sustainably we aim to contribute to zero hunger (SDG 2).

Meaningful Cooperative



50%
Member Engagement Score
2018: 44%

Rabobank Partnerships

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

- Partner of WWF on sustainable food production
- Member and co-chair of the Climate Smart Agriculture Working Group of the WBCSD
- Tent Partnership for refugees
- CEO Partnership for Economic Inclusion (CEOP)
- Mastercard Farmer Network
- Active participation in the Dutch Climate Agreement talks
- XDelft!
- An ambitious partnership with UN Environment on the AGRI3 fund, focused on forest protection, sustainable agriculture and land use
- Host Round table responsible soy
- Biodiversity monitor arable farming in the Netherlands
- Arise

We are committed to making a difference as a cooperative, customer-driven bank, championing societal issues.

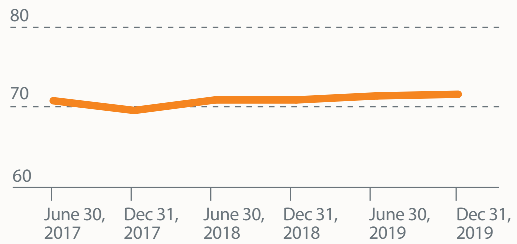
Meaningful Cooperative

Community Funds and Donations

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

45.4
EUR million
2018: 48.8 EUR million

RepTrak Score Reputation Management



71.5
as of Dec 31, 2019

Meaningful Cooperative

Being a meaningful cooperative is the essence of what we stand for. We are committed to making a difference as a cooperative, customer-driven bank, in the Netherlands and around the world, by taking a stand on social issues that matter to our clients, such as food, self-reliance, entrepreneurship, and the local living environment.

Involved Members and Communities

We surveyed our members about how they might want to engage with us or give substance to their membership. More than 15,000 of our members participated in the survey, and 50% said that they feel involved with Rabobank (2018: 44%). We asked our members what they expect of Rabobank as a cooperative, and their answers led us to set the firm ambition to return our cooperative principles to the heart of the bank and to energize the membership.

Rabobank's cooperative renewal can be summed up in four points: (1) identity, strategy and service, (2) behavior, (3) members and membership and (4) society. We want all our products, services and actions to be in line with our cooperative principles, so that everything we do is people-focused, inclusive and socially responsible; (*Identity, strategy and service*). All our employees should express cooperative principles in their day-to-day work; directors, supervisors and members support their cooperative behavior. Everyone feels a shared responsibility for the cooperative (behavior). We would like Rabobank's membership to have more meaning and to support this digitally through an app (members and membership). And lastly we aim to actively support transitions that impact on society and our immediate surroundings, both within the Netherlands and further afield (society).

Making a Concrete Socially Responsible Contribution

We believe that a bank should do more than just provide financial services. We invest in local communities with our community funds and donations (cooperative dividend), knowledge and networks. Our local branches in the Netherlands have drawn up their own "Plan for Society" with the aim of making their local contribution to our mission "Growing a better world together" more concrete. In 2019, we allocated EUR 45.4 (2018: 48.8) million for future investments in the local community. The initiatives vary from investing in making local associations more sustainable with LED lighting, to projects in primary schools ("Bank voor de klas"), De Nederlandse Schuldhulproute, Business Innovation Team Limburg (BITL) and RVN@. Business Innovation Team Limburg was created to help entrepreneurs achieve sustainable growth to stimulate growth and employment in the province of Limburg. RVN@ is a bottom-up movement that actively stimulates innovation and social and economic growth in the greater Nijmegen area to help it become one of the top regions in the Netherlands. Entrepreneurs, organizations, investors, knowledge institutions and students are working together across municipal and sectoral boundaries to connect and develop new and existing initiatives. In Chile, we provided Agrosuper with a Green Loan and WWF gave technical support and advice. Agrosuper is the leading salmon producer in Chile and the second largest in the world. The loan - the first of its kind in Chile - is a seven-year agreement with several environmental and social sustainability conditions.

Local Rabobanks also invest part of their net profit in the Rabobank Foundation. As an independent foundation, the Rabobank Foundation's financials are not included in our consolidated figures. Its mission is to invest in people's self-reliance. In the Netherlands, the Rabobank Foundation works with local Rabobanks, to focus on social entrepreneurship, employability and financial self-reliance. Internationally it supports small-scale farmers and their cooperatives.

Sustainably Successful Together and Global Developments

Our sustainability program, Sustainably Successful Together (SST), concluded in 2019 and committed us to the integration of sustainability into all relevant policies, processes, products and services. A report detailing our results can be found here. We have translated the ambitions outlined in SST into our Sustainable Policy Framework, which sets sustainability standards for our business and financing relationships. New sustainability ambitions will be implemented in 2020.

The Sustainability Policy Framework contains, for instance, a separate and extensive Human Rights Policy, which includes a description of Rabobank's commitment to ensure the mitigation of potential human right risks as much as possible. These risks could be present when engaging with our employees, our suppliers, and our customers. Therefore, this policy is also integrated in our Client Photo scan. We respect and uphold international human rights as described in the United Nations Declaration of Human Rights and are guided by the United Nations Guiding Principles on Business and Human Rights.

We were one of the first banks to sign the UN Principles for Responsible Banking, under which the signatories pledge, among others, to be transparent about their role and responsibility in society as financiers. This includes ensuring that the bank's clients comply with their obligations to human rights, following the minimum rules for social conditions under which work is carried out, treating nature with respect, and promoting the conservation of biodiversity. If clients are unable to comply with our Sustainability Policy we initiate a client engagement process based on a set of fixed criteria. In 2019, Rabobank's Sustainability Department engaged with 45 clients on several core sustainability policies. See Appendix 4 for more information.

Climate Action

To limit the increase in global mean temperature to two degrees Celsius above pre-industrial levels, urgent action is needed (SDG 13). We contributed to the establishment of the Dutch National Climate Agreement and endorsed the Climate Commitment.

We also launched our Climate Program to raise awareness about climate risks and opportunities for the bank and its clients. The program evaluates the potential impacts of various climate-related scenarios across several sectors so they can take timely actions to reduce greenhouse gas emissions. We had conversations with Dutch and European Union authorities on climate policy, climate-related regulations and supervision and worked closely with the Dutch Banking Association, VNO NCW, and the European umbrella organization for cooperative banks.

By contributing to national climate objectives, we encourage clients in the Netherlands to make their homes more sustainable. We teamed up with our subsidiary BPD to build 15,000 sustainable, energy-efficient homes for middle-income renters over the coming 10 years. The first 1,000 homes will be delivered in early 2020.

First TCFD Disclosure Rabobank (Taskforce on Climate Related Financial Disclosures)

Climate change is a significant issue that will impact the long-term prosperity of our economy and way of life. We recognize the importance of limiting global warming to less than two degrees and that to do this, global emissions need to reach net zero in the second half of this century. We acknowledge that climate change is creating risk and opportunities for our clients, our communities, and also for our bank. We endorse the Task Force on Climate-Related Financial Disclosures (TCFD). This is our first report in line with its recommendations.

Governance

The ultimate responsibility for climate change at Rabobank rests with the Managing Board. This body installed a Climate Committee to identify which climate related risks and opportunities our clients and our bank face, how climate regulation and supervision are evolving, and how we can respond to these challenges. The Climate Committee is chaired by Berry Marttin, the board member responsible for sustainability. The committee monitors the implementation of our Climate Program.

Strategy

We are committed to the goals of the Paris Agreement and consider it a shared responsibility to take action. We want to play a facilitating role by providing banking solutions to clients who want to make their businesses more sustainable. The transition to a low carbon economy presents significant opportunities as illustrated by the growth of our sustainable finance portfolio.

Our Climate Program takes a phased approach to identifying and managing climate risk. In addition, we are preparing for improved analysis and management of climate change risks (for the short, medium, and long term), for compliance with new climate legislation, and for disclosure and management of climate risks. We will demonstrate our contribution to climate change mitigation and adaptation, towards our clients, investors, regulators and other stakeholders.

We will first focus on transitions within Residential Real Estate and F&A, as these are our largest and most material sectors both in terms of risk and potential impact.

Risk Management

To understand and manage the potential climate impact and risk for the bank we have commenced scenario analysis for both physical and transition risks.

For transition risk we took two approaches. Firstly, we performed an initial macro-economic stress test on Rabobank's worldwide business credit portfolio (excluding DLL). The scenario considers the introduction of a new policy with respect to carbon pricing (based on a DNB macro-economic stress test and enhances DNB's analysis with an extended scope and our own internal framework and input. The second transition risk approach was a portfolio analysis of the impact on Rabobank's Dutch Livestock and Crop sectors. This methodology was developed by the UNEP FI TCFD working group.

We also conducted two assessments for physical risk. First, we expanded on our 2018 assessment with respect to water stress around the world, applying an approach set by DNB. Water stress (flooding and drought) appears to be one of the most relevant physical climate risks for Rabobank. Secondly, we carried out an assessment of flooding risk for the Dutch residential mortgage portfolio. The outcomes of these analyses serve as input for further embedding climate change in our strategy and risk approach.

The four internal analyses suggest that both physical and transition risk can have a high impact on our credit portfolio, in particular due to the combination of large exposures in our portfolios in F&A and mortgages. We conclude that these climate risk assessment methods are not yet completely suitable for decision making and steering purposes. In addition, data gaps between what we need and what we have are substantial, and the methodologies are still in development. The output of the assessments is intended to provide an initial step in a longer process of quantifying and acting upon climate change risks. Because of that, we will perform further analysis to gain more understanding of this complex issue and continue to embed climate change risk in the risk management framework.

Metrics and Targets

We applied different approaches to reflect methodologies currently in use by financial regulators and institutions working on climate change. The analyses underline how complex climate change is. The data gaps are substantial and the methodologies are still at an incipient stage of development. To address these issues, we set up dedicated climate risk and climate data analytics teams.

We report our own emissions performance in accordance with the GHG protocol for Scope 1, Scope 2 and most of the relevant Scope 3 categories in our carbon footprint (see Appendix 3 - Sustainability Facts & Figures). We are working on an estimate for Scope 3, category 15 emissions, as reflected by our contribution to the PCAF report 2019 .

For this first TCFD-disclosure we included a breakdown of our relative exposure. As explained in the strategy section above, we will first focus on our largest sectors, Residential Real Estate (Households) and F&A. These are our most material sectors from a climate perspective, both in terms of risk and potential impact. The higher transition risk sectors, as defined by TCFD, for example Building and Construction and Oil and Gas, are relatively small compared to F&A.

Relative Exposure by Sector

	2019	*2018*
Households	34.23%	33.87%
Food and Agri	22.95%	19.66%
Central Government and Banks	12.52%	14.77%
Banks	1.77%	1.94%
Services	14.83%	17.46%
Trade	4.91%	4.10%
Building and Construction	3.09%	2.52%
Oil and Gas Extraction	1.55%	1.62%
Transportation	1.36%	1.32%
Electricity	1.10%	0.90%
Production	0.46%	0.39%
Mining	0.13%	0.22%
Industry	1.10%	1.23%
Total	**100%**	**100%**

Going Forward

We will continue to report our progress on our Climate Program and expect to include more granular emissions data in future reporting. We will also disclose climate strategies and goals in order to demonstrate our commitment to the financial sector in the Netherlands and to support the Dutch Climate Agreement.

Taking a Stance on Societal Issues

Preparations started in 2019 for the update of our Sustainability Policy Framework, which will take place in 2020. Ahead of the overall update, we reviewed the policy on Plant Gene Technology, and incorporated our supportive but cautious stance on new breeding techniques. We held bilateral dialogues with a range of environmental and social civil society groups on topics from policies and policy implementation to issue engagement cases and benchmark studies. We also actively participate in nine round tables across several Food & Agri sectors. And we invited participants from the Dutch Banking Sector Agreement to multi-stakeholder dialogues on the palm oil and cocoa sectors. The outcomes of these sustainability dialogues will be used as part of the internal evaluation pilot of our human rights due diligence in these sectors. We were actively involved in the Dutch Banking Sector Agreement on International Responsible Business Conduct regarding Human Rights (DBA), which had its final year in 2019. In cooperation with the Dutch government, NGOs, and labor unions, several Dutch banks have been piloting approaches in salience analyses of value chains, increasing leverage and transparency, and enabling remediation. This engagement has given us deeper awareness and appreciation of our responsibility to respect and promote human rights. We aim to have a positive impact on our clients in this regard too. For the fifth year in a row, we have tracked the status of our client's engagement. The client engagement table in Appendix 4 summarizes issue types, as well as regions and industry sectors in which we engage clients on human and labor rights issues in 2019 -a total of 13 human rights and 18 labor rights issues.

Nitrogen

In May 2019, the Council of State in the Netherlands ruled that the Dutch government's nitrogen policy breaches European directives on the protection of fragile natural areas. We believe that that the adverse economic consequences of this ruling should be fairly distributed across all the sectors concerned. Each sector should be required to contribute to solving this problem. There is no one-size-fits-all solution, a focused approach is needed: the problems in the Veluwe national park in the east cannot be solved by reducing emissions in the northern province of Friesland. The measures taken will depend on which specific sector is causing the nitrogen surplus in a particular area.

One possible solution is to work toward a new voluntary system of land re-parceling for farms and agricultural land in the Netherlands, starting with those closest to the natural areas affected by the nitrogen issue. A fund set up by the government and the financial sector could encourage farmers to take the first steps at the local level. We will do all we can to offer the best possible support to our clients in finding the solutions they need.

Working Together on Food Solutions

As a leading global F&A bank, we are committed to making a contribution to ensuring there is enough healthy food to feed a growing global population while respecting planetary boundaries. That is why we launched Rabo Food Forward, a multi-stakeholder program uniting the entire food value chain to shape sustainable solutions to regional challenges. Rabo Food Forward started in Friesland and will serve all regions in the Netherlands in the coming years. To measure and decrease food waste in restaurants, we joined forces with Hotelschool The Hague and Wastewatchers. In its first edition, 160 Dutch restaurants participated in the Food Waste Challenge and saved over 75,000 kg of food in six weeks.

Sustainable Clients

As part of our mission "Growing a Better World Together", we invest in sustainability and in helping businesses become more sustainable. As a cooperative bank, we first look for solutions created in partnership. One question we face is how directive we should be when it comes to achieving our sustainability ambitions.

Not many clients fall short of the requirements of our current sustainability policy, but the few that do present us with challenges. Our policy is that we may discontinue our banking relationship with clients who are in our lowest sustainability category (label D) and who are unwilling to become more sustainable. However, there is also a gray area: pig farms with too many animals, river transport companies that continue to accept coal shipments, or wholesalers with complex procurement or production chains. As a bank, we have to ask ourselves whether we still want to invest in companies that operate outside the bounds of our sustainability policy.

We are working on solutions to these issues. We receive cases for consideration every day and test them against the guidelines currently in place. This lets us assess whether our customers meet our policy requirements while it also shows us where our policy needs sharpening. Above all, we are continually seeking dialogue with other organizations on ways to shed light on this gray area.

Ethics

In order to restore and maintain trust of its stakeholders and society in general, the financial sector must grapple with ethical questions about its business activities. Our Ethics Committee scrutinizes ethical themes and practical cases. In general, the mission "Growing a Better World Together" and the cooperative character of our bank are taken into account. The Ethics Committee met six times in 2019 and dealt with several themes and cases, including ethical aspects of Artificial Intelligence, fiscal ethics, wind farms, and loyalty programs Concerning the (sometimes even violent) resistance among the population against wind farms, the Ethics Committee stressed that the energy transition and climate policy outweigh the negative feedback. Nonetheless, a cooperative bank should encourage a serious dialogue between all stakeholders to minimize friction between them.

Sponsoring

Many associations, foundations and clubs, whether for sports or culture, are having a hard time these days. They find themselves facing declining contributions from local government, dwindling memberships and a lack of volunteers and administrators. All the while, sports and cultural associations and foundations continue to play an important role in society, perhaps now more than ever. They fulfill a vital role in people's living environments. Sports and cultural associations stimulate greater social cohesion. They also discover new talent, and prepare them for the highest levels of performance. We have a long-standing relationship with many Dutch sports and cultural associations. We believe that clubs are the foundation of our society and of great importance to the future. That is why we put these clubs at the very center of our sponsorship strategy. Through this new approach, we not only support clubs financially as the biggest sponsor in the Netherlands, but we focus on intensive guidance to help clubs to meet their ambitions and to create a sustainable future.

As part of our approach, we work closely with key stakeholders in sports and culture: NOC*NSF/TeamNL, the Royal Dutch Hockey Federation (KNHB), Kunstbende and Mojo/Lowlands. These parties provide real-world knowledge that can be used for guidance. Together, we will provide the manpower needed to achieve the clubs' ambitions.

Art

Art is a barometer of society, offering a view of the world and of the times we live in. We firmly believe in the transformative power of art and in its importance both to society and tor our organization. Our Rabo Art-Lab therefore invites artists to become artists in residence, giving them the freedom to move and work without restrictions inside our organization during an official residency. While they learn about us, we learn from them. Key to the collection is the story of the *'Condition Humaine'*, stories about struggles with daily life and how we can find, and comfort each other if we care to recognize it. A number of art works from our collection are on temporary loan to museums in the Netherlands and abroad. In addition, we share our collection at less conventional places like Lowlands Festival and a variety of public places.

Empowered Employees

We aim to provide a good inclusive working environment for our employees (SDG 8). Our employees are proud and driven, manifesting craftsmanship, vitality and adaptability. They feel empowered to represent Rabobank, are inspired by our mission, and want to grow a better world together. It is our aim that top talent want to work, develop, and stay at Rabobank.

Empowered Employees

Gender Diversity

Percentage of women ...

40% in the Managing Board

33% in the first level below the Managing Board

51% employed

It is our people who define who we are as Rabobank. Our employees help our customers achieve their ambitions. We believe happy people make happy customers.

Empowered Employees

Number of Employees

Worldwide, as of December 31, 2019

43,822 FTE

December 31, 2018 = 43,247

HR Priorities

Transformation

Simplification

One Rabobank Culture

Happy people make happy customers

Engagement Scan

64

2018 = 61

84.6% of our employees enjoy going to work at Rabobank.

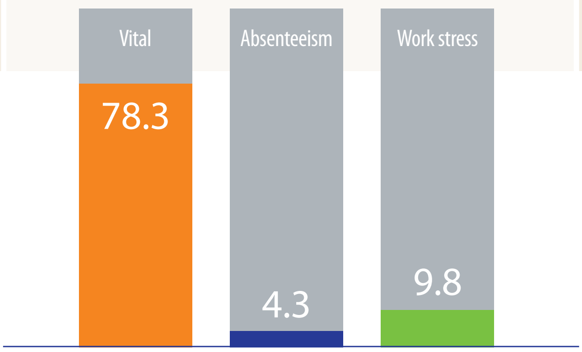
84.7% find their work interesting

intermediair

Rabobank #11 in ranking of favorite employers in the Netherlands

#1 in ranking for ICT among financials

% of employees…



% of redundant employees

… that wanted a job: 55% … succeeded within 6 months

… that wanted to start their own business: 88% … succeeded within 6 months

Empowered Employees

The Future of Work

Digitalization and other changes in the financial industry affects the industry as a whole, as well as the way we work at Rabobank. Based on the business vision and HR trends (Future of Work). Therefore in 2019, all domains initiated their strategic resource planning (SRP) process and HR interventions.

SRP Cycle

Craftsmanship

Taking Ownership of Development

As automation and robotization are being used more frequently in the digitalization of work, we have determined which skills are required for high performance, today, and tomorrow (Rabobank Skills). To reduce the mismatch between current and future skills and to stimulate our employees' personal growth, we offered a personal annual development budget of EUR 1,000 in 2019 per employee working under the Dutch Collective Labor Agreement (CLA). Also, we offered our employees a Rabobank Skills scan to gain insight in strengths and potential development, and we organized a series of Dare to be Inspired events where inspirational external speakers shared stories related to the Rabobank Skills with our employees.

By the end of 2019, 76.7% (2018: 48%) of employees in the Dutch CLA population had fully or partly used their development budget of 2018 (the development budget can be saved for the next year). We will continue to encourage our employees to develop and learn.

Performance Management

Nurturing Employee Growth

With continuous dialogue based on appreciative inquiry techniques, we encourage our people to think about their development, behavior, and their own contribution toward our mission. By using the GROW! model (which stands for Goal, Reality, Options and Way forward), we focus on personal employee growth and not solely KPI driven objectives.

Vitality

Our RaboVitality efforts activate employees' ability to boost their energy. We also take seriously our responsibility as an employer to create healthy work conditions. We believe that many congruent interventions will create a new norm and culture on health, well-being and prevention of illnesses. That is why in 2019, we created a Vitality Room at multiple locations (e.g., for yoga and mindfulness), a Silence Room (e.g., for prayer, quiet, and meditation) and organized a number of events related to sports (e.g., EchtFit and Singelloop). We focus on food and nutrition regarding daily habits, not by prohibiting, but by making alternatives more attractive. We also strengthened partnerships with internal and external experts on lifestyle interventions (e.g., Zilveren Kruis Achmea, Eurest, internal health services and 410 Vitality Boosters). For domains reporting low employee energy and high absence, RaboVitality joined multi-disciplinary teams which focus on initial sources of well-being .For instance, within the Client Service Centers (KSS) multi-disciplinary teams were formed with KSS employees, Occupational Health & Safety employees and HR advisors.

Key Figures

Most of our employees in the Netherlands are vital and energetic: 78.3% (2018: 77.8%) of all employees indicate they feel vital, and 69.6% (2018: 63.7%) report having enough energy. 9.8% (2018: 10.5%) of staff indicate they suffer from work stress.

Sick leave rates in the Netherlands remained stable at 4.3% in a rolling 12-month period in 2019 (2018: 4.3%), which is above the Occupational Health & Safety standard of 3.7%.

Leadership

Inspiring Leaders

In 2019, we further acquainted managers with the Rabobank Leadership Model. We do not only focus on individual, but also on network leadership: personal, team, One Rabo, and community. The effect is an increase of the score on inspiring leadership from 66.2% in 2018 to 70.5% in 2019. Last spring, we organized a two-day leadership event for approximately 1,400 employees worldwide. The goal was to inspire and encourage formal and informal leaders to enhance and cultivate their leadership and think about how they can further contribute to "Growing a better world together". We also launched Management Fundamentals. This program has been specially designed to help all our managers grow or consolidate skills in the daily context, awareness, and knowledge about GROW!, situational leadership, inclusive leadership and leading change.

Culture

Performance & Health

We believe that organizations striving for long-term success should not limit their focus primarily on financial performance, but also on ensuring strong performance in the future (organizational health). In 2019 we implemented diverse initiatives, such as a structured global Performance & Health Steering cycle, which is the new global heartbeat of our organization. Some key building blocks are now operating effectively at top level, such as the quarterly Compass Meetings (team-level) and the monthly Performance & Health dialogues (individual dialogues between the manager and their direct reporting lines), and the global implementation is in progress.

Engagement

Culture is an integral component of our new Performance & Health steering. We use the quarterly engagement scan globally to provide short cyclical measurement of employee engagement and organizational health. Each quarter around 26,000 employees give their feedback (Engagement Scan). This data source gives us insights in things that matter for our people and IT helps us to focus on improving on crucial elements. The Organizational Growth Dialogue (OGD) and Organizational Growth Scan are newly developed additional instruments to support management teams with further insights to enrich their dialogue about culture and behavior.

In 2019, we saw an increase in Engagement from 60.8 in the fourth quarter of 2018 up to 64.1 in the fourth quarter of 2019. We are proud of this increase in engagement given the fact of our transition. In the fourth quarter of 2019 84.6% (2018: 81.3%) of our employees indicated that they enjoy going to work at Rabobank. Our employees also indicated that their team's contribution to our mission and vision is increasingly clear to them. And 84.7% of employees find their work (responsibilities and role) interesting (2018: 80.3%).

Diversity and Inclusion

We firmly believe that diversity improves performance and increases creativity and innovation in the bank. Employees from different cultural backgrounds are better equipped to pinpoint the specific needs of groups of customers with a similar background. We aspire to be an inclusive culture that promotes greater diversity and in which everyone can be themselves. A global policy on Diversity & Inclusion applies to all of Rabobank, including our domestic and foreign branches and representative offices, as well as the Managing Board and Supervisory Board. We are proud that in our Managing board 40% is women and 33% women in the level below the Managing Board. Our Supervisory Board (HR & Remuneration committee) as well as our Diversity Board, comprising directors of local and central units and chaired by Jan van Nieuwenhuizen, member of the Managing Board, monitor policy compliance and target progress.

Besides ongoing attention to stimulating more diversity in gender, culture, bi-cultural background and employees with a labor market disadvantage, in 2019 we also zoomed in on refugees. In April we committed to foster the integration and self-reliance of holders of a residence permit by helping them with internships, apprenticeships and jobs. A group of holders of a residence permit have already started a job at Rabobank.

In collaboration with "Diversiteit in Bedrijf" and other organizations, we organized the first Diversity Day in The Netherlands. We celebrated the day with a lot of inspirational activities which contributed to a more diverse and inclusive bank. We are proud of our internal networks around diversity and inclusion, for instance Rainbow, Colorful Rabo, Rabo Globo, Rabowomen, RAP aan de slag, Wise Rabo and Jong Rabo.

Gender Diversity

% Women in:	2019	2018	2017	Target
Supervisory Board	38%	44%	33%	40%
Managing Board	40%	40%	40%	40%
First level below the Managing Board	33%	31%	29%	33%

Rabobank as an Employer

Attracting the best employees is crucial so that we can realize our strategy. The focus of our recruitment marketing is on strategically important target groups (IT, KYC (CDD and TM), Digital & Innovation, Data & Analytics) and Local Banks and Students & Starters. We believe that this approach has proven to be successful. For example, we were named the most attractive bank to work for in the Netherlands for ICT in the most favorite employer list of Intermediair, a management magazine aimed at graduates and professionals. We consider it a side effect of the target group strategy that we ended lower than last year (1st) on Intermediair's generic list (11nd).

Employability

The “SamenWerkt!” Mobility Center supports employees whose jobs are becoming redundant in several ways: finding training courses, advising on the best use of the personal development budget, updating skills when applying for a job - in or outside the bank - and networking. In 2019, 55% of the redundant employees who had also applied for a job, succeeded to find a job within six months, and 88% of the employees who wanted to start their own business achieved that goal within six months of being made redundant. The average lead-time of the career guidance is 3.3 months from start to success. We know that employees who undertake activities in the phase before redundancy (active mobility) are more successful (71%) compared to those who do not (37%). The average satisfaction of accompaniment SamenWerkt! is 8.1 out of 10.

Global HR solution

In 2019, we implemented a new Global HR Solution, Workday. Our new HR system is used globally and can also be accessed through an app. It is forward-looking, data driven and more personal, which makes it essential to the future of work.

Speaking Up

Concerns and other work-related issues are preferably addressed in open dialogue. We want to offer employees a safe working environment. Bureau Speak Up aims to secure a global independent process and uniformity in the handling of reports and provides guidance to management and staff including assistance in invoking any of the following procedures. Bureau Speak Up handled 61 requests in 2019 (2018: 71), 43 of which were closed, 21 situations were submitted to the Trusted Committee.

The Global Policy on whistle blowing offers employees, contractors and suppliers a safe reporting channel for misconduct and irregularities. The Trusted Committee handled a total of 37 cases in 2019 (2018: 31), commissioned 24 investigations and issued 11 recommendations in the follow-up to responsible management. In 2019, 25 cases were closed and 12 will continue in 2020.

Labor issues can be discussed with an independent advisor under our Industrial Relations Disputes Procedure (GRA). In 2019, the GRA advisors handled 193 (2018: 218) cases (87 requests for advice, 39 cases of informal conciliation, and 28 cases of formal mediation). The Industrial Relations Disputes Committee handled 6 new cases; 33 cases from earlier years are pending. A newly formed team of dedicated internal trusted persons supports employees who have experienced undesirable behavior. The trusted persons have handled 37 cases since starting in mid-2019.

A special committee "Centrale Bezwaarcommissie Sociaal Plan" (CBSP) decides on complaints regarding the application of the Dutch Social Plan in individual cases. The committee handled 21 appeals in 2019, nine of which are still pending. Pursuant to the Dutch Collective Labor Agreement, the GRA, trusted persons and CBSP are available to all staff in the Netherlands.

Me, We and Society

2019 was a year where employee engagement and customer satisfaction rose. We are delivering on the path 'Happy People make Happy Customers'. Our aim is not to solely focus on individual growth, but also on internal and external collaboration in our organization because we believe in "me, we and society".

Rock-Solid Bank

We are doing the right things well, or even exceptionally well, with everyone taking ownership, remaining conscious of risks and operating as professionals. We are well aware of our role as gatekeeper to prevent the usage of our product and services for money laundering and terrorism financing. We aim to ensure our continuity with our financial performance and strong ratings. Therefore, we are working hard to improve our cost level.

Rock-Solid Bank

	Ambitions 2022	Results 2019 as of December 31, 2019	Ambitions Longer-term
CET1 ratio	>14%	16.3%	>14%
Profitability ROE	6-7%	5.3%	>8%
Cost/income ratio including regulatory levies	low 60%	63.8%	mid 50%

Ratings

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

Sustainalytics

ESG Rating 5 out of 353 | ESG Risk Rating 1 out of 375

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

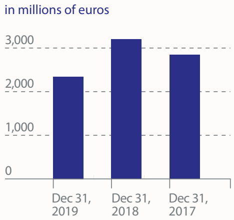
Rock-Solid Bank

Net Profit

as of December 31, 2019

2,203

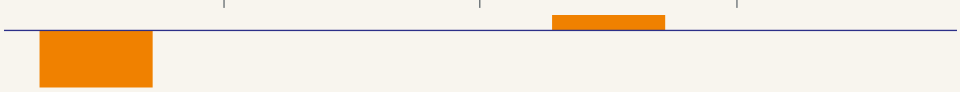
EUR million



Financial Capital

Equity	Deposits from customers	Wholesale funding
41.3 billion	342.5 billion	151.7 billion
2018 = 42.2 billion	2018 = 342.4 billion	2018 = 153.2 billion

Underlying profit before tax	Private sector loan portfolio	Volume of loans to F&A	Volume of loans to Trade, Industry and Services
3,294 EUR million	417.9 EUR billion	107.2 EUR billion	119.4 EUR billion
12-31-2018 4,193 million	12-31-2018 416.0 billion	12-31-2018 103.1 billion	12-31-2018 118.0 billion
-21%	+0%	+4%	+1%



Rock-Solid Bank

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

Financial Ambitions

We have confirmed our financial ambitions for the longer term. As a result of the current operating environment, we have included short- term ambitions for 2022, striking a balance between realism and ambition. The continuing low interest rate environment, combined with ongoing investments in digitalization and increased compliance costs, necessitated an update of our short-term financial targets.

Amounts in billions of euros		*12-31-2019*	*12-31-2018*	*Ambition 2022*	*Ambtion longer term*
Capital	CET1 ratio	16.3%	16.0%	*>14%*	*>14%*
	ROE	5.3%	7.3%	6-7%	>8%
Profitability	C/I ratio[1]	63.8%	65.9%	low 60%	mid 50%

1 cost/income ratio including regulatory levies

Low Interest Rate Environment

The low interest rate environment presents a significant and delicate dilemma for all banks, including Rabobank. Banks are charged negative interest on their deposits with the ECB, which has a downward effect on our results. We still believe it is undesirable to set negative interest rates for most private customers and we are doing our utmost to be able to maintain this position in the future. As the current extreme interest rate policy and monetary stimulation by central bank continues, we foresee similar challenges for the coming year. Rabobank would welcome a monetary policy aimed at normalization of interest rates.

Impact of Persistent Low Interest Rate Environment

During the past several years we experienced historic low interest rates, but in 2019 we actually saw a further material decrease in interest rates. As a result of ECB policy the 3-month Euribor rate dropped from minus 31 bps to minus 38 bps in the Netherlands and the 10-year interest rates on Dutch government bonds went down from plus 39 bps to minus 5 bps. For a large number of our clients this resulted in lower lending rates on new loans and renewals. Rates on new mortgages dropped significantly. Like other financial institutions, we were forced to lower our savings rates further as well. We lowered the interest rate on our core savings account in 2019 by 3 bps to 1 bps. On balance this resulted in a decrease of our net interest margin, which was 2 bps lower, at 139 bps. Despite the low interest rate environment our net interest income in 2019 was only down by 1%.

Challenging Environment for Efficiency Enhancement

We have already taken several steps to further increase effectiveness and efficiency throughout our organization. The circumstances, however, are challenging. The effects of the low interest rate environment and its downward effect on our income development are tangible. In addition, investments in digitalization and projects related to the regulatory agenda like KYC (CDD and TM) tempered the decrease in operating expenses. In 2019 our cost/income ratio, including regulatory levies, improved by 2.1% points to 63.8% (2018: 65.9%). Several exceptional items[1] affected our cost/income ratio. We made adjustments for these items in our calculation of the underlying cost/income ratio, which improved to 63.5% (2018: 63.9%).

In 2019, we implemented a new operating model in the Netherlands (Bankieren 3.0) to further enhance effectiveness and increase our efficiency. Despite this and other restructuring efforts the total staff level increased in 2019. The conscious choice to invest in digitalization and structural improvement of our infrastructure had an upward effect on our staff level. Combined with additional staff for projects related to the regulatory agenda, this caused an increase of 1,454 FTEs at DRB. Staff levels at WRR

1 The exceptional items include: the result on fair value items (2019 & 2018), the gain on the sale of RNA (2019), restructuring expenses (2019 & 2018), and the additional provision taken for the derivatives framework (2018).

decreased by 958 FTEs as a result of the sale of RNA. Growth in Rural and compliance-related activities required extra staff, mainly in North America, Australia and New Zealand. In line with business growth staff levels at Leasing increased by 157 FTEs.

Improvement of our cost/income ratio will remain a priority for the coming years. As a result of the continuing low interest rate environment and the need for ongoing investments in digitalization and our (data) infrastructure, our ambition for the coming years is a cost/income ratio in the low 60% range. Our longer-term ambition is unchanged with a cost/income ratio in the mid 50% range, but this is contingent upon a return to a normalized interest environment.

Increasing Balance Sheet Flexibility

In anticipation of forthcoming regulations, such as Basel IV, we have been preparing our infrastructure and processes for increasing the flexibility of our balance sheet in the future. We have made significant steps in reducing non-core activities in 2019. In August, we finalized the sale of Rabobank National Association (RNA) to Mechanics Bank for a total consideration of approximately USD 2.1 billion. In line with our Banking for Food strategy, around USD 5 billion of Food & Agri assets were excluded from the sale and transferred from RNA to Rabo AgriFinance (RAF). The sale creates a strong foundation on which to further expand our Food & Agri business in the United States. In May, we sold the secured loan portfolio formerly owned by ACC Loan Management (ACC) to a consortium of Goldman Sachs and CarVal Investors and the unsecured loan portfolio was sold to Cabot. Both sales were finalized in 2019 and have a combined value of approximately EUR 800 million. Following the decision to phase out our retail activities in Indonesia, we have signed transaction documentation to sell the retail operations of Rabobank International Indonesia to Bank Central Asia (BCA) in December 2019. The transaction is expected to be completed in the second quarter of 2020.

We aim to mitigate our dependence on wholesale funding. Our total outstanding wholesale funding has decreased by EUR 51 billion since year-end 2015 to EUR 152 billion on December 31, 2019. Over the coming years, we will continue to issue NPS and covered bonds in order to further diversify and optimize our funding composition.

Maintaining a Strong Capital Position

We set clear ambitions for our capital ratios. In 2019, we further strengthened our capital ratios. Our common equity tier 1 (CET 1) ratio increased to 16.3% (2018: 16.0%) on December 31, 2019. This is well above target and on track for the implementation of the Basel IV framework and the anticipated impact of TRIM. Adding a part of our net profit to retained earnings increased our CET 1 capital and ultimately resulted in a positive impact of 0.6 percentage points on our CET 1 ratio. This effect was partly pressured by an increase in risk weighted assets. Our MREL requirement is 28.58% and we can meet this requirement with a combination of own funds and non-preferred senior bonds (NPS). The MREL buffer divided by risk-weighted assets further increased in 2019 from 28.2% to 29.3%, mainly due to profit retention and the issuance of MREL eligible new instruments. In 2019, we issued several NPS bonds that increased our MREL buffer by around EUR 4.7 billion.

Well Positioned to Absorb Impact of Basel IV

In anticipation of Basel IV, we will continue to strengthen our capital ratios over the coming years. In 2019, our risk-weighted assets increased to EUR 205.8 (2018: 200.5) billion. This was partly caused by RWA inflation due to TRIM and other model changes, thereby already partly absorbing the impact of Basel IV. Based on pro-forma calculations we estimate the remaining impact of the Basel Committee proposals to lead to an approximate 25%-28% increase in risk-weighted assets on a fully loaded basis (before mitigation). Including mitigation, the impact is estimated to be below 25%. We also expect to absorb part of the remaining impact before 2022 due to TRIM and other model changes (such as the macro prudential mortgage measure announced by DNB). The estimate of 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 the longer-term assets.

The Basel Committee's latest proposals still have to be adopted in E.U. regulations. At the end of 2019, the European Commission started a consultation in addition to the European Banking Authority (EBA) Call for Advice. The final implementation in E.U. regulations will depend on how quickly the European Commission issues a draft proposal that must then be approved by the European Council and European Parliament. In the coming period, we will continue to maintain an active dialogue with regulators and politicians on several topics of uncertainty relating to the implementation of the Basel IV framework in E.U. regulations.

Our Financial Performance

Rabobank

The low interest rate environment impacted our results in 2019. Net interest income was lower and the continuing lower interest rates combined with the current economic outlook resulted in an impairment of EUR 300 million on our equity stake in Achmea. After a few years with exceptionally low impairments, impairment charges on financial assets have returned to a more normalized level (23 basis points). As a result net profit decreased by EUR 801 million to EUR 2,203 million. In 2019 we reduced our expenses, but this decrease was tempered by investments in digitalization and increased costs for projects related to our regulatory agenda.

Our results were impacted by exceptional items like the sale of RNA to Mechanics Bank and the impairment on our equity stake in Achmea. Corrected for these items,[1] the underlying operating profit before tax amounted to EUR 3,294 (2018: 4,193) million. Despite a decrease in underlying income, the underlying cost/income ratio (including regulatory levies) improved to 63.5% (2018: 63.9%). The return on equity (RoE) amounted to 5.3% (2018: 7.3%).

The sale of RNA had a downward effect on the size of our loan portfolio and deposits. Adjusted for this divestment, our private sector loan portfolio increased by EUR 6.3 billion and deposits from customers increased by EUR 10.5 billion. Lending increased at WRR and DLL, and deposits at DRB increased by EUR 16.4 billion in 2019.

1 The non-recurring items include the result on fair value items, the sale of RNA, restructuring expenses, the additional provision for the derivatives recovery framework, and the impairment on our equity stake in Achmea.

Financial Results of Rabobank

Results			
Amounts in millions of euros	*12-31-2019*	*12-31-2018*	*Change*
Net interest income	8,483	8,559	-1%
Net fee and commission income	1,989	1,931	3%
Other results	1,443	1,530	-6%
Total income	**11,915**	**12,020**	**-1%**
Staff costs	4,821	4,868	-1%
Other administrative expenses	1,874	2,190	-14%
Depreciation and amortization	420	388	8%
Total operating expenses	**7,115**	**7,446**	**-4%**
Gross result	**4,800**	**4,574**	**5%**
Impairment losses on investments in associates	300	0	-
Impairment charges on financial assets	975	190	413%
Regulatory levies	484	478	1%
Operating profit before tax	**3,041**	**3,906**	**-22%**
Income tax	838	902	-7%
Net profit	**2,203**	**3,004**	**-27%**
Impairment charges on financial assets (in basis points)	23	5	
Ratios			
Cost/income ratio including regulatory levies	63.8%	65.9%	
Underlying cost/income ratio including regulatory levies	63.5%	63.9%	
RoE	5.3%	7.3%	
Balance Sheet (in billions of euros)			
Total assets	590.6	590.4	0%
Private sector loan portfolio	417.9	416.0	0%
Deposits from customers	342.5	342.4	0%
Number of internal employees (in FTEs)	34,451	35,850	-4%
Number of external employees(in FTEs)	9,371	7,397	27%
Total number of employees(in FTEs)	43,822	43,247	1%

Notes to the Financial Results of Rabobank

Net Profit Decreased to EUR 2,203 Million

Lower income and higher impairment charges on financial assets resulted in a net profit of EUR 2,203 (2018: 3,004) million which is 27% lower than last year. The persistent low interest rate environment resulted in both lower net interest income and a EUR 300 million impairment on our equity stake in Achmea. Impairment charges on financial assets increased to EUR 975 (2018: 190) million. The continued downward trend in operating expenses and the sale of RNA had a positive impact on net profit.

Underlying Performance Decreased by 21%

The impact of the persistent low interest rate environment on income and higher impairment charges on financial assets explain our lower underlying results in 2019. The underlying operating profit before tax fell by EUR 899 million to EUR 3,294 million. In 2019, the underlying cost/income ratio – including regulatory levies – improved to 63.5% (2018: 63.9%).

Development of Underlying Operating Profit Before Tax			
Amounts in millions of euros		*12-31-2019*	*12-31-2018*
Income		**11,915**	**12,020**
Adjustments to income	Fair value items	162	115
	Sale RNA	(372)	0
Underlying income		***11,705***	***12,135***
Operating expenses		**7,115**	**7,446**
Adjustments to expenses	Restructuring expenses	93	120
	Derivatives framework	40	52
	Sale RNA	30	0
Underlying expenses		***6,952***	***7,274***
Underlying gross result		**4,753**	**4,861**
Impairment losses on investments in associates	Impairment Achmea	300	0
Impairment charges on financial assets		975	190
Regulatory levies		484	478
Operating profit before tax		**3,041**	**3,906**
Total adjustments		***253***	***287***
Underlying operating profit before tax		**3,294**	**4,193**

Rabobank retained EUR 1,295 (2018: 1,894) million of its net profit to bolster capital in 2019. Taxes amounted to EUR 838 (2018: 902) million, an effective tax rate of 28% (2018: 23%). The increase in tax rate was partly due to the fact that a large part of additional tier 1 capital instruments are not tax deductible anymore as from January 1, 2019.

Slight Decrease in Income

Net Interest Income 1% Lower

Net interest income totaled EUR 8,483 (2018: 8,559) million. This 1% decrease was the result of the persistent low interest rate environment, which has specifically impacted margins on savings and current accounts, partly mitigated by sound and stable margins on new lending. The average net interest margin, calculated by dividing the net interest income by the average balance sheet total, changed from 1.41% in 2018 to 1.39% in 2019 due to a slightly higher average balance sheet total and a decrease in net interest income.

Net Fee and Commission Income Up 3%

Net fee and commission income increased by 3% to EUR 1,989 (2018: 1,931) million. At local Rabobanks, net fee and commission income on payment accounts and insurances increased. At WRR net fee and commission income decreased slightly due to lower activity within Capital Markets and the M&A division. Net fee and commission income at DLL increased by 17% mainly as a result of higher fees earned on syndicated financial leases in the United States.

Other Results Decreased by 6%

Other results decreased to EUR 1,443 (2018: 1,530) million. On balance, the gross loss on fair value items was higher than last year: a loss of EUR 162 million in 2019 compared to a loss of EUR 115 million in 2018. The sale of RNA boosted other results at WRR. The Markets and Rabo Corporate Investment divisions could not match the strong performance in 2018 as market conditions were less favorable. Other results in the Real Estate segment decreased by 46% as the results in 2018 included the proceeds from the sale of the final part of FGH Bank's noncore CRE loan portfolio. Also, BPD figures no longer include the results of BPD Marignan after this subsidiary was sold in 2018. At DLL, other results went down by 7% due to the release of a provision for DLL's foreign activities in 2018.

Operating Expenses Decreased by 4%

Staff Costs Down 1%

In 2019, Rabobank's total staff levels (including external hires) increased by 575 FTEs to 43,822 (2018: 43,247) FTEs. A substantial part of the incease in staff levels at DRB can be attributed to hiring additional capacity for KYC (CDD and TM) and digitalization. This increase was partly offset by a decrease in staff as a result of the implementation of a new operating model in the Netherlands (Bankieren 3.0). Staff levels at WRR decreased by 958 FTEs as a result of the sale of RNA. This decrease was partly offset by staff increases to support business growth within Rural and for digitalization and compliance related activities. At DLL, staff levels increased as expected in line with business growth. Despite the overall FTE increase in 2019, average staff levels dropped by 1% and consequently staff costs decreased by 1% to EUR 4,821 (2018: 4,868) million.

Other Administrative Expenses Decreased by 14%

Total other administrative expenses decreased to EUR 1,874 (2018: 2,190) million. At DRB, Leasing and Real Estate, administrative expenses were lower than in 2018. The decrease at Real Estate is largely because of the phasing out of activities. Higher compliance costs had an upward effect on other administrative expenses.

Depreciation and Amortization Up 8%

The increase in depreciation and amortization to EUR 420 (2018: 388) million is mainly the result of IFRS 16 and higher depreciation on premises and real estate, equipment and outfitting in North America, Asia, and Europe.

Impairment Losses on Investments in Associates

In 2019, the operating profit before tax was pressured by a technical non-cash impairment of Rabobank's stake in Achmea of EUR 300 million. The sustained low interest rate setting continues to negatively affect companies in the European insurance sector, including Achmea. The financial environment has had, and is expected to continue to have in the future, an adverse effect on Achmea's business and its results. This development triggered the assessment of the value of the investment in Achmea. The test to establish whether a potential impairment had occurred, resulted in downward adjustments of the book value of our investment in Achmea.

Impairment Charges on Financial Assets

In 2019 impairment charges on financial assets amounted to EUR 975 million. After a period of exceptionally low impairment charges, impairment charges returned to more normalized levels. This represents an increase of EUR 785 million compared to 2018. Impairment charges on financial assets amounted to 23 (2018: 5) basis points, which is still below the long-term average (period 2009-2018) of 32 basis points. Due to less optimistic macro-economic scenarios used for IFRS, impairment charges in Stages 1 and 2 were EUR 236 (2018: minus 72) million.

As of December 31, 2019, the non-performing loans (NPL) decreased to EUR 15.7 (2018: 18.4) billion. The NPL ratio was 3.0% (2018: 3.5%) and the NPL coverage ratio was 20% (2018: 22%). The favorable Dutch economic environment and the sale of the ACC loan portfolio contributed to a further decline in the level of NPL and to the improving NPL ratio.

Balance Sheet Developments

Balance Sheet

Amounts in billions of euros	*12-31-2019*	*12-31-2018*
Cash and cash equivalents	63.1	73.3
Loans and advances to customers	440.5	436.6
Financial assets	17.4	23.9
Loans and advances to banks	29.3	17.9
Derivatives	23.6	22.7
Other assets	16.7	16.0
Total assets	**590.6**	**590.4**
Deposits from customers	342.5	342.4
Debt securities in issue	130.4	130.8
Deposits from banks	21.2	19.4
Derivatives	24.1	23.9
Financial liabilities	6.7	7.0
Other liabilities	24.4	24.7
Total liabilities	**549.3**	**548.2**
Equity	41.3	42.2
Total liabilities and equity	**590.6**	**590.4**

Underlying Private Sector Loan Portfolio Increased by EUR 6.3 Billion

The sale of Rabobank National Association (RNA) to Mechanics Bank tempered loan portfolio growth. Adjusting for the sale of RNA, the private sector loan portfolio increased by EUR 6.3 billion. Despite the of the RNA loan portfolio, we reported growth in our private sector lending of EUR 1.9 billion to EUR 417.9 billion in 2019. At Domestic Retail Banking (DRB) the mortgage portfolio decreased slightly due to the high level of repayments and several whole loan sales transactions. DRB's total private sector loan portfolio decreased by EUR 4.9 billion to EUR 271.2 billion. Excluding the sale of RNA, WRR's loan portfolio increased by EUR 7.8 billion and our leasing subsidiary DLL's portfolio ended up EUR 2.9 billion higher than on December 31, 2018. The combined domestic commercial real estate loan exposure over all segments was managed down further and amounted to EUR 19.8 (2018: 21.2) billion on December 31, 2019.

Loan Portfolio

Amounts in billions of euros	*12-31-2019*	*12-31-2018*
Total loans and advances to customers	**440.5**	**436.6**
Of which to government clients	2.0	1.9
Reverse repurchase transactions and securities borrowing	13.6	12.9
Interest rate hedges (hedge accounting)	7.0	5.8
Private sector loan portfolio	**417.9**	**416.0**
Domestic Retail Banking	271.2	276.1
Wholesale, Rural & Retail	112.4	109.0
Leasing	33.2	30.3
Real Estate	0.3	0.3
Other	0.8	0.3

The geographical split of the loan portfolio (based on debtor's country of establishment) on December 31, 2019 was as follows: 70% in the Netherlands, 10% in North America, 8% in Europe (outside the Netherlands), 6% in Australia and New Zealand, 4% in Latin America, and 2% in Asia.

Loan Portfolio by Sector[1]

Amounts in billions of euros	*12-31-2019*		*12-31-2018*	
Loans to private individuals	191.3	46%	194.9	47%
Loans to trade, industry and services	119.4	29%	118.0	28%
of which in the Netherlands	*82.4*		*81.5*	
of which in other countries	*37.0*		*36.5*	
Loans to Food & Agri	107.2	26%	103.1	25%
of which in the Netherlands	*37.9*		*38.1*	
of which in other countries	*69.3*		*65.0*	
Private sector loan portfolio	**417.9**	**100%**	**416.0**	**100%**

1 In the country where the entity is established.

Underlying Deposits from Customers Increased by EUR 10.5 Billion

Total deposits from customers increased to EUR 342.5 (2018: 342.4) billion. The sale of RNA lowered deposits from customers. Adjusting for this sale, total deposits from customers increased by EUR 10.5 billion. Deposits from DRB customers increased to EUR 253.1 (2018: 236.7) billion. Deposits from customers in other segments decreased to EUR 89.5 (2018: 105.7) billion mainly as the result of the sale of RNA. Retail savings at DRB increased by EUR 4.6 billion to EUR 123.7 billion. Total retail savings increased by EUR 3.1 billion to EUR 145.8 billion.

Deposits from Customers

Amounts in billions of euros	*12-31-2019*	*12-31-2018*
Retail savings	**145.8**	**142.7**
Domestic Retail Banking	123.7	119.1
Other segments	22.1	23.6
Other deposits from customers	**196.7**	**199.7**
Domestic Retail Banking	129.3	117.7
Other segments	67.4	82.0
Total deposits from customers	**342.5**	**342.4**

Equity

In 2019, Rabobank's equity decreased to EUR 41.3 (2018: 42.2) billion partly because of the redemption of several Capital Securities and Trust Preferred Securities IV. Rabobank's equity on December 31, 2019 consisted of 68% (2018: 64%) retained earnings and reserves, 18% (2018: 18%) Rabobank Certificates, 13% (2018: 17%) hybrid capital and subordinated capital instruments, and 1% (2018: 1%) other non-controlling interests.

Development of Equity

Amounts in millions of euros	
Equity at the end of December 2018	**42,236**
Net profit for the period	2,203
Other comprehensive income	49
Payments on Rabobank Certificates and hybrid capital	(904)
Redemption of Capital Securities	(3,159)
Redemption of Trust Preferred Securities IV	(383)
Issue of Capital Securities	1,250
Other	55
Equity at the end of December 2019	**41,347**

Wholesale Funding

Rabobank has been actively reducing its use of wholesale funding. Doing so will make the bank less sensitive to potential future financial market instability. In 2019, the amount of wholesale funding decreased to EUR 151.7 (2018: 153.2) billion. The main sources of wholesale funding are short- and long-term issued debt securities.

Capital Developments and Risk Information

Progress on Our Capital Targets

Capital ratios

Capital ratios		
Amounts in millions of euros	*12-31-2019*	*12-31-2018*
Retained earnings	28,910	28,062
Expected distributions	(3)	(46)
Rabobank Certificates	7,449	7,445
Part of non-controlling interest treated as qualifying capital	0	0
Reserves	(753)	(798)
Regulatory adjustments	(2,007)	(2,553)
Transition guidance	0	12
Common equity tier 1 capital	**33,596**	**32,122**
Capital securities	4,951	3,721
Grandfathered instruments	313	3,325
Non-controlling interests	0	0
Regulatory adjustments	(106)	(100)
Transition guidance	0	0
Additional tier 1 capital	*5,158*	*6,946*
Tier 1 capital	**38,754**	**39,068**
Part of subordinated debt treated as qualifying capital	13,299	14,274
Non-controlling interests	0	0
Regulatory adjustments	(92)	(83)
Transition guidance	0	0
Tier 2 capital	**13,207**	**14,191**
Qualifying capital	**51,961**	**53,259**
Risk-weighted assets	**205,797**	**200,531**
Common equity tier 1 ratio	16.3%	16.0%
Tier 1 ratio	18.8%	19.5%
MREL buffer	29.3%	28.2%
Total capital ratio	25.2%	26.6%
Equity capital ratio	17.7%	17.7%
Common equity tier 1 ratio of Coöperatieve Rabobank U.A. solo (issuer level)	16.8%	16.0%

On December 31, 2019, our CET 1 ratio amounted to 16.3% (2018: 16.0%). This is well above our >14% ambition. The increase of the CET 1 ratio was mainly due to the addition of net profits to retained earnings. An increase of RWAs partly offset this effect. Our leverage ratio – that is, our tier 1 capital divided by balance sheet positions and off-balance-sheet liabilities – is calculated based on the definitions provided in the CRR/CRD IV. On December 31, 2019 our leverage ratio was 6.3% (2018: 6.4%), 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 25.2% (2018: 26.6%), mainly the result of the call of several Capital Securities and Trust Preferred Securities and higher risk-weighted assets.

Funding and Liquidity

Regulatory Capital

Our external regulatory capital requirement is 8% of our risk-weighted assets. It represents the minimum amount of capital which the CRR and CRD IV require us to hold. Our regulatory capital amounted to EUR 16.5 (2018: 16.0) billion on December 31, 2019, of which 82% related to credit and transfer risk, 15% to operational risk, and 3% to market risk.

We calculate our regulatory capital for credit risk for almost the entire loan portfolio using the advanced IRB approach approved by our supervisory authority. In consultation with ECB, we apply the standardized approach to portfolios with relatively limited exposure and to some smaller portfolios outside the Netherlands that are not suitable for the advanced IRB approach.

Operational risk is measured with an internal modelthat is based on the advanced measurement approach and approved by the ECB. For market risk exposure, the ECB permits us to calculate our general and specific position risk using own internal value-at-risk (VaR) models, based on the CRR.

Regulatory Capital by Business Segment		
Amounts in billions of euros	*12-31-2019*	*12-31-2018*
Domestic Retail Banking	6.0	6.5
Wholesale, Rural & Retail	6.7	6.6
Leasing	1.6	1.5
Real Estate	0.3	0.4
Other	1.7	1.0
Rabobank	**16.5**	**16.0**

Minimum Requirement for Own Funds and Eligible Liabilities

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

Rabobank has 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 event of a potential bank failure. This MREL requirement is set at a consolidated level for Rabobank, as determined by the SRB. The calibration of the MREL requirement is based on our full-year 2017 results. The requirement has been set at a percentage of 9.64% of Total Liabilities and Own Funds (TLOF), which corresponds to 28.58% of RWA as at 2017, and consists of a loss absorption amount, a recapitalization amount, and a market confidence amount. This calibration is based on the framework for MREL under BRRD I, the EBA RTS, and the 2018 SRB MREL policy.

The adoption of CRR2 and BRRD2 (as part of the "Banking Risk Reduction Package") which contains a revised MREL framework, will likely necessitate changes in banks' MREL requirements. The revised SRB MREL policy that accounts for the legislative changes, has not yet been published but is expected in the course of 2020. As under BRRD, 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. We intend to meet our MREL requirement with a combination of own funds, (other) subordinated instruments and Non-Preferred Senior only. As such, 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. In 2018 and 2019, we issued a number of Non-Preferred Senior bonds. With MREL eligible capital and debt of EUR 60.3 billion (2018: 56.6) or 29.3% (2018: 28.2%) of risk-weighted assets, the MREL needs are manageable.

MREL Eligible Capital and Non-Preferred Senior Bonds Buffer

Amounts in billions of euros	*12-31-2019*	*12-31-2018*
Qualifying capital	52.0	53.3
Non qualifying grandfathered additional tier 1 capital	0.0	0.0
Amortized tier 2 >1 year remaining maturity	1.7	1.3
Non-Preferred Senior bonds > 1 year remaining maturity	6.7	2.1
MREL eligible capital and Non-Preferred Senior bonds buffer	**60.3**	**56.6**
Risk-weighted assets	205.8	200.5
MREL eligible capital and Non-Preferred Senior bonds buffer / risk-weighted assets	29.3%	28.2%

Pillar II Capital Framework

The relevant rules and regulations related to the capital adequacy process of European banks are addressed in the CRR/CRD IV comprehensive frameworks. These frameworks represent the E.U. legal translation of the banking guidelines suggested by the Basel Committee - the so-called Basel III standards - as of December 2010. CRR/CRD IV lays out a three-pillar approach to risk and capital management: Pillar I covers the minimum capital requirements of credit, market, and operational risk; Pillar 2 concerns the supervisory review process (SREP), and Pillar 3 covers market discipline, where banks disclose to the public their overall risk profiles.

Pillar 2 describes the mandatory processes for both banks and regulators to fulfill the capital adequacy requirements. The main areas covered by Pillar 2 are: Pillars I risks that are not considered to be fully or adequately captured by the prescribed methodologies, risks that are not considered in the Pillar I capital requirements (e.g., interest rate risk), and factors outside the bank (e.g., market conditions). In addition, we do our utmost to remain up to speed with not only recent best practices guidelines, such as the "Overview of Pillar 2 Supervisory Review Practices and Approaches" document published in June 2019 by the Basel Committee on Banking Supervision (BIS), but also growing supervisory and industry trends such as climate risk, cyber risk, and others.

The Pillar 2 capital framework covers all those areas in which we believe the regulatory framework either does not address the risk or does not adequately address the risk. We have developed mostly statistical approaches and methodologies that: (1) challenge regulatory capital requirements, (2) cover risks not addressed in CRR/CRD IV, and (3) identify possible future events or changes in the market conditions that could impact our strategic planning.

The outputs of the Pillar 2 models are used for various purposes within the bank, such as deal acceptance and pricing, strategy and planning of the firm's operations, and performance evaluation. Moreover, the regulators and supervisors view the level of capitalization as one of their key supervisory instruments. Therefore, the Pillar 2 capital framework promotes a sound and effective risk management culture within our bank, ensuring adequate capital levels to support business growth, maintain depositor and creditor confidence and comply with regulatory requirements.

Risk Management

As part of Rabobank's overall strategy, we have a risk policy to support our strategic goals. Banking for Food and Banking for the Netherlands both entail specific risks and expose the bank in both domestic and international markets to macroeconomic, political, regulatory, and societal developments. Sound risk management enables us to serve our customers and satisfy our stakeholders.

Without taking risks, profitable banking activities are impossible, which is why we accept a certain degree of risk as defined in our Risk Appetite Statement (RAS). Every day, we take informed risk decisions while engaging with (new) customers, granting credit, entering into interest rate contracts, and providing other services. We design risk and control processes in order to manage the material risks. We employ a comprehensive approach to risk management, so that we manage the risks we face with a solid risk management framework, aligned with our conscious risk taking. We evaluate the effectiveness of the risk framework continuously and adapt to the latest developments and/or requirements. In the end our risk management activities are designed to help realize our ambitions and those of our customers and stakeholders.

Developments

Because we are dedicated to continuous improvement we further assessed and strengthened our overall risk management framework in 2019. Some of these developments include the following:

- In 2019 our Compliance, Legal and Risk (CLR) department started the Future Fit program. Empowered people building trust is the common thread throughout our Future Fit Program. It's an exciting and challenging transformation that will impact the entire organization and lead to an even more pro- active CLR that creates and nurtures a strong bank-wide Risk and Integrity Culture. The Future Fit program has led to several initiatives that will be executed in 2020 including an organizational change to better align the Risk Management functions with the business and build on a more structured and systematic approach to managing risks.
- The Risk Control Framework (RCF) concerns the execution of organization-wide risk and control activities supported by uniform working methods, tooling, learning programs and the taxonomy of all operational risk expertise areas. In 2019, more day-today activities were transferred to the business. Furthermore, reporting and monitoring tools were improved to provide better insight. With the RCF now operational, in late 2019 we shifted focus to increasing the level of maturity in the RCF framework (Project RCF Next Steps).
- During 2019, we implemented the BCB239 principles further, with the objective of improving the aggregation and reporting of (risk) data. We further embedded data management within our organization and made significant progress on our structural (risk and finance) system landscape. This enables us to make decisions faster, based on more transparent and consistent data, which allows us to improve the quality of fact-based decisions.
- We have carried out a number of analyses relating to climate change risks. The analyses focused on the impact of the transition to a low carbon economy and the physical consequences of climate change. Climate change risk is a complex issue: it is an aggregation of the adverse impact climate change may have on the private and public sector and hence, the bank's credit portfolio. Our exposure to climate change risk is estimated with extensive analyses: we performed a stress test for all sectors (excluding DLL) and we also conducted analyses at regional and sector levels. For these preliminary analyses the regions and sectors selected (F&A in the Netherlands and globally, and the Dutch Residential mortgage portfolio) reflect our largest exposures. The analyses suggest that both physical and transition risk can have a high impact on the quality of our credit portfolio, in particular due to the combination of large exposures in our portfolios in F&A and mortgages. Besides the analyses, we created a long-term plan specifying the direction we will take for the future. The plan focuses on structurally embedding climate change in the Risk Management framework and the steps to be taken toward a more complete climate change risk assessment. This way we will create a rock-solid base for steering and decision-making with respect to climate change risk.
- Regulation regarding Non-Performing Loan (NPL) management in the form of EBA Guidelines has been published and both the European Commission and ECB published regulations around prudential backstop provisioning. The latter leads to additional provisioning requirements for non-performing loans with a long duration. Over the last few years, our NPL ratio has shown a declining trend, mainly as a result of the favorable economic environment in the Netherlands and the sale of our non-core CRE exposure (e.g., FGH Bank / ACC loan portfolio). The 2019 EU-wide transparency exercise shows that we have a higher NPL ratio and a lower NPL coverage ratio than our peers. This reflects differences in collateralization (including valuation rules and enforceability), accounting standards, provisioning policies and types of exposures. We are taking action to further decrease the NPL portfolio and further improve the quality of our credit portfolio. Our NPL approach aims to find a balance between supporting our clients in difficult times and providing them with new perspectives, paying attention to the P&L and capital impact of our NPL portfolio, and carefully managing the

external expectations regarding this topic. With this aim in mind we are undertaking several efforts to review whether and how the average duration of our clients within the NPL portfolio can be reduced.

- As part of the EU-wide Targeted Review Internal Models (TRIM) exercise, at the end of 2018 we underwent a TRIM on-site on the Large Corporate Credit Models. As a follow-up in April 2019, the ECB announced a TRIM on the Trade and Commodity Finance (TCF) portfolio. This on-site took place over the summer. The on-site covered the credit models, as well as the business, IT, credit policies and data quality and was concluded in September. We are awaiting the final report and already working on improvements.
- The Rabo Model Landscape (RML) initiative aims to create a new, simplified and improved credit risk model landscape. A simplified credit model landscape is essential to achieving our strategic top priorities. Redeveloping credit models impacts all steps of the banking process, from acceptance and pricing of new customers to reporting. Creating the Rabo Model Landscape is therefore both highly valuable and a multi-dimensional puzzle. The higher quality and more powerful models aim to achieve regulatory compliance and increased customer value. The goal is to redevelop 5 trategic portfolios of the in total 10 portfolios (70% of EAD and 74% of RWA) before 2021. Each new credit model in itself will serve multiple users and applications in the bank, supported by a firm foundation of IT and data.

Despite our efforts to continually improve our risk management framework, losses and incidents cannot always be avoided. Nevertheless, we monitor (operational) losses and incidents closely and analyze them to reduce the risk of future reoccurrence. Additionally, it must be noted that our continuous drive to improve our risk management framework presents an underlying risk: unclear regulations can be subject to multiple interpretations, particulary when regulations are still under development or regulations that conflict with each other. Furthermore there is also a risk of a change in regulatory guidance or that courts will set new legal standards.

How We Manage Risks

Risk Governance

Our internal governance ensures transparent and consistent lines of responsibility across the group. The formal risk governance supports the realization of Rabobank Group's strategic priorities and is based on regulatory guidelines and market practices. Clarity of roles is ensured through three lines of responsibility.

First and foremost, the business (including support functions) has ownership of the risks, which it manages and takes responsibility for (first line). Global policies support their execution of the business strategy, adherence to risk appetite, and oversight of risks. Our risk management framework is provided by the Risk Management and Compliance function (second line). Both functions challenge risk taking and monitor the risk profile. Internal Audit (third line) provides independent assurance, advice, and insights on the quality and effectiveness of internal control, risk management, compliance, and governance of the bank.

The responsibilities and authority of the internal control functions (Risk Management, Compliance and Audit) are clearly documented in their respective charters. The risk management framework covers material banking risk types, such as credit risks, market risks, interest rate risks in the banking book, liquidity risks, business risks, and operational risks (including compliance, tax and legal risks). Risk classification allows for clear definitions and promotes a common understanding of risk management throughout the organization. In addition to the main risk types, the risk management framework also uses a more granular classification for risks such as FX translation risk and model risk. The risk appetite is determined per material risk type to manage alignment of the risk profile with the strategic priorities.

Risk and compliance management capability is fully integrated at both group level and the business unit level. Risk representation lies within the key management teams of the group. They foster a strong risk and integrity culture and act to ensure that all bank activities and behaviors comply with internal and external requirements. This results in better awareness, improved understanding and management of risks, enhanced cooperation with the business and well-informed decision-making.

Strategy

Our mission "Growing a better world together" underlines our cooperative roots and emphasizes our dedication to enabling our customers to achieve their ambitions. Our strategy defines priorities, objectives, and targets, including a capital strategy. Our Risk Strategy supports management in executing the business strategy and focuses on the following goals:

- Protect profit and profit growth: our business strategy strongly relates to our cooperative nature, and to generating healthy profits generation while realizing a high standard in serving our members, clients, and society. We make transparent choices related to where capital and resources can be used most efficiently or appropriately with respect to sectors.
- Maintain a solid balance sheet: sound balance sheet ratios are essential to ensure continuity in servicing our customers under sustainable and favorable conditions. This entails a stable

funding capability, strong liquidity buffers, and ample solvency.
- Protect our identity and reputation. We protect the fundamental trust that stakeholders have in our bank.

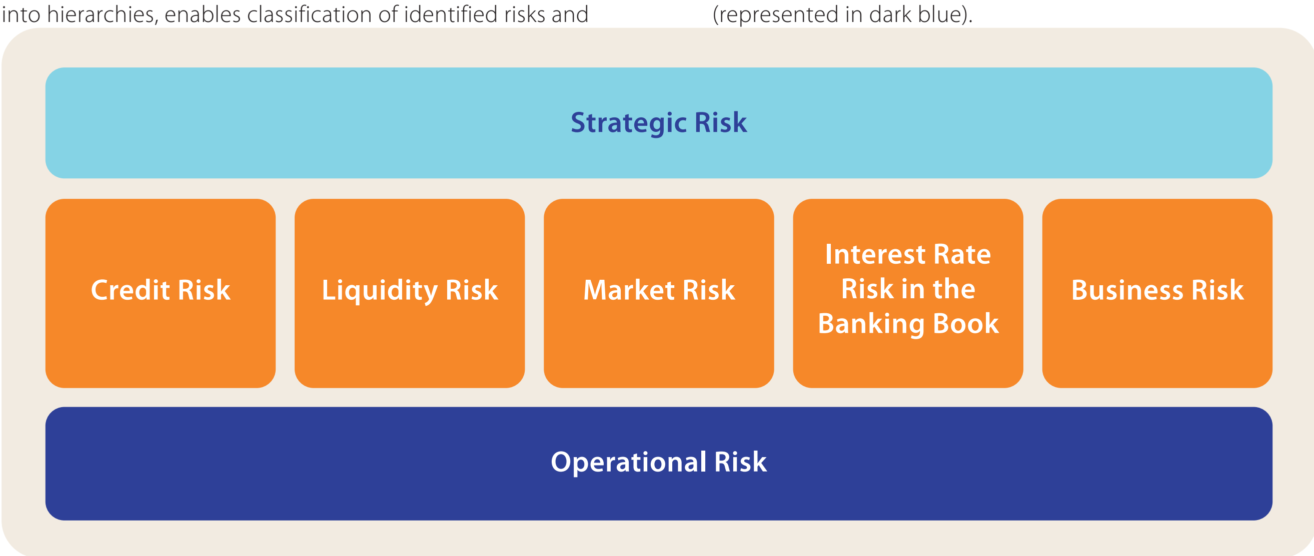
These priorities are strongly interwoven, and fully depend on maintaining sound governance and risk culture throughout the organization. Delivering long-term customer value requires a solid balance sheet and cost-efficient funding to support the bank’s profitability and good reputation. At the same time, maintaining a solid balance sheet requires healthy profitability and a sound reputation.

Material Risks

To deliver on the (risk) strategy it is imperative that we understand the risks we face. Our risk identification efforts result in granular risks that are specific for time and context. We register, assess, and mitigate these risks when necessary and subsequently map them into a taxonomy, which lists and defines risk types and subtypes into hierarchies, enables classification of identified risks and provides transparency on risk ownership. The Taxonomy of Risk Types is also used as a basis to determine the material risk types which are then subject to risk appetite consideration.

In general, the figure below shows three dimensions for identifying risks, represented by different colors:

- Developments that threaten to disrupt the assumptions and outcomes at the core of the organization's strategy (represented in blue). These developments are yet not risks, but could potentially materialize in the future in one of our material risk types.
- Risks that the bank consciously accepts in order to gain benefit the premium that the market offers for taking on those risks (represented in orange) that is, risks for which we have a risk appetite.
- Risks for which we have no appetite, but which are tolerated within limits because they are inherent to the operation of the bank. They have no upside, but only downside effects (represented in dark blue).



Risk Appetite

Our Risk Strategy is embedded in a set of Strategic Risk Statements directly linked to the strategy and the Medium Term Planning 2020-2024 along the four strategic themes of Complete Customer Focus, Rock-Solid Bank, Meaningful Cooperative, and Empowered Employees. These themes define the high-level boundaries of the risk appetite within which we must operate. The Risk Appetite Statement (RAS) specifies the Strategic Risk Statements and defines per material risk type the levels of risk we are willing to accept to achieve our business objectives. The RAS articulates our overall maximum level of risk exposure, both quantitatively and qualitatively, and is used in all business activities to assess the desired risk profile against the risk-reward profile of a given activity. Our group level risk appetite is an integral part of our strategy and is incorporated in the organization’s budget planning where it influences day-to-day risk-taking. Entity-specific risk appetite statements further specify the group risk appetite at entity level.

The several material types of risk inherent in the bank’s business model and strategic plan are actively identified, assessed, mitigated, and monitored. Nevertheless, unforeseen developments could always impede the overall business plan. The risks encountered in the business impact one or all of these areas, the main financial indicators of which are:

- Common Equity Tier 1-ratio
- Total Return on Invested Capital
- Score RepTrak Indicator (Reputation)

The risk appetite is embedded across Rabobank Group within principles, policies, indicators, limits and controls. The combination of a breach management process and appropriate governance ensures an adequate and timely response. The risk appetite is reviewed and updated at least once a year, depending on internal or external events with material impact. Moreover, Managing Board level decision-making regarding the Medium-Term Plan 2020-2024 was carried out while consciously accepting the inherent risks arising from the business strategy.

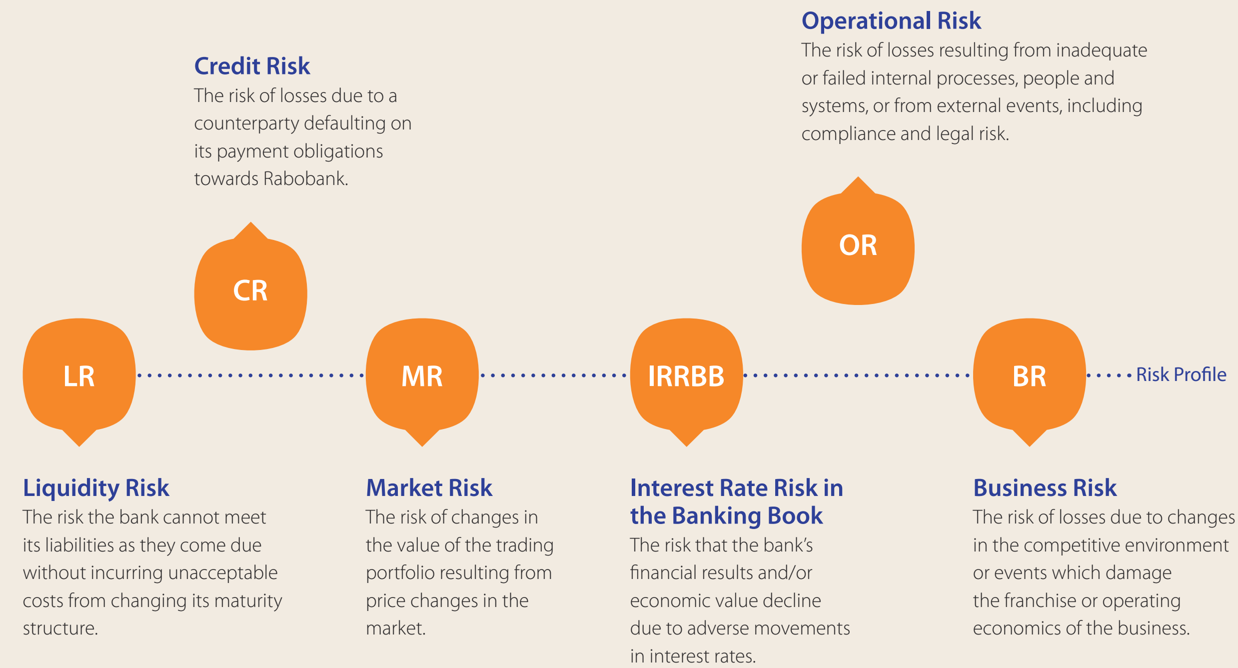
Risk Appetite Statement

Risk Type	*Risk Appetite Statement*	*Examples of KRIs to support our Risk Appetite Statement*
Credit Risk	Maintain a credit profitable portfolio with a controllable risk profile in order to limit the impact of bad debt costs on the profitability and reputation and as a means to serve our customers well.	* Average probability of default inflow * Impairment charges on financial assets * Concentration limits
Liquidity Risk	We accept a certain level of liquidity risk, as this is identified as a source of earnings and value creation, but we want to meet expected and unexpected cash flows and collateral needs at any time without materially affecting the bank's daily operations or financial stability. In the baseline our internal liquidity risk appetite is more conservative than the legislative constraints.	* Liquidity Coverage Ratio * Net Stable Funding Ratio (NSFR) * Loans to Stable Funding
Market Risk	Maintain modest exposure to market movements in the trading environment.	* Event Risk * Value at Risk
Interest Rate Risk	Following the strategy and the transformation role as retail bank, we accept a significant level of interest rate risk, as this may be an important driver of profit. However, losses due to changes in interest rates should not threaten the bank's financial stability.	* Earnings at Risk * Modified Duration
Operational Risk (incl. Compliance)	We accept and thus tolerate a certain level of operational risk, as this is part and parcel of executing business activities. These risks are minimized within the boundaries determined by the complexity and size of the organization	* Number of process execution failures * IT security * Customer Due Diligence
Business Risk	We have not developed explicit risk appetite statements regarding business risk because it is primarily captured in an aggregated, integrated, and comprehensive way in the Strategic Plan. The Finance and Control Department deals with the challenge and 'management' of this risk. The main reason is that the underlying risks are managed and mitigated through a structured program of scenario and sensitivity analyses to determine business risk. Rabobank's Strategic Risks are considered in the selection of scenarios and sensitivities.	* Common Equity Tier 1 Ratio * Total Return on Invested Capital (ROIC)

Risk Appetite and Risk Profile Performance

In pursuit of the right balance between (accepted) risk and reward, we generally operate within the risk appetite, albeit with a higher overall risk profile for Credit Risk and Operational Risk. In addition to operating outside our appetite on some of our key risk indicators for Credit Risk, we currently observe higher provision levels than in recent years (although still within historical levels) and new risks are emerging because of a declining economic growth, continued global trade tensions, and the risk of a hard Brexit. For some Operational Risk (including Compliance and Legal) indicators, we do not operate within our Risk Appetite and we need to increase the pace of making structural improvements to the organization. We are well aware of these risks and the underlying drivers for the higher risk profile. We actively manages these risks down to previously agreed acceptance levels or consciously accept the higher risk profile for a given period of time. The period of remediation in some cases is longer than others because of (longer) running change programs. The following sections provide further details on, the RAS performance per Risk Type.

Rabobank Risk Profile Performance in 2019



Credit Risk Management

In 2019, the growth of the world economy decreased compared to 2018 mainly because of global and regional uncertainties like the continuing trade war between the United States and China and the ongoing Brexit uncertainties. Our current credit policy will remain in place as we pursue a balanced growth in the credit portfolio as is suitable to our strategy and reputation. In practice, this entails that (i) the credit portfolio must maintain an overall acceptable risk profile, (ii) credit portfolio growth must be limited, and (iii) capital and funding will be used selectively. Over all, we want to maintain a profitable credit portfolio with an acceptable risk profile.

An important principle in the acceptance policy for business loans is having thorough knowledge of our clients. We form long-term relationships that benefit our clients and the bank alike. We understand our clients' sector, business, management, goals, financials, opportunities, and challenges, which helps us to manage potential risk in the best possible way. Prudent credit acceptance policy is therefore typified by careful assessment of clients and their ability to repay the loan we granted them. As a result, the risk profile of the loan portfolio is acceptable even in less-than-favorable economic circumstances. Corporate sustainability also means sustainable financing. Sustainability guidelines have been established for the credit process and we also use standard credit risk management models to estimate PD, LGD and EAD parameters. We also use a wide range of credit mitigation techniques to reduce specific counterparty credit risk or country risk. Different modeling methodologies apply to different portfolios. Each model accounts for quantitative and qualitative risk drivers. The credit risk parameters are used to calculate the capital requirements. We apply concentration risk mitigation, for example, to certain asset classes and at the sector and country level. The risk appetite determined for our asset classes is expressed in exposure, percentage of defaults and impairment charges. Furthermore, exposure limits apply at the sector and country level. Single-name concentrations are limited on exposure and on loss at default (LAD) and are monitored closely. We employ the Basel II/EBA default definitions to identify the required impairment allowance. Since January 1, 2018, the impairment allowances and charges have been calculated according to IFRS 9.

Credit Portfolio

The size of our credit (loan) portfolios is relatively stable and the overall quality is also relatively stable, especially as it is supported by continuing positive local and global economic developments. However, after a trend in the last three years of relatively low impairment charges, in 2019 the level of impairment charges was significantly higher. To support the pace of portfolio improvements specific sector/country strategies have been designed to further reduce the non-performing loans (NPLs). We continuously monitor our clients' position in relation to (upcoming) events (e.g., droughts and Brexit) or sector issues (e.g., dairy) and reconsider our strategy accordingly.

In the meantime, the EBA has issues new regulations regarding NPL management. Both the European Commission and the ECB also issued regulations concerning a prudential backstop. The latter will lead to additional capital requirements/deductions for NPLs without collateral and for NPLs that have been non-performing for a long period. Our NPL ratio has been relatively stable for a long time but during the past few years the NPL ratio has followed a trend of relative decline, due to the favorable economic environment and the sale of our non-core CRE exposure (e.g., FGH Bank/ ACC loan portfolio). We pursue an active management policy for NPL's and strive for proper balance between loss minimization, client relationship and mitigating the impact of the new prudential backstop.

Interest Only Mortgages
Within the well-performing residential mortgage portfolio, the interest-only mortgages carry the highest risk, especially when the LTV is high and the client is approaching retirement (i.a., income decrease). We approach these clients individually to make them aware of this risk and to seek possibilities to prevent possible problems in the coming period. To a certain extent, the current low savings rate helps to convince these clients to amortize part of their mortgage. Given the risks related to interest-only mortgages, we are continually analyzing this specific part (~57%) of the portfolio, and applying models to recognize increased risk rapidly.

Brexit
Brexit is important to us, as it inevitably will affect Rabobank's U.K. activities, our group operations and our clients in the United Kingdom (U.K.) and in mainland Europe. We carried out credit risk analyses to assess the U.K.-related component of our portfolio. In the course of our regular credit risk management activities, we consider economic risks and uncertainties that clients are confronted with. Brexit is expected to have a negative impact on economic growth in the U.K. and, to a lesser extent, other countries too. In impairment calculations (IFRS9) and capital planning, we accounted for this anticipated effect through the macroeconomic baseline scenario applied for credit modeling which takes a Soft Brexit as starting point. We also carried out a separate sensitivity analysis including the possible GDP impact on the economies of the U.K. and the Netherlands in the event of a Hard Brexit, based on RaboResearch assumptions. This has not yet led to changes in our provisioning level. But if we end up with a Hard Brexit, we may need to reassess our impairment level. In sum, we expect only a limited impact in the short term, considering how modest our U.K. exposure is relative to our total balance sheet. However, the impact on our clients in the mid-term due to GDP developments is currently difficult to assess. Wherever possible, we have taken due care to prepare our clients for Brexit. With Brexit scheduled to happen on January 31, 2020, we expect that a free trade agreement will be negotiated with the E.U. to be negotiated before year-end 2020. It should be noted that the risk of a Hard Brexit at that time still remains.

Climate Risk
Climate change can affect the credit portfolio in mainly two ways: 1) transitional risks (changing regulation, reputation, etc.) and 2) physical risks (flooding, drought, etc.). Whereas transitional risks usually manifest themselves through fixed points in time (e.g., implementation deadlines of new government policies), physical risks usually manifest themselves gradually over time. Rabobank's credit portfolio is particularly vulnerable to physical risks due to a combination of sector focus (F&A) and geographical focus (e.g., NL: flood risk). In 2019, Australia and California were hit by severe drought and intense bush fires, just two examples of weather-related events that damage agricultural production which could impact our portfolio. Regulatory changes with the intention to curb greenhouse gas emissions are expected to increase going forward putting more pressure on especially those sectors highly dependent on fossil fuels.

The Group Climate Oversight Committee coordinates initiatives within the bank related to climate change. Climate change risk plays an increasingly important role in the credit granting, approval and monitoring processes and the first line works actively with clients to find improvements in their businesses. See also the section Meaningful Cooperative for TCFD Disclosures.

Nitrogen (PAS) and PFAS
The Nitrogen Action Program (PAS) was suspended by the Council of State in May 2019. This led to short-term effects in the Netherlands (e.g. less construction and building activity also led to less transport) and long-term necessary measures (e.g., fewer cow and pig farming operations). Social unrest followed as a consequence and the government suggested some short-term measures (e.g., reduce maximum speed on highways from March 16, 2020), long- term measures are expected to follow in the first quarter of 2020.

In the construction sector the effects of PAS were exacerbated by the PFAS problem, which meant that contaminated soil was not allowed to be used/transported anymore. After several months, the government decided to relax the standards around contaminated soil in order to make construction activities possible again. Of course, clients in the above-mentioned sectors have felt the hit and sometimes need support. We closely monitor the possible impact on our credit portfolio.

Risk Profile Performance
For Credit Risk we have a higher risk profile than desired, not in the last place because of the higher impairment charges, higher in spite of their still being well within historical levels. For now,

our credit risk profile is slightly higher than desired but we are continually working on structural solutions (e.g., non-performing loans strategy) to improve the current quality of our portfolio.

Forward-Looking
With the world economy cooling down, the Dutch economy is also showing a decreasing growth rate. This will continue in 2020 as the uncertainties surrounding global trade tensions, Brexit, and so on persist. This, in combination with specific domestic issues in the Netherlands like PAS/PFAS, might lead to pressure on our portfolio. In addition, we foresee that climate change and sustainability will need continuous attention in the near future and beyond, as risks in both areas will increase and potentially affect the quality of our portfolio.

We work to counter the future effects by closely aligning the management of the impact of Climate Risk on our bank with our own ambitions concerning our mission of "Growing a better world together."

Operational Risk

Exposure to operational risks is an inevitable part of executing business activities; we minimize this risk within the boundaries set by the complexity and size of our organization. We use our Risk and Control Framework (RCF) to actively manage and control operational risk, further supported by policies, procedures, limits and control structures. The size and complexity of our organization permits us to have a tolerance for operational risk losses that must not exceed approximately 1.5% of the budgeted annual gross income. We have multiple RAS metrics to set the boundaries of accepted risk levels.

Rabobank has developed and implemented a RCF that is mandatory for all business units (including subsidiaries) and central support functions. The RCF ensures that risks due to inadequate or failing processes, people, systems and/or external events are managed and monitored within the accepted risk levels. The RCF supports risk owners at all levels in the organization to manage their operational risks effectively using a forward-looking and integrated approach. In addition, the risk owners hold quarterly In Control meetings to manage and steer operational risks.

We perform structured and integrated risk analysis to holistically manage our operational risks. Performing this risk assessment across all entities helps to ensure that our operational risk management is sound and complies with regulatory requirements. This assessment results in uniform and consistent risk control activities as reflected in the RCF. The RCF helps us maintain the effective and efficient management of various types of operational risks and a good balance between risks and controls within the organization, which helps us to become a better learning organization.

There has been considerable emphasis on reducing risks in the areas of privacy, transaction monitoring, KYC (CDD and TM), cybercrime, outsourcing, and (organizational) transformation. These risks continue to be significant. With further strengthening IT platforms, improving evaluation processes regarding outsourcing and being actively involved in (organizational) transformation, we can further mitigate operational risks in these areas.

Risk Profile Performance
Even with all these programs in place, and all the improvements we have made, there are still substantial challenges to aligning the overall operational risk profile with the tolerance levels of our organization. For now, our operational risk profile is higher than we would like. Structural solutions and initiatives take time and put limits on the organization and staff members' ability to adapt. Implementing several critical and (highly) impactful projects at the same time has led to increased transformation risk. In addition, we foresee that digital disruption and information security will need continuous attention in the near future, as risks in both areas will increase due to digital development and increased cybercrime. In addition, regulatory change and compliance risks are expected to increase, and maintaining our brand reputation will also present an increasing risk. Besides focusing on current operational risks, we are working to identify emerging risks and taking steps to face these risks upfront to reduce and mitigate them to accepted risk appetite levels.

Compliance
All our activities must be carried out with honesty, sincerity, care and reliability. We must comply with relevant laws, regulations, the Rabobank Code of Conduct, and the Rabobank Compass. It is essential that we conduct our business with integrity. It is our ambition to provide customers with the best possible service, while always exercising due care.

Acting with integrity and adhering to relevant laws and regulations is a responsibility of all Rabobank employees. Our global compliance officers motivate all entities of the Rabobank Group to live and breathe the desired culture and to behave accordingly.

To provide oversight and adherence to the compliance framework, we conduct deep dives on various compliance themes, facilitate proper risk analyses, and provide detailed reports for senior management and other stakeholders on the level of compliance throughout the organization. Compliance themes are also an integral part of the previously mentioned Risk

Control Framework. Attention to them provides ongoing insight in our operational risks and the level of effectiveness of the control organization.

On an annual basis, we perform a Systematic Integrity Risk Analysis (SIRA). This allows for an integrated view on the level of compliance risks pertaining to the organization as well as the level of effectiveness of the controls. The outcome of the SIRA and of the ongoing monitoring activities provide further direction to the organization on managing our compliance risks on a day–to-day basis. For now, it remains urgent to mitigate the risks regarding anti-money laundering, combatting terrorist financing and sanctions, breach of data privacy, and treating clients fairly remains urgent. Furthermore, we continue to pay attention to the compliance risks regarding fraud, and market inefficiency, and market misconduct.

AML, CTF, and Sanctions

As a gatekeeper to the financial system, we are strongly committed to preventing the use of our products and services for money laundering and terrorist financing purposes and preventing violations of sanctions regulations. We strengthened the on-boarding procedures in the distribution channels in the Netherlands, as well as the remediation of client files. We run a global program to improve the quality of our (global) client files and the usage of data to identify (potential) criminal activity. The change program also includes initiatives to enhance our global AML/CFT and Sanctions framework. After receiving an injunction (*last onder dwangsom*) from DNB in September 2018 we further intensified our KYC (CDD and TM) activities. We took further steps in 2019 to enhance our resources and technical capabilities. In 2020, we will continue to invest in KYC (CDD and TM) activities and advanced technology to improve transaction monitoring. In addition, we promote close cooperation between banks and various parties in the public sector. This is essential to effectively fight these criminal activities. From 1 April 2020 onwards, DNB will verify if we meet all requirements of the injunction and will validate among other things if, as a result, Rabobank has classified its client portfolio adequately.

Transaction Reporting

Regulators worldwide introduced transaction reporting requirements for transactions in financial instruments such as the regulatory obligation for financial institutions to report all their OTC trades across a wide range of financial instruments within a specific time frame. This will assist regulators worldwide in obtaining a more transparent view on trading activities. Rabobank is keen to comply with these requirements that support more transparent financial markets. Rabobank is continuously working on further improvements of its transaction reporting and runs a program to combine efforts in order to implement structural improvements where needed as regulators demands in this area are increasing.

Data Privacy

Data privacy breaches remains a key risk in our digitalization- and data strategy. As always, safeguarding the interests of our clients, our employees and other stakeholders remains important. In 2019, we rolled out our data privacy governance model. Going forward we will continue to strengthen the implementation of our policies to ensure a globally consistent and compliant organization.

Treating Customers Fairly

Ensuring that our clients receive the most appropriate advice and the most fitting products has our ongoing attention. In 2019, we renewed our commitment to providing the best care for our customers with the publication of our ambition document "Zorg voor particuliere klanten" (Caring for Private Customers). The values incorporated in our Code of Conduct, our cooperative principles, and our strategy for retail clients form the foundation of our commitment. The execution of the recovery framework on reassessment regarding Dutch SME interest rate derivatives also continued in 2019.

Risk Profile Performance

The compliance risk profile is higher than desired. The structural remediation programs mentioned above take time, limits the adaption capacity of the organization and staff members, and remain even more challenging from a labor market resourcing perspective.

Remuneration

In 2019, DNB announced its intention to impose an administrative fine on Rabobank for not having been compliant in 2014 with changed EU-regulations on remuneration. This related to the application of a European remuneration regulation for a small number of employees in our international activities. The process resulted in receiving a € 2 million fine in 2020 from DNB. As of 2015, we have been compliant with these European remuneration regulations.

Market Risk

The market risk appetite is based on our market risk appetite for Markets and Treasury. These are the only Rabobank departments with trading or banking books exposed to market risks. We aim for a modest exposure to market movements in our trading environment.

Market risk entails that the bank's earnings and/or economic value may be negatively affected by price changes in the market. Exposure to a certain degree of market risk is inherent in banking and creates the opportunity to realize profit and value. In managing and monitoring market risk, we make a distinction between the trading environment and the banking environment.

We manage and monitor market risk in the trading environment on a daily basis within the market risk trading framework. Within the trading environment, the most significant types of market risk are: interest rate risk (including basis risk), credit spread risk, and currency risk.

We consider stress testing the most important indicator in the Market Risk Framework. The stress testing framework includes, extreme but plausible moves in risk factors by using sensitivity, hypothetical and historical stress scenarios along with specific stress testing for the underwriting business. The internal VaR model is also an important part of our market risk framework. We have opted to apply a VaR model based on a historical simulation that uses one year of historical data.

In addition, we use an extensive set of complementary parameters and controls to monitor market risk in the trading book. These include, but are not limited to, interest rate delta, tenor basis swaps risk, commodity cash delta, national limits and FX exposure limits.

Risk Profile Performance
Exposures in 2019 were within the defined risk appetite. There is currently no reason to revise the risk appetite or materially amend the risk appetite framework for market risk in 2020.

Interest Rate Risk

Our risk appetite for interest rate risk follows from our business strategy, in which being a rock-solid bank is one of the key themes. To advance our ambition of being a rock-solid bank, we have defined the following goals for the IRRBB strategy:

1. Income generation - generate income in a controlled manner by accepting interest rate risk to collect long-term risk premiums on the yield curve. The aim is to generate predictable income in the medium term.
2. Protect the bank in times of market stress - guard the bank against unexpected interest rate movements (tail risks) in times of market stress.

In accordance with the transformation role as a retail bank, we accept an appropriate level of interest rate risk as an important driver for the bank's profit. However, losses due to changes in interest rates must never threaten the financial stability of the bank.

We are mainly exposed to interest rate risk in the banking environment as a result of (1) mismatches between the repricing period of assets and liabilities and (2) embedded optionality in client products. In the banking environment, we are also subject to currency risk, consisting mainly of translation risk on capital invested in foreign activities.

Risk Profile Performance
We currently have a broadly neutral position, and interest rate risk does not add substantially to our overall risk position. In 2019, our exposures were within the defined risk appetite limits.

Benchmarks Regulation and Reform Developments
Benchmark rates like the London Inter-Bank Offered Rate (LIBOR), the Euro Inter-Bank Offered Rate (EURIBOR) are the subject of ongoing regulatory reform (partly as a result of the Benchmarks Regulation, which entered into force on January 1, 2018). Following the implementation of any such potential reforms, the manner of administration of benchmarks may change. As a result, benchmarks could perform differently than they have in the past, or they could be eliminated entirely, or there could be other consequences, some of which cannot be predicted. For example, the U.K. Financial Conduct Authority announced in July 2017 that it could not endeavor to sustain LIBOR beyond 2021 and urged users to plan for the transition to alternative reference rates.

We have significant contractual rights and obligations referenced to benchmark rates. The discontinuance of or changes to benchmark rates as a result of these developments or other initiatives or investigations, as well as uncertainty about the timing and manner of implementation of such changes or discontinuance, may require adjustments to agreements that either we, our clients or other market participants reference to current benchmarked rates or to our systems and processes. This all increases the conduct/litigation risk, reputational, and financial risks for Rabobank.

The main risks from an interest rate perspective are the persistent low interest rate levels combined with a flattening of the curve. In such an environment it is difficult to maintain NII results at a certain level. So far we have kept the client rate on most retail deposits so far at 0%, leading to capped margin compression on these savings.

In 2019, the ECB lowered its deposit rate from minus 0.4% to minus 0.5%. It also announced an extension of the TLTRO program, a restart of purchasing assets at EUR 20 billion per month and a two-tiered deposit system. This last measure should protect the bank by mitigating further margin compression.

We have taken steps to improve the transparency of our positioning and the centralization of risks, leading to better control of interest rate risk and other factors.

Liquidity Risk

Rabobank is inherently exposed to funding and liquidity risk due to its maturity transformation function. Adequate management of funding and liquidity risk is therefore of major importance. Our goal of being a rock-solid bank translates to the following primary objective for funding and liquidity management: we as a bank, at all times, need to be able to fund assets and meet contractual financial obligations without incurring unacceptable losses. Consequently, we must ensure that there is sufficient confidence and trust in the bank. The objective is to have continuous market access in both ordinary and stressed market conditions.

It is our policy to finance client assets using stable funding, by which we mean funds that have been entrusted by clients as well as long-term wholesale funding. We manage our liquidity and funding positions to meet both external and internal requirements. Within these boundaries, we strive to manage and steer our positions as efficiently as possible and to generate a solid return.

In order to optimize funding availability and funding costs for our customer requirements, we have high quality and robust liquidity buffers. We also have a diversified global funding base in terms of retail versus wholesale funds and in terms of investors, instruments, maturities, countries, and currencies.

Risk Profile Performance

In 2019 there were no breaches of RAS indicators. Current outlook on funding is positive. There is a large demand for bank offerings and bank issues in general are largely oversubscribed.

Business Risk

We are susceptible to the risk of losses due to changes in the competitive environment or events which damage the franchise or operating economics of the business. Specifically, this is the risk of loss due to decreasing volumes, decreasing (commercial) margins and/or increasing (operating) costs. This material risk type could arise from our failure to execute our strategy, our failure to position the bank strategically, or our ineffective response to material negative plan deviations caused by external factors.

We have not developed explicit risk appetite statements regarding business risk as this is primarily captured in a aggregated, integrated and comprehensive way in our organization's Strategic Plan. The Finance and Control department has the primary responsibility of the challenge and 'management' of this risk. The main reason is that the underlying risks are managed and mitigated through a structured program of scenario and sensitivity analyses to analyze business risk. Our selection of scenarios and sensitivities takes Rabobank's Strategic Risks into consideration. Furthermore, the medium-term planning (MTP) and budget process is a key element of Business Risk management.

Strategic Developments/Emerging Risks

Our risk management activities are an integral part of strategy design and execution. New strategic initiatives may open exciting opportunities, but the expected rewards must be balanced against the related risks. The digitalization of the banking environment brings risks with it that we have not encountered before. We keep track of external developments and closely monitors how (future) risks might impact the realization of our strategic objectives. We perform regular, structural top-down and bottom-up risk assessments to identify various types of risks, and conduct specific stress tests to calculate the impact of adverse scenarios. An integrated overview of these risks, changes to them, and measures taken to address them are discussed periodically in the Managing Board and Supervisory Board.

As part of Performance & Health steering for 2020, our strategic risks are categorized in three focus areas: Business Model, Climate Change and Regulatory Change:

	External developments	Internal challenges
Business model Viability of our business model increasingly under pressure from both economic adverse developments and digitalization.	• Economic developments – Prolonged low interest environment – Geopolitical tensions and trade war • Digital change, new entrants • Cyber security	• Clear strategic decisions • Cost/Income ratio – Generating new revenue – Reduce costs • Transformation risk, overload of projects • Attracting and retaining qualified resources
Climate change Execution of our ambitions regarding sustainability and timely adapting to challenges. Amplified by our mission 'Growing a Betetr World Together'.	• Sustainability – Climate transition, costs incurred – Physical risks, via our portfolio • Perception & skills, view of society • Regulations, on sustainable finance and ESG criteria (Environmental, Social, Governance)	• Sustainability of our current portfolio, stranded assets • Steering of business decisions towards aspired portfolio
Regulatory change Speed and impact of continuous regulatory changes and our ability to timely implement these.	• Regulations, speed of change • Expectations on implementation • Intensified focus on money laundering/ terrorist financing • Increased reputational risk	• Timely implementation of policy changes and internal controls • Data quality & IT landscape • Transaction reporting • Project delivery 'back to green', e.g. CARE, KYC, GDPR, RCF

The three focus areas are based on an annual update of external / emerging risk developments which add an outside-in view to our known internal challenges.

	External developments	Risks resulting from
Business model	**Economic developments**	Economic conditions and (geo)political tensions
	Digital change	Increased competition in financial services
	Cyber security	Loss of data or disruption of our services
Climate change	**Sustainability**	Climate events and transition to a more sustainable society
	Perception & skills	Dissatisfied customers and outrage in society
Regulatory change	**Regulations**	Tightened and additive effect of regulations

Outlook on 2020

Strategic Priorities for 2020

The Managing Board has set 10 strategic priorities for 2020 and beyond. As a cooperative, we want to help solve challenges in society that cannot be fixed alone by working with partners. In the next few years continuous improvement and a cost reduction are required. We will accelerate cooperative banking by looking for further growth opportunities as a cooperative. Our clients are valuable to us and we want to grow in an appropriate way. As one Rabobank, we take responsibility for the performance of the group as a whole. We want to emphasize the "we" as we adopt new ways of working and further strengthen the one Rabobank culture.

We see opportunities in Food & Agri where we have been a strong player for many years in the Netherlands and around the world. This position provides a strong foundation to achieve more economies of scale and strengthen our market position. We see the lease market as another opportunity where there is a clear trend from ownership to usage models. This provides interesting openings for our subsidiary DLL, which is well-positioned in this market.

We will continue to strengthen our core business and at the same time we will spread our wings. As a cooperative bank we want to make a meaningful contribution to major societal transitions. We also have a duty to safeguard our cooperative business model. We will seek closer connections with our members and we will work together on solutions that benefit our customers, our communities and the world around us.

Financial Outlook

In 2019, the Dutch economy performed well compared to other large eurozone economies thanks to, among other factors, strong investment growth. However, we expect economic growth to decline to 1.2 percent in 2020 and to 0.8 percent in 2021. Exports will suffer from slower global growth. This will also negatively impact private investments, as weaker international demand gives firms less reason to expand in the near term. The housing shortage in the Netherlands is expected to grow in the coming years, as the number of building permits issued has dropped some 20% in 2019 due to zoning constrictions, labor shortages in the building sector, and the more recent problem surrounding nitrogen. Combined with declining interest rates the housing shortage is set to further push up prices in 2020, although we expect that stretched affordability will subdue price appreciation somewhat.

We forecast global GDP growth of 2.9 percent in both 2020 and 2021. This would be the slowest growth rate since the global financial crisis. The main reason for the downward revision of our growth forecasts lies in the further weakening of world trade and industrial activity. We expect the major central banks to continue their policy of reducing interest rates in the course of 2020 as the economic environment deteriorates. Despite the unpopularity of negative interest rates, we do not expect the eurozone to be an exception in this respect.

Since early 2020 the coronavirus is spreading across the world. The impact for economic growth and business activities will depend on the severity of the outbreak, but it is too early to state this in any concrete financial terms.

Members of the Managing and Supervisory Board

From left to right, top row: Ieko Sevinga, Janine Vos, Els de Groot, Jan van Nieuwenhuizen, Bas Brouwers and Berry Marttin. From left to right, bottom row: Wiebe Draijer, Mariëlle Lichtenberg, Bart Leurs and Kirsten Konst.

Members of the Managing Board[1]

- Wiebe Draijer*, *Chair*
- Bas Brouwers*, *Chief Financial Officer (CFO)*
- Els de Groot*, *Chief Risk Officer (CRO)*
- Kirsten Konst*, *Commercial Banking in the Netherlands*
- Bart Leurs, *Digital Transformation Officer (DTO)*
- Mariëlle Lichtenberg, *Retail Clients in the Netherlands*
- Berry Marttin*, *Rural and Retail International, Sustainability, Leasing and Banking for Food Inspiration Center*
- Jan van Nieuwenhuizen*, *Dutch and International Wholesale Banking and Commercial Real Estate*
- Ieko Sevinga, *Chief Information and Operations Officer (CIOO)*
- Janine Vos, *Chief Human Resources Officer (CHRO)*

Dirk Duijzer, *Company Secretary*

Wiebe Draijer (W.) (Male, 1965, Dutch nationality)
Appointed to the Managing Board with effect from October 1, 2014, his current appointment term expires on October 1, 2022. As CEO and Chairman of the Managing Board he bears all the responsibilities this brings. In addition to his role with the Managing Board, Wiebe Draijer is also responsible for Communication & Corporate Affairs, Audit, Corporate Secretariat & Cooperative and the Corporate Strategy Office.

Bas Brouwers (B.C.) (Male, 1972, Dutch nationality)
Appointed to the Managing Board with effect from January 1, 2016, his current appointment term expires on January 1, 2024. As CFO, Bas Brouwers is responsible for Finance, including Financial Accounting, Treasury, Controlling, Tax and Investor Relations.

Petra van Hoeken (P.C.) (Female, 1961, Dutch nationality)
Appointed with effect from April 1, 2016, she resigned on February 1, 2019.

Els de Groot (E.A.) (Female, 1965, Dutch nationality)
Appointed to the Managing Board with effect from February 1, 2019, her current appointment term expires on February 1, 2023. As CRO, Els de Groot is responsible for Risk Management, Compliance, Financial Restructuring & Recovery, Legal and Compliance.

Kirsten Konst (C.M.) (Female, 1974, Dutch nationality)
Kirsten Konst was appointed to the Managing Board as Director Business Clients with effect from September 1, 2017. Her main areas of focus are Commercial Banking in the Netherlands and local Rabobanks. Her current appointment term expires on September 1, 2021.

Bart Leurs (B.) (Male, 1971, Dutch nationality)
Appointed with effect from September 1, 2017, his current appointment term expires on September 1, 2021. As CDTO, Bart Leurs is responsible for the global Digital Transformation,

1 The Managing Board (Groepsdirectie) consists of statutory members (marked with *) and non-statutory members. The statutory members also make up Rabobank's Executive Board (raad van bestuur). References in this report to the Managing Board and its duties and responsibilities, also refer to the Executive Boards duties and responsibilities.

Innovation Strategy, and Data Analytics and he manages a portfolio of Corporate Ventures, Partnerships and Participations.

Mariëlle Lichtenberg (M.P.J.) (Female, 1967, Dutch nationality)
Mariëlle Lichtenberg was appointed to the Managing Board as Director Retail Clients with effect from September 1, 2017. Her main areas of focus are Retail and Private Banking, Marketing and Rabo Client Services (call center) and Obvion N.V.. Her current appointment term expires on September 1, 2021.

Berry Marttin (B.J.) (Male, 1965, Dutch and Brazilian nationalities)
Appointed to the Managing Board with effect from July 1, 2009, his current appointment term expires on July 1, 2021. Berry Marttin is responsible for Rural & Retail International, Sustainability, Leasing, the B4F Inspiration Center and DLL International. Next to his activities for Rabobank, he is responsible for the Rabobank Foundation.

Jan van Nieuwenhuizen (J.L.) (Male, 1961, Dutch nationality)
Appointed to the Managing Board with effect from March 24, 2014, his current appointment term expires on March 24, 2022. His main areas of focus are Dutch and International Wholesale Banking and Commercial Real Estate.

Ieko Sevinga (I.A.) (Male, 1966, Dutch nationality)
Appointed to the Managing Board with effect from September 1, 2017, his current appointment term expires on September 1, 2021. As CIOO, Ieko Sevinga is responsible for the IT & Operations portfolio of Rabobank.

Janine Vos, (B.J.) (Female, 1972, Dutch nationality)
Janine Vos was appointed to the Managing Board as Chief Human Resources Officer with effect from September 1, 2017. Her current appointment term expires on September 1, 2021.

Relevant additional positions of the Managing Board members (December 31, 2019)

Wiebe Draijer	• Member 'Cyber Security Raad' • Member Supervisory Board 'Staatsbosbeheer' • Member of the board of the 'Nationale Coöperatieve Raad'
Bas Brouwers	• Vice chair of the board of 'Nederlandse Vereniging van Banken' (*)
Kirsten Konst	• Member Supervisory Board 'KRO-NCRV'
Berry Marttin	• Member Supervisory Board 'Arise N.V.' • Member Supervisory Board 'IDH' (Initiatief Duurzame Handel) • First Vice President of the Board of Directors 'American Chamber of Commerce' • Member of the Board of Trustees 'Hans R. Neumann Stiftung'
Jan van Nieuwenhuizen	• Member Advisory Board 'Euronext Amsterdam' (*) • Memberof the Board 'VNO-NCW' (*)
Ieko Sevinga	• Non-executive Board member 'DPG Media B.V.' • Non-executive Board member 'MerweOord B.V.'
Janine Vos	• Member Supervisory Board 'KLM N.V.'

Members of the Supervisory Board[1,2]

From left to right top row: Marjan Trompetter, Pascal Visée, Jan Nooitgedagt, Ron Teerlink, Arian Kamp. From left to right bottom row: Leo Degle, Annet Aris, Petri Hofsté.

Members of the Supervisory Board (as of December 31, 2019)

Name	*Gender*	*Year of birth*	*Nationality*	*Position*	*Year of first appointment*	*Current appointment term expires in*	*Relevant additional positions*
Ron Teerlink (R.)	Male	1961	Dutch	Chair	2013	2021	• Member Supervisory Board Takeaway.com • Chair Supervisory Board Vrije Universiteit Amsterdam
Marjan Trompetter (M.)	Female	1963	Dutch	Vice-chair	2015	2023	• Vice-chair Supervisory Board 'Rijnstate Ziekenhuis', Arnhem • Owner Corona Consultancy
Leo Degle (L.N.)	Male	1948	German	Member	2012	2020	• Vice-chair Supervisory Board Sakroon B.V./Ten Kate B.V. • Board Member FINCA Microfinance • Board Member Wasser für die Welt • Board Member Foundation Social Investment Innovation

1 The Supervisory Board in its current composition meets principle 2.1.7 of the Dutch Corporate Governance Code.

2 Information about the profession, the main position and the additional positions of Supervisory Board members can be found on www.rabobank.com/en/about-rabobank/profile/organization/board/supervisory-board-members.html

Name	*Gender*	*Year of birth*	*Nationality*	*Position*	*Year of first appointment*	*Current appointment term expires in*	*Relevant additional positions*
Petri Hofsté (P.H.M.)	Female	1961	Dutch	Member	2016	2020	• Member Supervisory Board of Fugro N.V. • Member Supervisory Board PON Holding • Member of the supervisory Board Achmea B.V. and of several subsidiaries • Chair of the Board Foundation Nyenrode • Juror Kristal Price Dutch Ministry of Economical Affairs and Climate Policy • Board Member 'Hendrik de Keyser' Association
Arian Kamp (A.A.J.M.)	Male	1963	Dutch	Member	2014	2022	• Chair Supervisory Board Koninklijke Coöperatie Agrifirm U.A. • Owner Partnership A.A.J.M. Kamp and W.D. Kamp-Davelaar • Chair Foundation 'Beheer Flynth'
Jan Nooitgedagt (J.J.)	Male	1953	Dutch	Member	2016	2020	• Chair Supervisory Board PostNL N.V. • Chair Supervisory Board Invest-NL B.V. • Board Member Fiep Westendorp Foundation • Member Financial Reporting and Accountancy Committee of AFM • Chair Foundation 'Aandelenbeheer BAM Groep'
Pascal Visée (P.H.J.M.)	Male	1961	Dutch	Member	2016	2020	• Member Supervisory Board of Mediq Holding B.V. • Member Supervisory Board of Plus Holding B.V. • Member Supervisory Board of Royal FloraHolland U.A. • Chair Supervisory Board Foundation Stedelijk Museum Schiedam • Member Supervisory Board Erasmus University • Member Board Foundation 'Prins Claus Fonds'
Annet Aris (A.P.)	Female	1958	Dutch	Member	2018	2022	• Member Supervisory Board Randstad N.V. • Member Supervisory Board ASML N.V. • Member Supervisory Board Jungheinrich AG • Senior Affiliate Professor of Strategy at INSEAD

The members of the Supervisory Board committees are listed in the Report of the Supervisory Board.

Managing Board Responsibility Statement

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

- The Financial Statements give a true and fair view of the assets, liabilities, financial position and profit of Rabobank, and the companies included in the consolidation;
- The Management Report gives a true and fair view of the state of affairs on the reporting date, and of the course of affairs during the financial year at Rabobank and those affiliated entities whose information is included in the Financial Statements;
- The Management Report gives sufficient insights into the shortcomings regarding the effectiveness of the internal risk and control systems.
- Information about internal control over financial reporting is provided in note 55 of the Consolidated Financial Statements.
- The Management Report describes the principal risks and uncertainties that Rabobank faces which may impact Rabobank's going concern in the coming 12 months and other future risks.

Managing Board
Wiebe Draijer, Chairman
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*

Appendices

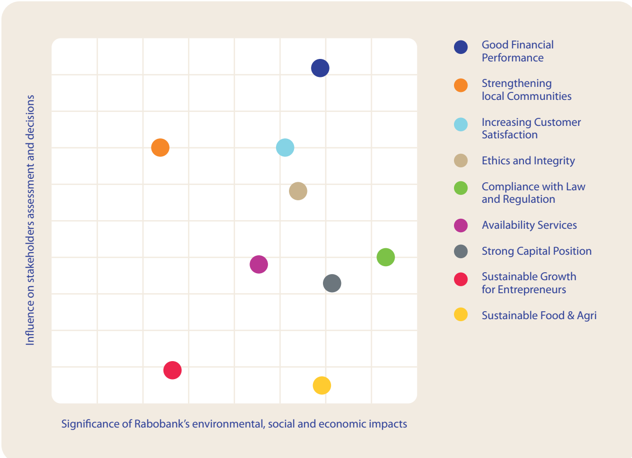
Contents

Appendix 1 About this Report

We have prepared the 2019 Rabobank Annual Report in accordance with the legal requirements of section 2:391 of the Dutch civil code, with the Dutch legal guidelines for management board reports, RJ 400 and with the Global Reporting Initiative (GRI) Standards: Core option. This report also meets the requirements of the EU directive. We have presented the GRI Content Index in the download at www.rabobank.com. We have derived all financial information in the report from the financial statements, which have been prepared in accordance with the International Financial Reporting Standards (IFRS). In addition, we have followed specific guidelines for certain performance indicators such as the Greenhouse Gas protocol for CO_2 emissions. We have explained all specific guidelines we used in appendix 2.

Scope and Boundaries

The 2019 Rabobank Annual Report relates to the reporting period of January 1, 2019 to December 31, 2019 and is published on our corporate website on March 12, 2020. The materiality analysis ensures that we cover all material economic, social and environmental topics within our Annual Report. The information Rabobank chooses to disclose concerns our progress on the most relevant material topics for 2019, which we describe in the connection table below. The information we set forth in this report relates to Rabobank Group as a whole; it presents consolidated data for all our entities and divisions. All operating information relates to the reporting period except for that concerning our climate footprint, which is based on the period from October 1, 2018 to September 30, 2019. The Annual Report includes the data of newly acquired businesses as of the year following acquisition. We no longer reports on divested units for the entire reporting year. The 2019 Rabobank Annual Report aims to provide a complete, concise, and accurate view of our performance. In the report we indicate explicitly whether reporting is limited to a selection of the group divisions within or outside of the Netherlands, or whether we are presenting a less comprehensive view.



Materiality

Determining the topics for this year's report began with an analysis of the material themes identified in 2018. On the basis of this evaluation we defined a list of 24 topics. We used a materiality matrix to determine the relevance of topics for both the bank and our stakeholders. As such, the impact of each topic on the bank was determined based on our strategic documents and was validated by the Managing Board. We validated the impact of each topic on stakeholders by a thorough process of desk research and a big data analysis. We included the 9 topics in the materiality matrix that represent the topics which our stakeholders deemed most material. The Materiality Connection Table provides insight into how the most relevant material topics connects to the four strategic cornerstones. It also includes references to the chapter that describes the management approach and performance per topic.

Continuous Stakeholder Dialogue

We are committed to a strategic, constructive and proactive dialogue with all our stakeholders. We base the list of material reporting topics on specific dialogues that we conducted during 2019 with the following stakeholder groups: clients, members, employees, non-governmental organizations, government agencies, politicians and supervisory bodies. Continuous dialogue with stakeholders provides us with a clear view of which issues our stakeholders consider important. This knowledge has helped us in determining the material topics described above and constitutes useful strategic input.

Materiality Connection Table

Strategic Pillar	*no*	*Material Topic*	*Ambitions*	*Target 2019*	*Result 2019*	*Target 2020*	*Reference*
Rock-Solid Bank		Good financial performance	Cost-income ratio (including regulatory levies)	62.5%	63.8%	low 60%	Rock-Solid Bank
Rock-Solid Bank		Ethics and Integrity	n/a	n/a	n/a	n/a	Excellent Customer Focus Risk Management
Rock-Solid Bank		Compliance with law and regulation	n/a	n/a	n/a	n/a	Excellent Customer Focus Risk Management
Rock-Solid Bank		Strong capital position	CET 1 Ratio	>14%	16.3%	>14%	Rock-Solid Bank
Excellent Customer Focus		Increasing customer satisfaction	Net Promotor Score	n/a	NPS Private Customers 61 NPS Private Banking Customers 63 NPS Corporate Customers 51	n/a	Excellent Customer Focus
Excellent Customer Focus		Availability services	Availability of internet banking Availability of mobile banking Availability of iDEAL	n/a	Availability of Internet Banking 99.7% Availability of Mobile Banking 99.6% Availability of iDEAL 99.7%	n/a	Excellent Customer Focus
Excellent Customer Focus		Sustainable Growth for entrepreneurs	Total sustainable products & services % of clients with A-level Client Photo (local Rabobanks)	Increase % A-level clients	8% Local Rabobanks	Increase% A-level clients	Excellent Customer Focus
Excellent Customer Focus		Sustainable Food & Agri	Total sustainable products & services % of clients with A-level Client Photo (Wholesale)	Increase A-level clients	24% Wholesale clients	Increase % A-level clients	Excellent Customer Focus
Meaningful Cooperative		strengthening local communities	Community funds and donations	2.2 million[1]	45.4 million	At least 25,000 per local Rabobank	Meaningful Cooperative

1 EUR 25,000 per local Rabobank

Material Topics and Boundaries

The table below provides insights in the material topics. Moreover, it indicates whether our influence is direct or indirect, and shows where our impact is felt.

Material Topics and Boundaries

Material topic	Definition	Scope and boundary: Influence by Rabobank activities	Scope and boundary: Service lines	Scope and boundary: Location of impact	Management responsibility
Good financial performance	Describes how we performed financially compared with target (e.g., capital position, liquidity, funding position of the bank on the capital markets).	Direct	All service lines	Value Chain	Bas Brouwers
Ethics and Integrity	We aim to be fair and transparent and to maintain a moral code of conduct for the strategic and operational management of its business. This includes the programs in place in which we assess the integrity and/or ethical standards of clients, employees and vendors.	Direct	All service lines	Value Chain	Els de Groot Wiebe Draijer
Compliance with law and regulation	We as Rabobank, strictly adhere to laws and regulations. This relates to programs with respect to prevention of money laundering and anti-terrorism financing but also includes the consideration of the public opinion when interpreting laws and regulations.	Direct	All service lines	Rabobank	Els de Groot Wiebe Draijer
Strong capital position	The development of the capital ratios compared with the targets in the strategic framework.	Direct	All service lines	Value Chain	Bas Brouwers
Increasing customer satisfaction	Ensuring that we have satisfied customers is our highest priority. We focus on meeting or surpassing customer expectations at all contact points. This refers both to client encounters and to the accessibility of our services centers (e.g., call centers, virtual assistants, client counters).	Direct	All service lines	Value Chain	Kirsten Konst Mariëlle Lichtenberg Berry Marttin Jan van Nieuwenhuizen
Availability services	Our efforts to ensure that customers have access to reliable, user-friendly, safe and stable banking services, 24/7. This refers to banking applications, and to uptime of payment services like PIN and IDEAL.	Direct	All service lines	Rabobank & Value Chain	Bart Leurs, Ieko Sevinga
Sustainable Food & Agri	In order to feed the world's population in a sustainable way, Rabobank focusses on improving Food & Agri value chains. This encompasses a focus on the increasing of food availability, on improving access to food, on promoting healthy food and on increasing stability	Direct & Indirect through business relationships, customers, investments	Domestic Retail Banking, WRR and Leasing	Value Chain	Kirsten Konst, Berry Marttin, Jan van Nieuwenhuizen
Sustainable Growth for Entrepreneurs	Our clients face a variety of sustainability risks and issues. As a cooperative bank we aim to be a facilitator in the process towards a more sustainable world by helping clients to identify and assess ESG opportunities and risks.	Direct	Domestic Retail Banking	Value Chain	Kirsten Konst
Strengthening local communities	We aim to increase the vitality of local communities, from an economic, social and environmental perspective, both within the Netherlands and abroad.	Direct	All service lines	Value Chain	Wiebe Draijer

Managing our Material Topics

The most material topics are relevant to our organization's success. The Material Topics and Boundaries table indicates for each material topic, where and how we can influence performance and who has management responsibility. We use specifically formulated indicators to measure our performance. These indicators are part of our general governance cycle. We evaluate them periodically and are published at least once a year. Most indicators are part of the quarterly review, except for customer satisfaction, which is measured by the NPS score, and reviewed annually. We use these periodic reviews to identify and pursue evaluative action, and we disclose the relevant results of our evaluation in our annual report.

Data Collection of Non-Financial Information

The collection of non-financial information is coordinated centrally within Rabobank Group. The Sustainability department is responsible for sustainability data collection, in cooperation with Finance & Control. Other non-financial information of Rabobank Group divisions and local Rabobanks is obtained via our automated central management information system. Data that are not recorded in the central system are collected via qualitative and quantitative questionnaires (which are based on internal business principles, policies and external guidelines that are approved by Rabobank Group) or received from external parties. The coordinator of the respective Group division/ local Rabobank is responsible for collecting and reporting the non-financial information. Finance & Control and the Sustainability department perform plausibility checks after submission, where-after we take appropriate actions in order to optimize the data quality.

The data concerning our internal business operations is mostly based on our automated central management information system and on invoices from our providers. We use reliable sources and established protocols for conversion factors. The climate footprint is calculated according to the most recent directives of the Greenhouse Gas Protocol (GHG). The associated CO_2 conversion factors originate from, among others, DEFRA and the IEA.

We gather most data on a regular basis in the central management information system, although some information is gathered only once a year as part of the annual reporting process.

Preparation of the Annual Report

The production process of our Annual Report and Interim Report is as follows: the Managing Board appoints an Annual Report Steering Group, which appoints an Annual Report Working Group. The following disciplines are represented in both the Steering Group and the Working Group: Managing Board Secretariat, Finance & Control, HR, Investor Relations & Rating Agencies, Sustainability, Integrated Risk Management, Audit, and Communications and Corporate Affairs. The Annual Report Steering Group agrees on the different tasks, roles, and responsibilities relating to the production of the Annual Report and Interim Report. Before any work commences on gathering information and drafting the Annual Report, the chair of the Annual Report Steering Group and the Managing Board decided on the report's structure and key messages. The Working Group transforms these guidelines into drafts, which are subsequently reviewed by a committee of members from the Working Group, the Steering Group, and other key employees. The draft texts of the Annual and Interim reports are discussed twice in the respective meetings of the Managing Board, the Supervisory Board, and its Audit Committee.

Assurance

We believe that the reliability of the information included in this report is crucial for us and for our stakeholders. For that reason, PWC provides assurance for the Rabobank Annual Report 2019 (the texts on our external website are outside of the scope of assurance). For more information on PwC assurance, we refer to the Independent Auditor’s Report.

Appendix 2 Methodology & Definitions of Non-Financial Key Figures

Our Commitment

The table below shows a number of Non-Financial Key Figures. Progress on these key figures is measured with information obtained from both inside and outside the organization. A number of key figures have an absolute target. Others, especially the outcomes of client and employee surveys, are relative targets.

NPS	*The Net Promotor Score indicates the level of client satisfaction*
Methodology/ Terminology	The NPS score is the outcome of an online client satisfaction survey that clients in the Netherlands (private customers and private banking and corporate customers with a net revenue under EUR 30 million) receive after an advisory service with local Rabobank offices. The measurement is therefore transactional. We measure and report NPS by the widely used methodology in which scores from 0 to 6 are classified as "detractor" scores, 7 or 8 are classified as "passive" and only scores 9 or 10 are classified as "promotors". The result is calculated by the percentage of promotors minus the percentage of detractors, which gives us the NPS. The NPS can range from 100% to -100%. We have measured the NPS over a 12 month period, from the 1st of January to the 31st of December each year. Each respondent carries the same weight in the score. A client can only fill in the NPS survey once every six months. One of the four cornerstones of our strategy is excellent customer focus. Increasing client satisfaction is, therefore, important to Rabobank.

% Online Active	*Percentage of customers that logged into the Rabobank Banking App or online banking at least once in the last three months*
Methodology/ Terminology	The unit of measurement comprises all individual customers and for Commercial banking all commercial groups that have logged into the Rabobank Banking App or online banking at least once in the last three months. Customers logging into the Rabobank Banking App using TIN code, Touch ID and Face ID are included.

RepTrak	*RepTrak measures the overall reputation across seven key dimensions, based on customers' perception of esteem, admiration, trust, and overall feeling*
Methodology/ Terminology	We measure and report reputation by using the RepTrak monitor, which is a tool from the Reputation Institute. In 2019 Rabobank participated in the RepTrak Reputation study. This study tracked 23 reputation attributes assigned to seven reputation dimensions that the Reputation Institute has found to be the most effective in getting stakeholders to support a company. our reputation was measured four times in 2019 through an online survey taken among a representative sample of the general public in the Netherlands. The reported score entails the 12 month rolling average from the 1st of January to the 31st of December each year. RepTrak is the gold standard for reputation measurement. RepTrak's rankings are based on each company's Pulse i.e., the emotional connection consumers have to a brand.

Member Engagement Score	*The percentage of members classed as proactive, active and informed in relation to the total number of members surveyed*
Methodology/ Terminology	Members answer questions and are allocated to five categories according to their answers: · Proactive members: Members who take part in (or have taken part in) a member council or market team. · Active members: Members who occasionally attend a substantive member event or have at some time alerted us to a problem relating to livability in the community· Informed members: Members who have a good/reasonable idea of our mission and are aware of the opportunities to undertake activities with our support on social themes in their community. · Aware members: Members who are aware of their membership · Non-aware members: Members who are not aware of their membership. We measure and report this KPI through the Member Engagement Score. A specialized external data survey agency has been commissioned to work together in developing the score. The outcome of the survey is determined in such a way that every local Rabobank has the same weight in the results, regardless of size or number of members.

Employee Engagement Scan	*Our Managing Board requires management information on how the organization is developing and how employees are feeling and realizing their goals. Monitoring work perception on a regular basis allows us to effectively manage and make adjustments in a timely manner. We have developed the Engagement Scan for this purpose.*
Methodology/ Terminology	We measure and report employee engagement through the Engagement Scan. HR has commissioned a specialized external data survey agency to collaborate on developing the scan. The survey consists of 23 questions/statements, supplemented by three optional closed-ended questions provided by employees themselves. The way in which employees respond to these questions describes the extent to which they feel engaged in their work at that particular point in time. Since Q4 2017 the Engagement Scan has been conducted quarterly throughout our branches worldwide. We based the score given in this report on the Q4 2019 results. We have not compared the Engagement Scan to external benchmarks.

Gender Diversity	*Diversity is a vital and integral part of our strategic objectives. To enhance career opportunities for women, we offer several internal and external activities. These include sponsorship of talented women by senior executives, cross-mentoring and coaching programs. Our Diversity Board meets each quarter to monitor policy compliance and progress on our targets.*
Methodology/ Terminology	We report and measure the number of males and females based upon the headcount as reported from our human resource information management system at the end of the year. With "Gender diversity" we refer to the percentage of women that is present in the Managing Board, in the first level below the Managing Board, that has a Managing Board Member as a manager or is a manager (excluding Business Managers), and the percentage of women employed across the organization in the Netherlands excluding DLL and BPD. Gender diversity is measured among internal employees only.

System Availability	*System availability refers to the opportunity users have for conducting their banking through Rabobank internet banking or Rabobank mobile banking.*
Methodology/ Terminology	By availability we mean that users are able to log on during primetime (daily between 06.00h and 01.00h), that they can access information on their balance and on their payment transactions, and that they are able to make payments. The data used to measure system availability comes from IT incident reports. We measure availability on all relevant incidents based on the actual number of minutes registered in the monitoring systems. The system availability statistics include all incidents involving a downtime of >3 minutes.They also indicate if the system was fully (100%) or partially (50%) unavailable, expressed as a percentage of total primetime minutes. Incidents identified using this methodology are subject to further analysis. For the category "making payments" we do further analysis if the number of signings per minute is lower than 100.

Availability of iDEAL	
Methodology/ Terminology	Brand owner Currence has set specific availability standards for iDEAL. DNB has included these standards in the agreements it makes with banks on the availability of iDEAL. These agreements distinguish between primetime availability (06:30h-01:00h) and non-primetime availability (01:00h - 06:30h). The primetime availability standard is 99.76%, the non-primetime availability standard is 98.5%. The latter standard is lower since this period is regarded as a maintenance window. Banks are allowed to conduct necessary maintenance during non-primetime in order to safeguard service to customers and in order to comply with changing regulations. The data we have used to measure system availability comes from IT incident reports. We have included all availability incidents lasting >2 minutes and >5 minutes in availability statistics, using a three-month average as the standard. The statistics reflect both full and partial non-availability.

Sustainable products and services	*We measure and report the total of sustainable finance, sustainable assets under management and assets held in custody, sustainable funding and supervised financial transactions. Giving priority to sustainable leaders is a rule of conduct which is not measured in a reporting value. We aim to double the volume of sustainable financing between 2013 and 2020.*
Methodology/ Terminology	Sustainable products and services include products and services that not only promote a positive economic impact, but also foster a positive or mitigate a negative social and/or environmental impact/outcome. We do report on 4 different sustainable products and services figures: - Sustainable financing relates to products and services that finance sustainable sectors, asset classes or certified companies that have a net positive impact. The reported figure is the maximum outstanding balance of the bank toward its clients based on all financial facilities that the client can withdraw. Since 2018 we have included sustainable syndicated loans and sustainable mortgages. The sustainable mortgages are a substantial part of the total of sustainable financing. This figure consists of the outstanding balances of all residential properties with a provisional or final energy label A based on the definition of Calcasa, which sometimes results in labelling differences of provisional labels compared to those issued by RVO. Sustainable loans only include syndicated sustainability-linked loans issued in the reporting year, and do not yet include bilateral sustainability-linked loans. - Sustainable assets under management and assets held in custody relate to assets that meet our sustainability investment criteria. - Sustainable funding includes funding products with a sustainability earmark. This includes green savings, sustainable deposits and sustainable bonds issued by Rabobank and subsidiaries. - Financial transactions related to financial transactions supervised by Rabobank (mostly in combination with other banks) and include Green bonds and syndicated sustainable financing solutions. The supervised transactions also comprise transactions that are included in sustainable finance and sustainable funding.

Client Photo	*The client photo measures the sustainability performance of our clients. We have defined 5 performance level categories (A, B, C, D+, and D). A definition of the categories is included in the legend following the detailed figures in client photo.*
Methodology/ Terminology	We first implemented the client photo in the Netherlands in 2015 and expanded the client photo to our international wholesale clients in 2016. We monitor clients with an exposure > EUR 1 million. We include a table in the Annual Report that shows the number of client photos in the Netherlands and with an exposure (> EUR 1 million) for each client photo category per sector. The table regarding the wholesale offices also includes client photos of subsidiaries (but only if the exposure on group level is >EUR 1 million). Only clients with a client photo less than 3 years old are included. In the Netherlands, we have excluded clients who are subject to Financial Restructuring & Recovery. At the moment these clients do not receive a client photo. In the Netherlands we always assess clients on group level. At our wholesale offices, clients may also be assessed on a subsidiary level when required by local regulation or specific local circumstances. The reported figures on client exposures from local Rabobanks only include the exposure of parent companies, even in those situations where the client photo is applicable for the whole group. The exposure of clients of Wholesale offices include both the exposure of parent companies and subsidiaries. The scope of the reported exposure is the nominal exposure measured by the available facility of loans, overdraft facilities and guarantees to be withdrawn.

Absenteeism	*Absenteeism is measured in a 12-month rolling period.*
Methodology/ Terminology	Absenteeism is measured based on the number of calendar days employees called in sick during a 12-month rolling period, divided by the total number of calendar days employees are employed during that same period taking into account a part-time or full-time employment contract. This concerns all persons who are actively employed in the Netherlands excluding DLL and BPD. The reported figure represents an entire year.

CO_2 reduction	*By increasing energy efficiency and by reducing and making mobility and other services more sustainable, we aim to further reduce carbon emissions per FTE per year by 2020 by 10% from 2013*
Methodology/ Terminology	The climate footprint is calculated according to the most recent directives of the Greenhouse Gas Protocol (GHG) and the associated CO_2 conversion factors, originating from, amongst others, DEFRA and the IEA. The operating information for the climate footprint report is based on the period from October 1, 2017 to September 30, 2018. When we say we want to increase energy efficiency, we mean that we are committed to reduce our energy consumption as much as possible, for example by facilitating teleworking in order to reduce employee travel time. Moreover, we are as sustainable as possible in our purchasing policies: we attempt to use renewable raw materials and work with contracts based on circular economic principles wherever we can. - The data regarding our internal business operations are mostly based on our automated central management information system and on invoices from our providers. In preparing the footprint, we made estimations, assumptions and extrapolations whenever data were unavailable or incomplete. Although we made these estimates and assumptions, based on the most careful assessment of current circumstances, activities, and available consumption data, the actual results may deviate from these estimates. - Our climate footprint consists of CO2 emissions and does not include other emissions (e.g., CH4, N2O and other gasses).

Community funds and donations	*We invest part of our annual profit in social initiatives on a not-for-profit basis throughout the Rabobank Group.*
Methodology/ Terminology	We measure and report this key figure by calculating the financial donations made by Rabobank Group. The main component of the total amount is the amount of donations made by our local Rabobanks. We measure and monitor manpower and knowledge invested in local communities as well, but these are not included in the KPI report. Terminology: Cooperative dividend - the part of the profit reinvested back into the community whereby investments consist of granted donations.

Appendix 3 Sustainability Facts & Figures

Equator Principles

The Equator Principles (EP) is a risk management framework adopted by financial institutions for determining, assessing and managing social and environmental risks in projects and project financing. We were one of the first banks to subscribe to the EP, after it was adopted in 2003. For those financial products that fall within the EP's scope, we ask clients not only to comply with our own sustainability policy, but also to bring into focus and to address relevant environmental and social risks according to the associated standards outlined in the EP.

Within our bank the relationship managers and the central Sustainability Department are responsible for the correct implementation of the EP. As part of our client sustainability assessment, we check all transactions in order to determine whether the EP apply. When clients apply for a new transaction, we complete a checklist to ensure the correct application of the principles. This checklist must be signed by the Sustainability Department before the transaction can be executed.

We conduct a Social and Environmental Assessment for each proposed project. The terminology used to categorize the projects is based on the International Finance Corporation's categorization process, which classifies projects into high, medium, and low (environmental and social) risk.

The categories are:

Category A – Projects with potential significant adverse social or environmental impacts which are diverse, irreversible or unprecedented;
Category B – Projects with few potentially limited adverse social or environmental impacts, generally site-specific, largely reversible and readily addressed through mitigation measures;
Category C – Projects with minimal or no social or environmental impacts.

The total number of project loans granted in 2019 was 17 which was distributed as follows:

	Category A	*Category B*	*Category C*
Sector			
Mining			
Infrastructure		1	
Oil & Gas			
Power	1	15	
Others			
Region			
Americas		6	
Europe, Middle East & Africa		8	
Asia Pacific	1	2	
Country Designation			
Designated	1	16	
Non-Designated			
Independent Review			
Yes	1	16	
No			
Totals	**1**	**16**	

Project Names
Fluvanna II
Prospero
Invenergy Polaris
Cubico Solar
Heart of Texas
Isabella Wind
Talasol
Hes Hartel
Eurus
Little Zlatan
Eurus Windpark Mauve
Eurus Windpark Mondriaan
Windpark Fryslan
St. Nazaire
YunNeng
Softbank Solar
Softbank Solar II

Rabobank Carbon Footprint

Greenhouse Gas Emissions and Climate Footprint (in tons of CO_2)				
Emission source	*2019*	*2018*	*2017*	*2016*
Scope 1				
Use of natural gas	7,847	11,440	12,747	12,269
Use of other fuels	51	60	76	48
Use of air conditioning	2,056	1,962	2,006	2,218
Lease mileage driven	17,380	21,742	25,527	33,944
Scope 2				
Use of electricity	74,888	83,911	110,540	108,679
Use of heat	958	968	1,401	1,951
Scope 3				
Business car mileage driven	4,088	5,231	4,726	5,092
Business air mileage	18,510	18,110	16,645	16,425
Use of paper	622	922	706	837
Climate footprint, Total CO_2 emissions	126,441	144,347	174,374	181,465
Climate footprint per fulltime equivalent	2.9	3.3	4.0	3.8
Use of electricity in accordance with market-based calculation method	17,088	21,468	38,729	29,072
Climate footprint in accordance with market-based calculation method	68,640	81,904	102,563	101,857
Climate footprint per fulltime equivalent in accordance with market-based calculation method	1.6	1.9	2.3	2.1

We are actively reducing the CO_2 emissions associated with our own operations. Furthermore, we are involved in the development of reporting standards on carbon disclosure and climate change reporting (through amongst others, TCFD and PCAF). This is because we recognize that the potential impact of climate change and carbon reporting through our client base is much larger than our own footprint. We have been striving to reduce our CO_2 emissions per FTE by 10% since 2013 and will continue to do so in 2020. We managed to decrease our CO_2 emissions compared to 2018, mostly due to energy efficiency measures and less buildings. We reduced our CO_2 emissions per FTE with 12%. In 2019, we continued to publicly disclose data on our energy use and our emissions reduction efforts through the Carbon Disclosure Project.

We purchase green electricity as well as green gas and we compensate the remaining emissions, which are emitted through our usage of fuels, paper and non-green electricity. We do this by purchasing CO_2 credits after we have determined our climate footprint in 2019 in accordance with the market-based method 68,640 tons. As such, we were climate neutral again in 2019. The data regarding our internal business operations is mostly based on Rabobank's automated central management information system and on invoices from our providers. In preparing the footprint, we made estimations, assumptions and extrapolations whenever data were unavailable or incomplete. Although we made these estimates and assumptions, based on the most careful assessment of current circumstances, and of activities, and of available consumption data, the actual results may deviate from our estimates. The footprint data refers to the period of October 2018 to September 2019 (whereas the latest figures cover the period October 1, 2018 to September 30, 2019).

We use reliable sources and established protocols for conversion factors. The climate footprint is calculated according to the most recent directives of the Greenhouse Gas Protocol (GHG). The associated CO_2 conversion factors originate from, among others, DEFRA and the IEA.

Consumption Figures Rabobank Group by Source and Activity

	Change in % compared to 2018	2019	2018	2017	2016	Unit
Energy	*-16%*	*719*	*855*	*1,082*	*1,100*	*Terajoules*
Total electricity	-10%	566	632	834	820	Terajoules
Green electricity	-8%	446	485	571	629	Terajoules
Grey electricity	-18%	120	147	263	190	Terajoules
Total gas	-31%	153	223	248	240	Terajoules
Green gas	21%	122	101	51	37	Terajoules
Grey gas	-75%	31	123	197	203	Terajoules
District heating	0%	27	27	29	40	Terajoules
Electricity per fulltime equivalent	-8%	3,665	3,968	5,306	4,717	kWh/FTE
Green electricity inside the Netherlands	-4%	94%	98%	78%	88%	Percentage
Green electricity outside the Netherlands	131%	67%	29%	26%	42%	Percentage
Water in the Netherlands	-16%	225	268	312	312	$x1000m^3$
A4 paper	-27%	16	22	17	18	kg/FTE
Paper and cardboard waste in the Netherlands	-11%	16	18	45	35	kg/FTE
Residual waste in the Netherlands	-17%	15	18	30	42	kg/FTE

Client Photo

In total 16,851 clients of local Rabobanks in the Netherlands have an exposure larger than EUR 1 million. Whereas last year, we were not able to extract the results of all clients due to technical reasons, this year the figures give a complete picture. We are currently in the process of unifying the Client Photos from our rural group division. By the end of 2020 this will expectedly be finalized after which we will be able to report on coverage as well.

Client Photo

	Number	%	2020 target	%A-level
Local Rabobanks	16,851	98%	100%	8%
Wholesale offices	1,252	86%	100%	24%
Other Group divisions	n/a	n/a	100%	n/a

Sustainability Performances of Clients of Local Rabobanks in the Netherlands (exposure larger than EUR 1M)

Number of Clients per Sector	Total	A	B	C	D+	D
Food & Agri	6,299	403	5,593	289	10	4
Trade, industry and services	5,028	430	4,083	498	3	14
Other and unclassified	5,524	550	4,506	445	8	15
Total in numbers	16,851	1,382	14,182	1,232	21	33
Total in %	100%	8%	84%	7%	0%	0%

Receivables[1] from Clients of Local Rabobanks in the Netherlands (exposure larger than EUR 1M)

In Millions of Euros	Total	A	B	C	D+	D
Total loans and advances	63,950	7,976	52,094	3,683	140	57
Total in %	100%	12%	81%	6%	0%	0%

1 Receivables from Clients of Local Rabobanks come from a data source made for regulatory reporting while receivables for Wholesale clients come from on-demand internal reports which makes the exposures not comparable.

Sustainability Performances of Clients of Wholesale Offices Worldwide (exposure larger than EUR 1M)						
Number of Clients per Sector	*Total*	*A*	*B*	*C*	*D+*	*D*
Food & Agri	631	144	453	29	3	2
Trade, industry and services	582	156	387	30	8	1
Other and unclassified	39	6	28	5	0	0
Total in numbers	1,252	306	868	64	11	3
Total in %	100%	24%	69%	5%	1%	0%

Receivables from Clients of Wholesale Offices Worldwide (exposure larger than EUR 1M)						
In Millions of Euros	*Total*	*A*	*B*	*C*	*D+*	*D*
Total loans and advances	124,676	37,639	81,387	4,359	1,216	76
Total in %	100%	30%	65%	3%	1%	0%

Sustainability Ratings

Sustainalytics				
	2019	*2018*	*2017*	*2016*
Relative Position	5 out of 353	2 out of 341	7 out of 342	2 out of 396
Overall ESG-score	87 (leader)	89 (industry leader)	86 (industry leader)	85 (industry leader)
Environment	85	91	91	92
Social	88	88	87	86
Government	88	88	80	78

Sustainalytics ESG Risk Rating				
	2019	*2018*	*2017*	*2016*
Relative Position (Diversified Banks)	*1 out of 375*	*1 out of 294*	*n/a*	*n/a*
ESG risk rating	12.7/100 (low risk)	9.5/100 (negligible)	n/a	n/a

Social Indicators

The reported data in the tables below only refer to employees in the Netherlands, excluding DLL and BPD.

Number of Employees				
	Female	*Male*	*Unknown*	*Total*
GRI Standard 102-8				
Permanent	11,676	11,467		23,143
Temporary	870	827		1,697
Full-time	6,313	11,674		17,987
Part-time	6,233	620		6,853
Internal	12,546	12,294		24,840
External	1,598	3,817	3,487[1]	8,902

1 Gender is not registered for these external employees.

Other Information	
GRI Standard 102-41	100% Employees under Collective Labor Agreement

Appendix 4 Dialogues with Clients

Dialogues with Clients in 2019

In this table, we report responses to specific cases which have come to our attention through NGO reports and dialogues, or through media exposure. When such reports involve our clients, our issue engagement process is triggered. Taking advantage of the trusted relations we enjoy with our clients, our relation managers try to use our leverage for necessary fact-finding and improvements. The Sustainability Department occupies an advisory role in this process. The annual reporting is done in an anonymized way to strike a balance between external accountability and client confidentiality.

We have been reporting on issue engagements in this particular format with clients for the past five years (2015 - 2019). Over this period, impacts on ecosystems and landscapes (E2) and impacts on communities and indigenous peoples (H2) have stood out in terms of numbers, noting that their absolute numbers have come down significantly over the years. As both E2 and H2 often refer to economic pressure from tropical crops on communities' land rights and ecosystems, the fact that we have terminated some client relationships in for example palm oil in the last couple of years partly explains the decrease. Moreover, there have been several cases where clients resolved issues with the support of our mediating role. Labor issues have remained an important part of the picture as well. The decrease over time in category L5 (poor employment conditions) reflects that our engagement may have contributed to increased attention for employment conditions. Progress on child labor issues (L2) is much slower due to the complex nature of this problem. Lastly, in acknowledgement of our efforts to uphold standards of animal welfare, there is a remarkable increase in category E1 (from zero to 3 year-on-year). Some categories have played a less prominent role over the observed period, including the "G" categories. These are governance related and primarily dealt with by our Compliance department in their regular screening processes.

Discussions on sustainability have increasingly become part of the overall range of topics discussed between clients and our colleagues in the first line. We would also like to remark that many clients have established grievance mechanisms through which stakeholders can trace progress on specific complaints/ issues. The same holds for sector organizations and certification schemes that we acknowledge. In that context, while recognizing our responsibility and with the effort to firmly uphold our transparency standards, we have asked ourselves to what extent our approach (including this way of reporting) can still be considered best practice. We came to the conclusion that going forward this overview should adopt a more strategic focus on issues that affect an entire sector or a range of clients instead of individual cases. This approach acknowledges the fact that many problems are multi-faceted and can hardly be pinned down on one particular actor (for instance child labor in cocoa, deforestation in soy/ palm oil, etc.). We will, nonetheless, continue to act on controversies in which individual clients are involved and will continue to follow up and report on existing cases. However, in case of new ones, we will shift our focus to the larger issues behind each controversy, while the first line assumes responsibility of following up with the individual client(s) in question. In fact, this forms part of the regular cycle to assess the sustainability performance of our clients, as reflected in the so-called "client photo ranking". The engagement approach and reporting format will be reviewed and updated in 2020 to reflect our changing focus.

In 2019, the Sustainability Department presided 45 engagements under management. The table below provides a short description of the topics of discussion as well as the industry and the region in which the issues arose.

Dialogues with Clients in 2019

Industry	*Region*	*Issue Type*	*Short Issue Description*	*Issue Status*	*Status Category*
Animal Protein	Europe	G-P1 E-E1	Client active in restricted activity, did not change to alternative	Open	Client relationship terminated
Animal Protein	Asia	E-E1	Allegations of insufficient animal welfare standards	Open	Investigation
Animal Protein	Europe	E-E1	allegations of insufficient animal welfare standards	Open	Investigation
Beverages	South America	S-L4	fatalities during maintenance work	Closed	Client has resolved issue
Cocoa	Africa	S-L2	Child labor	Closed	Client has improved policy/behavior

Industry	*Region*	*Issue Type*	*Short Issue Description*	*Issue Status*	*Status Category*
Cotton	Europe	S-L1 S-L2	Child labor	Closed	Client has improved policy/behavior
Energy/metals	South America	S-H1	Allegations of abusing public security forces to remove protestors	Open	Authorities involved
Energy/metals	Africa	E-E4	Allegations of negative impacts to environment in supply chain	Open	Client is taking action
Energy/metals	Africa	E-E4	Allegations of negative impacts to environment in supply chain	Open	Client is taking action
Energy/metals	Africa	E-E4	Allegations of negative impacts to environment in supply chain	Open	Client is taking action
Energy/metals	Africa	E-E4	Allegations of negative impacts to environment in supply chain	Open	Client is taking action
Energy/metals	Europe	E-E2	Allegations of negative impacts to environment	Open	Client acknowledges issue
Energy/metals	Asia	E-E4 S-L4 S-L5	Suspected non-compliance with policy	Open	Client acknowledges issue
Farm inputs	North America	E-E2 S-H2	Alleged negative impacts to people and environment	Closed	Engagement stopped
Farm inputs	North America	G-P1	Suspected non-compliance with policy	Open	Client has improved policy/behavior
Farm inputs	Asia	G-P1	Suspected non-compliance with policy	Open	Investigation
Farming	Europe	G-P1	Allegations of negative impacts to environment in supply chain	Open	Client is taking action
Farming	Europe	G-P1 E-E4	Suspected non-compliance with policy	Open	Client is taking action
Farming	Europe	G-G4	Allegations of negative impacts to environment in supply chain	Closed	Client has resolved issue
Farming	South America	S-L5	Facilities improvement	Open	Client is taking action
Farming	South America	E-E2	Mapping of reserve and protected areas	Closed	Client has resolved issue
Farming	South America	E-E2	Mapping of reserve and protected areas	Closed	Client has resolved issue
Farming	South America	S-L5	Facilities improvement	Open	Client relationship terminated
Farming	South America	G-G2	Legal requirements	Open	Client relationship terminated
Farming	South America	S-L5	Facilities improvement	Open	Client is taking action
Farming	South America	G-G2	Legal requirements	Open	Client is taking action
Farming	South America	E-E2 S-L5	Quality employee facilities and environmental issues	Closed	Client relationship terminated
Farming	South America	E-E2	Damage to HCV	Open	Client is taking action
Food	South America	S-L3	Allegations of hindering unionization	Closed	Client has improved policy/behavior
Grains	Asia	E-E2	Allegations of burning to clear land	Open	Authorities involved
Palm oil	Africa	S-H2	Alleged insufficient information/ compensation to communities	Open	Authorities involved
Palm oil	Asia	S-H3	Conflicting claims of communities on land. Dispute on sharing the agreed compensation sum with new claimants	Closed	Client has resolved issue
Palm oil	Asia	S-H2	Allegations of primary forest destruction and no FPIC applied	Closed	Client relationship terminated
Palm oil	Asia	S-H2 E-E2	Allegations of insufficient FPIC, legal compliance and HCV assessments. Breaches convincingly refuted by client yet above and beyond measures agreed	Open	Client is taking action
Palm oil	Asia	E-E2 S-H2 S-H3	Allegations of insufficient EIA and insufficient share to land rights holders	Open	Client is taking action
Palm oil	Asia	E-E3 S-H2	Potential issue of insufficient consultation	Closed	Client relationship terminated
Palm oil	Asia	E-E3	Insufficient traceability	Open	Client is taking action
Palm oil	Asia	E-E3	Insufficient traceability	Open	Client is taking action
Palm oil	Asia	S-L2 S-L3 S-L4	Allegations of worker exploitation	Closed	Client relationship terminated
Palm oil	Asia	S-L2 S-L4 S-L5 S-L6	Allegations of illegal and abusive labor practices	Open	Client has improved policy/behavior
Palm oil	Asia	E-E2 S-H2	Allegations of peat clearance and land conflicts	Open	Investigation

Industry	Region	Issue Type	Short Issue Description	Issue Status	Status Category
Palm oil	Asia	G-G3	Allegations of deforestation in supply chain through related companies	Open	Client is taking action
Palm oil	Africa	S-H2	Issues due to insufficient procedures re FPIC	Open	Client is taking action
Services	South America	E-E2 H-H2	Allegations of use of violence to relocate people and damage to environment	Open	Authorities involved
Sugar	Asia	S-H2	Legal claim	Open	Authorities involved

Rabobank Issue Table 2019

Environment	#	Society	#	Society	#	Governance	#
		Human rights		Labor rights			
E1. Cruelty to animals	#3	H1. Human rights abuses	#1	L1. Forced labor	#1	G1. Integrity (corruption, bribery, money laundering, fraud, tax evasion, anti-competitive practices)	#0
E2. Impacts on ecosystems and landscapes	#11	H2. Impacts on communities and indigenous peoples	#10	L2. Child labor	#4	G2. Lack of transparency	#2
E3. Overuse of natural capital resources or waste of resources	#3	H3. Participation issues	#2	L3. Freedom of association and collective bargaining	#2	G3. Misleading communication and "greenwashing"	#1
E4. Pollution	#6	H4. Social discrimination	#0	L4. Health and safety of employees	#4	G4. Products or services that pose health and safety risks to consumers	#1
				L5. Poor employment conditions	#6	P1. Non-compliance Rabobank policy	#5
				L6. Employee discrimination	#1		

Status Category

Status Category	Description
Investigation	We investigate the issue to better understand the nature and extent of the problem and to gain more insight into the necessary or desired improvement.
Client acknowledges issue	The client and the bank agree on the facts of the issue and continue to engage on possible improvements.
Insufficient evidence	We did not identify sufficient facts to conclude that the client is causing or contributing to the problem or that the client likely can contribute to reducing or resolving the problem.
Client willing to improve policy/ behavior	The client and the bank agree on how an improvement/sustainability compliance can be achieved, which may include correction, prevention and time-bound targets.
Client is taking action	The improvement plan is being implemented by the client and progress monitored by the bank.
Client has resolved issue	Corrective action has been implemented. Monitoring of sustainability compliance will continue as part of regular client reviews.-
Client has improved policy/ behavior	Preventive/ corrective action has been implemented. Monitoring of sustainability compliance will continue as part of regular client reviews.
Authorities involved	A dispute between parties is under consideration by or requires the action or decision of a government agency or court of law; the dialogue is suspended.
Client relationship terminated	The client has shown insufficient progress and the bank has taken steps to end the relationship. Sustainability as well as other reasons could have contributed to termination.
Engagement stopped	In case of prospective clients: the prospect is unwilling to act in accordance with Rabobank policies and engagement is ended; In case of a client relationship: the scope of the business relation has changed and the disputed activity no longer receives financial services from Rabobank.

Appendix 5 Our Financial Performance & Segment Reporting

Domestic Retail Banking

Highlights

In the Netherlands, Domestic Retail Banking is a leading player in providing loans in the residential mortgage market and it offers products and service regarding savings, payments, investments and insurances. We as Rabobank are also a dominant player in the SME and Food & Agri market. The segment consist of the local Rabobanks and mortgage lender Obvion. Income was pressured by the low interest rate environment and as a result net interest income was down by 6%. Operating expenses decreased by 5% in 2019. Staff costs were slightly lower as digitalization and centralization of services had a downward effect on the average staff level. Deposits from customers increased in 2019 by EUR 16.2 billion, while the private sector loan portfolio decreased by 2%. Our mortgage loan portfolio decreased by EUR 2.3 billion and the SME loan portfolio decreased by EUR 2.4 billion.

Financial Results

Results			
Amounts in millions of euros	*12-31-2019*	*12-31-2018*	*Change*
Net interest income	5,258	5,575	-6%
Net fee and commission income	1,490	1,434	4%
Other results	67	56	20%
Total income	**6,815**	**7,065**	**-4%**
Staff costs	2,738	2,765	-1%
Other administrative expenses	1,177	1,382	-15%
Depreciation and amortization	95	84	13%
Total operating expenses	**4,010**	**4,231**	**-5%**
Gross result	**2,805**	**2,834**	**-1%**
Impairment charges on financial assets	152	(150)	-
Regulatory levies	270	237	14%
Operating profit before tax	**2,383**	**2,747**	**-13%**
Income tax	607	712	-15%
Net profit	**1,776**	**2,035**	**-13%**
Impairment charges on financial assets (in basis points)	6	(5)	
Ratios			
Cost/income ratio including regulatory levies	62.8%	63.2%	
Underlying cost/income ratio including regulatory levies	61.4%	61.5%	
Balance Sheet (in billions of euros)			
External assets	275.9	280.7	-2%
Private sector loan portfolio	271.2	276.1	-2%
Deposits from customers	253.1	236.7	7%
Number of internal employees (in FTEs)	19,913	20,347	-2%
Number of external employees (in FTEs)	6,976	5,088	37%
Total number of employees (in FTEs)	26,889	25,435	6%

Notes to the Financial Results

Development of Underlying Operating Profit Before Tax			
Amounts in millions of euros		*12-31-2019*	*12-31-2018*
Income		**6,815**	**7,065**
Operating expenses		**4,010**	**4,231**
Adjustments to expenses	Restructuring expenses	57	69
	Derivatives framework	40	52
Underlying expenses		**3,913**	**4,110**
Impairment charges on financial assets		152	(150)
Regulatory levies		270	237
Operating profit before tax		**2,383**	**2,747**
Total adjustments		***97***	***121***
Underlying operating profit before tax		**2,480**	**2,868**

Underlying Performance Decreased 14%

Domestic Retail Banking's underlying performance decreased in 2019 compared to 2018. The underlying operating profit before tax amounted to EUR 2,480 million compared to EUR 2,868 million in 2018. 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. Total income decreased by EUR 250 million lower, while underlying operating expenses decreased by EUR 197 million. Higher impairment charges on financial assets of EUR 152 million tempered net profit.

Income Down 4%

Total income decreased to EUR 6,815 (2018: 7,065) million. Despite slightly increased margins on mortgages, net interest income was pressured by shrinking margins on savings and current accounts as a result of the low interest rate environment. Total net interest income of EUR 5,258 (2018: 5,575) million was 6% lower than in 2018. Increased fees on payment accounts and on insurances helped to lift net fee and commission income to EUR 1,490 (2018: 1,434) million. Other results amounted to EUR 67 (2018: 56) million at December 31, 2019.

Operating Expenses Down 5%

Total operating expenses decreased to EUR 4,010 (2018: 4,231) million. Staff costs fell to EUR 2,738 (2018: 2,765) million as the digitalization and centralization of services reduced the average size of the workforce. The implementation of a new operating model in the Netherlands (known as "Banking 3.0") had a downward effect on the number of employees in the segment, while the regulatory agenda required extra staff in 2019. Other administrative expenses went down to EUR 1,177 (2018: 1,382) million. The revaluation of property for own use lowered expenses by EUR 60 million. In 2018 this item had an upward effect on other administrative expenses of EUR 61 million. Project expenses related to the derivatives project were EUR 33 million lower than last year and restructuring costs were lower and amounted to EUR 57 (2018: 69) million. Depreciation and amortization increased to EUR 95 (2018: 84) million, partly caused by the implementation of IFRS 16.

Impairment Charges on Financial Assets Increased

The impairment charges on financial assets increased in 2019, but are still on a low level benefitting from the favorable economic conditions in the Netherlands. Impairment charges on financial assets amounted to EUR 152 (2018: minus 150) million, which translates to 6 (2018: minus 5) basis points of the average private sector loan portfolio – far below the long-term average of 20 basis points.

Loan Portfolio Decreased

The persisting low interest rate on savings accounts continued to encourage clients to make extra repayments on their loans. In 2019, clients' extra mortgage repayments – all those on top of the mandatory repayments – at local Rabobanks and Obvion totaled approximately EUR 19.5 (2018: 19.2) billion. Of this amount EUR 3.7 (2018: 3.5) billion is related to partial repayments and EUR 15.8 (2018: 15.7) billion to repayments of the full mortgage, which is mainly the result of customers moving houses. The total volume of our residential mortgage loan portfolio on December 31, 2019 was EUR 187.7 (2018: 190.0) billion. The sale of shares of our mortgage loan portfolio (worth EUR 1.8 billion) to institutional investors contributed to this decrease. The figure includes Obvion's loan portfolio, valued at EUR 29.7 (2018: 28.5) billion. The total Domestic Retail Banking portfolio (including business lending) decreased by EUR 4.9 billion to EUR 271.2 (2018: 276.1) billion and the total SME portfolio currently amounts to EUR 81.4 (2018: 83.8) billion.

Loan Portfolio by Sector

Amounts in billions of euros	*12-31-2019*	*12-31-2018*
Volume of loans to private individuals	189.8	192.3
Volume of loans to trade, industry & services	56.2	57.7
Volume of loans to Food & Agri	25.2	26.1
Private sector loan portfolio	**271.2**	**276.1**

Mortgage Loan Portfolio

Rabobank's share of the Dutch mortgage market increased to 20.9% (2018: 20.3%) of new mortgage production in 2019[1]. The local Rabobanks' market share dropped to 15.5% (2018: 16.7%) and Obvion's increased to 5.4% (2018: 3.6%). The quality of our residential mortgage loan portfolio remained high as a result of the continuing favorable conditions of the Dutch economy and the strong domestic housing market. In 2019, financing backed by the National Mortgage Guarantee (Nationale Hypotheek Garantie (NHG)) decreased to 18.7% of the mortgage loan portfolio. The weighted average indexed loan-to-value (LTV) of the mortgage loan portfolio was 60% on December 31, 2019.

Residential Mortgage Loans

Amounts in millions of euros	*12-31-2019*	*12-31-2018*
Mortgage portfolio	187,671	190,008
Weighted-average LTV	60%	64%
Non-performing loans (amount)	1,609	2,057
Non-performing loans (in % of total mortgage loan portfolio)	0.86%	1.08%
More-than-90-days arrears	0.21%	0.30%
Share NHG portfolio	18.7%	19.4%
Impairment allowances on financial assets	198	209
Coverage ratio based on non-performing loans	12%	10%
Net additions	16	(29)
Net additions (in basis points)	1	(2)
Write-offs	32	42

The non-performing loans in the mortgage portfolio are lower than at year-end 2018. This is a result of the improving credit quality of the mortgage portfolio.

1 Source: Dutch Land Registry Office (Kadaster)

Deposits from Customers Increased EUR 16.4 Billion

The private savings market in the Netherlands grew by 4% to EUR 368.2 (2018: 355.6) billion as per December 31, 2019 despite the fact that clients applied excess savings to de-leverage their mortgage debt, prompted by the low interest rates on savings. Rabobank's market share was 33.0% (2018: 32.7%)[1] . Deposits from customers rose 7% to EUR 253.1 (2018: 236.7) billion. Private savings deposited at Domestic Retail Banking increased by EUR 4.7 billion to EUR 123.7 (2018: 119.1) billion. Other deposits from customers went up by EUR 11.7 billion mainly due to an increase in current accounts.

Insurance Income Increased EUR 15.5 million

Rabobank offers retail and business customers a complete range of advisory services and product solutions, including insurance. For insurance products, Achmea (via its Interpolis brand) is Rabobank's most important strategic partner and supplier. Total insurance income of Rabobank grew by 6% to EUR 293.3 (2018: 277.8) million.

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

Wholesale, Rural and Retail

Highlights

The activities of the Wholesale, Rural & Retail (WRR) segment are spread across six regions: the Netherlands & Africa, North America, South America, Australia & New Zealand, Europe and Asia. Rabobank's Banking for Food and Banking for the Netherlands strategies are the driving force behind the portfolio. The change in strategy for our Retail activities over the past years are exemplified by the sale of RNA (North America) and the de-risking of ACC (Ireland) and RII (Indonesia) in 2019. Rabobank increased its focus on Food & Agri in North America by the sale of the non-F&A activities of RNA and the transfer of the Food & Agri portfolio to Rabo Agrifinance (RAF). The sale of RNA was finalized in August and up until then RNA's results still contributed to WRR segment's results. WRR's underlying performance was lower in 2019, as illustrated by the development of the underlying operating profit before tax, which decreased to EUR 602 million. The underlying loan portfolio increased and despite some pressure on margins net interest income showed an increase. Impairment charges on financial assets increased by EUR 311 million in 2019 and are the most important driver for the lower net profit. Net profit was also pressured by higher operating expenses related to growth initiatives and compliance.

Financial Results

Results			
Amounts in millions of euros	*12-31-2019*	*12-31-2018*	*Change*
Net interest income	2,458	2,388	3%
Net fee and commission income	438	461	-5%
Other results	766	486	58%
Total income	**3,662**	**3,335**	**10%**
Staff costs	1,396	1,292	8%
Other administrative expenses	495	491	1%
Depreciation and amortization	83	40	108%
Total operating expenses	**1,974**	**1,823**	**8%**
Gross result	**1,688**	**1,512**	**12%**
Impairment charges on financial assets	611	300	104%
Regulatory levies	140	169	-17%
Operating profit before tax	**937**	**1,043**	**-10%**
Income tax	260	333	-22%
Net profit	**677**	**710**	**-5%**
Impairment charges on financial assets (in basis points)	55	29	
Ratios			
Cost/income ratio including regulatory levies	57.7%	59.7%	
Underlying cost/income ratio including regulatory levies	63.1%	59.5%	
Balance Sheet (in billions of euros)			
External assets	137.1	140.0	-2%
Private sector loan portfolio	112.4	109.0	3%
Number of internal employees (in FTEs)	8,269	9,279	-11%
Number of external employees (in FTEs)	1,628	1,576	3%
Total number of employees (in FTEs)	9,897	10,855	-9%

Notes to the Financial Results

Development of Underlying Operating Profit Before Tax			
Amounts in millions of euros		*12-31-2019*	*12-31-2018*
Income		**3,662**	**3,335**
Adjustments to income	Sale RNA	(372)	0
Underlying income		***3,290***	***3,335***
Operating expenses		**1,974**	**1,823**
Adjustments to expenses	Restructuring expenses	7	7
	Sale RNA	30	0
Underlying expenses		**1,937**	**1,816**
Impairment charges on financial assets		611	300
Regulatory levies		140	169
Operating profit before tax		**937**	**1,043**
Total adjustments		**(335)**	**7**
Underlying operating profit before tax		**602**	**1,050**

Underlying Performance Impacted by Impairment Charges

The underlying operating profit before tax amounted to EUR 602 million compared to EUR 1,050 million in 2018. In calculating this underlying profit before tax, corrections were made for gain on the sale of RNA and for restructuring costs. Total underlying income decreased by 1% and underlying operating expenses increased by 7%. On top of that, higher impairment charges on financial assets had a downward effect on profit.

Income Up 10%

Total income of WRR increased to EUR 3,662 (2018: 3,335) million in 2019. The increase in income was largely attributable to the sale of RNA. Corrected for the sales result of RNA total income decreased by 1%. Despite a slight decrease in average commercial margins net interest income increased to EUR 2,458 (2018: 2,388) million. This increase was driven by higher lending volumes. The strongest increase in net interest income was in our corporate and rural lending while the increase was tempered by a negative margin development in Brazil. Net fee and commission income declined to EUR 438 (2018: 461) million due to lower activity levels in corporate finance, which is in line with market circumstances. Other results increased by EUR 280 million to EUR 766 (2018: 486) million mainly due to the sale of RNA. The increase in other results was tempered by the results of our Markets division which was confronted with less favorable market conditions, and lower revaluations at our Corporate Investment division. Furthermore, the positive revaluation of ACC Loan Management's loan portfolio positively impacted other results in 2018.

Operating Expenses Increased 8%

Operating expenses went up to EUR 1,974 (2018: 1,823) million in 2019. Excluding FX effects, operating expenses increased by 6%. Staffing levels at WRR showed a 9% decrease in 2019. The decrease as a result of the sale of RNA was partly offset by growth initiatives within Rural and additional staff related to digitalization and compliance. Staff costs increased to EUR 1,396 (2018: 1,292) million, an 8% increase compared to last year. Other administrative expenses decreased to EUR 495 (2018: 491) million. Depreciation and amortization went up to EUR 83 (2018: 40) million due to higher depreciation on premises and real estate, equipment and outfitting in North America, Asia and Europe.

Impairment Charges on Financial Assets Up EUR 311 Million

Impairment charges on financial assets increased to EUR 611 (2018: 300) million in 2019. Significant impairments were seen in the Netherlands and Europe related to some non-related large individual cases and high impairments in Brazil (mainly sugar and ethanol) and the United States (mainly farm nutrition). The impairments have been rising since the first half of 2018. Total impairment charges on financial assets amounted to 55 (2018: 29) basis points of the average private sector loan portfolio, above the long-term average of 52 basis points.

WRR Portfolio Increased

In 2019, the total loan portfolio of WRR increased to EUR 112.4 (2018: 109.0) billion. The increase of the loan portfolio was partly offset by the sale of RNA to Mechanics Bank. Excluding the sale of RNA, the loan portfolio increased by EUR 7.8 billion. Because we consolidated our agribusiness operations across the United States, RNA's Food & Agri assets of RNA were not included in the sale and have been transferred to Rabobank AgriFinance (RAF).

Reflecting our Banking for Food strategy, the volume of lending to the Food & Agri sector increased to EUR 71.2 (2018: 66.5) billion, accounting for 63% (2018: 61%) of WRR's total loan portfolio. Loans to the Trade, Industry, and Services (TIS) sectors remained stable at EUR 40.4 (2018: 40.4) billion.

Dutch and International Wholesale

The Wholesale portfolio totaled EUR 76.8 (2018: 70.9) billion. Lending to the largest Dutch companies increased in 2019 to EUR 20.3 (2018: 17.9) billion and the size of the Wholesale loan portfolio granted to clients outside the Netherlands was EUR 56.5 (2018: 53.0) billion on December 31, 2019.

International Rural Banking

Lending to rural clients amounted to EUR 35.6 (2018: 33.0) billion. The main markets for rural banking are Australia, New Zealand, the United States and Brazil, while we are also present in Chile, Peru and Argentina. In Australia the loan portfolio totaled EUR 11.0 (2018: 10.2) billion, in New Zealand EUR 6.9 (2018: 6.4) billion, in the United States EUR 13.0 (2018: 12.3) billion, in Brazil EUR 3.6 (2018: 3.2) billion, in Chile, Peru and Argentina in aggregate EUR 1.0 (2018: 0.9) billion .

Private Savings at RaboDirect Increased 5%

RaboDirect is Rabobank's online savings bank that operates in Belgium, Germany, Australia, and New Zealand. Private savings entrusted by clients to RaboDirect are used for funding the international Rural banking business and other divisions of the bank. RaboDirect's savings balances increased to EUR 26.0 (2018: 24.7) billion at December 31, 2019, representing 18% (2018: 17%) of the total private savings held at Rabobank. The number of internet savings bank clients decreased to approximately 690,000 (2018: 750,000). This decrease can be explained by a change of definition where, as of 2019, only active clients are reported.

Leasing

Highlights

DLL promotes Rabobank's ambition of "Growing a better world together" by supporting manufacturers, distributors and end-users in 9 different sectors: Agri, Food, Healthcare, Clean Technology, Construction, Transportation, Industrial, Office Equipment and Technology Industries. In 2019, DLL celebrated its 50th anniversary and launched a new company strategy – "Partnering for a Better World" – in order to further build on its solid foundation and to drive future success. It has always been DLL's ambition to align its product and service offering with customer needs and market developments. Today, businesses want the flexibility to pay for their equipment and technology as they use it. To address this rapidly growing trend, DLL has established a new global business unit, "Advanced Solutions", that will focus on further developing DLL's leading position in pay-per-use products. Financially, DLL's net profit decreased by 19%, caused by an increase in impairment charges on financial assets and higher income taxes. The lease portfolio grew by 8%. In 2019, the Food & Agri share of the portfolio increased to EUR 14.5 (2018: 12.8) billion, representing 40% (2018: 38%) of the DLL portfolio.

Financial Results

Results			
Amount in millions of euros	*12-31-2019*	*12-31-2018*	*Change*
Net interest income	1,052	986	7%
Net fee and commission income	124	106	17%
Other results	255	274	-7%
Total income	**1,431**	**1,366**	**5%**
Staff costs	536	517	4%
Other administrative expenses	174	194	-10%
Depreciation and amortization	28	27	4%
Total operating expenses	**738**	**738**	**0%**
Gross result	**693**	**628**	**10%**
Impairment charges on financial assets	214	105	104%
Regulatory levies	26	25	4%
Operating profit before tax	**453**	**498**	-9%
Income tax	131	99	32%
Net profit	**322**	**399**	-19%
Impairment charges on financial assets (in basis points)	67	34	
Ratios			
Cost/income ratio including regulatory levies	53.4%	55.9%	
Underlying cost/income ratio including regulatory levies	53.5%	55.3%	
Balance Sheet (in billions of euros)			
Lease portfolio	36.2	33.5	8%
Number of internal employees (in FTEs)	4,877	4,672	4%
Number of external employees (in FTEs)	426	474	-10%
Total number of employees (in FTEs)	5,303	5,146	3%

Notes to the Financial Results

Development of Underlying Operating Profit Before Tax			
Amounts in millions of euros		*12-31-2019*	*12-31-2018*
Income		**1,431**	**1,366**
Operating expenses		**738**	**738**
Adjustments to expenses	Restructuring expenses	(1)	7
Underlying expenses		**739**	**731**
Impairment charges on financial assets		214	105
Regulatory levies		26	25
Operating profit before tax		**453**	**498**
Total adjustments		**(1)**	**7**
Underlying operating profit before tax		**452**	**505**

Income Improved 5%

Total income of the Leasing segment increased by 5% to EUR 1,431 (2018: 1,366) million in 2019. Net interest income increased by 7% to EUR 1,052 (2018: 986) million, mainly as a result of portfolio growth. In 2018 net interest income was negatively affected by several residual value impairments on Food & Agri assets. Net fee and commission income increased to EUR 124 (2018: 106) million. This is mainly the result of higher fees earned on syndicated leases in the United States. Other results, mainly consist of income from operating leases and sales on end-of-lease assets, decreased to EUR 255 (2018: 274) million. The decrease was entirely due to the release of a provision for foreign activities of DLL in 2018 and partly compensated by lower asset impairments in 2019.

Operating Expenses Remained Stable

Total operating expenses in the Leasing segment were EUR 738 (2018: 738) million. Staff costs increased to EUR 536 (2018: 517) million, caused by the higher number of employees. Staff levels in the Leasing segment increased by 157 FTEs to 5,303 FTEs in 2019 as a result of business growth. Other administrative expenses decreased to EUR 174 (2018: 194) million as restructuring costs were lower in 2019. Depreciation and amortization remained stable at EUR 28 (2018: 27) million.

Impairment Charges on Financial Assets Increased

Impairment charges on financial assets of the Leasing segment increased to EUR 214 (2018: 105) million, corresponding with 67 (2018: 34) basis points of the average loan portfolio and above DLL's long term average of 56 basis points. As DLL's lease portfolio is spread over more than 30 countries and 9 industries, the associated credit risk is geographically diverse and well balanced across all industry sectors. In 2019, there were no new significant individual default cases in DLL's predominantly small ticket portfolio. The IFRS 9 stage 1 and 2 impairments were an important driver of the higher risk costs. These amounted to EUR 43 (2018: 0) million, mainly caused by changes in the macro economic outlook .

Income Tax Up 32%

Income tax in the Leasing segment increased to EUR 131 million from EUR 99 million. The higher income taxes are for a large part due to a one-off tax liability following a change in the fiscal structure of a DLL subsidiary.

Lease Portfolio Increased 8%

The lease portfolio increased to EUR 36.2 (2018: 33.5) billion. In 2019, the Food & Agri share of the portfolio increased to EUR 14.5 (2018: 12.8) billion, representing 40% (2018: 38%) of the DLL portfolio.

Real Estate

Highlights

The Real Estate segment is mainly comprised of the activities of Bouwfonds Property Development (BPD). BPD's is an area developer operating in the Netherlands and Germany. In 2018 BPD sold its French subsidiary BPD Marignan. BPD could not match the very strong results of 2018. This was the result of changed market conditions and the nitrogen problem in the Netherlands. As a consequence BPD, sold fewer houses in both the Netherlands and Germany. Up until June 2018 FGH Bank was also part of the Real Estate segment but this entity ceased to exist after Rabobank sold the remaining part of the loan portfolio to RNHB. Since 2018 the activities of Bouwfonds Investment Management (BIM) have been phased out and, therefore, represented only a small part of the Real Estate segment's results in 2019.

Financial Results

Results

Amount in millions of euros	*12-31-2019*	*12-31-2018*	*Change*
Net interest income	(10)	(7)	43%
Net fee and commission income	8	10	-20%
Other results	308	571	-46%
Total income	**306**	**574**	**-47%**
Staff costs	84	137	-39%
Other administrative expenses	40	66	-39%
Depreciation and amortization	7	5	40%
Total operating expenses	**131**	**208**	**-37%**
Gross result	**175**	**366**	**-52%**
Impairment charges on financial assets	2	(15)	-
Regulatory levies	2	2	0%
Operating profit before tax	**171**	**379**	**-55%**
Income tax	40	70	-43%
Net profit	**131**	**309**	**-58%**
of which: BPD	*116*	*240*	*-52%*

Ratios

Cost/income ratio incl. regulatory levies	43.5%	36.6%	
Underlying cost/income ratio incl. regulatory levies	43.1%	35.2%	

Balance Sheet (in billions of euros)

Loan portfolio	0.3	0.3	0%
Number of houses sold	6,471	10,142	-36%
Number of internal employees (in FTEs)	605	588	3%
Number of external employees (in FTEs)	96	59	63%
Total number of employees (in FTEs)	701	647	8%

Notes to the Financial Results

Development of Underlying Operating Profit Before Tax

Amounts in millions of euros		*12-31-2019*	*12-31-2018*
Income		**306**	**574**
Operating expenses		**131**	**208**
Adjustments to expenses	Restructuring expenses	1	8
Underlying expenses		**130**	**200**
Impairment charges on financial assets		2	(15)
Regulatory levies		2	2
Operating profit before tax		**171**	**379**
Total adjustments		***1***	***8***
Underlying profit before tax		**172**	**387**

Income Decreased 47%

Total income of the Real Estate segment decreased to EUR 306 (2018: 574) million. Net interest income decreased mainly as a result of the sale of the remaining part of the loan portfolio of FGH Bank in 2018. Net fee and commission income decreased to EUR 8 (2018: 10) million as the activities of BIM are phased out. Other results ended lower at EUR 308 (2018: 571) million. The decrease in other results is partly caused by BPD's pressured result following a delay in sales in 2019 and the nitrogen discussion in the Netherlands. Other results were also impacted by the deconsolidation of its French subsidiary, following the sale of BPB Marignan in November 2018. Furthermore, the 2018 figures were also positively impacted by a book gain on the sale of FGH Bank's loan portfolio.

Operating Expenses Down 37%

Total operating expenses decreased to EUR 131 (2018: 208) million. The sale of BPD Marignan and the remaining part of the loan portfolio of FGH Bank, as well as the phasing out of BIM, resulted in a decrease in a EUR 53 million decrease in staff costs, totaling EUR 84 (2018: 137) million compared to 2018. Staff levels increased by 8% in 2019 to 701 FTEs. Other administrative expenses decreased to EUR 40 (2018: 66) million due to the sale and phasing out of activities. Depreciation and amortization increased slightly to EUR 7 (2018: 5) million.

Market Conditions Lower Number of Property Transactions

The number of residential property transactions by BPD fell by 36% to 6,471 (2018: 10,142). This decrease can be mainly attributed to the sale of BPD Marignan in November 2018. Excluding BPD Marignan the number of property transactions decreased by 15% as a result of a delay in sales. It took longer to put new construction projects on the market and the average time to sell increased due to higher prices. Moreover, in the course of 2019, BPD also began to notice the effects of the nitrogen issues in the Netherlands which also negatively affected the number of sales. In the Netherlands BPD sold 4,485 houses (2018: 5,470). The total transactions in Germany amounted to 1,986 (2018: 2,117).

Corporate Governance

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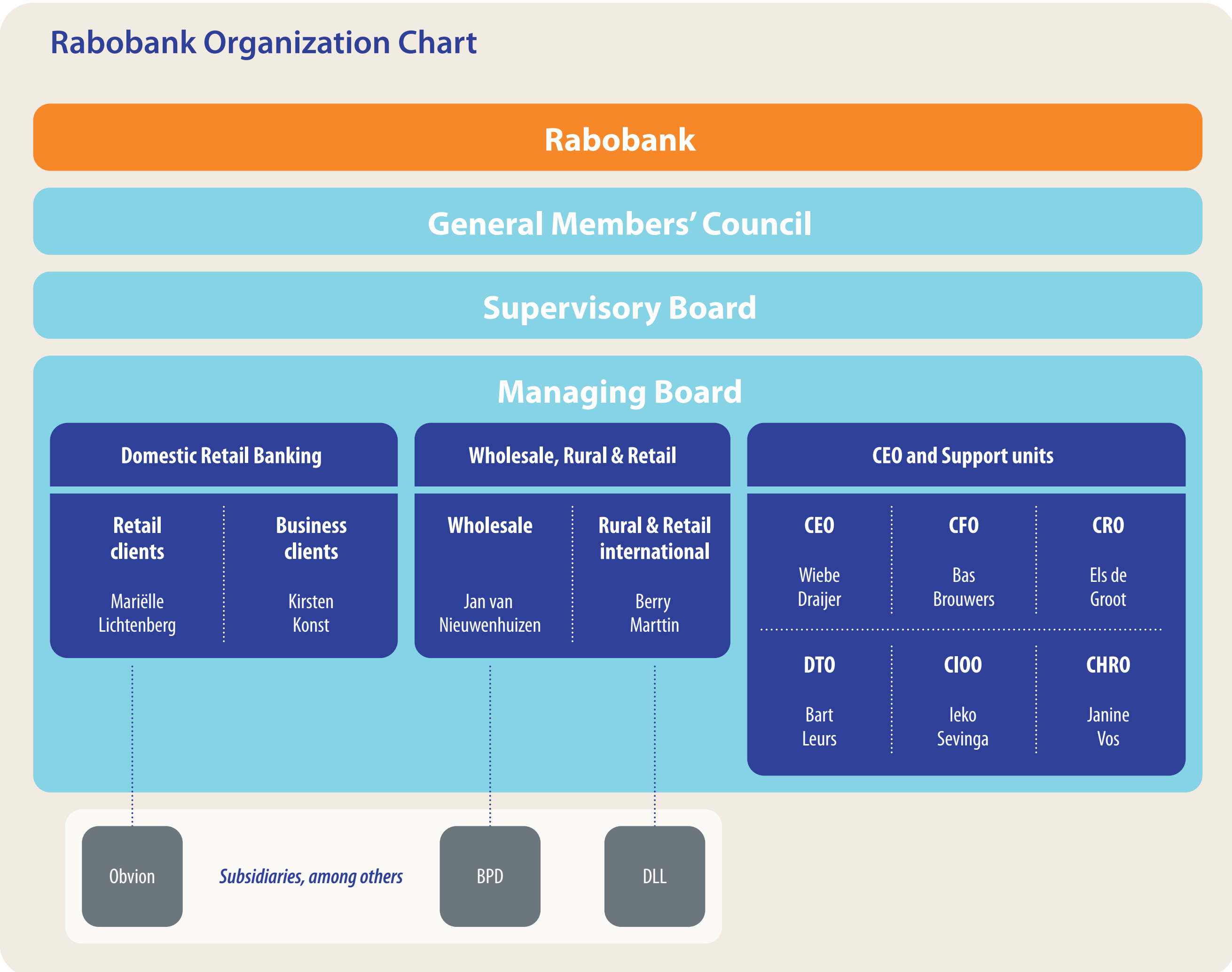
Corporate Governance

Our current governance structure has been in place since January 2016. All local Rabobanks and Rabobank Group Organization operate as one cooperative bank with one banking license and one set of financial statements. Members of local and collective governance bodies express their satisfaction with the overall functioning of this regime in regular evaluations. In daily practice, this structure proves its value, strength and flexibility. The unique features of our member-based governance are preserved. These include the bottom-up decision-making process, the associated focus on retail banking and its relatively stable income streams and retained earnings as the primary source of capital building. These features safeguards Rabobank's special position in the financial sector, our long-standing focus on servicing the real economy and last, but not least, our ambition to contribute to the sustainable development of local communities.



The Governance Bodies in Short

The governance of Rabobank has always been adaptive. Since the establishment of the first credit cooperative in the Netherlands in 1895, Rabobank has been able to change in response to strategic considerations, to trends in society, and to developments in banking and regulation. As with previous governance regimes, the present governance structure is founded on a balanced system of closely interrelated and interacting bodies.

A defining feature of the governance is that the cooperative division is inextricably linked with the tactical and operational banking business. Bottom-up decision-making entails that member representatives ultimately approve the bank's strategic frameworks. In the following section, we will elaborate on the main roles and responsibilities of the governance.

Cooperative Governance

Cooperatives are distinguished by the fact that clients can become members, and members give cooperatives legitimacy. Currently, more than 25% of our clients are members of a local Rabobank. It is our aim to increase this number significantly in the coming years as part of our cooperative renewal project. The member representatives in governance bodies exert an important influence on the course of the local Rabobank as well as of the entire organization. As a core feature of the cooperative governance, membership has always led to divergent internal dynamics and a different - strategic- orientation compared to financial institutions with different ownership structures.

Members are divided into roughly 90 member departments at the local level. Within each department members are organized into one or more delegates' election assemblies which appoint, suspend or dismiss the members of the Local Members' Councils (LMCs). These councils consist of 30 to 50 members. By bringing the outside world to the table, the members serving on these councils help keep the local Rabobank firmly on track. LMCs have an important say in how cooperative funds are used. They are the "eyes and ears" and act as a sparring partner for the management teams of the local Rabobanks. They also have a number of formal duties and responsibilities, such as the right to approve the merger or demerger of a local Rabobank or to advise the chair of the local Rabobank's management team on members' policy plan. LMCs monitor the financial performance of local Rabobanks, the policies as implemented by the chairs of local Rabobanks' management teams, as well as the supervision exercised by the members of the Local Supervisory Body (LSB).

LSB members are appointed by and accountable to their LMCs and have to be members of Rabobank. An LSB does not derive its authority from law. The Managing Board has instead delegated the LSBs specific local governance powers under the internal local Rabobank rules.

The local banks and departments are allocated to fourteen regional delegates' assemblies where local banks and departments in the same region meet each other. These assemblies have a basis in the articles of association and are important for the preparation for the General Members' Council (GMC). Regional delegates' assemblies are also responsible for strengthening their own relationships with Rabobank and for consulting on ways the local banks can cooperate to provide a stimulus to society in the region. They discuss the interests of the local banks, Rabobank and the cooperative banking sector in general.

LSB chairs are key players in the collective governance as they represent members in the General Members' Council. At the local level, the LSB supervises strategy execution. In this light, the general state of affairs (social and commercial) performance of the local Rabobank, including its internal financial reporting, must feature periodically on the LSB agenda. The internal financial reporting of individual local Rabobanks is also embedded in the new governance structure to enable LSBs to perform their roles accurately and adequately. Furthermore, this body is authorized to supervise the degree to which the local Rabobank complies with external laws and regulations and the Articles of Association.

Local supervisors are required to actively assess whether the quality of the offered services meets the needs of clients and members. They judge the extent to which the local management team chair carries out his or her local responsibility to focus on clients' long-term interests, to contribute to the sustainable development of the local community and to strengthen ties between the bank and the local community. The LSB exercises the functional employer's role in relation to the local management team chair. This comprises appointing, assessing and suspending the chair. The LSB is also authorized to approve a number of important local decisions. It must ensure that the local management team chair heeds its advice in local policy making. Furthermore, the LSB has an advisory role with regard to the management of the local Rabobank and fulfills an intermediary position between the community and the local Rabobank. Lastly, it has a duty toward contributing to the sustainable development of the district and to strengthen its connection to the community.

In 2018 and 2019, we developed and employed specific programs to stimulate the diversity of LSBs. It is important that the collective of local supervisors is an adequate reflection of our customer and member base. Judged by the decline of the average age of all local supervisors and the percentage increase in the inflow of female supervisors, these measures already seem to be meeting with success. In addition, there is special training for young supervisors. New tools are available to assess and improve the functioning of individual LSBs.

The GMC is the highest decision-making body in the Rabobank governance. It consists of chairs of all LSBs. Although the LSB chairs participate in the GMC, they also take the local points of view into account. The GMC has around 90 members and meets at least twice a year. It focuses on the strategic framework and on the basic premises of the identity of Rabobank, from the cooperative to local Rabobanks and all other group entities. The GMC has three permanent committees: the Urgency Affairs Committee, the Coordination Committee and the Committee on Confidential Matters.

On behalf of the members, the GMC safeguards continuity while also acting as a custodian of collective values. The GMC evaluates the governance and the banking business based on commonly agreed strategic principles. It appoints members of the Supervisory Board of Rabobank on the recommendation of the Supervisory Board, which appoints the statutory members of the Managing Board. The Supervisory Board supervises the Managing Board. Both the Supervisory Board and the Managing Board are accountable to the GMC.

To perform these functions, the GMC has several formal tasks and responsibilities. The GMC has the power to amend the Articles of Association or change Rabobank's legal status. It adopts the annual accounts and has advisory and approval rights for major decisions taken by the Managing Board. The GMC, for instance, has an approval right regarding the basic premises of Rabobank's identity and strategic frameworks and the main points of the annual strategy and budget. Considerable changes in Domestic Retail Banking and the increasing digitalization of financial services prompted the GMC to initiate an internal discussion on the renewal of the cooperative as well as on the revitalization of Rabobank's membership. To this end, it established a special, temporary committee to explore these possibilities.

The governance underlines that member engagement and involvement are essential to a cooperative bank. These aspects are what set us apart from our competitors. The governance continuously triggers new initiatives to solidify cooperative aspects. For example, it has initiated a Youth Forum, which includes a young member representative from each local Rabobank. Rabobank believes that permanent dialogue with this member category is very important for the future development of the bank.

In the governance, the management teams at the local Rabobanks are entrusted with the important task of acting in harmony with the cooperative spirit, and of offering corresponding financial services. They have important local responsibilities as laid down in the internal local Rabobank rules. The chairs of local management teams are mandated by the Managing Board to safeguard their local orientation and firmly anchor their local Rabobanks in these communities. Chairs of the local management team can exercise their authority in order to provide high quality local banking services. They can also transform the concept of cooperative identity from idea into reality at the local level. In this respect, local staff participate actively in social and virtual networks in order to maintain close connections to the local community.

Banking Business

Tactical, operational and policy-related banking are addressed in the Directors' Conference. This body is composed of the chairs of local management teams, the Managing Board and the directors of divisions, which support local Rabobanks. The Directors' Conference is an important and influential platform with a preparatory, informative and advisory role for proposals and policies concerning local Rabobanks. The Conference also fulfills an intermediary position between the highest echelons of the bank and its local divisions, especially with regard to safeguarding clients' interests and needs.

Corporate Governance Codes

The Dutch Corporate Governance Code

The Dutch Corporate Governance Code 2016 applies to listed companies and contains principles and best practice provisions for what is generally regarded as good corporate governance. Because of its cooperative structure, Rabobank is not required to comply with the Dutch Corporate Governance Code. Nevertheless, we have committed to comply to the code as much as possible. We depart from the code on just a few points, partly due to our cooperative structure. Please refer to www.rabobank.com for an overview.

The Dutch Banking Code

In 2009 the Dutch Banking Association adopted the Banking Code for Dutch banks in order to regain the public's trust in the banking sector. The Banking Code aims to ensure stable, service-oriented and reliable banks for stakeholders by setting out principles of conduct for Dutch banks in terms of corporate governance, risk management, audit and remuneration. The Banking Code took effect on January 1, 2010 on a "comply or explain" basis.

In 2013, the Committee on the Structure of Dutch Banks (the "Wijffels Committee") laid significant foundations for the further strengthening of Dutch banks. The committee published a report focused on the stability of the banking industry and the importance of competition and diversity in Dutch banking. The committee also called on banks to set out the role they wish to play in society.

Following this recommendation, the Dutch Banking Association introduced a Social Charter, which includes an updated Banking Code, and implemented a bankers' oath (with the associated rules of conduct and a disciplinary system). By taking these actions, Dutch banks, including Rabobank, want to demonstrate what they stand for and what they want to be held accountable for in the ongoing renewal process as individual banks and as an industry at the heart of the community. The Social Charter, the Banking Code 2015 and the rules of conduct associated with the bankers' oath together form a package called "Future Oriented Banking". We have endorsed the package. For further information about our compliance with the Banking Code 2015, please refer to www.rabobank.com.

Governance Code for Cooperatives (NCR)

In 2019, the Nationale Coöperatieve Raad (NCR) thoroughly revised the Governance Code for Cooperatives with the aim of making a contribution to improving the level of cooperative entrepreneurship, member involvement, and the collective ethos. We ourselves are currently undertaking a fundamental process of cooperative renewal and fully adhere to/subscribe to the formulated principles and rules of the Code. In 2020, we will substantiate and further elaborate on how the bank complies with the principles and rules of the Code.

Remuneration

Our Vision on Remuneration

Our vision on remuneration focusses on achieving our cooperative objectives and on our core values. Our background as a cooperative means that through our financial services and by prioritizing sustainability and innovation we enable employees to contribute to welfare and prosperity in the Netherlands and to help resolve the global food issue. We have a controlled, socially responsible and sustainable remuneration strategy compliant with legislation and regulations. The financial part of the reward is targeted at market median.

In order to be an attractive employer, we want to attract, retain and develop talent, focus on empowering our employees, and nurture diversity and inclusion. We achieve this by offering fair remuneration packages, and also by providing a valuable set of secondary conditions (such as an attractive working environment, a good pension structure and by focusing on opportunities for growth). Our global performance management system GROW! as well as the Dutch Development Budget contribute to employees' professional and personal development.

Remuneration Policies

Our vision on remuneration is translated in several policies. For most Rabobank employees and Obvion employees, the Collective Labor Agreement (CLA) is applicable. A separate remuneration policy applies to the Managing Board and other executives. De Lage Landen (DLL) and Bouwfonds Property Development (BPD) have each adopted remuneration policies of their own. Remuneration policies for Wholesale, Rural & Retail (WRR), DLL, and BPD located outside the Netherlands are partly based on local legislation and regulations, as well as on local market conditions, and are in accordance with Rabobank's vision on remuneration.

The principles and guidelines of our vision on remuneration are detailed in the Group Remuneration Policy. The Group Remuneration Policy is annually updated and aims to offer fair remuneration consistent with (external) regulations, Rabobank's business strategy, our cooperative roots as well as with our customer focus, core values, and desired risk profile. The policy takes into account the fact that Rabobank is an important bank with an international scope and complex activities. It supports robust and effective risk-management processes designed to protect our long-term results and our robust capital position. This is accomplished, for example, through the application of effective risk mitigation measures and through raising employees' awareness of risks. The policy further encourages employees to aim for sustainable results in line with the long-term interests of Rabobank, its clients, and other stakeholders.

Each year, the Rabobank Supervisory Board is informed about the implementation of the remuneration policy by means of a group-wide report. The Rabobank Supervisory Board discusses this report, which includes, in addition to the fixed and variable pay of the highest earners, information such as all significant retention bonuses, sign on bonuses, buy outs, and severance payments that have been awarded. In accordance with Dutch legislation, the works council is annually informed about pay levels and pay ratios within the Netherlands.

General Outlines of the Remuneration Policy

In general, fixed pay for positions within the Netherlands is determined by job evaluation resulting in a job grade for each position. Each job grade is accompanied by a salary scale, which allows for a remuneration between a bandwidth. In case local benchmarks are available, fixed pay for positions outside the Netherlands are determined the same way. The salary scales are set around the median of the market for comparable work, so that they comply with Rabobank's conscientious vision on remuneration. Within Rabobank, only a specific group of employees is eligible for variable pay. This group consists in the Netherlands mainly of employees within Treasury, of our employees abroad and of employees of our subsidiaries. Variable pay is never guaranteed, and performance management procedures ensure that it does not reward for failure or misconduct.

The link between performance and pay is determined in performance management documents, in which employee's contribution to us and to their personal growth are assessed. Our performance objectives consist of a balanced set of financial and non-financial criteria. At least half of the performance objectives must be non-financial. The non- financial criteria are determined by collective and cascaded key performance indicators (KPIs) that are directly linked to the strategic priorities: 100% digital convenience, top customer advice nearby, growth with innovation, top performance, optimal balance sheet, exceptionally good execution, focus on social responsibility and sustainable contribution, involved members and communities, inspired employees and one-Rabobank culture. The performance objectives do not contain incentives that might encourage behavior that is careless or otherwise not in the clients' best interest.

Furthermore, our remuneration policy complies with Dutch and European legislation. This includes capping variable pay to an average of 20% of fixed pay for employees working in the Netherlands, and a maximum of 100% for employees working outside the Netherlands. In 2019, we did not use the provision provided in Dutch law to award variable pay up to 200% in countries outside the EEA. In 2019, the variable remuneration for Rabobank Group worldwide was EUR 197.1 (2018: 198.5) million, approximately 6% of the total amount reserved for remuneration. As determined by regulation, all variable pay is awarded in the form of cash and instruments (each 50%) and for all variable payments, several risk-mitigating measures are in place, such as ex-ante and ex-post testing and the ability to apply malus or clawback. For those employees eligible for variable pay, a risk target is part of their individual targets.

The group of employees with a material impact on the risk profile of the bank is designated as Identified Staff. The list of Identified Staff is updated on a quarterly basis not only with regard to personal changes on Identified Staff positions, but also with the aim to include or exclude Identified Staff positions after reorganizations. In addition to the specific performance management requirements, we have established specific risk mitigating measures regarding variable pay for Identified Staff. This includes the payment of variable pay on a deferred basis which enables adequate consideration of the risks related to the underlying business activities. Generally, the payment of variable pay to Identified Staff takes place over a period of three years. For those employees qualified as "Senior management", however, the deferral policy stretches to five years. For employees receiving variable pay above a certain amount, but not designated as Identified Staff, a deferral policy is also taken into account in order to allow the ex post test to be performed. In 2019, six Identified Staff (one at DLL and five at Rabobank) earned a total remuneration (including pension contributions) between EUR 1.0 and 1.5 million.

Supervisory Board

The reimbursement of the members of the supervisory board were revised in 2016 and were brought in line with our vision on reward and remuneration and is based on both a cross- industry benchmark and a financial banking benchmark for similar positions in Continental Europe. Since then no changes were made, so the reimbursements in 2019 are as follows.

Fee Structure Supervisory Board

As of October 1, 2016	
In euro's	*Fee*
Member	90,000
Chair of Audit Committee, Risk Committee, Cooperative Issues Committee, additional	20,000
Chair of Appointments Committee together with Remuneration and HR Committee, additional	20,000
Vice-Chair, additional	30,000
Chair	220,000

Individual Remuneration

The individual reimbursements in 2019 for members of the Supervisory Board are as follows:

Remuneration Supervisory Board

In thousands of euros	*Remuneration*
Annet Aris	90
Irene Asscher-Vonk (until June 18, 2019)	38
Leo Degle	90
Petri Hofsté	110
Arian Kamp	110
Jan Nooitgedagt	110
Ron Teerlink	220
Marjan Trompetter	140
Pascal Visée	90
Total 2019	**998**
Total 2018	**992**

In 2019, Marjan Trompetter was re-appointed for another four years. No changes were made in her individual remuneration. Irene Asscher-Vonk resigned as member of the Supervisory Board as of June 19, 2019.

Individual Loans and Certificates

The outstanding loans of the members of the Supervisory Board in office on December 31, 2019 and the average interest rates were as follows:

Outstanding Loans Supervisory Board

In millions of euros	*Outstanding Loans*	*Average Interest Rate (in %)*
On December 31, 2019		
Arian Kamp	1.2	1.6
Marjan Trompetter	0.6	2.5

At year-end 2019, those members of the Supervisory Board not listed in the table had not received any loans, advances or guarantees.

Some members of the Supervisory Board have invested in Rabobank Certificates in person and/or through a private pension company. On December 31, 2019, the number of Rabobank Certificates per individual member were as follows:

Certificates Supervisory Board

	Number of Rabobank Certificates	*Remarks*
On December 31, 2019		
Leo Degle	4,836	In pension B.V.

Managing Board

The Managing Board Remuneration Policy, in line with our vision on remuneration, focuses on contribution and leadership to realize the bank's cooperative mission. The remuneration is determined within the salary range of the members of the Managing Board that matches the market based position reference point of their role and that also compares their personal leadership profile to the desired leadership profile. Changes to the remuneration policy are put to the General Members' Council for approval. Managing Board members are appointed for a period of four years. Their individual remuneration is determined for that specific period. Managing Board members are not eligible for variable pay. The remuneration policy for the Managing Board was approved by the General Members Council in 2017 and remained unchanged in 2019.

The remuneration policy for the Managing Board consists of two clusters: Chair of the Managing Board, and Member of the Managing Board. The positions within the Managing Board are benchmarked against two benchmarks: a cross-industry peer group in the Netherlands and a financial banking Continental Europe peer group. Salary ranges could be adjusted based on the outcomes. Based on the 2017 benchmark, salary ranges were set for the two clusters. The remuneration structure and salary ranges of the Managing Board are as follows:

Salary Ranges Managing Board

Salary Ranges	*Minimum*	*Maximum*
Chairman of the Managing Board	€ 884,000	€ 1,154,400
Member of the Managing Board	€ 477,000	€ 884,000

With the installation of the Managing Board in 2017, reference points per position were defined. Individual remuneration of Managing Board members is based on the external benchmark of the position, as well as on the members' personal capabilities and their leadership profile.

Apart from their salary, the members of the Managing Board receive secondary employment conditions such as a pension scheme, which is a collectively defined contribution plan. The maximum income for pension accrual was EUR 101,745 as of January 1, 2019. In addition, members of the Managing Board receive an individual pension contribution according to the level of their position. A company car policy is in place for all members of the Managing Board for the purpose of commuting and business travels.

Individual Remuneration

The individual remuneration in 2019 of the members of the Managing Board is as shown below. The remuneration is divided in salary, pension scheme, individual pension contribution, and other payments, such as the compensation for (part of) the loss of the deferred variable pay from a previous employer (buy out), discount on mortgage interest rate, and compensation for financial advice.

As of February1, 2019, Els de Groot started in her role as Chief Risk Officer (CRO). Bas Brouwers was re-appointed for another four years as of January 1, 2020. No changes were made in his individual remuneration package. The package corresponded to the applicable salary range.

Remuneration Managing Board

In thousands of euros	*Salary*	*Pension Scheme*	*Individual Pension Contribution*	*Other*	*Total*
Wiebe Draijer	980	27	211	-	1,218
Bas Brouwers	884	27	188	2	1,101
Els de Groot (as of February 1, 2019)	688	25	143	-	855
Petra van Hoeken (until February 1, 2019)	74	2	16	-	92
Kirsten Konst	800	27	168	2	997
Bart Leurs	650	27	132	-	809
Mariëlle Lichtenberg	750	27	156	9	942
Berry Marttin	884	27	188	-	1,099
Jan van Nieuwenhuizen	884	27	188	-	1,099
Ieko Sevinga	750	27	156	0	933
Janine Vos	650	27	132	0	809
Total 2019	**7,993**	**272**	**1,674**	**13**	**9,952**
Total 2018	**8,116**	**260**	**1,707**	**164**	**10,247**

Individual Loans

The outstanding loans of the members of the Managing Board in office and the average interest rates on December 31, 2019 were as follows:

Outstanding Loans Managing Board

In millions of euros	*Outstanding Loans*	Average Interest Rate *(in %)*
On December 31, 2019		
Kirsten Konst	0.2	5.0
Bart Leurs	0.8	2.2
Mariëlle Lichtenberg	1.2	3.6
Berry Marttin	0.0	5.8
Jan van Nieuwenhuizen	1.2	1.9
Janine Vos	0.9	2.3

Individual Certificates

Some members of the Managing Board have personally invested in Rabobank Certificates, these are listed below:

Certificates Managing Board

	Number of Rabobank Certificates	*Remarks*
On December 31, 2019		
Kirsten Konst	800	
Mariëlle Lichtenberg	970	
Berry Marttin	5,600	

Domestic Banking

Executive Positions

The levels of management below the Managing Board are referred to as "executive positions". At year-end 2019, 214 employees were in an executive position, of which approximately 4% were classified as expats working abroad on a Dutch contract. This number is lower than in 2018. Compared to 2018, the total remuneration of executive positions decreased with 1%.

The fixed pay remuneration packages for executives were determined by job grades, based on Hay points. These job grades are linked to salary ranges, ranging from executive position scale one to five. Only a select number of the executive positions are eligible for variable remuneration, dependent on the type of work and on the type of business in which they operate, for example in specific commercial roles. The majority of executive only receives a fixed salary.

Furthermore, Rabobank offers an attractive package of secondary employment conditions, such as opportunities for learning and development and a car lease arrangement. Every five years executives can have a paid sabbatical period of two months. The Rabobank pension scheme, a collectively defined contribution plan, applies to the executive positions. The maximum income for pension accrual was EUR 101,745 as of January 1, 2019. Executives receive an individual pension contribution according to the level of their position.

Domestic Banking - CLA Employees

At year-end 2019 25,795 employees were employed under the terms of the Rabobank CLA, including Obvion. The remuneration package for position scales 1 to 11 and Senior Staff A and Senior Staff B consists of fixed income, the Employee Benefit Budget (EBB), pension, and fringe benefits. The salary scales in the Rabobank CLA are based on the Hay Group’s system for evaluating jobs. In 2019 there was a collective salary adjustment of 1%. Salary progression within a position is based only on the performance management results over the previous year, based on individual contribution, on behavior, and on personal development. Since 2013, the CLA does not include eligibility for variable pay.

The Rabobank CLA pension scheme is a collectively defined contribution scheme. The maximum income for pension accrual for full-time employees as of January 1, 2019 was EUR 101,745. Employees with an income higher than the accrual receive a personal budget. All CLA employees receive the Employee Benefit Budget (EBB) as a percentage of their fixed salary. The EBB provides flexibility and choice of employment terms including options to buy extra leave, purchase a bicycle in a tax-efficient way or pay out the percentage reserved for EBB.

The median remuneration for Rabobank employees in the Netherlands at the end of 2019 was EUR 56,454.40 which gives a ratio of 1:17.36 between the median remuneration and the Chairman of the Managing Board. This ratio has decreased during the last years, due to fact that the remuneration policy for the Managing Board remained unchanged while the population of Rabobank is shifting to more highly educated employees. This leads to a higher median remuneration for Rabobank employees.

DLL

DLL has a global policy in which remuneration levels are in line with the local labor market. The total remuneration package is slightly above the median of comparable financial services institutions. It comprises a fixed salary and variable remuneration components for most positions. Senior management is not eligible for variable remuneration. Variable remuneration for other employees cannot be higher than 100% of their fixed salary. DLL had one employee in 2019 whose total remuneration exceeded EUR 1 million. Alongside a fixed salary DLL offers employees a broad package of various fringe benefits that are in line with local market practice, such as pension schemes and health insurance packages. DLL's performance management system is based on a mix of qualitative and quantitative results. Most employees have predominantly qualitative targets, consisting of both individual and team targets and a focus on alignment to the DLL leader and employee competencies. In 2018, DLL started a pilot for a new performance management approach, which was extended in 2019. The new approach places more focus on frequent touchpoints between leaders and employees to encourage a strong coaching and performance culture.

BPD

Since 2017 BPD has been positioned as an independent organization within Rabobank Group. Remuneration of BPD employees is subject to the BPD Collective Labor Agreement 2018-2019 and the Social Plan 2018-2022. This specific remuneration policy meets the requirements of the Group Remuneration Policy. The Collective Labor Agreement includes a remuneration package consisting of fixed and variable components and a pension scheme in line with that of our own. In the Netherlands, BPD distinguishes three groups of employees: CEO, Executives, and employees subject to the CLA. Each group has its own employment package. The BPD CLA includes a Performance & Competence Management system (PCM) to steer results and employee development. BPD also employs staff outside the Netherlands, namely at BPD Deutschland which also has a specific remuneration policy and PCM.

Report of Rabobank's Supervisory Board

Challenging Environment

Low Interest Rates and Normalization of Impairment Charges

All banks are having to deal with the low interest rate curve, which influences the level of the bank's interest income. In addition, impairment charges on financial assets showed a slight rise for the first time in many years but are still below the historic average. This is due in part to unsettled financial markets and economic prospects in the face of potential trade wars and uncertainties relating to the effects of climate targets. Continuous investments are required to implement and monitor regulations, including the important gatekeeper function. The Supervisory Board (SB) has spoken at length with the Managing Board about the influence of these developments on the medium- to long-term plans and the budget for the coming year. Investment in the renewal of our business activities and innovation is essential. All things considered, this means that paying attention to continuous cost management and making critical choices in portfolios and business activities remain as important as ever.

Future-Proof Banking

In the reporting year, the SB devoted attention to the future of the banking business on different occasions, including discussions with the entire SB, in various committees, offsites, and permanent education sessions. The SB noted that DLL can provide added value as a meaningful, full-fledged arm of the banking business through further integration of leasing with the banking proposition. Extensive discussions were held about Rabobank's strategy in Asia and its added focus on Food & Agri. New forms of business, which the SB considers to be forms of future-proof banking, include new types of financing for investments in the climate transition, and the investment in a portfolio of properties on our own balance sheet for rental to the mid-market segment. These business forms would serve to address contemporary societal issues and the renewal of the cooperative. Clearly a valid investment case will always need to be made. The SB asked that consideration be given to working in partnership with new parties instead of a strategy focusing on pursuing acquisitions. Although not every initiative will lead to immediate results, the SB believes that actively searching for and keeping an open mind about new initiatives is highly worthwhile.

Focus on International Agricultural Business

In spring 2019, the SB was closely involved with the deliberations that resulted in the divestment of most of the retail activities in California. The divestment is part of a process in which Rabobank is shifting its international focus increasingly to the Food & Agri sector. This means that RNA's retail activities have been delinked from its agricultural activities. For the same reason, the SB looked at the termination of the retail activities in Indonesia. Earlier attempts had been made to sell the portfolio in Indonesia, possibly through a merger, but ultimately the only option remaining was to "run-down" the portfolio. The SB discussed all the risks relating to a run-down of the portfolio, and particularly welcomed the transaction on the sale of the remaining activities, which was agreed in late 2019.

Supervision of Compliance with Legislation and Regulation

Annual Report 2019

As part of its role relating to the Annual Report 2019, the SB explicitly focused on the next step toward increased transparency in reporting. The SB values a proper balance in integrated reporting on the financial results and other results relating to the bank's performance in reaching objectives. For the future, the SB challenged the Managing Board to create a more integrated approach to reporting in the performance management cycle and in its annual reporting. The SB has agreed that, in future, the reports relating to the achievement of non-financial and sustainability KPIs should be more closely integrated in the performance reporting as an element of the standard management cycle.

When compiling the Annual Report 2019, the Audit Committee and the SB devoted considerable attention to the internal control measures around the year-end procedures, the deliberations and estimates in determining the results, and the valuation of exceptional items, such as loss impairment charges, as well as to the progress made with integrated financial reporting.

Gatekeeper Role is a Given

At every Supervisory Board meeting in the reporting year the SB received an extensive update on the improvement programs relating to the organization, processes, and systems to comply with legislation relating to customer integrity, CDD, and transaction monitoring, both regarding international activities and those in the Netherlands. The SB closely monitored all developments throughout the year, given the high stakes when it comes to clearing backlogs and to embedding the monitoring of customer integrity in a structural, sustainable, and future-proof way in the business. The SB considers that the major efforts made in 2019 were appropriate to the challenges faced. The SB has asked the Managing Board to do its utmost to achieve the goals set for this issue in 2019 and 2020, irrespective of budget implications. The SB acknowledges that proper design of the gatekeeper role is important, so that banks can play their part in combatting money-laundering and financial fraud. The SB warmly welcomes the Managing Board's initiative to work together with the FIOD (Fiscal Intelligence and Investigation Service) and the other banks in the Netherlands to create a constructive dialogue and to reach collective and structural solutions for these issues.

Settlements for Customers with Derivatives Contracts
In 2018, the SB set up an ad hoc Derivatives Committee to intensively monitor progress on settling the derivatives issue. The Committee reported regularly on its monitoring activities to the SB and to the GMC. In the reporting year, almost all the definitive settlement letters were sent to the customers involved. The remaining final accountant's review of a part of the portfolio will be conducted in 2020. The binding frameworks laid down by the Dutch regulator AFM generated a major administrative burden. All clients concerned received a definitive offer in late 2019. The final administrative processing will take place in 2020.

Other Regulations
The SB kept track of developments in the plans for the European Banking Union and the broader vision on banking supervision. Digital trends and Fintech/bigtech are recurring topics considered by regulators. Following the introduction of PSD2, the SB discussed the opportunities and constraints involved with the use of big data. The SB also held extensive discussions on fiscal risks, tax transfer pricing, and developments relating to the expectation that banks play a gatekeeper role on client tax integrity.

Availability and Implementation of Banking 3.0

Availability is Highly Significant
Right from the start of the restructuring of the local banking business (known as Banking 3.0) the SB kept a close watch on its implementation. Early in the year it was already clear that the implementation of Banking 3.0 was affecting the bank's availability to customers. As early as the first meeting on January 15, 2019, the SB requested more focus on improving what became known within the bank as the "bereikbaarheid" (availability) model. This involved an analysis of the centralization of the customer contact activities from local banks to regional centers in 2019. Issues which the SB scrutinized included the complexity of the topic, the many stages in the process of putting calls through, the occasional instability of automated systems, and the tight labor market. It became evident that overemphasis on efficiency made the system vulnerable. For employees, it was a major step to shift from a relatively autonomous local setting to a tightly organized central unit, which was still in development. In view of the sustained criticism from customers and from the GMC, the SB established its own committee which then conducted a further analysis of the issues and ensured consistent tracking and monitoring of the implementation of improvements. The committee kept the entire SB informed on its findings throughout the process. It also reported on two occasions to the GMC in the reporting year. The committee concluded that optimum availability by telephone can only be achieved through a "front-to-end" approach to all processes in the chain. The committee noted that the Managing Board is taking steps to restructure the design accordingly.

Appointments and Departures
In 2019, the SB closely followed the progress of the transformation and of various HR activities. At the start of the year, Petra van Hoeken stepped down and Els de Groot was appointed to succeed her as CRO. There was widespread support for the reappointment of Bas Brouwers to a new term as CFO. Irene Asscher left the Supervisory Board after serving as a member for 10 years. She had a particular focus on employee participation. Her work for the SB demonstrated her strong, independent, and self-sufficient character. Integrity was her top priority and this was meaningful for the culture and structure of the company.

The Renewed Cooperative and Governance

Renewing the Cooperative
Through the Committee on Cooperative Affairs (CCA), the SB has closely monitored the explorations, general course, and activation of the cooperative renewal. The GMC initiated the formation of an ad hoc committee on cooperative renewal which was closely involved in drawing up the proposal. The chair of the CCA is a member of this ad hoc committee. The fact that the topic of cooperative renewal was a recurring agenda item for the GMC contributed to the broad support for the decision of the GMC in September.

Members
Members of the SB were in contact with members of local banks and with local supervisory boards at various times during the year. Usually the Supervisory Board members attend the meetings of the General Members Council, which are chaired by the chair of the Supervisory Board. The SB also attends the preparatory meetings, which are organized across the country and often takes the opportunity to visit local banks at the same time. Likewise, the SB offsite meetings are also occasions to visit local banks. In 2019 they were held in Arnhem and Tilburg.

Governance Evaluation

The governance changes associated with Banking 3.0 are recorded in the amended memo focusing on operational control of local banks ("bancaire sturing"). The SB has ascertained that in the new situation, the Managing Board can provide sufficient steering to both the banks with a specialist team and those without a specialist team.

In late 2019, a governance evaluation across the bank was initiated. For this purpose, Tias Nimbas (a business school affiliated with the universities of Tilburg and Eindhoven) was asked to survey all target groups. The SB is taking part in this research and will also be represented on the committee conducting the evaluation. The initial conclusions from this survey will be drawn in early 2020. The first survey results give a positive picture, with members and supervisory board members indicating that the current governance is appropriate to an active cooperative. Going forward, the emphasis of the debate will be on issues such as how ongoing radical digitalization could serve the governance.

Employee Representation

In 2019 the employee representation structure at Rabobank was adapted to reflect the changes put in place under Banking 3.0. The SB has drawn attention to the need for an effective employee representation mechanism that encompasses appropriate powers, structures, and mandates. This has led to increased attention to a structure that is aligned with the one Rabobank philosophy, in which the international businesses are also included in deliberations. On several occasions in 2019, the Works Council, the Managing Board, and the Supervisory Board met in an informal setting to discuss various themes. Different members of the SB attended Works Council consultation meetings.

NCR Code

Rabobank is a member of the Dutch Cooperative Council (NCR). In 2019, the NCR revised the cooperative code for its members. The new code requires members to include details on how they have implemented this code in their annual report. At Rabobank, this runs in parallel with the cooperative renewal project. The code addresses three principles, namely cooperative entrepreneurship, member engagement, and the collective ethos and mutuality. Cooperative entrepreneurship means that a cooperative is a form of association run as a business. The business works on behalf of its members and meets a common need. Cooperatives also focus on creating value for the long term. This principle is a key theme of Rabobank's cooperative renewal. An important outcome of the cooperative renewal project is the principle that the cooperative and the bank are one and the same thing, and that all the bank's products and services should be in line with the cooperative's principles.

The collective ethos and mutuality mean that all members are also customers. The relationship between the members is based on collaboration and solidarity. Cooperatives believe in the strength of the collective. The relationship between the cooperative and the individual members and the relationships between the members themselves is based on reciprocal rights and responsibilities. Rabobank endorsed this principle in the cooperative renewal proposal. Full commitment is essential. The bank can only remain strong if the members feel connected in a collective of customers, and if all customers are invited to become members. Reciprocally, the bank has a responsibility to offer the best possible service.

Member engagement means that all members are important, and that the organization is based on democratic member control and principles of mutual solidarity. Rabobank has decided to incorporate an option in the banking app which will provide more digital support to the cooperative through, for instance, opportunities for members to vote and options to provide all members with relevant information. In addition, all member councils will receive extra support, such as workshops. The SB warmly welcomes these developments and initiatives.

Composition and Attendance Figures of the Supervisory Board and Its Permanent Committees, as of December 31, 2019

Meeting	SB	Risk	Audit	CCA	Rem & HR	Appointments
Number of meetings	*# 12*	*# 8*	*# 8*	*# 6*	*# 8*	*# 9*
Ron Teerlink	92% (Chair)		100%	100%	100%	100%
Marjan Trompetter	100%	100%	-	100%	100% (Chair)	100% (Chair)
Petri Hofsté	100%	100%	100% (Chair)	83%	-	-
Jan Nooitgedagt	83%	100% (Chair)	100%	-	-	-
Leo Degle	92%	100%	-	-	100%	100%
Pascal Visée	100%		100%	-	100%	100%
Arian Kamp	92%	100%	-	100% (Chair)	-	-
Annet Aris [1]	83%	*5(*)*	-	-	*4(*)*	*5(*)*

1 In April 2019, the composition of the Risk Committee, the Remuneration & HR Committee, and the Appointments Committee changed with the appointment of Annet Aris as a new member. For that reason, her level of attendance for these committees is given in the number of attended meetings since her appointment date.

Irene Asscher-Vonk officially resigned from the Supervisory Board as of June 19, 2019.

The responsibilities and duties of the Supervisory Board and its permanent committees are described in the respective Rules of Procedure as can be found on www.rabobank.com.

Supervisory Board

General Responsibilities and Duties

The Supervisory Board supervises the policies pursued by the Managing Board and the general course of affairs at Rabobank and its affiliates. In addition to its supervisory role, the Supervisory Board serves as an advisor to, and employer of the Managing Board. The Supervisory Board members also act as Rabobank "liaison officers" by engaging with members, clients, and other stakeholders.

Meetings

In 2019, the Supervisory Board convened 12 meetings in total. These meetings were attended by the Managing Board. In addition to this, the Supervisory Board held several private meetings.

Topics

In 2019, the Supervisory Board received frequent updates about Rabobank's financial performance, the status of the transition process, risk- and compliance-related issues and regulatory developments (e.g., Basel IV). The Supervisory Board also discussed the outcome and follow-up of letters, on-site visits and external regulatory deep-dives, and was notified of special topics and committee subjects. In cases requiring the approval of the Supervisory Board, the relevant committee presented its advice to the full Supervisory Board.

In 2019, the Supervisory Board regularly discussed current themes and topics related to digital banking, IT, cyber security, and Operations.

In 2019, the Supervisory Board paid special attention to the topic of Rabobank's availability by phone ("Bereikbaarheid") for its Dutch retail and SME clients (see also the section on the Supervisory Board's Ad Hoc committee Bereikbaarheid). The Supervisory Board had intensive discussions about regular updates concerning KYC (CDD and TM) and transaction monitoring. Finally, in 2019 the Supervisory Board paid special attention to the Eneco project, regarding the possibility of Rabobank's taking a stake in Eneco with external partners.

Risk Committee

General Responsibilities and Duties

The Risk Committee prepares the Supervisory Board's decision-making regarding the supervision of the integrity and quality of the bank's development and implementation of the risk governance framework, risk control system, and risk appetite. This entails, among others, reviewing and effectively challenging our risk analysis scenarios and promoting risk awareness within a strong risk culture.

Meetings
In 2019, the Risk Committee convened eight times. Two of these meetings were deep dives: (1) KYC (CDD and TM) Retail NL (including WRR) and (2) the IRRBB Position Management Strategy 2019. As in previous years, a combined meeting of the Risk Committee and the plenary Supervisory Board was also organized. This joint meeting focused on the discussion and subsequent approval of the Capital Adequacy Statement and ICAAP/ILAAP, including the outcomes of the Stress Test 2019 scenarios.

In December 2019, we organized for the first time a so-called RC-AC bridge session to focus on topics that are relevant for both the Risk Committee and the Audit Committee. In this session the self-assessments of the Risk and Compliance functions including the roll-out of CLR's Future Fit Program, were discussed. This joint RC/AC bridge session will be organized on a regular basis in 2020 as well.

Two sessions on continuing professional education were held in conjunction with the members of the Supervisory Board's Audit Committee (see overview below on educational efforts).

Topics
In 2019, the Risk Committee addressed general topics like ICAAP/ILAAP and stress testing, Pillar III, and the quarterly reports on Credit, Risk, Legal and Compliance. Also, the Risk Committee presented advice to the Supervisory Board on the Strategic Risks, the Group RAS, SREP, SIRA, the Group Recovery Plan and the Group Remuneration Policy.

Besides the regular topics of discussion, the Risk Committee paid special attention in 2019 to the foundations of our IRRBB strategy, the current status and developments regarding the NPL-portfolio, and the revised NPL strategy and sector management/ sector banking with particular focus on the dairy sector and land price developments.

The Risk Committee also discussed the status and outlook of the Operational Risk profile (including our progress with respect to the Back to Green activities / operational risk and mitigating measures related to Bankieren 3.0) and engaged in deep dives on (i) RCF Next Steps and (ii) Climate Change Risk.

The Risk Committee also received regular updates on the outcomes and follow up regarding the OSI's that took place within the domains of Risk and FR&R, and on the outlines of the CLR Future Fit Program. The Risk Committee held deep dives on the quality and risk characteristics of the Dutch residential mortgage portfolio (including Interest Only-mortgages), credit risk modeling / Rabo Model Landscape, Cyber and IT Risk, the CreditCore Program, and the bank's preparations for Brexit.

In 2019, the Risk Committee had in depth discussion in every meeting on the status and developments with respect to the CARE Program (KYC (CDD and TM), status of the remediation plans, Transaction Monitoring including reporting requirements, update on the Written Agreement U.S. BSA-AML Program). The Risk Committee was also extensively informed on the outlook and status of Credit Risk and FR&R, with a focus on the quality of the Dutch SME portfolio including the development of percentage NPLs/SDL.

Audit Committee

General Responsibilities and Duties
The Audit Committee prepares the Supervisory Board's decision-making on all matters regarding the integrity and quality of Rabobank Group's financial reporting, the effectiveness of Rabobank Group's internal control framework, the external auditor, Rabobank Group internal audit function, and the functioning of Rabobank Group's compliance function.

The Audit Committee submits recommendations to the Supervisory Board on matters referred to in the Rules of Procedure either on request or at its own initiative.

Meetings
In 2019, the Audit Committee convened eight times and held one "working session" for the budget preparation.

In December 2019, a combined meeting of the Risk- and Audit Committee was organized for the first time. The meeting focused on topics that affect both committees. Topics discussed in this meeting included the quality of the compliance - and risk management functions. More combined meetings will be organized in 2020 on a regular basis.

Two sessions on continuing professional education were held in conjunction with the members of the Supervisory Board's Risk Committee (see overview below on educational efforts).

Topics
The main regular topics of discussion for the Audit Committee are the Performance Reports (on a quarterly basis), general updates on the financial markets, the (interim) annual report, loan impairment reports, COREP/ FINREP reports, Internal Audit reports, the Internal Auditor's audit plan, the board reports of the external auditor, the audit plan of the external auditor, sustainability reports (quarterlies), reports on the supervisory relations and the budget plan and the medium-term plan.

In 2019 the Audit Committee paid special attention to the following topics: IBOR transition, performance updates from WRR and "Bedrijven", Basel IV updates, the assessment of the external auditor, an IT update, and the Internal Audit Quality Framework.

Committee on Cooperative Affairs

General Responsibilities and Duties

The Committee on Cooperative Affairs (CCA) advises the Supervisory Board on all matters regarding the bank's cooperative structure, organization and identity, and will make the preparations for the requisite decisions of the Supervisory Board. These consist of: (i) the assessment of the Managing Board's reports on our cooperative organization and operations, ii) the submission of advice on cooperative affairs to the Managing Board, either upon request or on its own initiative, and iii) advising the Supervisory Board on client-, market- or service-related topics (also in relation to the sustainability ambitions, visions, and strategies pertaining to the sustainability targets formulated by the business units), either at the request of the Managing Board or on its own initiative.

Meetings

During 2019, the CCA convened six times.

Topics

The regular topics for the CCA in 2019 included presentations on the client focus and client analytics for the commercial business lines, presentations on digital innovations, and possible new business models. They also included updates on social initiatives and the cooperative renewal, presentations about DLL and BPD, and an overview of Supervisory Board members' visits to banks.

Remuneration & HR Committee

General Responsibilities and Duties

The Remuneration & HR Committee (R&HR) prepares the Supervisory Board's decision making on remuneration and general human resource and organizational issues, such as organizational development and transformation, strategic resource planning, performance management planning and evaluation, employee engagement, and other current people issues. In addition, the R&RH Committee considers the consequences of these topics for our risks and risk management, accounting for the long-term interests of our stakeholders and accepted social practice, as well as Rabobank's long-term business, risk appetite, performance, and control environment. The R&HR Committee works with the Risk Committee to evaluate the incentives created by the remuneration system and directly supervises the remuneration of senior management staff who perform control duties.

The R&HR Committee prepares a proposal on the Rabobank Group Remuneration Policy and assesses the remuneration practice within Rabobank Group for the highest earning employees based on a group-wide report, which in addition to the fixed and variable remuneration also contains information about the relevant retention, exit and welcome packages within the Rabobank Group. Furthermore, the R&HR Committee prepares a central, independent, internal assessment to review (at least once annually) the general principles governing the remuneration policy and its implementation. We pursue a prudent, restrained, and sustainable remuneration policy.

Information on remuneration in general and on variable remuneration can be found in the Remuneration section of this Annual Report and in the Pillar 3 report.

Meetings

In 2019, the R&HR Committee convened eight times.

Topics

In 2019, the R&HR Committee addressed general topics, such as Strategic Resource Planning, talent development, employability, educational efforts, health and vitality (including absence reporting), engagement, culture, the impact of redundancy on employees, employee participation, "Tone at the top"/leading by example, and various issues related to compensation. The committee also spent in-depth time on specific HR themes, such as the agile way of working, Diversity and Inclusion, and the Future of Work.

The R&HR Committee extended advice to the Supervisory Board to approve a limited number of material exceptions to the Group Remuneration Policy, which do not relate to the Managing Board. These exceptions were based on the divergent local legislation and regulations and/or market practice. In addition, the R&HR Committee discussed the performance targets for the Managing Board and general performance targets for Identified Staff (please see the section on Remuneration in this Annual Report for an explanation of this term). The Committee carried out preparatory work for the Supervisory Board regarding the annually available aggregate variable remuneration with an underlying risk assessment for Rabobank Group and for the individual variable remuneration of employees classified as Identified Staff. The committee discussed works counsel developments and observations. Finally, the R&HR Committee discussed the remuneration section of the annual report with the GMC's Committee on Confidential Matters and paid special attention to the material impact on staff involved in the Banking 3.0 project.

Appointments Committee

General Responsibilities and Duties
The Appointments Committee helps the Supervisory Board prepare for its decision-making in relation to the composition of, and appointments and re-appointments to, the Supervisory Board, the Managing Board, and higher senior management positions.

Meetings
In 2019, the Appointments Committee convened nine times.

Topics
Among other tasks the Appointments Committee extends advice to the Supervisory Board on personnel changes in the Supervisory Board and the Managing Board based on the respective boards' succession plans and outline profiles. In 2019, the Appointments Committee specifically advised on the re-appointment of Bas Brouwers to the Managing Board, the re-appointment of Marjan Trompetter to the Supervisory Board, and the recruitment of a Supervisory Board member. In addition, the committee evaluated the implementation of the suitability policy and reported on it according to the new regulations. The Appointments Committee discussed the additional positions and roles of the Managing Board members inside and outside of Rabobank, as well as the additional positions of the Supervisory Board members. As part of talent management and in the context of searching for and assessing potential candidates for the Supervisory and the Managing Board, the Appointments Committee regularly addressed the subject of (gender) diversity.

Ad Hoc Committee Derivatives of the Supervisory Board

General Responsibilities and Duties
The Supervisory Board's Ad Hoc Committee on the "interest rate derivatives recovery program" was formed in 2018 with the objective of gaining an unambiguous understanding of the root causes relating to this file and in order to monitor the program's progress in finalizing the targets. The Ad Hoc committee regularly reports its findings to the Supervisory Board.

Meetings
The Supervisory Board's Ad Hoc Committee on Derivatives met three times in 2019. The Ad Hoc committee will meet again in 2020, but only once or twice as the program is scheduled to be finalized then too.

Topics
During the meetings in 2019, the Supervisory Board's Ad Hoc committee on Derivatives discussed the progress and updates of the recovery program, as well as the related CLR opinions, incidents, and provisions.

Ad Hoc Committee "Bereikbaarheid" of the Supervisory Board

General Responsibilities and Duties
The Supervisory Board's Ad Hoc Committee on availability by phone (hereafter: "Bereikbaarheid").

In the first quarter of 2019, the Supervisory Board decided to establish an Ad Hoc Committee to closely monitor and track progress made with respect to the reported problems and issues related to Bereikbaarheid. The objective of this committee is to gain an unambiguous understanding of the root causes related to Bereikbaarheid, and to monitor whether the program will meet its improvement targets. The scope is broad and includes HR, Operations, Organization, and IT. The Ad Hoc Committee will regularly report on its findings to the Supervisory Board and the GMC.

Meetings
The first meeting of the Ad Hoc Committee was held on March 21, 2019. In total, the committee convened seven times in 2019. The Supervisory Board's Ad Hoc Committee on Bereikbaarheid will continue to meet in 2020.

Topics
Regular topics of discussion in the Ad Hoc committee on Bereikbaarheid were uncovering, assessing and discussing the root causes of factors affecting Bereikbaarheid, as well as the progress made and the general effectiveness of the program's improvement activities, both on the short-term and longer-term.

The chair of the committee gave an update on Bereikbaarheid to the GMC in April and September 2019.

Overview of the Permanent Education Sessions of the Supervisory Board

- On January 15, 2019, the Supervisory Board members were updated on developments in regulation and tax by senior legal counsel, a professor in Banking Law & Financial Regulation, and the Head of Tax.

- On March 11, 2019, the Supervisory Board members extended a standing invitation for a session on the regulatory context of transaction monitoring and anti-money laundering/ counter-terrorism financing (CAMS).

- On March 22, 2019, upon the request by the Risk Committee, an education session was organized regarding the challenges of assessing and managing Country Risk.
- On May 21, 2019, a deep dive was held on the CIOO domain and the Supervisory Board was informed of, among other things, the digitalization of client processes, the use of automation and robotics, and architecture.
- On June 13, 2019, at the request of the Audit Committee, the Supervisory Board was informed of Rabobank's climate agenda, including the Paris Agreement and the UN SDGs, and discussed the external requirements regarding climate reporting.
- On November 12, 2019, in close cooperation with BPD, Vista, Obvion, Tribe Wonen, and CRO Retail, an in-depth overview was given of developments in and the strategy of the different labels concerning the Dutch mortgage portfolio.
- On December 12, 2019, the Supervisory Board attended the Managing Board's educational session on Global CAMS.

Transactions with Conflict of Interest
In 2019 there were no transactions involving a conflict of interest between Rabobank and members of the Supervisory or Managing Boards.

Proposal to the GMC and Conclusion
In accordance with the relevant provisions of the Articles of Association of Rabobank, the Supervisory Board has reviewed Rabobank's Annual Report 2019 and annual accounts, as well as other relevant, associated information. The Supervisory Board discussed these documents with the Managing Board, the internal auditor and external independent auditor (PwC) and took note of the unqualified external auditor's report that PwC issued on the annual accounts in 2019. The Supervisory Board advises the GMC to adopt the 2019 annual accounts.

Rounding up: A Word of Appreciation
The Supervisory Board highly appreciates the various opportunities to engage with our clients both in the Netherlands and abroad, during off-site meetings, during visits to local Rabobanks, and while participating in (international) client events. The insights gained contribute to the discussions of the board on strategic as well as regulatory and control issues.

Utrecht, March 5, 2020
Supervisory Board Rabobank

Consolidated Financial Statements

Contents

Consolidated Statement of Financial Position

Consolidated Statement of Financial Position

Amounts in millions of euros	Note	December 31 2019	December 31 2018
Assets			
Cash and cash equivalents	6	63,086	73,335
Loans and advances to credit institutions	7	29,297	17,859
Financial assets held for trading	8	1,870	2,876
Financial assets designated at fair value	9	101	157
Financial assets mandatorily at fair value	10	1,905	2,134
Derivatives	11	23,584	22,660
Loans and advances to customers	12	440,507	436,591
Financial assets at fair value through other comprehensive income	13	13,505	18,730
Investments in associates and joint ventures	14	2,308	2,374
Goodwill and other intangible assets	15	829	966
Property and equipment	16	5,088	4,455
Investment properties	17	371	193
Current tax assets		169	243
Deferred tax assets	27	933	1,165
Other assets	18	6,610	6,431
Non-current assets held for sale	19	435	268
Total assets		**590,598**	**590,437**
Liabilities			
Deposits from credit institutions	20	21,244	19,397
Deposits from customers	21	342,536	342,410
Debt securities in issue	22	130,403	130,806
Financial liabilities held for trading	23	399	400
Financial liabilities designated at fair value	24	6,328	6,614
Derivatives	11	24,074	23,927
Other liabilities	25	6,835	6,342
Provisions	26	783	1,126
Current tax liabilities		228	229
Deferred tax liabilities	27	540	452
Subordinated liabilities	29	15,790	16,498
Liabilities held for sale		91	-
Total liabilities		**549,251**	**548,201**
Equity			
Reserves and retained earnings	31	28,157	27,264
Equity instruments issued by Rabobank			
- Rabobank Certificates	32	7,449	7,445
- Capital Securities	33	5,264	6,493
		12,713	**13,938**
Non-controlling interests			
Equity instruments issued by subsidiaries			
- Capital Securities	33	-	164
- Trust Preferred Securities IV	33	-	389
Other non-controlling interests	34	477	481
		477	**1,034**
Total equity		**41,347**	**42,236**
Total equity and liabilities		**590,598**	**590,437**

Consolidated Statement of Income

Consolidated Statement of Income

		For the year ended December 31	
Amounts in millions of euros	*Note*	*2019*	*2018*
Interest income from financial assets using the effective interest method	36	15,898	15,960
Other interest income	36	259	321
Interest expense	36	7,674	7,722
Net interest income	**36**	**8,483**	**8,559**
Fee and commission income	37	2,151	2,106
Fee and commission expense	37	162	175
Net fee and commission income	**37**	**1,989**	**1,931**
Income from other operating activities	38	2,154	2,547
Expenses from other operating activities	38	1,684	1,964
Net income from other operating activities	**38**	**470**	**583**
Income from investments in associates and joint ventures	39	192	243
Gains/ (losses) arising from the derecognition of financial assets measured at amortised cost		73	14
Gains/ (losses) on financial assets and liabilities at fair value through profit or loss	40	156	238
Gains/ (losses) on financial assets at fair value through other comprehensive income		27	112
Other income	41	525	340
Income		**11,915**	**12,020**
Staff costs	42	4,821	4,868
Other administrative expenses	43	1,874	2,190
Depreciation and amortization	44	420	388
Operating expenses		**7,115**	**7,446**
Impairment on investments in associates	14	300	-
Impairment charges on financial assets	45	975	190
Regulatory levies	46	484	478
Operating profit before tax		**3,041**	**3,906**
Income tax	47	838	902
Net profit for the year		**2,203**	**3,004**
Of which attributed to Rabobank		1,295	1,894
Of which attributed to Rabobank Certificates		484	484
Of which attributed to Capital Securities issued by Rabobank		355	530
Of which attributed to Capital Securities issued by subsidiaries		4	14
Of which attributed to Trust Preferred Securities IV		19	22
Of which attributed to other non-controlling interests	34	46	60
Net profit for the year		**2,203**	**3,004**

Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income

Amounts in millions of euros	*Note*	*2019*	*2018*
Net profit for the year		**2,203**	**3,004**
Other comprehensive income transferred to profit or loss if specific conditions are met, net of tax:			
Exchange differences on translation of foreign operations	31	84	134
Increase/ (decrease) in the fair value of debt instruments at fair value through other comprehensive income	31	(1)	(152)
Costs of hedging	31	16	30
Cash flow hedges	31	14	(1)
Share of other comprehensive income of associates and joint ventures	31	99	(84)
Other	31	5	-
Other comprehensive income not to be transferred to profit or loss, net of tax:			
Remeasurements of post-employee benefit obligations	31	(20)	76
Increase/ (decrease) in the fair value of equity instruments at fair value through other comprehensive income	31	31	(8)
Share of other comprehensive income of associates and joint ventures	31	(5)	4
Decrease/ (increase) in the fair value due to own credit risk on financial liabilities designated at fair value	31	(112)	111
Other	31	(62)	-
Other comprehensive income		**49**	**110**
Total comprehensive income		**2,252**	**3,114**
Of which attributed to Rabobank		1,340	2,007
Of which attributed to Rabobank Certificates		484	484
Of which attributed to Capital Securities issued by Rabobank		355	530
Of which attributed to Capital Securities issued by subsidiaries		4	14
Of which attributed to Trust Preferred Securities IV		19	22
Of which attributed to other non-controlling interests		50	57
Total comprehensive income		**2,252**	**3,114**

Consolidated Statement of Changes in Equity

Consolidated Statement of Changes in Equity

Amounts in millions of euros	*Note*	*Reserves and retained earnings*	*Equity instruments issued by Rabobank*	*Non-controlling interests: Equity instruments issued by subsidiaries*	*Non-controlling interests: Other*	*Total*
Balance on January 1, 2019		**27,264**	**13,938**	**553**	**481**	**42,236**
Net profit for the year		2,157	-	-	46	2,203
Other comprehensive income	31	45	-	-	4	49
Total comprehensive income		**2,202**	**-**	**-**	**50**	**2,252**
Payments on Rabobank Certificates		(484)	-	-	-	(484)
Payments on Trust Preferred Securities IV		(19)	-	-	-	(19)
Payments on Capital Securities issued by Rabobank		(396)	-	-	-	(396)
Payments on Capital Securities issued by subsidiaries		(5)	-	-	-	(5)
Redemption of Capital Securities	33	(493)	(2,502)	(164)	-	(3,159)
Redemption of Trust Preferred Securities IV	33	-	-	(383)	-	(383)
Issue of Capital Securities	33	-	1,250	-	-	1,250
Cost of issue of Capital Securities		-	(7)	-	-	(7)
Disposal of financial assets at fair value through other comprehensive income	33	71	-	-	-	71
Other		17	34	(6)	(54)	(9)
Balance on December 31, 2019		**28,157**	**12,713**	**-**	**477**	**41,347**
Balance on December 31, 2017		**25,376**	**13,199**	**560**	**475**	**39,610**
Change in accounting policy IFRS 9		(26)	-	-	-	(26)
Change in accounting policy IFRS 15		41	-	-	-	41
Restated balance on January 1, 2018		**25,391**	**13,199**	**560**	**475**	**39,625**
Net profit for the year		2,944	-	-	60	3,004
Other comprehensive income	31	113	-	-	(3)	110
Total comprehensive income		**3,057**	**-**	**-**	**57**	**3,114**
Payments on Rabobank Certificates		(484)	-	-	-	(484)
Payments on Trust Preferred Securities IV		(22)	-	-	-	(22)
Payments on Capital Securities issued by Rabobank		(539)	-	-	-	(539)
Payments on Capital Securities issued by subsidiaries		(14)	-	-	-	(14)
Redemption of Capital Securities	33	(79)	(275)	-	-	(354)
Issue of Capital Securities	33	-	1,000	-	-	1,000
Cost of issue of Capital Securities		-	(6)	-	-	(6)
Settlement pension plan		(56)	-	-	-	(56)
Other		10	20	(7)	(51)	(28)
Balance on December 31, 2018		**27,264**	**13,938**	**553**	**481**	**42,236**

Consolidated Statement of Cash Flows

Consolidated Statement of Cash Flows

		For the year ended December 31	
Amounts in millions of euros	*Note*	*2019*	*2018*
Cash flows from operating activities			
Operating profit before tax		3,041	3,906
Adjusted for:			
Non-cash items recognised in operating profit before tax			
Depreciation and amortization	44	420	388
Depreciation of operating lease assets and investment properties	16,17	699	602
Impairment charges on financial assets	45	975	190
(Reversal) Impairment losses on property and equipment	16	(22)	42
(Reversal) Impairment losses on other intangible assets	15	25	2
Impairment on investments in associates	14	300	-
Gains/ (losses) on disposal of property and equipment		19	5
Income from investments in associates and joint ventures	39	(192)	(243)
Income from disposal of subsidiaries		(373)	(119)
Gains/ (losses) on financial assets and liabilities at fair value through profit or loss	40	(156)	(238)
Gains/ (losses) on derecognition of debt instruments at fair value through other comprehensive income	41	(27)	(112)
Gains/ (losses) arising from the derecognition of financial assets measured at amortised cost		(73)	(14)
Provisions	26	163	276
Capitalised costs self-developed software and other assets		(88)	(118)
Net change in operating assets			
Loans and advances to and deposits from credit institutions	7, 20, 45	(9,591)	9,459
Financial assets held for trading	9, 40	1,162	(872)
Derivatives	11	(923)	2,872
Net increase/ (decrease) in financial assets and liabilities designated at fair value	9, 24	(231)	(17)
Net increase/ (decrease) in financial assets mandatorily at fair value	10	230	709
Loans and advances to customers	12, 45	(4,817)	(7,360)
Acquisition of financial assets at fair value through other comprehensive income	13	(5,848)	(4,861)
Proceeds from the sale and repayment of financial assets at fair value through other comprehensive income	13	10,928	14,139
Acquisition of operational lease assets	16	(1,286)	(1,152)
Proceeds from the disposal of operational lease assets	16	274	435
Dividends received from associates and financial assets	14	77	176
Net change in liabilities relating to operating activities			
Derivatives	11	147	(4,636)
Financial liabilities held for trading	23	(1)	(181)
Deposits from customers	21	126	(786)
Other liabilities	25	656	(1,853)
Income tax paid		(289)	(182)
Other changes		3,032	2,169
Net cash flow from operating activities		**(1,643)**	**12,626**
Cash flows from investing activities			
Acquisition of investments in associates	14	(90)	(43)
Proceeds from disposal of investments in associates	14	71	182
Proceeds from disposal of subsidiaries net of cash and cash equivalents		(996)	-

		For the year ended December 31	
Acquisition of property, equipment and investment properties	16, 17	19	151
Proceeds from the disposal of property, equipment and investment properties	16, 17	(35)	(41)
Net cash flow from investing activities		**(1,031)**	**249**
Cash flows from financing activities			
Proceeds from debt securities in issue	22, 35	43,318	63,164
Redemption of debt securities in issue	22, 35	(46,825)	(69,203)
Proceeds from the issue of subordinated liabilities	35	1	-
Redemption of subordinated liabilities	35	(1,000)	(21)
Purchase of Rabobank Certificates	32	(989)	(1,038)
Sale of Rabobank Certificates	32	993	1,043
Issue of Capital Securities (including cost of issue)		1,243	994
Payments on Rabobank Certificates, Trust Preferred Securities IV and Capital Securities		(904)	(1,059)
Payments on Senior Contingent Notes		(83)	(86)
Redemption of Capital Securities	33	(3,159)	(354)
Redemption of Trust Preferred Securities IV		(383)	-
Net cash flow from financing activities		**(7,788)**	**(6,560)**
Net change in cash and cash equivalents		**(10,462)**	**6,315**
Cash and cash equivalents at the beginning of the year		73,335	66,861
Exchange rate differences on cash and cash equivalents		213	159
Cash and cash equivalents at the end of the year		63,086	73,335
The cash flows from interest are included in the net cash flow from operating activities			
Interest received		15,551	15,693
Interest paid		6,834	7,180

Notes to the Consolidated Financial Statements

1. 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. Rabobank serves approximately 9.4 million clients around the world. Rabobank's Consolidated Financial Statements include the financial information of Coöperatieve Rabobank U.A. and its consolidated subsidiaries in the Netherlands and abroad. Coöperatieve Rabobank U.A. has its registered office in Amsterdam and is registered under Chamber of Commerce number 30046259.

2. Accounting Policies

The primary accounting policies used in preparing these consolidated financial statements are set out below.

2.1 Basis of Preparation

The Consolidated Financial Statements of Rabobank have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (E.U.) and the applicable articles of Part 9 of Book 2 of the Dutch Civil Code. The consolidated financial statements have been prepared on the basis of the accounting policies set out in this section.

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

IFRS 16 Leases

IFRS 16 became effective on January 1, 2019 and Rabobank applied the modified retrospective approach which retained the prior period figures as reported under the previous standard and recognized the effects of IFRS 16 in the opening balance as per January 1, 2019. The adoption of IFRS 16 Leases resulted in changes in accounting policies. The new accounting policies are set out in Section 2.22 Leasing. Rabobank recognized the right-of-use assets as part of the line-item Property and Equipment and a corresponding lease liability as part of line-item Other Liabilities in the Consolidated Statement of Financial Position. The lease liability is measured at the present value of the lease payments. On initial application, the right-of-use asset is measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The introduction of IFRS 16 did not have an impact on the opening balance of equity, but led to an increase of assets and liabilities as per January 1, 2019, for an amount of EUR 554 million. Rabobank applied the following practical expedients at the date of initial application: i) reliance on previous assessments whether a contract is, or contains a lease at the date of initial application; ii) reliance on the assessment of whether leases are onerous by applying IAS 37 immediately before the date of initial application as an alternative to performing an impairment review which then leads to an adjustment of the right-of-use asset by the amount of any provision for onerous leases and iii) exclusion of the initial direct costs from the measurement of the right-of-use asset.

	January 1, 2019
The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized	4.2
Off balance operating lease commitments as per December 31, 2018, discounted using the incremental borrowing rate on January 1, 2019	611
Change as a result of excluding non-lease components	(31)
Change as a result of excluding low-value and short-term leases	(26)
Lease liabilities recognized in the statement of financial position	**554**

Other Amendments to IFRS

Amendments have been made to IAS 28, IAS 19 and IFRS 9. Furthermore, IFRIC 23 and the Annual Improvements to IFRS Standards 2015-2017 Cycle have been issued. The implementation of these amendments does not impact profit or equity.

New Standards issued by the International Accounting Standards Board (IASB) and adopted by the European Union which do not yet apply in the Current Financial Year

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

These amendments will affect Rabobank because it applies the hedge accounting requirements of IFRS 9 and IAS 39 to hedging relationships that are affected by the interest rate benchmark reform. 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 will 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 programme 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 amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Rabobank will not early adopt these amendments nor does it expect that the implementation of these amendments will 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. Although these new requirements are currently being analyzed and their impact is not yet known, Rabobank does not expect that the implementation of these amendments will significantly 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, 2021. 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 gives 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. Rabobank is currently assessing the impact of this standard. An effect could arise at Rabobank's associate, Achmea.

Changes in Accounting Principles and Presentation
As per the Financial Statements 2019 IT staff costs, training and travelling expenses have been reclassified from "Other Administrative Expenses" to "Staff Costs" to better reflects the type of costs incurred. The comparative figures were reclassified for an amount of EUR 590 million on 31 December 2018.

Going Concern
The Managing Board considers it appropriate to adopt the going concern basis of accounting in preparing these financial statements based on a forecast analysis which supports the going concern assumption.

Judgments and Estimates
In preparing the consolidated financial statements management applied judgment 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.

Impairment Allowances on Financial Assets
Rabobank applies the three-stage expected credit loss impairment models for measuring and recognizing expected credit losses which involve a significant degree of management judgement. 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 4.3.6 "Judgements and estimates on Model Based Impairment Allowances on Financial Assets". For credit-impaired financial assets that are assessed on an individual basis, a discounted cash flow calculation is performed. In many cases, judgment is required for the estimation of the expected future cash flows and the weighting of the three scenarios.

Fair Value of Financial Assets and Liabilities
Information regarding the determination of the fair value of financial assets and liabilities is included in Section 4.9 "Fair Value of Financial Assets and Liabilities" and Section 11 "Derivatives".

Impairment of Goodwill, 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. The determination of 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, necessitating management to make subjective judgments and assumptions. Because these estimates and assumptions could result in significant differences to the amounts reported if underlying circumstances were to change, these estimates are considered to be critical. The important assumptions for determining recoverable value of goodwill are set out in Section 15; the assumptions for investments in associates and joint ventures are set out in Section 14.

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 approval of the tax authorities for lengthy periods. The tax assets and liabilities reported here 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.

Other Provisions
Judgement is involved in the application of IAS 37 when determining whether a present obligation exists and in estimating the probability, timing, and amount of any outflows. More information on judgments regarding the provision for SME derivatives and the restructuring provision is included in Section 26 "Provisions".

2.2 Consolidated Financial Statements

2.2.1 Subsidiaries

The participating interests over which Rabobank has control are its subsidiaries (including structured entities) and these are consolidated. Control is exercised over a participating interest if the investor is entitled to receive variable returns from its involvement in the participating interest and has the ability to influence these returns through its control over the participating interest. The assets, liabilities and profit and loss of these companies are fully consolidated.

Subsidiaries are consolidated as from the date on which Rabobank acquires effective control and subsidiaries are de-consolidated as of the date on which this control is ceded. Transactions, balances and unrealized gains and losses on transactions between and among Rabobank Group and its subsidiaries are eliminated on consolidation.

2.2.2 Investments in Associates and Joint Ventures

Investments in associates and joint ventures are initially recognized at cost (including goodwill) and subsequently accounted for using the equity method of accounting. Its share of post-acquisition profits and losses is recognized in the income statement and its share of post-acquisition movements in reserves is recognized directly in other comprehensive income. The cumulative post-acquisition movements are included in the carrying amount of the investment.

Associates are entities over which Rabobank can exercise significant influence and in which it generally holds between 20% and 50% of the voting rights but does not have control. A joint venture is an agreement between one or more parties under which the parties jointly have control and are jointly entitled to the net assets under the agreement. Unrealized profits on transactions between Rabobank and its associates and joint ventures are eliminated in proportion to Rabobank’s interest in the respective associates and joint ventures. Unrealized losses are also eliminated unless the transaction indicates that an impairment loss should be recognized on the asset(s) underlying the transaction.

2.3 Derivatives and Hedging

Derivatives generally comprise foreign exchange contracts, currency and interest rate futures, forward rate agreements, currency and interest rate swaps and currency and interest rate options (written or acquired). Derivatives are recognized at fair value (excluding transaction costs) determined on the basis of listed market prices (with mid-prices being used for EUR, USD and GBP derivatives that have a bid-ask range), prices offered by traders, discounted cash flow models and option valuation models based on current market prices and contract prices for the underlying instruments and reflecting the time value of money, yield curves and the volatility of the underlying assets and liabilities. Derivatives are included under assets if their fair value is positive and under liabilities if their fair value is negative.

Derivatives Not Used for Hedging
Realized and unrealized gains and losses on derivatives held for trading are recognized at fair value in "Gains/ (Losses) on Financial Assets and Liabilities at Fair Value through Profit or Loss".

Derivatives Used for Hedging
Derivatives are used for asset and liability management of interest rate risks, credit risks and foreign currency risks. Rabobank applies IFRS 9 for non-portfolio hedge accounting. IFRS 9 does not offer a solution for fair value hedge accounting for a portfolio hedge of interest rate risk. Rabobank opted to use the accounting policy choice of IFRS 9 to continue to apply the IAS 39 EU carve-out for such portfolio hedge accounting.

At the time of inception of a hedge-accounting relationship, derivatives are designated as one of the following: (1) a hedge of the fair value of an asset, a group of assets or a liability in the statement of financial position (fair value hedge); (2) a hedge of future cash flows allocable to an asset or liability in the statement of financial position, an expected transaction or a firm commitment (cash flow hedge); or (3) a hedge of a net investment in a foreign operation (net investment hedge). Hedge accounting is applied for derivatives designated in this manner provided that certain criteria are met, including the following:

There must be formal documentation of the hedging instrument, the hedged item, the objective of the hedge, the hedging strategy, and the hedge relationship; Documentation of the assessment and analysis of the sources of hedge ineffectiveness and how the hedges ratio is determined (IFRS 9); The hedge must be expected to be effective, within 80% to 125% (IAS 39), in covering changes in the hedged item's fair value or the cash flows allocable to the hedged risks during the entire reporting period; The hedge must be continuously effective from the moment of its inception; There is an economic relationship between the hedged item and hedging instrument (IFRS 9).

1. Derivatives Used for Fair Value Hedge Accounting
Changes in the fair value of derivatives that are designated as fair value hedges and are effective in terms of the hedged risks are recognized in the statement of income in 'Gains/ (losses) on financial assets and liabilities at fair value through profit or loss', together with the corresponding changes in the fair values of the assets or liabilities hedged.

As and when the hedge no longer meets the criteria for hedge accounting (applying the fair value hedge model), the cumulative adjustment to the fair value of a hedged interest-bearing financial instrument is amortized through profit and loss over the relevant interest repricing period.

2. Derivatives Used for Cash Flow Hedge Accounting
Changes in the fair value of derivatives that are designated (and qualify) as cash flow hedges and that are effective in relation to the hedged risks are recognized in other comprehensive income. Ineffective elements of the changes in the fair value of derivatives are recognized in the statement of income. If a forecast transaction or a recognized liability results in the recognition of a non-financial asset or liability, any deferred profits or losses included in other comprehensive income are transferred to the initial carrying amount (cost) of the asset or liability. In all other cases, deferred amounts included in other comprehensive income are taken to the statement of income in "Gains/ (Losses) on Financial Assets and Liabilities at Fair Value through Profit or Loss" in the periods in which the hedged recognized liability or the forecast transaction was recognized in the statement of income.

3. Derivatives Used for Net Investment Hedge Accounting
The hedging instruments used to hedge net investments in foreign operations are measured at fair value, with changes in the fair value being recognized in other comprehensive income for the portion that is determined to be an effective hedge. Changes in the hedged equity instrument resulting from exchange-rate fluctuations are also recognized in other comprehensive income. Gains and losses accumulated in other comprehensive income are reclassified to profit or losses when the equity instrument is disposed of.

4. Costs of Hedging
The cross currency basis spreads of cross currency interest rate swaps in hedge accounting relationships designated with issued bonds in foreign currency is excluded from designation. The cross currency basis spread volatility is taken through OCI as costs of hedging and is reclassified to profit or loss in the same periods as when the hedged expected future cash flows affect profit or loss till maturity of the issued bond (time period of the related hedged item).

Although derivatives are used as economic hedges under Rabobank's managed risk positions, certain derivative contracts do not qualify for hedge accounting under the specific IFRS rules. Interest on derivatives held for economic hedging purposes are shown under interest expense, both the receive and pay leg of the derivative.

2.4 Financial Assets and Liabilities Held for Trading

Financial assets held for trading are financial assets acquired with the objective of generating profit from short-term fluctuations in prices or trading margins or they are financial assets that form part of portfolios characterized by patterns of short-term profit participation. Financial assets held for trading are recognized at fair value based on listed bid prices and all realized and unrealized results therefrom are recognized under "Gains/ (Losses) on Financial Assets and Liabilities at Fair Value through Profit or Loss'. Interest earned on financial assets is recognized as interest income. Dividends received from financial assets held for trading are recognized as "Gains/ (Losses) on Financial Assets and Liabilities at Fair Value through Profit or Loss'.

Financial liabilities held for trading are mainly negative fair values of derivatives and delivery obligations that arise on the short selling of securities. Securities are sold short to realize gains from short-term price fluctuations. The securities needed to settle short sales are acquired through securities lending and repurchasing agreements. Securities sold short are recognized at fair value on the reporting date.

2.5 Financial Assets and Financial Liabilities Designated at Fair Value

On initial recognition, certain financial assets (including direct and indirect investments in venture capital but excluding assets held for trading) and certain liabilities may be included as "Financial Assets and Liabilities designated at Fair Value" if this accounting eliminates or significantly reduces any inconsistent treatment that would otherwise have arisen upon measurement of the assets or liabilities or recognition of profits or losses on the basis of different accounting policies.

Interest earned and due on such assets and liabilities is recognized as interest income and expense, respectively. Other realized and unrealized gains and losses on the revaluation of these financial instruments to fair value are included under "Gains/ (Losses) on Financial Assets and Liabilities at Fair Value through Profit or Loss" except for fair value changes due to own credit risk of Financial Liabilities designated at fair value. These Fair Value changes after tax are presented in other comprehensive income under line item "Fair Value Changes Due to Own Credit Risk on Financial Liabilities Designated at Fair Value". Presenting these effects of changes in credit risk in other comprehensive income does not create or enlarge an accounting mismatch in profit or loss.

2.6 Day One Gains/ Losses

When using fair value accounting at the inception of a financial instrument, any positive or negative difference between the transaction price and the fair value (referred to as "day one gain/ loss") is accounted for immediately under "Gains/ (Losses) on Financial Assets and Liabilities at Fair Value through Profit or Loss" where the valuation method is based on observable inputs from active markets. In all other cases, the entire day one gain/loss is deferred and accounted for as "Other liabilities" or "Other assets". After initial recognition the deferred day one gain/ loss is recognized as a gain/ loss to the extent it results from a change in a factor (including time effects).

2.7 Financial Assets at Fair Value Through Other Comprehensive Income

Debt instruments that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income and presented as "Financial Assets at Fair Value through Other Comprehensive Income".

Financial assets at fair value through other comprehensive income are initially recognized at fair value, including transaction costs, based on quoted bid prices or at values derived from cash flow models. The fair values of unlisted equity instruments are estimated on the basis of appropriate price/earnings ratios and adjusted to reflect the specific circumstances of the respective issuer.

Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss. Interest from these financial assets is included in net interest income using the effective interest rate method. Impairment losses are included in "Impairment Charges on Financial Assets" in the statement of income.

Where Rabobank has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when Rabobank's right to receive payments is established.

2.8 Repurchase Agreements and Reverse Repurchase Agreements

Financial assets that are sold subject to related sale and repurchase agreements are included in the financial statements under "Financial Assets Held for Trading" or "Financial Assets at Fair Value through Other Comprehensive Income", as applicable. The liability to the counterparty is included under "Deposits from Credit Institutions" or "Deposits from Customers", as applicable.

Financial assets acquired under reverse sale and reverse repurchase agreements are recognized as "Loans and Advances to Credit Institutions" or "Loans and Advances to Customers", as applicable. The difference between the sales and repurchasing prices is recognized as interest income/expense over the term of the agreement using the effective interest method.

2.9 Securitizations and (De)Recognition of Financial Assets and Liabilities

Recognition of Financial Assets and Liabilities
Purchases and sales of financial assets and liabilities classified as fair value through profit or loss and financial assets at fair value through profit or loss which are required to be delivered within a regulatory-prescribed period or in accordance with market conventions are recognized on the transaction date. Financial instruments carried at amortized cost are recognized on the settlement date.

Securitizations and Derecognition of Financial Assets and Liabilities
Rabobank securitizes, sells and carries various financial assets. Those assets are sometimes sold to a special purpose entity (SPE) which then issues securities to investors. Rabobank has the option of retaining an interest in these assets in the form of subordinated interest-only strips, subordinated securities, spread accounts, servicing rights, guarantees, put and call options or other constructions.

A financial asset (or a portion thereof) is derecognized where:

- The rights to the cash flows from the asset expire;
- The rights to the cash flows from the asset and substantially all the risks and rewards of ownership of the asset are transferred;
- A contractual obligation is assumed to transfer the cash flows from the asset and substantially all the risks and rewards have been transferred; or
- Substantially all the risks and rewards are neither transferred nor retained but where control over the asset is not retained.

A financial liability or a part thereof is derecognized if it ceases to exist, i.e. after the contractual obligation has been fulfilled or cancelled or has expired. Continuing involvement is recognized if Rabobank neither retains nor transfers substantially all the risks and rewards and control has retained. The asset is recognized to the extent of Rabobanks continuing involvement in it.

Where a transaction does not meet these conditions for derecognition, it is recognized as a loan for which security has been provided. To the extent that the transfer of a financial asset does not qualify for derecognition, Rabobank's contractual rights are not separately recognized as derivatives if recognition of these instruments and the transferred asset, or the liability arising from the transfer, were to result in the double recognition of the same rights and obligations.

Profits and losses on securitizations and sale transactions depend partly on the carrying amounts of the assets transferred. The carrying amounts of these assets are allocated to the interests sold and retained using the relative fair values of these interests on the date of sale. Any gains and losses are recognized through profit and loss at the time of transfer. The fair value of the interests sold and retained is determined based on listed market prices or as the present value of the future expected cash flows based on pricing models that involve several assumptions regarding credit losses, discount rates, yield curves, payment frequency or other factors.

2.10 Cash and Cash Equivalents

Cash equivalents are highly liquid short-term assets held at central banks to meet current cash obligations rather than for investment or other purposes. These assets have terms of less than 90 days from inception. Cash equivalents are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

2.11 Offsetting Financial Assets and Liabilities

Where there is legal right to offset recognized amounts and it is intended to settle the expected future cash flows on a net basis or to realize the asset and settle the liability simultaneously, financial assets and liabilities are offset and the net amount is recognized in the statement of financial position. This relates predominantly to derivatives and reverse repurchase agreements. The offsetting of taxes is addressed in Section 2.26.

2.12 Foreign Currency

Foreign Entities
Transactions and balances included in the financial statements of individual entities within Rabobank Group are reported in the currency that best reflects the economic reality of the individual entity's underlying operating environment (the functional currency).

The consolidated financial statements are presented in euros, which is the parent company's functional currency. The statements of income and cash flows of foreign operations are translated into Rabobank's presentation currency at the exchange rates prevailing on the transaction dates, which approximate the average exchange rates for the reporting period, and the statements of financial position are translated at the rates prevailing at the end of the reporting period. Exchange differences arising on net investments in foreign operations and on loans and other currency instruments designated as hedges of these investments are recognized in other comprehensive income. On sale of a foreign operation, these translation differences are transferred to the statement of income as part of the profit or loss on the sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are recognized as the assets and liabilities of the foreign entity, and are translated at the prevailing rate at the end of the reporting period.

Foreign Currency Transactions
Transactions in foreign currencies are translated into the functional currency at the exchange rates prevailing on the transaction dates. Differences arising on the settlement of transactions or on the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income as foreign exchange gains and losses and differences that qualify as net investment hedges are recognized in other comprehensive income. Translation differences on non-monetary items measured at fair value through profit or loss are

recognized as part of the fair value gains or losses. Translation differences on non-monetary assets at fair value through other comprehensive income are included in the revaluation reserves for equity instruments at fair value through other comprehensive income.

2.13 Interest

Interest income and expense are recognized in the statement of profit or loss using the effective interest method. The effective interest method is a method used for calculating the amortized cost of a financial asset or a financial liability and for allocating the interest income or interest expense to the relevant period. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. Interest income shall be calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for credit-impaired financial assets. For those financial assets, Rabobank applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods. Interest income on financial assets using the effective interest method includes interest income on "Cash and Cash Equivalents", "Loans and Advances to Credit Institutions", "Loans and Advances to Customers", "Financial Assets at Fair Value through Other Comprehensive Income" and "Derivatives used for Fair Value Hedge-Accounting". Interest on derivatives held for economic hedging purposes are shown under interest expense, both the receive and pay leg of the derivative.

2.14 Fees and Commissions

Rabobank earns fee and commission income from a diverse range of services it provides to its customers. Commissions earned for the provision of services such as payment services and advisory fees are generally recognized as the service is provided. Commission received for negotiating a transaction or for involvement in negotiations on behalf of third parties (for example the acquisition of a portfolio of loans, shares or other securities or the sale or purchase of companies) is recognized upon completion of the underlying transaction.

2.15 Loans and Advances to Customers and Loans and Advances to Credit Institutions

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest on the principal amount outstanding are measured at amortized cost and presented as "Loans and Advances to Credit Institutions" or "Loans and Advances to Customers". At initial recognition, Rabobank measures these financial assets at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Interest income from these financial assets is included in net interest income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in "Gains/ (Losses) Arising from the Derecognition of Financial Assets Measured at Amortized Cost". Impairment losses are included in "Impairment Charges on Financial Assets" in the statement of income.

2.16 Impairment Allowances on Financial Assets

Impairment allowances apply to financial assets at amortized cost and financial assets at fair value through OCI, as well as to lease receivables, contract assets, trade receivables, certain loan commitments and financial guarantees. At initial recognition, an allowance is formed for the amount of the expected credit losses from possible defaults in the coming 12 months (stage 1). If credit risk increased significantly since origination (but remains non-credit-impaired), an allowance will be required for the amount that equals the expected credit losses stemming from possible defaults during the expected lifetime of the financial asset (stage 2). If the financial instrument becomes credit-impaired the allowance will remain at the Lifetime ECL (stage 3). For these instruments the interest income will be recognized by applying the effective interest rate on the net carrying amount (including the impairment allowance). Financial instruments become credit-impaired when one or more events have occurred that had a detrimental impact on estimated future cash flows. Rabobank does not use the low credit risk exemption for any financial instrument.

Two fundamental drivers of the IFRS 9 impairments requirements are a) the methodology for the measurement of 12-Month and Lifetime Expected Credit Losses and b) the criteria used to determine whether a 12-month ECL, Lifetime ECL non-credit-impaired, or Lifetime ECL credit-impaired should be applied (also referred to as stage determination criteria).

a) Methodology to Determine Expected Credit Losses
In order to determine ECLs Rabobank utilizes point in time Probability of Default (PD) x Loss Given Default (LGD) x Exposure at Default (EAD) models for the majority of the portfolio in scope. Three global macroeconomic scenarios are incorporated into these models and probability weighted in order to determine the expected credit losses. When unexpected external developments

or data quality issues are not sufficiently covered by the outcome of the ECL models, an adjustment will be made.

b) Stage Determination Criteria

In order to allocate financial instruments in scope between stage 1, stage 2 and stage 3 a framework of qualitative and quantitative factors has been developed. The criteria for allocating a financial instrument to stage 3 are fully aligned with the criteria for assigning a defaulted status, for example 90 days past due status, or if a debtor is likely to become unable to pay its credit obligations without liquidation of collateral by the bank. In order to allocate financial instruments between stages 1 and 2, Rabobank uses criteria, such as days past due status, special asset management status and deterioration of the PD since origination.

For portfolios without individual PD's or with PD's that are not updated on a frequent basis such that an assessment of the change in PD is not possible, a collective assessment on groups of financial instruments with shared credit risk characteristics is made.

Significant Increases in Credit Risk (SICR)

At each reporting date, Rabobank assesses whether the credit risk on financial instruments has increased significantly since initial recognition. There is a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when the contractual payments are over 30 days past due and/ or the financial asset is included in a watch-list. The rebuttable presumption is not an absolute indicator that lifetime ECL should be recognized, but is presumed to be the latest point at which lifetime ECL should be recognized.

The assessment of whether lifetime ECL are recognized is based on significant increases in the likelihood of default risk occurring since initial recognition – irrespective of whether a financial instrument has been repriced to reflect an increase in credit risk – instead of based on evidence of a financial instrument being credit-impaired at the reporting date or an actual default occurring. Generally, there will be a SICR before a financial instrument becomes credit impaired or an actual default occurs. For loan commitments, Rabobank considers changes in the default risk occurring on the loan to which a loan commitment relates. For financial guarantee contracts, it considers the changes in the risk that the specified debtor will default on the contract.

The assessment of changes in credit risk analysis is a multifactor and holistic analysis. Whether a specific factor is relevant (and its weight compared to other factors) depends on the type of product, characteristics of the financial instruments and the borrower as well as geographical region. The methods used to determine whether credit risk on financial instruments has increased significantly since initial recognition should consider the mentioned characteristics of the instruments (or a group of instruments) and the default patterns in the past for comparable financial instruments.

Default Definition

In defining default for the purposes of determining the risk of a default occurring, Rabobank applies a default definition consistent with the definition used for internal credit risk management purposes for the relevant financial instrument and considers qualitative indicators when appropriate. However, there is a rebuttable presumption that default does not occur later than when a contractual payment on a financial asset is 90 days past due. The definition of default used for these purposes is applied consistently to all financial instruments.

Collective Versus Individual Assessment

Some factors or indicators may not be identifiable on an individual instrument level. In that case, the factors or indicators are assessed for appropriate portfolios, groups of portfolios or a portion of a portfolio to determine whether the requirements for recognition of lifetime ECL have been met. The aggregation of financial instruments to assess whether there are changes in credit risk on a collective basis may change over time when new information becomes available on groups of, or individual, financial instruments.

Depending on the nature of the financial instruments and the credit risk information available for particular groups of financial instruments, Rabobank may not be able to identify SICR for an individual instrument before that instrument becomes past due. This may be the case for financial assets (such as retail loans) for which there is little or no updated credit risk information routinely obtained and monitored on an individual instrument level until a customer breaches the contractual terms. If changes in the credit risk for an individual instrument is not captured before it becomes past due, a loss allowance based solely on credit information at an individual instrument level would not faithfully represent the changes in credit risk since initial recognition.

In some circumstances, Rabobank has no reasonable and supportable information available without undue cost or effort to measure lifetime ECL on an individual instrument basis. Lifetime ECL is then recognized by collectively considering comprehensive credit risk information, which not only incorporates past due information but also all relevant credit information (including forward-looking macroeconomic information) to approximate the result of recognizing lifetime ECL when there has been a SICR since initial recognition on an individual instrument level.

For the purpose of determining SICR and recognizing a loss allowance on a collective basis, Rabobank may group financial instruments based on shared credit risk characteristics with the objective of facilitating an analysis designed to enable SICR to be identified on a timely basis. However, when Rabobank is unable to group financial instruments for which the credit risk is considered to have increased significantly since initial recognition based on shared credit risk characteristics, it recognizes lifetime ECL on a portion of the financial instruments for which credit risk is deemed to have increased significantly.

Shared credit risk characteristics may include but are not limited to: instrument types, credit risk ratings, collateral types, initial recognition dates, remaining terms to maturity, industries, geographic location, collateral value relative to the financial instrument if it has an impact on the PD (e.g., non-recourse loans in some jurisdictions or LTV ratios).

2.17 Modifications

The contractual terms of a financial asset may be modified for a commercial reason or due to a forbearance measure. A commercial modification is a change to the previous terms and conditions of a contract (financial asset) that alters the timing or amount of the contractual cash flows of the financial asset. Typically Rabobank considers a modification as non-substantial if it does not impact multiple aspects of the contract at the same time, for example a change in the fixed interest period, repayment type or obligors. At Rabobank, normally forbearance measures are non-substantial modifications.

Substantial modifications lead to a derecognition of the financial asset and non-substantial modifications lead to modification accounting. In case of a modification Rabobank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate.

2.18 Goodwill and Other Intangible Assets

Goodwill
Goodwill is the amount by which the acquisition price paid for a subsidiary exceeds the fair value on the date on which the share of net assets and contingent liabilities of the entity was acquired. With each acquisition, the other non-controlling interests are recognized at fair value or at its share of the identifiable assets and liabilities of the acquired entity. Tests are performed annually, or more frequently if indications so dictate, to determine whether there has been impairment.

Other Intangible Assets, including software development costs
Costs directly incurred in connection with identifiable and unique software products over which Rabobank has control and which will likely provide economic benefits exceeding the costs for longer than one year are recognized as other intangible assets. Direct costs include the personnel costs of the software development team, financing costs and an appropriate portion of the relevant overhead.

Expenditures that improve the performance of software as compared with their original specifications are added to the original cost of the software. Software development costs are recognized as other intangible assets and are amortized on a linear basis over a period not exceeding five years. Costs related to the maintenance of software are recognized as an expense at the time they are incurred.

Other intangible assets include those identified through business combinations, and they are amortized over their expected useful lives when the asset is available for use.

Impairment Losses on Goodwill
Goodwill is allocated to cash-generating units for the purpose of impairment testing, which is undertaken at the lowest level of assets that generate largely independent cash inflows. During the fourth quarter of each financial year, or more frequently if there are indications of impairment, goodwill is tested for impairment and any excess of carrying amount over recoverable amount is provided. The recoverable amount is the higher of the value in use and the fair value less selling costs.

The value in use of a cash flow generating unit is determined as the present value of the expected future pre-tax cash flows of the cash flow generating unit in question. The key assumptions used in the cash flow model depend on the input data and they reflect various judgmental financial and economic variables, such as risk-free interest rates and premiums reflecting the risk inherent in the entity concerned. Impairments of goodwill are included under ‘Impairment losses on goodwill’ in the statement of income, if applicable.

Impairment Losses on Other Intangible Assets
At each reporting date, an assessment is made as to whether there are indications of impairment of other intangible assets. If there are such indications, impairment testing is carried out to determine whether the carrying amount of the other intangible assets is fully recoverable. The recoverable amount shall be estimated for the individual asset. If it is not possible to estimate

the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined. An impairment loss is recognized if the carrying amount exceeds the recoverable amount. Impairment losses and impairment reversals are included in "Other Administrative Expenses" in the statement of income.

Regardless of any indication of impairment, intangible assets not yet available for use shall be tested for impairment annually by comparing its carrying amount with its recoverable amount.

2.19 Property and Equipment

Property and Equipment for Own Use
Property for own use consists mainly of office buildings and is recognized at cost less accumulated depreciation and impairment, as is equipment for own use. Assets are depreciated to their residual values over the following estimated useful lives on a straight-line basis:

Property	
- Land	Not depreciated
- Buildings	25 - 40 years
Equipment	
- Computer equipment	1 - 5 years
- Other equipment and vehicles	3 - 8 years

An annual assessment is made as to whether there are indications of impairment of property and equipment. If the carrying amount of an asset exceeds its estimated recoverable amount, the carrying amount is written down to the recoverable amount. Impairment losses and impairment reversals are included under "Other Administrative Expenses" in the statement of income. Gains and losses on the disposal of property and equipment are determined on the basis of their carrying amounts and are recognized in operating results.

Repair and maintenance work is charged to the statement of income at the time the costs are incurred. Expenditures to extend the economic life or increase the economic value of land and buildings as compared with their original economic value are capitalized and subsequently depreciated.

2.20 Investment Properties

Investment properties, primarily office buildings, are held for their long-term rental income and are not used by Rabobank or its subsidiaries. Investment properties are recognized as long-term investments and included in the statement of financial position at cost net of accumulated depreciation and impairment. Investment properties are depreciated on a straight-line basis to their residual values over an estimated useful life of forty years.

2.21 Other Assets

Structured Inventory Products
Rabobank offers several products that relate to financing commodities. Some of these products are recognized as loans with commodities as collateral, others as loans with embedded derivatives and others as commodities. The classification is mainly dependent on the transfer of risk and rewards of the commodity from the client to Rabobank.

Building Sites
Building sites are carried at cost, including allocated interest and additional expenses for purchasing the sites and making them ready for construction or, if lower, the net realizable value. Interest is not recognized in the statement of financial position for land which has not been zoned for a particular purpose if there is no certainty that the land will be built on. Possible decreases in value as a result of future change of designated use of the relevant land are not included in the cost of land, but are included in the determination of the net realizable value.

The net realizable value of all building sites is reviewed at least once a year or earlier, in case of any indications of impairment. The net realizable value for building sites is the direct realizable value or, if higher, the indirect realizable value. The direct realizable value is the estimated value upon sale less the estimated costs for achieving the sale. The indirect realizable value is the estimated sale price within the context of normal operations less the estimated costs of completion and the estimated costs necessarily incurred to realize the sale. The calculation of the indirect realizable value is based on an analysis of scenarios that includes as many site-specific aspects and company-specific parameters and conditions as possible. A downward revaluation is recognized if the carrying value exceeds the realizable value.

Properties on building sites are classified as investment property if the current use of Rabobank is to lease out these properties under one or more operating leases.

Work in Progress
Work in progress concerns sold and unsold residential projects under construction or in preparation, as well sold and unsold commercial property projects. Work in progress is carried at the costs incurred plus allocated interest or, if lower, the net realizable value. Revenues from projects for the construction of real estate are recognized when the related performance

obligations are satisfied. Expected losses on projects are immediately deducted from the work in progress. If Rabobank transfers (parts of) a project to a customer before the customer pays instalments, Rabobank presents a contract asset. If a customer pays instalments, or Rabobank has a right to instalments that is unconditional, before Rabobank transfers (parts of) a project to a customer, Rabobank presents a contract liability.

The carrying amount of unsold work in progress is annually reviewed for indications of a decline in value. If there is such an indication, the indirect realizable value of the work in progress is estimated; in most cases this is done by means of an internal or external appraisal. The indirect realizable value is the estimated sale price within the context of normal operations less the estimated costs of completion and the estimated costs necessarily incurred to realize the sale. A downward value adjustment is recognized if the carrying value exceeds the expected indirect realizable value, to the extent that this difference must be borne by Rabobank.

Finished Properties
Unsold residential properties and commercial developed in-house are carried at cost or, if lower, the net realizable value. The net realizable value of finished properties is reviewed at least once a year or if there are any indications for a decline in value. For finished properties, the net realizable value is generally equal to the direct realizable value, which is mostly determined by means of an internal or external appraisal. A downward value adjustment is recognized if the carrying value exceeds the expected direct realizable value, to the extent that the difference is on account of Rabobank.

2.22 Leasing

Rabobank as Lessee
Rabobank as a lessee recognises a right-of-use asset representing its right to use the underlying leased asset and a corresponding liability representing its obligation to make lease payments at the date at which the leased asset is available for use. Each lease payment is allocated between the lease liability and interest expense. The interest expenses are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use assets are depreciated over the lease term on a straight-line basis. The lease liability is measured at the present value of the lease payments. The lease payments comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- Fixed payments less any lease incentives received;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Rabobank defines the incremental borrowing rate as the internal funding rate (Funds Transfer Pricing (FTP) rate) plus an asset-specific premium. By using the FTP rate as a basis the discount rate will be defined for each time bucket and consists of the following elements:

- Base rate: the risk-free rate;
- Credit spread: based on credit risk of the group company;
- Country specific risk: based on location of the group company; and
- Currency risk: based on the functional currency of the group company;

The right-of-use asset is measured at an amount equal to the lease liability, adjusted by the lease payments made at or before the commencement date less any lease incentives received and any initial direct costs and restoration costs. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Rabobank recognizes the right-of-use assets as part of the line-item Property and Equipment and the lease liability as part of line-item Other Liabilities in the Consolidated Statement of Financial Position.

Rabobank as Lessor

Finance Leases
A finance lease is recognized as a receivable under "Loans and Advances to Credit Institutions" or "Loans and Advances to Customers", as applicable, at an amount equal to the net investment in the lease. The net investment in the lease is the present value of the nominal minimum lease payments and the unguaranteed residual value. The difference between the gross

investment and the net investment in the lease is recognized as unearned finance income. Lease income is recognized as interest income over the term of the lease using the net investment method, which results in a constant rate of return on the investment.

Operating Leases
Assets leased under operating leases are included in the statement of financial position under "Property and Equipment". The assets are depreciated over their expected useful lives in line with those of comparable items of property and equipment. Rental income (less write-offs and discounts granted to lessees) is recognized under "Net Income from Other Operating Activities" on a linear basis over the term of the lease.

2.23 Provisions

Provisions are recognized for obligations (both legal and constructive) 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. If Rabobank expects a provision to be reimbursed, for example under an insurance policy, the reimbursement is recognized as a separate asset but only if the reimbursement is virtually certain. The provisions are carried at the discounted value of the expected future cash flows. The additions to and releases of provisions are recognized in the statement of income under "Other Administrative Expenses".

Restructuring
Restructuring provisions comprise payments under redundancy schemes and other costs directly attributable to restructuring programs. These costs are recognized during the period in which the legal or actual payment obligation arises, a detailed plan has been prepared for redundancy pay and there are realistic expectations among the parties concerned that the reorganization will be implemented.

Legal Issues
The provision for legal issues is based on the best estimates available at the end of the reporting period, taking into account legal advice. The timing of the cash outflow of these provisions is uncertain because the outcome of the disputes and the time involved are unpredictable.

Other Provisions
Other provisions include provisions for onerous contracts, potential settlements and credit related contingent liabilities.

2.24 Employee Benefits

Rabobank has various pension plans in place based on the local conditions and practices of the countries in which it operates. In general, the plans are financed by payments to insurance companies or to trustee administered funds determined by periodic actuarial calculations. A defined benefit pension plan is one that incorporates an obligation to pay an agreed amount of pension benefit, which is usually based on several factors such as age, number of years' service and remuneration. A defined contribution plan is one in which fixed contributions are paid to a separate entity (a pension fund) with no further legal or constructive obligation on the part of the employer should the fund have insufficient assets to settle its obligations to employee-members of the plan.

Pension Obligations
The obligation under defined benefit pension plans is the present value of the defined benefit pension obligation at the end of the reporting period reduced by the fair value of the fund investments. The defined benefit obligation is calculated annually by independent actuaries based on the projected unit credit method. The present value of the defined benefit obligation is determined as the estimated future outflow of cash funds based on the interest rates of high-quality corporate bonds with terms that approximate those of the corresponding obligation. The majority of pension plans are career-average plans. The costs of these plans (being the net pension charge for the period after deducting employee contributions and interest) are included under 'Staff costs'. Net interest expense/income is determined by applying the discount rate at the beginning of the reporting period to the asset or liability of the defined benefit pension plan.

Actuarial gains and losses arising from events and/or changes in actuarial assumptions are recognized in the statement of comprehensive income.

Defined Contribution Plans
Under defined contribution plans, contributions are paid into publicly or privately managed pension insurance plans on a compulsory, contractual or voluntary basis. These regular contributions are recognized as expense in the year in which they are due and they are included under "Staff costs".

Other Post-employment Obligations
Some of Rabobank's business units provide other post-employment benefits. To become eligible for such benefits, the usual requirement is that the employee remains in service until retirement and has been with the company for a minimum number of years. The expected costs of these benefits are accrued during the years of service, based on a system similar to that for

defined benefit pension plans. The obligations are calculated annually by independent actuaries.

Variable Remuneration
Variable remuneration payable unconditionally and in cash is recognized in the year in which the employee renders the service. Conditional cash remuneration is included, on a straight line basis, in staff costs in the statement of income over the period of the year in which the employee's services are received and the remaining three years of the vesting period (i.e. over four years). The liability is recognized in "Other liabilities". The accounting treatment of payments based on equity instruments is disclosed in Section 2.25.

2.25 Variable Remuneration Based on Equity Instruments

For certain identified staff, remuneration for services rendered is settled in the form of cash payments based on equity instruments that are similar to, and have the same characteristics as, Rabobank Certificates. The costs of the services received are based on the fair value of the equity instruments on the award date and are restated annually to fair value. The costs related to the award of equity instruments during the period of the employee's contract are included in staff costs in the statement of income over the period of the year of award and the remaining three years of the vesting period of the equity instruments (i.e. over four years). The liability is recognized in 'Other liabilities'.

2.26 Tax

Current tax receivables and payables are offset where there is a legally enforceable right to offset and where simultaneous treatment or settlement is intended. Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset and where they relate to the same tax authority and arise within the same taxable entity.

Deferred income tax is provided, using the liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. These temporary differences arise primarily on depreciation of tangible fixed assets, revaluation of certain financial assets and liabilities (including derivatives), employee benefits, loan impairment allowances and other impairments, tax losses and fair value adjustments to net assets acquired in business combinations. Deferred tax assets and liabilities are also recognized on the revaluation of financial assets at fair value through other comprehensive income and cash flow hedges that are taken directly to other comprehensive income. When realized, they are recognized in the income statement at the same time as the respective deferred gain or loss is recognized. Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the losses can be utilized and are measured at the tax rates that have been enacted or substantively enacted as at the reporting date. Rabobank considers all deferred taxes to be non-current.

Taxes on profit are calculated in accordance with the tax legislation of the relevant jurisdictions in which Rabobank operates and are recognized as an expense in the period in which the profit is realized. The tax effects of loss carry forwards are recognized as an asset if it is probable that future taxable profits will be available against which the losses can be utilized.

2.27 Deposits from Credit Institutions, Deposits from Customers and Debt Securities in Issue

These liabilities are initially recognized at fair value, being the issue price less directly allocable and non-recurring transaction costs, and thereafter at amortized cost including transaction costs.

Own issued debt securities that are repurchased are derecognized, with the difference between the carrying amount and the consideration paid being recognized in the income statement.

2.28 Rabobank Certificates

The proceeds of the issue of Rabobank Certificates are available to Rabobank in perpetuity and are subordinate to all liabilities and to the Trust Preferred Securities and the Capital Securities. As the payment of distributions is wholly discretionary, the proceeds received and dividends paid on them are recognized in equity.

2.29 Trust Preferred Securities and Capital Securities

As there is no formal obligation to (re)pay the principal or to pay a dividend, the Trust Preferred Securities and Capital Securities are recognized as "Equity" and dividends paid on these instruments are recognized directly in equity.

2.30 Financial Guarantees

Financial guarantee contracts require the issuer to compensate the holder for losses incurred when the debtor fails to meet its obligations under the terms of the related debt instrument. The guarantees are initially recognized at fair value and subsequently measured at the higher of the amount of the impairment allowance and the amount initially recognized less cumulative amortization.

2.31 Segmented Information

A segment is a discrete operating component that is subject to risks and returns that differ from those of other segments or operating components and that is viewed and managed as a separate and discrete component for Rabobank's strategic and operating management purposes.

2.32 Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is determined as the monetary amount (or equivalent) agreed for the acquisition of the business combination. Goodwill represents the difference between the cost of the acquisition and the acquirer's share of the fair value of the identifiable assets, liabilities, and conditional assets and liabilities acquired. Goodwill is capitalized and recognized as an intangible asset. The non-controlling interest is also determined as the fair value or its share of the identifiable net assets of the company acquired. Direct acquisition costs are charged directly to the statement of income on acquisition.

2.33 Disposal Groups Classified as Held for Sale and Discontinued Operations

Assets that have been classified as held for sale are written down to their fair value, reduced by the estimated costs of sale, where this is lower than the carrying amount. An asset (or group of assets) is classified as held for sale when it is very likely that its economic value will be realized primarily through sale rather than through continued use, the asset (or group of assets) is fully available for sale in its current condition, management has committed itself to a plan to sell the asset, and the sale is expected to be completed within one year of its classification as held for sale. If a group of assets classified as held for sale represents a key business activity or key geographic region, it is classified as discontinued operations and recognized outside comprehensive income arising from continuing operations.

2.34 Cash Flow Statement

Cash and cash equivalents include cash resources, money market deposits and deposits at central banks. The cash flow statement is prepared using the indirect method and provides details of the source of the cash and cash equivalents that became available during the year as well as their application during the year. The net pre-tax cash flow from operating activities is adjusted for non-cash items in the statement of income and for non-cash changes in items in the statement of financial position.

The Consolidated Statement of Cash Flows presents separately the cash flows from operating, investing and financing activities. Cash flows from operating activities include net changes in loans and advances, interbank deposits, deposits from customers and acquisitions, disposals and repayment of financial investments. Investment activities include acquisitions and disposals of subsidiaries, investments in associates and property and equipment. Financing activities include issues and repayments of Rabobank Certificates, Trust Preferred Securities, Capital Securities, Senior Contingent Notes, subordinated liabilities and debt securities in issue.

The difference between the net change presented in the statement of cash flows and the change in cash and cash equivalents included in the statement of financial position is due to exchange differences.

3. Solvency and Capital Management

Rabobank aims to maintain a proper level of solvency. For this purpose a number of capital ratios are utilized. The principal ratios are the common equity tier 1 ratio (CET1), the tier 1 ratio, the total capital ratio and the equity capital ratio. Rabobank uses its own internal objectives that extend beyond the minimum requirements of the supervisors. It takes market expectations and developments in legislation and regulations into account. Rabobank manages its solvency position based on policy documents. The solvency position and the objectives are periodically reviewed by the Risk Management Committee and the Asset Liability Committee of the Managing Board and the Supervisory Board.

The 'Capital Requirements Regulation (CRR)' and 'Capital Requirements Directive IV (CRD IV)' together constitute the European implementation of the Basel Capital and Liquidity Accord of 2010. These rules, which became effective on 1 January 2014, are applied by Rabobank.

Rabobank must comply with a number of minimum solvency positions as stipulated under law. The solvency position is determined on the basis of ratios. These ratios compare the qualifying capital (total capital ratio), the tier 1 capital (tier 1 ratio) and the core capital (common equity tier 1 ratio) with the total of the risk-adjusted assets. Effective 1 January 2014, the minimum required percentages are determined on the basis of CRD IV/CRR. The table below shows the minimum buffers based on CRD IV/ CRR.

Minimum Capital Buffer

	CET 1	*Tier 1*	*Total capital*
Pillar 1 requirement	4.5%	6.0%	8.0%
Pillar 2 requirement	1.75%	1.75%	1.75%
Capital conservation buffer	2.5%	2.5%	2.5%
Systemic risk buffer	3.0%	3.0%	3.0%
Countercyclical buffer	0.06%	0.06%	0.06%
Total required	**11.81%**	**13.31%**	**15.31%**

Risk-weighted assets are determined based on separate and distinct methods for each of the credit, operational and market risks. For credit risk purposes, the risk-weighted assets are determined in several ways dependent on the nature of the asset. For the majority of assets the risk weighting is determined by reference to internal ratings and a number of characteristics specific to the asset concerned. For off-balance sheet items the balance sheet equivalent is calculated firstly on the basis of internal conversion factors and the resulting equivalent amounts are then also assigned risk-weightings. For operational risk purposes, an Advanced Measurement Approach model is used to determine the amount of risk-weighted assets. For market risk purposes, the Internal Model Approach is applied on the majority of the exposures in scope, with very small exposures following standardized methods. At 31 December 2019, Rabobank's capital requirement was EUR 16.5 billion (2018: EUR 16.0 billion). The increase in the regulatory capital requirement for credit risk, market risk and operational risk was mainly due to the redevelopment of the operational risk model and to the fact that Rabobank included in its capital calculations an amount of EUR 5.3 billion of risk weighted assets in anticipation of the macro prudential measure for retail mortgages which DNB intends to implement in 2020.

The transitional CRR provisions have been reflected in the ratios set out below.

Capital Ratios

Amounts in millions of euros	*2019*	*2018*
Retained earnings	28,910	28,062
Expected dividends	(3)	(46)
Rabobank Certificates	7,449	7,445
Part of non-controlling interests treated as qualifying capital	-	-
Reserves	(753)	(798)
Deductions	(2,007)	(2,553)
Transition guidance	-	12
Common Equity Tier 1 capital	**33,596**	**32,122**
Capital Securities	4,951	3,721
Grandfathered instruments	313	3,325
Non-controlling interests	-	-
Deductions	(106)	(100)
Transition guidance	-	-
Tier 1 capital	**38,754**	**39,068**
Part of subordinated liabilities treated as qualifying capital	13,299	14,274
Non-controlling interests	-	-
Deductions	(92)	(83)
Transition guidance	-	-
Qualifying capital	**51,961**	**53,259**
Risk-weighted assets	**205,797**	**200,531**
Common Equity Tier 1 ratio	16.3%	16.0%
Tier 1 ratio	18.8%	19.5%
Total capital ratio	25.2%	26.6%
Equity capital ratio[1]	17.7%	17.7%

1 The equity/ capital ratio is calculated by comparing the items Retained earnings and Rabobank Certificates to the risk-weighted assets.

The deductions consist mostly of goodwill, other intangible fixed assets, deferred tax assets which depend on future profit, the IRB shortfall for credit risk adjustments and adjustments relating to cumulative results due to changes in the bank's credit risk on instruments designated at fair value.

The additional tier 1 instruments issued by Rabobank prior to 2015 do not comply with the CRR requirements. They are being 'grandfathered'. This means that these instruments will be phased out of capital ratios, in line with the regulatory requirements.

4. Risk Exposure on Financial Instruments

4.1 Risk Organization

The Managing Board is responsible for overseeing the development and operations of risk management at various levels within the organization. This includes the ongoing strengthening of staff skills and enhancements to risk management systems, policies, processes, quantitative models and reports as necessary to ensure the bank's risk management capabilities are sufficiently robust and effective to fully support its strategic objectives and all of its risk-taking activities. The Supervisory Board is responsible for the supervision of the Managing Board with regard to their execution of risk profile, risk policies and risk management activities. The Supervisory Board Risk Committee consists of members of the Supervisory Board and supports the Supervisory Board in preparing its decision making in relation to its supervision.

Risk Appetite

Identifying and managing risks for its organization is an ongoing process at Rabobank. For this purpose an integrated risk management strategy is applied. The risk management cycle includes determining risk appetite, preparing integrated risk analyses, and measuring and monitoring risk. Throughout this process Rabobank uses a risk strategy aimed at continuity and designed to protect profitability, maintain solid balance-sheet ratios and protect its identity and reputation.

4.2 Strategy for the Use of Financial Instruments

Rabobank's activities are inherently related to the use of financial instruments, including derivatives. As part of the services it offers, Rabobank accepts deposits from customers at varying terms and at both fixed and variable interest rates. Rabobank earns interest income by investing these deposits in high-quality assets as well as by providing loans to commercial and retail borrowers. Rabobank aims to increase these margins through a portfolio approach of short-term funds at lower interest rates and the allocation to loans for longer periods at higher interest rates, maintaining sufficient cash resources to meet obligations as they fall due. Rabobank is exposed to credit risk on the on-balance sheet loans and on the off-balance sheet guarantees it provides, such as letters of credit, letters of performance and other guarantee documents.

4.3 Credit Risk

Credit risk is defined as the risk of the bank facing an economic loss because the bank's counterparties cannot fulfil their contractual obligations.

Credit risk management within the bank is governed by the bank-wide central credit risk policy and further detailed in underlying specific credit risk standards and procedures. The primary responsibility for managing and monitoring credit risk lies with the business as the first line of defense. The business is required to identify, assess and manage, monitor and report potential weaknesses in the credit risk portfolios. Monitoring takes place on an ongoing basis to limit credit risk exposures to a level in line with the business line's risk appetite.

In addition, risk in the credit portfolio is measured and monitored at bank-wide level and on entity level on a monthly basis and by quarterly and ad-hoc portfolio reporting and analysis, with specific attention to risk developments and concentrations.

4.3.1 Credit Risk Management

Credit Acceptance

Rabobank's credit acceptance policy is typified by prudent assessment of customers and their ability to repay the loan that was issued (continuity perspective). As a result, the loan portfolio has an acceptable risk profile even in less than favorable economic circumstances. Rabobank aims to have long-term relationships with customers that are beneficial for both the client and the bank. An important starting point in acceptance policy for business loans is the 'know your customer' principle. This means that the bank only issues loans to business customers whose management Rabobank considers to be ethical and competent. In addition, Rabobank closely monitors developments in the business sectors in which its customers operate and can properly assess the financial performance of its customers. Corporate sustainability also means sustainable financing. Sustainability guidelines have been established for use in the credit process.

Although credit is usually granted on the cash flow generating potential of the client or project, collateral will improve the position of the bank in case a client defaults. Collateral can be independent of the client's business and/or obtained from the client's business. Rabobank has outlined its policies for collateral valuation and management in the Global Standard Credit Risk Mitigation. Compliant to CRR 181 1.(e) all (eligible) collateral is valued at market value or less than market value and the collateral value is monitored regularly. The collateral must be sufficiently liquid and its value over time should be sufficiently stable to provide appropriate credit protection. Within the

Rabobank policy framework each type of collateral is addressed separately. The main types of collateral that are recognized by Rabobank are real estate, inventory (such as equipment, machinery, stock etc.), commodities, receivables and guarantees. With a substantial domestic mortgage portfolio, housing is considered a concentration risk within the credit risk mitigation that is taken. The quality of the collateral is assessed in the initial credit request, and is evaluated within the credit revision process. The frequency of revaluation depends on the credit quality of the client and on the type of collateral and is in line with the requirements set out in the CRR.

The main types of guarantors are governments, local authorities, (central) banks and corporate entities. For institutions, insurance undertakings and export credit agencies, a minimum rating is required.

Credit Committees and Credit Approval

Within the boundaries set by the Risk Management Committee the Managing Board has mandated decision-making authority to transactional committees and to credit decision approval officers that operate on an entity level, regional level or central level at Rabobank. Credit committees review all significant risks in credit proposals to arrive at a systematic judgment and a balanced decision. Rabobank has various levels of credit committees. Applications exceeding authority level of a credit committee are complemented with a recommendation and submitted to a 'higher' credit committee for decision-making.

- **Central Credit Committee Rabobank Group** (CCCRG) - The CCCRG takes credit decisions on credit applications subject to the 'corporate credit approval route' exceeding:
  - The authority of **Credit Approvals Local Banks** (CA LB) - This department is responsible for decisions on requests for non-classified (LQC Good or OLEM) obligors exceeding the authority of Local Banks in The Netherlands.
  - The authority of **Credit Approvals Wholesale Rural & Retail** (CA WRR) - This department is responsible for decisions on requests for non-classified (LQC Good or OLEM) obligors exceeding the authority of DLL or a Wholesale Rural & Retail (WRR) office/region.
  - The authority of the **Credit Committee Financial Restructuring & Recovery** (CC-FR&R) - This credit committee takes credit decisions on proposals for classified (LQC Substandard, Doubtful or Loss) obligors exceeding the authority of local credit committees and the FR&R department.

- **Country & Financial Institutions Committee** (CFIC) - The CFIC takes credit decisions on proposals exceeding the authority of Credit Financial Institutions or Country Risk Research. These departments are responsible for the risk management of exposure on financial institutions and sovereigns/countries.

- **Loan Loss Provision Committee** (LLPC) - The Loan Loss Provision Committee is responsible for determining the level of expected credit loss (ECL) provisions for Rabobank. This responsibility is delegated by the Managing Board. The Committee approves the setting of provisioning levels for both model-based (stage 1, stage 2 and stage 3a) and individually assessed exposures (stage 3b) in the loan book (business and private individuals/ mortgages) as well as top level adjustments (technical and business). For individually assessed Stage 3b exposures as well as top level adjustments, estimates based on individual assessments and expert judgement are used. In addition, the Committee considers relevant internal and external information in its decisions. This includes the outcomes of the backstop process and forward-looking elements such as budget forecasts, scenario analyses or stress test outcomes. Following such considerations, the Committee may approve deviations from the provisioning estimates and/or provide strategic recommendations to the Managing Board.

The Terms of Reference (ToR) provide the mandate, responsibilities & scope, hierarchical relationships, membership, authority levels and modalities of these approval bodies. Credit committees take decisions on the basis of consensus, unless local regulation requires majority voting. Consensus is reached when there is a general agreement or none of the members has fundamental objections to the decision. When no consensus can be reached, an application is considered declined. In case of majority voting, the representative(s) from the Risk domain must have a veto right. In the case a veto right is used, ultimately the Managing Board decides.

For efficiency reasons Credit Committees can delegate part of their authority. A single person may not take a credit decision solely based on its own opinion; this means that a 4-eyes principle applies or decisions are system supported, in which case one person is allowed to decide as long as the credit is assessed as acceptable by an expert system or meets predefined criteria (the credit complies with decision tools). Fully IT supported assessments and approvals are allowed under strict conditions.

The credit committees play a key role in ensuring consistency among Rabobank standards of credit analysis, compliance with the overall Rabobank credit policy and consistent use of the rating models. The credit policy sets the parameters and remit of each committee, including the maximum amount they are allowed to approve for limits or transactions. Policies are also in place which restrict or prohibit certain counterparty types or industries. As a rule, all counterparty limits and internal ratings are reviewed once a year (corporate clients) at a minimum. Where counterparties are assigned a low loan quality classification, they are reviewed on a more frequent basis. Credit committees may request for more frequent reviews as well.

4.3.2 Lending

Rabobank has a significant market share in lending regarding residential mortgages. These loans have a low risk profile, the net addition in 2019 to loan impairment allowances is 1 basis point. In 2019, the proportion of the private sector lending allocable to the food and agricultural sectors was 26% and the proportion of private sector lending allocable to trade, industry and services was 29%. The loans to trade, industry and services and loans to the food and agricultural sectors are spread over a wide range of industries in many different countries. None of these individual sector shares represents more than 10% of the total private sector lending.

Amounts in millions of euros	*2019*		*2018*	
Total loans and advances to customers	**440,507**		**436,591**	
Of which:				
Loans to government clients	1,996		1,853	
Reverse repurchase transactions, securities borrowing agreements and settlement accounts	13,553		12,929	
Hedge accounting adjustment	7,044		5,784	
Loans to private sector clients	**417,914**		**416,025**	
This can be broken down geographically as follows:				
The Netherlands	292,637	70%	294,628	71%
Rest of Europe	33,556	8%	31,337	8%
North America	41,681	10%	44,255	11%
Latin America	15,362	4%	14,067	3%
Asia	9,449	2%	8,887	2%
Australia	24,663	6%	22,589	5%
Africa	566	0%	262	0%
Total loans to private sector clients	**417,914**	**100%**	**416,025**	**100%**
Breakdown of loans by business sector				
Private individuals	191,267	45%	194,897	47%
Trade, industry and services (TIS)	119,429	29%	118,022	28%
Food & agri	107,218	26%	103,106	25%
Total loans to private sector clients	**417,914**	**100%**	**416,025**	**100%**

Trade, Industry and Services Loan Portfolio Analyzed by Industry

Amounts in millions of euros	*2019*	*2018*
Lessors of real estate	10,521	13,517
Finance and insurance (except credit institutions)	16,192	13,892
Wholesale	10,994	11,386
Activities related to real estate	8,860	8,918
Manufacturing	9,818	9,441
Transport and warehousing	6,226	6,305
Construction	5,141	4,742
Healthcare and social assistance	7,114	6,827
Professional, scientific and technical services	9,291	9,648
Retail (non-food)	4,681	4,293
Utilities	3,638	3,049
Information and communication	1,041	1,021
Arts, entertainment and leisure	1,368	1,283
Other TIS	24,544	23,700
Total	**119,429**	**118,022**

Food & Agri Loan Portfolio Analyzed by Sector

Amounts in millions of euros	*2019*	*2018*
Dairy	23,221	22,486
Grain and oil seeds	21,018	19,686
Animal protein	17,369	16,717
Fruit and vegetables	10,666	10,675
Farm inputs	11,084	11,089
Food retail	5,637	5,226
Beverages	2,579	2,733
Flowers	1,489	1,581
Sugar	3,283	2,817
Miscellaneous crop farming	1,819	1,357
Other food & agri	9,053	8,739
Total	**107,218**	**103,106**

Derivatives

Rabobank sets strict limits for open positions, in amounts as well as in terms. If ISDA (International Swaps and Derivatives Association) standards apply or a master agreement including equivalent terms has been concluded with the counterparty, and if the jurisdiction of the counterparty permits offsetting, the net open position is monitored and reported. This credit risk is managed as part of the general lending limits for clients. Where needed, Rabobank obtains collateral or other safeguards to mitigate credit risks inherent in these transactions. The credit risk exposure represents the current fair value of all open derivative contracts showing a positive market value, taking into account master netting agreements enforceable under law.

Credit Related Contingent Liabilities
The financial guarantees and standby letters of credit that Rabobank provides to third parties in the event of a client being unable to fulfil its obligations to these third parties, are exposed to credit risk. Documentary and commercial letters of credit and written undertakings by Rabobank on behalf of clients that authorize third parties to draw bills against Rabobank up to a fixed amount and subject to specific conditions. As these transactions are secured by the delivery of the underlying goods to which they relate, the risk exposure of such an instrument is less than that of a direct loan. From the moment the documents have been accepted under the terms of the letters of credit, Rabobank recognizes an asset and a liability until the moment of payment.

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions. Rabobank is exposed to credit risk when it promises to grant loans. The amount of any losses is likely to be less than the total of the unused commitments because the commitments are made subject to the clients meeting certain loan conditions. Rabobank monitors the term to the expiry of loan commitments because long-term commitments generally involve higher risk than short-term commitments.

4.3.3 Credit Risk Exposure and Credit Quality

In its financing approval process, Rabobank Group uses the Rabobank Risk Rating, which reflects the risk of failure or the probability of default (PD) of the loan relation over a period of one year. The loan-quality categories are determined on the basis of the internal Rabobank Risk Rating. The Rabobank Risk Rating consists of 21 performance ratings (R0-R20) and four default ratings (D1-D4). The performance ratings assess the probability of default within a period of one year and the rating is determined, in principle, on a cyclically neutral basis. D1-D4 ratings refer to default classifications. D1 represents more than 90 day's past due on a material contractual payment; D2 indicates that it is unlikely that the obligor will pay its debt in full, without recourse by the bank to actions such as realizing security; D3 indicates that a distressed sale or a distressed restructuring has occurred that likely results in a credit-related economic loss; and D4 indicates bankruptcy status. The default ratings make up the total credit-impaired exposure. The table below shows the credit quality of the financial assets subject to impairment disclosed in ranges of rating grades that is consistent with the number that is reported to key management personnel for credit risk management purposes. The gross carrying amount of the financial assets below also represent the maximum exposure to credit risk on these assets.

Credit Risk Profile per Internal Rating Grade of Loans and Advances to Credit Institutions

Amounts in millions of euros

On December 31, 2019	*Gross carrying amount*			
	Non credit-impaired		*Credit-impaired*	
	Subject to 12-month ECL	*Subject to lifetime ECL*	*Subject to lifetime ECL*	*Total*
R0-R1 (AAA)	9	-	-	9
R2-R4 (AA)	138	-	-	138
R5-R7 (A)	22,316	-	-	22,316
R8-R10 (BBB)	4,350	-	-	4,350
R11-R13 (BB)	1,352	-	-	1,352
R14-R16 (B+)	594	3	-	597
R17-R19 (B-)	141	8	-	149
R20 (CCC+)	-	-	-	-
Default ratings (D)	-	-	14	14
Non-rated	374	-	-	374
Total	**29,274**	**11**	**14**	**29,299**
On December 31, 2018				
R0-R1 (AAA)	496	-	-	496
R2-R4 (AA)	583	-	-	583
R5-R7 (A)	10,990	42	-	11,032
R8-R10 (BBB)	3,197	-	-	3,197
R11-R13 (BB)	1,112	1	-	1,113
R14-R16 (B+)	761	1	-	762
R17-R19 (B-)	363	13	-	376
R20 (CCC+)	23	-	-	23
Default ratings (D)	-	-	34	34
Non-rated	265	-	-	265
Total	**17,790**	**57**	**34**	**17,881**

Credit Risk Profile per Internal Rating Grade of Loans and Advances to Customers

Amounts in millions of euros

On December 31, 2019	Gross carrying amount			
	Non credit-impaired		Credit-impaired	
	Subject to 12-month ECL	Subject to lifetime ECL	Subject to lifetime ECL	Total
R0-R1 (AAA)	1,497	5	-	1,502
R2-R4 (AA)	10,289	22	-	10,311
R5-R7 (A)	51,656	214	-	51,870
R8-R10 (BBB)	137,752	584	-	138,336
R11-R13 (BB)	120,705	2,892	-	123,597
R14-R16 (B+)	63,091	7,650	-	70,741
R17-R19 (B-)	12,752	7,189	-	19,941
R20 (CCC+)	1,022	1,844	-	2,866
Default ratings (D)	-	-	15,090	15,090
Non-rated	3,131	17	-	3,148
Total	**401,895**	**20,417**	**15,090**	**437,402**
On December 31, 2018				
R0-R1 (AAA)	680	3	-	683
R2-R4 (AA)	8,723	27	-	8,750
R5-R7 (A)	48,117	552	-	48,669
R8-R10 (BBB)	160,613	2,142	-	162,755
R11-R13 (BB)	111,652	3,076	-	114,728
R14-R16 (B+)	52,614	4,229	-	56,843
R17-R19 (B-)	11,002	4,812	-	15,814
R20 (CCC+)	525	1,014	-	1,539
Default ratings (D)	-	-	15,993	15,993
Non-rated	8,677	91	-	8,768
Total	**402,603**	**15,946**	**15,993**	**434,542**

Credit Risk Profile per External Rating Grade of Financial Assets at Fair Value through Other Comprehensive Income

Amounts in millions of euros

On December 31, 2019	Gross carrying amount			
	Non credit-impaired		Credit-impaired	
	Subject to 12-month ECL	Subject to lifetime ECL	Subject to lifetime ECL	Total
AAA-A	9,963	1,562	-	11,525
BBB-B	1,368	-	-	1,368
CCC-C	-	-	-	-
D	-	-	-	-
Non-rated	248	-	-	248
Total	**11,579**	**1,562**	**-**	**13,141**
On December 31, 2018				
AAA-A	16,800	574	-	17,374
BBB-B	761	-	-	761
CCC-C	-	-	-	-
D	-	-	-	-
Non-rated	13	-	-	13
Total	**17,574**	**574**	**-**	**18,148**

Credit Risk Profile per Internal Rating Grade of Loan Commitments and Financial Guarantees

Amounts in millions of euros

On December 31, 2019	Exposure to credit risk			
	Non credit-impaired		Credit-impaired	
	Subject to 12-month ECL	Subject to lifetime ECL	Subject to lifetime ECL	Total
R0-R1 (AAA)	1,486	-	-	1,486
R2-R4 (AA)	1,991	-	-	1,991
R5-R7 (A)	10,853	65	-	10,918
R8-R10 (BBB)	17,022	103	-	17,125
R11-R13 (BB)	15,080	356	-	15,436
R14-R16 (B+)	5,944	590	-	6,534
R17-R19 (B-)	744	510	-	1,254
R20 (CCC+)	44	82	-	126
Default ratings (D)	-	-	480	480
Non-rated	10,301	2	-	10,303
Total	**63,465**	**1,708**	**480**	**65,653**
On December 31, 2018				
R0-R1 (AAA)	1,577	-	-	1,577
R2-R4 (AA)	529	1	-	530
R5-R7 (A)	8,671	3	-	8,674
R8-R10 (BBB)	17,211	118	-	17,329
R11-R13 (BB)	15,423	209	-	15,632
R14-R16 (B+)	7,071	314	-	7,385
R17-R19 (B-)	648	357	-	1,005
R20 (CCC+)	28	104	-	132
Default ratings (D)	-	-	572	572
Non-rated	9,500	28	-	9,528
Total	**60,658**	**1,134**	**572**	**62,364**

4.3.4 Impairment Allowances on Financial Assets and Credit Related Contingent Liabilities

In the next tables, a reconciliation from the opening balance to the closing balance of the impairment allowances of financial assets and credit related contingent liabilities is provided.

Impairment Allowances on Loans and Advances to Credit Institutions

Amounts in millions of euros

	Subject to 12-month ECL	**Subject to lifetime ECL non-credit impaired**	**Subject to lifetime ECL credit impaired**	**Total**
Balance on January 1, 2019	**1**	**1**	**20**	**22**
Increases due to origination and acquisition	1	-	-	1
Decreases due to derecognition	-	-	-	-
Changes due to change in credit risk	-	-	-	-
Write-off of defaulted loans during the year	-	-	(19)	(19)
Other changes	(1)	-	-	(1)
Balance on December 31, 2019	**1**	**1**	**1**	**3**
Balance on January 1, 2018	**1**	**1**	**17**	**19**
Increases due to origination and acquisition	-	-	-	-
Decreases due to derecognition	-	-	-	-
Changes due to change in credit risk	1	-	2	3
Write-off of defaulted loans during the year	-	-	-	-
Other changes	(1)	-	1	-
Balance on December 31, 2018	**1**	**1**	**20**	**22**

Impairment Allowances on Loans and Advances to Customers

Amounts in millions of euros

	Subject to 12-month ECL	Subject to lifetime ECL non-credit impaired	Subject to lifetime ECL credit impaired	**Total**
Balance on January 1, 2019	**270**	**239**	**3,226**	**3,735**
Increases due to origination and acquisition	87	6	144	237
Decreases due to derecognition	(60)	(69)	(266)	(395)
Changes due to change in credit risk	78	178	875	1,131
Write-off of defaulted loans during the year	(8)	(8)	(699)	(715)
Other changes	2	-	(55)	(53)
Balance on December 31, 2019	**369**	**346**	**3,225**	**3,940**
Balance on January 1, 2018	**320**	**287**	**3,754**	**4,361**
Increases due to origination and acquisition	68	6	276	350
Decreases due to derecognition	(59)	(50)	(577)	(686)
Changes due to change in credit risk	(50)	(2)	835	783
Write-off of defaulted loans during the year	(12)	(2)	(998)	(1,012)
Other changes	3	-	(64)	(61)
Balance on December 31, 2018	**270**	**239**	**3,226**	**3,735**

Impairment Allowances on Financial Assets at Fair Value through Other Comprehensive Income

Amounts in millions of euros

	Subject to 12-month ECL	Subject to lifetime ECL non-credit impaired	Subject to lifetime ECL credit impaired	**Total**
Balance on January 1, 2019	**2**	**1**	**-**	**3**
Increases due to origination and acquisition	4	-	-	4
Decreases due to derecognition	-	-	-	-
Changes due to change in credit risk	(5)	-	-	(5)
Write-off of defaulted loans during the year	-	-	-	-
Other changes	-	-	-	**-**
Balance on December 31, 2019	**1**	**1**	**-**	**2**
Balance on January 1, 2018	**3**	**5**	**-**	**8**
Increases due to origination and acquisition	2	-	-	2
Decreases due to derecognition	-	-	-	-
Changes due to change in credit risk	(1)	(5)	-	(6)
Write-off of defaulted loans during the year	-	-	-	-
Other changes	(2)	1	-	(1)
Balance on December 31, 2018	**2**	**1**	**-**	**3**

Impairment Allowances on Loan Commitments and Financial Guarantees

Amounts in millions of euros

	Subject to 12-month ECL	Subject to lifetime ECL non-credit impaired	Subject to lifetime ECL credit impaired	Total
Balance on January 1, 2019	**28**	**12**	**69**	**109**
Increases due to origination and acquisition	4	-	2	6
Decreases due to derecognition	(34)	(10)	(34)	(78)
Changes due to change in credit risk	33	16	66	115
Write-off of defaulted loans during the year	-	-	-	-
Other changes	-	-	(6)	(6)
Balance on December 31, 2019	**31**	**18**	**97**	**146**
Balance on January 1, 2018	**33**	**12**	**82**	**127**
Increases due to origination and acquisition	3	-	17	20
Decreases due to derecognition	(29)	(9)	(43)	(81)
Changes due to change in credit risk	18	11	34	63
Write-off of defaulted loans during the year	-	-	(1)	(1)
Other changes	3	(2)	(20)	(19)
Balance on December 31, 2018	**28**	**12**	**69**	**109**

In the following table an overview is given of the significant changes in the gross carrying amount of loans and advances to customers during the period that contributed to changes in the total impairment allowance.

Changes in the Gross Carrying Amount of Loans and Advances to Customers

Amounts in millions of euros	*Gross carrying amount*			
	Non-credit-impaired		Credit-impaired	
	Subject to 12-month ECL	Subject to lifetime ECL	Subject to lifetime ECL	**Total**
Balance on January 1, 2019	**402,603**	**15,946**	**15,993**	**434,542**
Transfers of financial assets	(8,847)	7,312	1,536	1
New financial assets originated or acquired	122,673	4,710	1,821	129,204
Financial assets that have been derecognized	(111,309)	(7,651)	(3,400)	(122,360)
Write-offs	(12)	(8)	(693)	(713)
Transfers to assets held for sale	(4,412)	(83)	(292)	(4,787)
Other changes	1,199	191	125	1,515
Balance on December 31, 2019	**401,895**	**20,417**	**15,090**	**437,402**
Balance on January 1, 2018	**396,816**	**14,842**	**15,773**	**427,431**
Transfers of financial assets	(5,957)	4,530	2,856	1,429
New financial assets originated or acquired	117,531	3,962	2,199	123,692
Financial assets that have been derecognized	(103,787)	(7,328)	(4,388)	(115,503)
Write-offs	(15)	(2)	(493)	(510)
Other changes	(1,985)	(58)	46	(1,997)
Balance on December 31, 2018	**402,603**	**15,946**	**15,993**	**434,542**

4.3.5 Criteria for identifying a significant increase in credit risk (SICR)

The main parameter taken into account in the quantitative SICR assessment is the lifetime probability of default (PD) and its development from origination to reporting date. In case the relative change is above a certain threshold this is considered to be an indicator for a significant increase in credit risk. The comparison between the lifetime PD at origination and the lifetime PD at reporting date is done using the rating at the start of the financial instrument and the rating at reporting date while translating both into (Point-in-Time) PD curves. The threshold value has been determined on the basis of a percentage in proportion to the observed long term default rate (Central Tendency) of the portfolio. In the table below the thresholds for each loan portfolio are presented. These thresholds are the multipliers by which the lifetime PD needs to be increased to migrate from stage 1 to stage 2.

Type of loan portfolio	SICR threshold at December 31, 2019
Mortgage loans: Local banks	5.11
Mortgage loans: Obvion	3.28
Bridge loans	7.64
Corporate loans	2.26
Corporate loans: Income producing real estate	1.68
Corporate loans: Finance lease	3.57
Retail SME loans	2.50
Retail SME loans: Commercial real estate	2.25
Retail SME loans: Finance lease	3.23

4.3.6 Judgments and Estimates on Model Based Impairment Allowances on Financial Assets

Rabobank applies the three-stage expected credit loss impairment models for measuring and recognizing expected credit losses which involve a significant degree of management judgement. The impairment methodology results in the recognition of allowances measured at an amount equal to 12 month expected credit losses (stage 1); allowances measured at an amount equal to lifetime expected credit losses for financial assets for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets (stage 2); and financial assets that are credit-impaired (stage 3). We use estimates and management judgment in determining the expected credit loss in model based impairment allowances for the following elements.

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, analysis was run, which assumed all assets were below the PD threshold and apportioned a 12 month ECL. On the same asset base, analysis was run which assumed all assets were above the PD threshold and apportioned a lifetime ECL. These analyses resulted in ECLs of EUR 489 million and EUR 1,771 million respectively. The total stage 1 and stage 2 impairment allowances as per 31 December 2019 amount to EUR 402 million and EUR 366 million respectively.

Forward-looking information and macro-economic scenarios

The estimation of expected credit losses for each stage and the assessment of significant increases in credit risk consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions (forward looking information). We use three, probability-weighted, 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 largely based on internal Rabobank research. An analysis on the sensitivity of key forward-looking macroeconomic inputs used in the ECL modelling process for stage 1 and stage 2 provisioning and the probability-weights applied to each of the three scenarios is presented below. The countries included in the analysis are the most significant in terms of gross contribution to reportable ECL. Accordingly, Rabobank considers these portfolios to present the most significant risk of resulting in an adjustment to the carrying amount of financial assets.

Netherlands		2020	2021	2022	ECL unweighted	Probability	Weighted ECL in millions of euro per December 31, 2019	Weighted ECL in millions of euro per December 31, 2018
Plus	GDP per capita	2.50%	1.80%	0.20%				
	Unemployment	2.50%	0.90%	0.50%	322	15%		
	Real Interest Rate	1.00%	0.00%	0.20%				
Baseline	GDP per capita	1.10%	0.40%	0.70%				
	Unemployment	3.60%	3.80%	4.10%	384	70%	387	290
	Real Interest Rate	0.80%	-0.40%	0.10%				
Minus	GDP per capita	-0.80%	-1.00%	1.80%				
	Unemployment	4.60%	6.40%	7.30%	466	15%		
	Real Interest Rate	0.40%	-0.90%	0.00%				

United States		2020	2021	2022	ECL unweighted	Probability	Weighted ECL in millions of euro per December 31, 2019	Weighted ECL in millions of euro per December 31, 2018
Plus	GDP per capita	1.10%	1.40%	0.90%				
	Unemployment	3.50%	4.60%	3.90%	100	15%		
	Real Interest Rate	-0.50%	0.80%	-2.30%				
Baseline	GDP per capita	0.00%	-0.30%	0.90%				
	Unemployment	3.90%	5.60%	5.20%	127	70%	129	83
	Real Interest Rate	-0.80%	0.10%	-2.40%				
Minus	GDP per capita	-1.50%	-2.20%	1.20%				
	Unemployment	4.30%	6.60%	6.50%	170	15%		
	Real Interest Rate	-1.10%	-0.80%	-2.50%				

Brazil		2020	2021	2022	ECL unweighted	Probability	Weighted ECL in millions of euro per December 31, 2019	Weighted ECL in millions of euro per December 31, 2018
Plus	GDP per capita	2.00%	3.00%	1.60%				
	Unemployment	7.50%	8.90%	8.00%	26	15%		
	Real Interest Rate	0.30%	0.60%	1.00%				
Baseline	GDP per capita	1.30%	2.30%	2.30%				
	Unemployment	8.00%	10.30%	9.70%	32	70%	32	19
	Real Interest Rate	0.00%	0.30%	0.20%				
Minus	GDP per capita	0.20%	1.90%	3.80%				
	Unemployment	8.60%	11.60%	11.30%	39	15%		
	Real Interest Rate	-0.40%	-0.10%	-1.00%				

Australia		2020	2021	2022	ECL unweighted	Probability	Weighted ECL in millions of euro per December 31, 2019	Weighted ECL in millions of euro per December 31, 2018
Plus	GDP per capita	1.10%	2.00%	1.30%				
	Unemployment	4.50%	3.00%	2.50%	12	15%		
	Real Interest Rate	0.10%	0.30%	0.40%				
Baseline	GDP per capita	0.60%	0.80%	1.00%				
	Unemployment	5.50%	5.70%	5.80%	15	70%	15	12
	Real Interest Rate	-0.20%	-0.60%	-0.20%				
Minus	GDP per capita	-0.20%	-0.20%	1.10%				
	Unemployment	6.50%	8.30%	9.00%	18	15%		
	Real Interest Rate	-0.60%	-1.60%	-0.50%				

Measurement of expected credit losses

The probability of default (PD), loss given default (LGD) and the exposure at default (EAD) are used to estimate expected credit losses as inputs for the ECL models. When unexpected external developments or data quality issues are not sufficiently covered by these ECL models, an adjustment will be made based on judgements and estimates. The mentioned inputs also require estimates in the following way:

- PD – The probability of default is an estimate of the likelihood of default over a given time horizon.
- LGD – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that Rabobank would expect to receive, including cash flows expected from collateral and other credit enhancements.
- EAD – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after reporting date due to prepayment.

The table below shows the impact on the ECL in the baseline scenario resulting from changes in probability of default (PD), collateral value and full prepayment rate.

Amounts in millions of euros	*Impact on ECL per 31 December 2019*
PD rating 1 notch deterioration (PD)	265
PD rating 1 notch improved (PD)	(197)
Collateral value down by 10 % (LGD)	123
Collateral value up by 10% (LGD)	(80)
Full prepayment rate down by 50% (EAD)	34
Full prepayment rate up by 50% (EAD)	(30)

4.3.7 Collateral and Credit Management

Rabobank's credit risk exposure is partly mitigated by obtaining collateral where necessary. The amount and nature of the collateral required depends partly on the assessment of the credit risk of the loan to the counterparty. Rabobank has guidelines in place for the purpose of accepting and valuing different types of collateral. The major types of collateral are:

- Mortgage collateral on residential property;
- Mortgage collateral on immovable property, pledges on movable property, inventories and receivables, mainly for corporate loans;
- Cash and securities, mainly for securities lending activities and reverse repurchase transactions.

Management monitors the market value of collateral obtained and requires additional collateral where necessary. Rabobank also uses credit derivatives to manage credit risks and it further mitigates its exposure to credit risk by entering into master netting arrangements with counterparties for a significant volume of transactions. In general, master netting arrangements do not lead to the offsetting of assets and liabilities included in the statement of financial position because transactions are usually settled gross except for transactions that meet the offsetting criteria as mentioned in paragraph 2.11. Credit risk is limited by master netting arrangements, but only to the extent that if an event or cancellation occurs, all amounts involving the counterparty are frozen and settled net. The total credit risk exposure from derivatives to which offsetting arrangements apply is sensitive to the closure of new transactions, the expiry of existing transactions and fluctuations in market interest and exchange rates.

The table below shows offsets which have been applied in the consolidated balance sheet (IAS 32 Offsetting) and offsets which have not been applied in the statement of financial position (Other offsetting), both limiting credit risk. The other offsets consist of securities Rabobank has received from reverse repurchase transactions and securities Rabobank has provided in relation to loans for repurchase transactions.

Offsetting of Financial Instruments

Amounts in millions of euros	*Amount before offsetting*	*IAS 32 Offsetting*	*Net carrying amount included in balance sheet*	*Master netting agreements*	*Other offsetting*	*Amount after other offsetting*
On December 31, 2019						
Loans and advances to credit institutions	29,297	-	29,297	-	(23,269)	6,028
Derivatives	111,906	(88,322)	23,584	(12,283)	-	11,301
Loans and advances to customers	447,627	(7,120)	440,507	-	(13,687)	426,820
Other assets	6,876	(266)	6,610	-	-	6,610
Total	**595,706**	**(95,708)**	**499,998**	**(12,283)**	**(36,956)**	**450,759**
Deposits from credit institutions	22,570	(1,326)	21,244	-	(1,505)	19,739
Deposits from customers	345,354	(2,818)	342,536	-	(20)	342,516
Derivatives	115,372	(91,298)	24,074	(12,283)	-	11,791
Other liabilities	7,101	(266)	6,835	-	-	6,835
Total	**490,397**	**(95,708)**	**394,689**	**(12,283)**	**(1,525)**	**380,881**
On December 31, 2018						
Loans and advances to credit institutions	17,859	-	17,859	-	(6,756)	11,103
Derivatives	81,402	(58,742)	22,660	(13,531)	-	9,129
Loans and advances to customers	443,093	(6,502)	436,591	-	(12,131)	424,460
Other assets	6,640	(209)	6,431	-	-	6,431
Total	**548,994**	**(65,453)**	**483,541**	**(13,531)**	**(18,887)**	**451,123**
Deposits from credit institutions	20,666	(1,269)	19,397	-	(79)	19,318
Deposits from customers	344,504	(2,094)	342,410	-	(13)	342,397
Derivatives	85,807	(61,880)	23,927	(13,531)	-	10,396
Other liabilities	6,551	(209)	6,342	-	-	6,342
Total	**457,528**	**(65,452)**	**392,076**	**(13,531)**	**(92)**	**378,453**

The next table shows the credit-impaired financial assets in relation with the collateral that is held as security to mitigate credit risk.

Collateral Held as Security and Other Credit Enhancements for Credit-impaired Financial Assets

Amounts in millions of euros	*Gross carrying amount credit impaired financial assets*	*Impairment allowances*	*Carrying amount after deduction impairment allowance*	*Collateral held as security and other credit enhancements*
On December 31, 2019				
Loans and advances to credit institutions	14	1	13	-
Loans and advances to customers	15,090	3,225	11,865	8,611
Financial assets at fair value through other comprehensive income	-	-	-	-
Total	**15,104**	**3,226**	**11,878**	**8,611**
On December 31, 2018				
Loans and advances to credit institutions	34	20	14	-
Loans and advances to customers	15,993	3,226	12,767	10,044
Financial assets at fair value through other comprehensive income	-	-	-	-
Total	**16,027**	**3,246**	**12,781**	**10,044**

The next table sets out the maximum exposure to credit risk to which Rabobank is exposed for financial instruments not subject to the IFRS 9 impairment requirements, without taking into account any collateral or other measures for restricting credit risk. It also shows the financial effect of any collateral provided or other types of credit risk reduction. In some cases the amounts stated deviate from the carrying amounts as presented in the statement of financial position because the outstanding equity instruments are not included in the maximum exposure to credit risk.

Maximum Exposure to Credit Risk of Financial Assets Not Subject to Impairment

Amounts in millions of euros	*Maximum exposure to credit risk*	*Collateral held as security and other credit enhancements*
On December 31, 2019		
Financial assets held for trading	1,811	-
Financial assets designated at fair value	101	-
Financial assets mandatorily at fair value	1,143	46
Derivatives	23,584	8,078
Total	**26,639**	**8,124**
On December 31, 2018		
Financial assets held for trading	2,806	-
Financial assets designated at fair value	157	-
Financial assets mandatorily at fair value	1,680	744
Derivatives	22,660	6,851
Total	**27,303**	**7,595**

Write-off Policy

Rabobank writes off loans when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full. Rabobank may write-off loans that are still subject to enforcement activity. The outstanding contractual amounts of partly or wholly written off assets during 2019 was EUR 461 million.

Rabobank acquired financial and non-financial assets during the year by taking possession of collateral with an estimated value of EUR 2 million as per 31 December 2019 (2018: EUR 15 million). It is policy of Rabobank to sell these assets in the reasonably foreseeable future. Yields are allocated to repay the outstanding amount.

4.3.8 Modified Assets

The risk of default of modified assets is assessed at the reporting date and compared with the risk under the original terms at initial recognition. Rabobank monitors the subsequent performance of these forborne modified assets and may determine that the credit risk has significantly improved, so that the assets are moved from stage 3 or stage 2 (Lifetime ECL) to stage 1 (12-month ECL). The gross carrying amount of such assets held as at 31 December 2019 was EUR 37 million (2018: EUR 32 million).

The following table includes summary information for financial assets with lifetime ECL whose cash flows were modified during the period and their respective effect on financial performance:

Financial Assets Modified While Loss Allowance Measured at Lifetime ECL

Amounts in millions of euros	*2019*	*2018*
Amortized cost before modification	835	217
Net modification gain/ loss	5	2
Financial assets modified since initial recognition	**840**	**219**

4.4 Non-Trading Foreign Exchange Rate risk (FX risk)

FX risk is the risk that exchange rate movements could lead to volatility in the bank's cash flows, assets and liabilities, net profit and/ or equity. The bank distinguishes two types of non-trading FX risks: (i) FX risk in the banking books and (ii) FX translation risk.

Foreign Exchange Risk in the Banking Books

FX risk in the banking books, is the risk where known and/ or ascertainable currency cash flow commitments and receivables in the banking books are unhedged. As a result, movements in exchange rates could have an adverse impact on the financial results and/ or financial position of Rabobank.

Foreign Exchange Translation Risk

FX translation risk is the risk that FX fluctuations will adversely affect the translation of assets and liabilities of operations – denominated in foreign currency – into the functional currency of the parent company. Translation risk reveals in Rabobank's equity position, risk weighted assets and capital ratios.

Rabobank manages its FX translation risk with regard to the Rabobank Consolidated CET1 ratio by deliberately taking FX positions, including deliberately maintaining FX positions (as a result of these structural FX positions, the impact of exchange rate fluctuations on the Rabobank Consolidated CET1 ratio is mitigated).

FX translation risk level is covered by the Global Standard on FX Translation Risk which outlines Rabobank's Global policy towards FX Translation risk to achieve and ensure a prudent and sound monitoring and controlling system, in order to manage these risks. Rabobank uses a pillar 2 framework for those areas where Rabobank is of the opinion that the regulatory framework (i.e. pillar 1) does not address the risk, or does not adequately address the risk. FX translation risk is one of these risks.

4.5 Interest Rate Risk in the Banking Environment

"Interest rate risk in the banking environment" refers to the risk that the financial results and/or the economic value of the banking book are adversely affected by changes in market interest rates.

Interest rate risk at Rabobank arises because of repricing and maturity mismatches between loans and funding, and optionality in client products. Customer behavior is an important determining factor with respect to interest rate risk in the banking environment. The modelling of customer behavior is therefore one of the core elements of the interest rate risk framework. There are behavioral models in place for mortgage prepayments, savings accounts and current accounts. Movements in interest rates may also affect the creditworthiness of customers. Higher interest rates might for example lead to higher borrowing costs and, hence, have a negative impact on the creditworthiness of a customer. This effect is however regarded as credit risk rather than interest rate risk.

Rabobank accepts a certain amount of interest rate risk in the banking environment; this is a fundamental part of banking. But at the same time the bank also aims to avoid unexpected material fluctuations in the financial result and the economic value because of interest rate fluctuations. The Managing Board, overseen by the Supervisory Board, therefore annually approves the interest rate risk appetite and the corresponding interest rate risk limits.

At group level, Rabobank's interest rate risk is managed by the Asset and Liability Committee Group chaired by the Chief Financial Officer. Treasury is responsible for implementing the decisions of this committee, while Risk Management is responsible for measuring and monitoring the interest rate risk position.

The definition of equity used for managing interest rate risk varies from the IFRS definition of equity. For interest rate risk management, the economic value of equity is defined as the present value of the assets minus the present value of the liabilities together with the present value of the off-balance-sheet items. Through the use of hedge accounting and because a large proportion of the balance sheet is carried at amortized cost (in IFRS terms) and is therefore not exposed to value changes due to changes in market interest rates, the effects of the value changes on IFRS capital will be limited.

As part of its interest rate risk policy, Rabobank uses the following two key indicators for managing and controlling interest rate risk:

- Earnings at risk; the EaR is the largest deviation in negative terms of the expected net interest income in the next 12 months as a result of different interest rates scenarios; and
- Modified duration of equity.

Sections 4.5.1 and 4.5.2 provide further details on "Earnings at risk" and "Modified duration" developments.

4.5.1 Earnings at Risk

Earnings at risk is calculated once a month based on a standard interest-rate-sensitivity analysis. This analysis shows the main reduction of the projected interest income over the next 12 months triggered by a set of scenarios: one in which all money market and capital market interest rates gradually increase by 2 percentage points, by a scenario in which all money market and capital market interest rates gradually decrease by a maximum of 2 percentage points, and by two scenarios in which the yield curve steepens or flattens. The projected interest rate income is based on a scenario in which all interest rates and other rates remain equal. Due to already low interest levels, the floor in the downward scenario has been reached leading to a decrease of 25 basispoints instead of 2 percentage points for both 2018 and 2019.

In 2019, Rabobank's net interest income suffers the most under an interest rate downward scenario throughout the year. On 31st of December 2019 the EaR ended up at EUR 35 million, lower than the EaR of EUR 109 million in 2018. This is mainly driven by changes in the composition of the balance sheet and subsequent interest rate risk hedging decisions by the responsible committee (ALCO).

Earnings at Risk

	December 31, 2019	*December 31, 2018*
Earnings at Risk	35	109
Split by main currencies		
Earnings at Risk – EUR	28	76
Earnings at Risk – USD	3	32

4.5.2 Modified Duration

The Modified duration (MD) or duration of equity indicates by what percentage the economic value of equity will fall if the money market and capital market interest rates increase by one percentage point. The Managing Board has set an upper limit of 6% for this purpose. Additional limits apply for the basis point value (BPV) of equity and the delta profile (BPV per term point) of equity.

Modified Duration

	December 31, 2019	*December 31, 2018*
Modified Duration (%) Group level in EUR	3,00%	2,80%
Split by main currencies		
Modified Duration (%) – EUR	3,80%	3,20%
Modified Duration (%) – USD	(3,50%)	(2,20%)

4.6 Market Risk in the Trading Environment

Market Risk arises from the risk of losses on trading book positions affected by movements in interest rates, equities, credit spreads, currencies and commodities. Risk positions acquired from clients can either be redistributed to other clients or dynamically managed by hedging. The trading desks are also acting as a market-maker for secondary markets (by providing liquidity and pricing) in interest rate derivatives and debt, including Rabobank Bonds and Rabobank Certificates.

Market risk in the trading environment is monitored daily within the market risk framework, which is put in place to measure, monitor and manage market risk in the trading books. This framework contains all derivatives in trading books, the bond trading books the loan syndication books, and the securities finance & repo books. An important part of the framework is an appropriate system of limits and trading controls. The relevant risk appetite limits are translated into limits and trading controls at book level and are monitored on a daily basis by the market risk departments.

Due to Rabobank's strategy of client risk redistribution, risk hedging and the low secondary market activity, the real market risk exposure of the trading portfolio is well within the risk appetite boundaries. If limits are breached, remedial actions will be stipulated which decrease the chance of large actual losses. The risk position is reported to senior management and discussed in the various risk management committees each month. Risk developments that require ad hoc attention are communicated accordingly outside the regular reporting cycle.

On consolidated level, the risk appetite is defined for event risk trading, event risk underwriting, VaR and interest rate delta.

Rabobank considers Event Risk the most important indicator for market risk in the trading environment. It is instrumental in gauging the impact of extreme, yet plausible predefined moves in market risk factors on the P&L of individual trading portfolios. These moves are reflected in scenarios which capture risk drivers such as tenor basis swap spreads, interest rates, foreign exchange, credit spreads, volatility and interest rate curve rotation. Depending on the scenario, individual risk factors or multiple risk factor categories will be stressed.

The event risk, which is measured by performing sensitivity analyses and stress tests was EUR 71 million on December 31, 2019, well within the set limit according to the risk appetite statement . It fluctuated between EUR 68 million and EUR 140 million with an average of EUR 93 million.

The VaR indicates the maximum loss for a given confidence level and horizon under 'normal' market conditions, based on one year of historical market movements. Daily risk management uses a confidence level of 97.5% and a horizon of 1 day. Under this method, VaR is calculated on the basis of historical market movements and the positions taken. The table below presents the composition of the VaR. In 2019, the VaR fluctuated between EUR 2.3 million and EUR 4.3 million, the average being EUR 3.0 million. The VaR amounted to EUR 3.2 million on December 31, 2019.

VAR (1 day, 97.5%) (amounts in millions of euros)

	Interest	*Credit*	*Currencies*	*Shares*	*Commodities*	*Diversification*	*Total*
December 31, 2019	3.4	0.7	0.2	0.0	0.2	(1.4)	3.2
2019 – average	2.9	1.4	0.2	0.0	0.2	-	3.0
2019 – highest	3.9	3.1	1.9	0.0	1.2	-	4.3
2019 – Lowest	2.1	0.7	0.0	0.0	0.1	-	2.3
December 31, 2018	2.3	2.9	0.1	0.0	0.2	(2.1)	3.4
2018– average	2.2	1.5	0.1	0.0	0.1	-	2.6
2018 – highest	3.4	3.0	0.6	0.1	0.7	-	3.9
2018 – lowest	1.7	0.7	0.0	0.0	0.1	-	1.9

The interest rate delta is a measure of the change in the value of positions if there is a parallel increase in the yield curve of 1 basis point (i.e. 0.01 percentage point). The interest rate delta table shows the sensitivity to changes in the yield curves for the major currencies. On December 31, 2019, the interest rate delta for trading books was EUR 0.1 million negative. The interest rate delta remained well within the set limit during the reporting period.

Interest Rate Delta

Amounts in millions of euros	*December 31, 2019*	*December 31, 2018*
EUR	(0.2)	0.4
USD	0.1	0.1
AUD	0.1	0.0
Other	0.0	0.0
Total	**(0.1)**	**0.6**

4.7 Liquidity Risk

Liquidity risk is the risk that the bank will not be able to meet all of its payment and repayment obligations on time, as well as the risk that the bank will not be able to fund increases in assets at a reasonable price, if at all. This could happen if, for instance, customers or professional counterparties suddenly withdraw more funds than expected which cannot be absorbed by the bank's cash resources, by selling or pledging assets in the market or by borrowing funds from third parties. Rabobank considers an adequate liquidity position and retaining the confidence of both professional market parties and retail customers to be crucial in ensuring unimpeded access to the public money and capital markets.

The liquidity risk policy focuses on financing assets using stable funding, i.e., funds entrusted by customers and long-term wholesale funding. Liquidity risk is managed based on three pillars. The first of these sets strict limits for the maximum outgoing cash flows within the wholesale banking business. Among other things, Rabobank measures and reports on a daily basis what incoming and outgoing cash flows can be expected during the next twelve months. Limits have been set for these outgoing cash flows, including for each currency and each location. Detailed plans (the contingency funding plans) have been drawn up for contingency funding to ensure the bank is prepared for potential crisis situations. Periodic operational tests are performed for these plans.

The second pillar is used to maintain a substantial high-quality buffer of liquid assets. Besides credit balances held at central banks, these assets can be pledged to central banks, in repo transactions, or to be sold directly in the market to generate liquidity immediately. The size of the liquidity buffer is attuned to the risk Rabobank is exposed to in its balance sheet. In addition Rabobank has securitized a portion of the mortgage portfolio internally, which means it can be pledged to the central bank, thereby serving as an additional liquidity buffer. Since this concerns retained securitizations, it is not reflected in the consolidated balance sheet.

The third pillar for managing liquidity risk consists of a good credit rating, high capital levels and prudent funding policies. Rabobank takes various measures to avoid becoming overly dependent on a single source of funding. These include balanced diversification of financing sources regarding maturity, currencies, investors, geography and markets, a high degree of unsecured funding and therefore limited asset encumbrance, and an active and consistent investor-relations policy play a major role.

Scenario analyses are performed each month to determine the potential consequences of a wide range of stress scenarios. The analyses cover market-specific scenarios, Rabobank-specific scenarios and a combination of both. Monthly reports on the Group's overall liquidity position are submitted to the Dutch Central Bank. These reports are prepared in accordance with the guidelines drawn up by this supervisory authority.

The table below shows the undiscounted liabilities grouped according to the remaining liquidity period from the reporting date to the expected contract repayment date. The total amounts do not correspond exactly with the amounts in the consolidated statement of financial position because this table is based on undiscounted contractual cash flows relating to both principal and future interest payments. Derivatives are not included in this table and have not been analyzed on the basis of the contractual due date, because they are not essential for the management of liquidity risk or for reporting to senior management. The maturity profile of derivatives used for cash flow hedging is disclosed in Section 11.3 Derivatives Designated as Hedging Instrument.

Contractual Repayment Date

Amounts in millions of euros	*On demand*	*Less than 3 months*	*3 months to 1 year*	*1 - 5 years*	*Longer than 5 years*	*No maturity applicable*	*Total*
On December 31, 2019							
Liabilities							
Deposits from credit institutions	4,491	1,649	2,410	4,130	818	7,986	21,484
Deposits from customers	282,651	15,767	8,475	12,360	24,584	1,278	345,115
Debt securities in issue	8,595	13,099	23,221	60,413	35,912	-	141,240
Other liabilities (excluding employee benefits and lease liabilities)	2,297	1,384	362	660	265	756	5,724
Lease liabilities	2	19	34	198	319	4	576
Financial liabilities held for trading	-	399	-	-	-	-	399
Financial liabilities designated at fair value	114	248	800	2,724	3,271	-	7,157
Subordinated liabilities	31	59	1,574	7,474	12,717	-	21,855
Total financial liabilities	**298,181**	**32,624**	**36,876**	**87,959**	**77,886**	**10,024**	**543,550**
Financial guarantees	3,726	-	-	-	-	-	3,726
Loan commitments	35,089	-	-	-	-	-	35,089

Amounts in millions of euros	*On demand*	*Less than 3 months*	*3 months to 1 year*	*1 - 5 years*	*Longer than 5 years*	*No maturity applicable*	*Total*
On December 31, 2018							
Liabilities							
Deposits from credit institutions	2,916	675	4,492	4,900	634	6,052	19,669
Deposits from customers	280,453	13,309	10,305	14,921	24,994	1,135	345,117
Debt securities in issue	4,470	17,184	25,675	64,934	30,316	-	142,579
Other liabilities (excluding employee benefits)	2,038	1,967	309	544	20	826	5,704
Financial liabilities held for trading	-	400	-	-	-	-	400
Financial liabilities designated at fair value	17	191	397	3,681	3,342	-	7,628
Subordinated liabilities	31	58	1,624	8,275	13,204	-	23,192
Total financial liabilities	**289,925**	**33,784**	**42,802**	**97,255**	**72,510**	**8,013**	**544,289**
Financial guarantees	3,377	-	-	-	-	-	3,377
Loan commitments	32,583	-	-	-	-	-	32,583

The table below shows assets and liabilities grouped according to the period remaining from the reporting date to the contractual repayment date. These amounts correspond to the amounts included in the Consolidated Statement of Financial Position.

Current and Non-current Financial Instruments

Amounts in millions of euros	On demand	Less than 3 months	3 months to 1 year	1 - 5 years	Longer than 5 years	No maturity applicable	Total
On December 31, 2019							
Financial assets							
Cash and cash equivalents	62,553	9	3	-	-	521	63,086
Loans and advances to credit institutions	18,288	7,634	1,126	164	169	1,916	29,297
Financial assets held for trading	28	160	151	628	844	59	1,870
Financial assets designated at fair value	-	100	1	-	-	-	101
Financial assets mandatorily at fair value	45	64	440	89	538	729	1,905
Derivatives	1,081	1,003	1,488	4,023	15,989	-	23,584
Loans and advances to customers	34,852	16,115	37,239	106,628	237,986	7,687	440,507
Financial assets at fair value through other comprehensive income	478	1,021	2,234	7,889	1,519	364	13,505
Other assets (excluding employee benefits)	667	1,815	1,596	1,376	170	980	6,604
Total financial assets	**117,992**	**27,921**	**44,278**	**120,797**	**257,215**	**12,256**	**580,459**
Financial liabilities							
Deposits from credit institutions	4,489	1,642	2,378	3,977	772	7,986	21,244
Deposits from customers	282,565	15,763	8,423	11,934	22,573	1,278	342,536
Debt securities in issue	8,530	12,887	23,716	55,065	30,205	-	130,403
Derivatives	1,293	1,121	1,598	5,426	14,602	34	24,074
Financial liabilities held for trading	-	399	-	-	-	-	399
Other liabilities (excluding employee benefits and lease liabilities)	2,159	1,478	532	845	292	757	6,063
Lease liabilities	2	18	30	174	317	1	542
Financial liabilities designated at fair value	114	233	772	2,477	2,732	-	6,328
Subordinated liabilities	-	-	1,012	5,293	9,485	-	15,790
Total financial liabilities	**299,152**	**33,541**	**38,461**	**85,191**	**80,978**	**10,056**	**547,379**
Net balance	**(181,160)**	**(5,620)**	**5,817**	**35,606**	**176,237**	**2,200**	**33,080**

Amounts in millions of euros	On demand	Less than 3 months	3 months to 1 year	1 - 5 years	Longer than 5 years	No maturity applicable	Total
On December 31, 2018							
Financial assets							
Cash and cash equivalents	72,391	99	7	-	-	838	73,335
Loans and advances to credit institutions	9,180	4,422	1,345	194	168	2,550	17,859
Financial assets held for trading	158	178	115	880	1,475	70	2,876
Financial assets designated at fair value	-	127	7	-	23	-	157
Financial assets mandatorily at fair value	9	24	36	518	643	904	2,134
Derivatives	1,009	1,100	1,552	5,300	13,699	-	22,660
Loans and advances to customers	31,867	17,834	35,687	103,680	242,136	5,387	436,591
Financial assets at fair value through other comprehensive income	222	629	2,430	10,865	4,009	575	18,730
Other assets (excluding employee benefits)	349	2,027	1,444	1,673	113	819	6,425
Total financial assets	**115,185**	**26,440**	**42,623**	**123,110**	**262,266**	**11,143**	**580,767**
Financial liabilities							
Deposits from credit institutions	2,914	667	4,428	4,753	584	6,051	19,397
Deposits from customers	280,681	13,292	10,224	14,399	22,679	1,135	342,410
Debt securities in issue	4,449	16,926	24,814	60,125	24,492	-	130,806
Derivatives	1,099	1,334	1,500	6,166	13,792	36	23,927
Financial liabilities held for trading	-	400	-	-	-	-	400
Other liabilities (excluding employee benefits)	2,076	2,082	478	576	50	826	6,088
Financial liabilities designated at fair value	17	176	364	3,372	2,685	-	6,614
Subordinated liabilities	-	-	1,007	5,804	9,687	-	16,498
Total financial liabilities	**291,236**	**34,877**	**42,815**	**95,195**	**73,969**	**8,048**	**546,140**
Net balance	**(176,051)**	**(8,437)**	**(192)**	**27,915**	**188,297**	**3,095**	**34,627**

The overview presented above was composed based on contractual information and does not represent the actual behavior of these financial instruments. However, this is accounted for in the day-to-day management of the liquidity risk. Customer savings are an example. Under contract, these are payable on demand. Experience has shown this to be very stable source of long-term financing for Rabobank to have at its disposal. The liquidity regulations of the supervisory authority also factor this in.

With a Liquidity Coverage Ratio (LCR) of 132% as per December 31, 2019 (2018: 135%), Rabobank complies with the minimum 100% requirement as set by the Dutch Central Bank (DNB).

The liquidity requirements to meet payments under financial guarantees are considerably lower than the amount of the liabilities because Rabobank does not generally expect that third parties to such arrangements will draw funds. The total outstanding amount in contractual obligations to provide credit does not necessarily represent the future cash resource needs of Rabobank because many of these obligations will lapse or terminate without financing being required.

4.8 Operational Risk

Exposure to operational risks is an inevitable part of executing business activities; Rabobank minimizes this risk within the boundaries set by the complexity and size of its organization. Operational risks are actively managed and controlled through the Rabobank's Risk and Control Framework supported by policies, procedures, limits and control structures. With mentioned size and complexity of the organization, Rabobank has a tolerance for operational risk losses not to exceed approximately 1.5% of the budgeted annual gross income. Rabobank has multiple RAS metrics to set the boundaries of accepted risk levels. The operational risk losses of 2019 are within set tolerance limits.

Rabobank has developed and implemented a Risk and Control Framework (RCF), which is mandatory for all business units (including subsidiaries) and central support functions. The RCF ensures that risks because of inadequate or failing processes, people, systems and/or external events are managed and monitored within the accepted risk levels. The RCF supports risk owners at all levels in the organization to manage their operational risks effectively using a forward looking and integrated approach. In addition, quarterly In Control meetings by the risk owners are in place to manage and steer on operational risks.

Rabobank performs a structured and integrated risk analysis to holistically manage its operational risks. Performing this risk assessment across all entities helps to ensure Rabobank's operational risk management is sound and complies with regulatory requirements. This assessment results in uniform and consistent risk control activities reflected in the Risk Control Framework. This results in the effective and efficient management of various types of operational risks and a good balance between risks and controls within the organization and helps to become a better learning organization.

AML, CTF, and Sanctions

As a gatekeeper to the financial system, we are strongly committed to preventing the use of our products and services for money laundering and terrorist financing purposes and to preventing violations of sanctions regulations. We are strengthening the on-boarding procedures in the distribution channels in the Netherlands, as well as the remediation of client files. We run a global program to improve the quality of our (global) client files and the usage of data to identify (potential) criminal activity. Monitoring transactions by using data in a more intelligent way provides further inside and enables us to detect (potential) unusual transactions patterns more adequately. The change program also includes initiatives to enhance our global AML/CFT and Sanctions framework. After receiving an injunction (*last onder dwangsom*) from DNB in September 2018 we further intensified our KYC (CDD and TM) activities. We took further steps in 2019 to enhance our resources and technical capabilities. In 2020, we will continue to invest in KYC (CDD and TM) activities and advanced technology to improve transaction monitoring. In addition, we promote close cooperation between banks and various parties in the public sector. This is essential to effectively fight these criminal activities. From 1 April 2020 onwards, DNB will verify if we meet all requirements of the injunction and will validate among other things if, as a result, Rabobank has classified its client portfolio adequately.

4.9 Fair Value of Financial Assets and Liabilities

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 no principal market exists.

Market prices are not available for a large number of the financial assets and liabilities that Rabobank holds or issues. For financial instruments for which no market prices are available, the fair values shown in the following table have been estimated using the present value 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 and for the timing of future cash flows, discount rates and possible market illiquidity. The following methods and assumptions have been used.

Cash and Cash Equivalents.
The fair value of cash and cash equivalents is assumed to be almost equal to their carrying amount. This assumption is used for highly liquid investments and also for the short-term component of all other financial assets and liabilities.

Loans and Advances to Credit Institutions.
Loans and advances to credit institutions also includes interbank placings and items to be collected. The fair values of floating rate placings, that are repriced regularly and do not vary significantly in terms of credit risk, and overnight deposits are their carrying amounts. The estimated fair value of fixed-interest deposits is based on the present value of the cash flows, calculated based on appropriate money market interest rates for debts with comparable credit risks and terms to maturity.

Financial Assets and Derivatives Held for Trading.
Financial assets held for trading are carried at fair value based on available quoted prices in an active market. If quoted prices in an active market are not available, the fair value is estimated based on discounted cash flow models and option valuation models.

Derivatives are recognized at fair value determined on the basis of listed market prices (mid-prices are used for EUR, USD and GBP derivatives that have a bid-ask range), prices offered by traders, discounted cash flow models and option valuation models based on current market prices and contract prices for the underlying instruments and reflecting the time value of money, yield curves and the volatility of the underlying assets and liabilities.

For OTC derivatives credit valuation adjustments (CVA) are made to reflect expected credit losses related to the non-performance risk of a given counterparty. A CVA is determined per counterparty and depends on expected future exposure taking into account collateral, netting agreements and other relevant contractual factors, default probability and recovery rates. The CVA calculation is based on available market data including credit default swap (CDS) spreads, Where CDS spreads are not available relevant proxies are used. A debit valuation adjustment (DVA) is made to include own credit in the valuation of OTC derivatives. The calculation of DVA is consistent with the CVA framework and is calculated using the Rabobank CDS spread. Another factor that is taken into account is the funding valuation adjustments (FVA). FVA concerns the valuation difference between transactions hedged by securities and transactions not hedged by securities. Collateralized transactions are valued by means of a discounting curve, based on the overnight index spread. Non-collateralized transactions are valued by means of a discounting curve, based on Euribor/ Libor plus a spread which reflects the market conditions.

Financial Assets Designated at Fair Value and Financial Assets Mandatorily at Fair Value.
These financial assets are carried at fair value based on quoted prices on an active market if available. If not, they are estimated from comparable assets on the market, or using valuation methods, including appropriate discounted cash flow models and option valuation models.

Loans and Advances to Customers.
The fair value of loans and advances to customers is estimated by discounting expected future cash flows using current market rates for similar loans, considering the creditworthiness of the counterparty. For the fair valuation of residential mortgage loans, the contractual cash flows are adjusted for the prepayment rate of the portfolio. For variable-interest loans that are repriced regularly and do not vary significantly in terms of credit risk, the fair value approximates the carrying amount.

Financial Assets at Fair Value through Other Comprehensive Income.
These financial assets are measured at fair value based on listed market prices. If quoted prices on an active market are not available, the fair value is estimated based on discounted cash flow models and option valuation models.

Deposits from Credit Institutions.
Deposits from credit institutions include interbank placings, items to be collected and deposits. The fair values of floating rate placings, that are repriced regularly and do not vary significantly in terms of credit risk, and overnight deposits are their carrying amounts. The estimated fair value of fixed-interest deposits is based on the present value of the cash flows, calculated based on valid money market interest rates for debts with comparable credit risks and terms to maturity.

Deposits from Customers.
Deposits from customers includes current accounts and deposits. The fair value of savings and current account balances that have no specific termination date are assumed to be the amount payable on demand on the reporting date i.e. their carrying amount on that date. The fair value of these deposits is estimated from the present value of the cash flows based on current bid rates for interest for similar arrangements and terms to maturity and that match the items to be measured. The carrying amount

of variable-interest deposits is a good approximation of their fair value on the reporting date.

Financial Liabilities Held for Trading.

The fair value of financial liabilities held for trading is based on available quoted prices on an active market. If quoted prices on an active market are not available, the fair value is estimated on the basis of valuation models.

Financial Liabilities Designated at Fair Value.

The fair value option is used to eliminate the accounting mismatch and valuation asymmetry between these instruments and the hedging derivatives which would occur if these instruments would have been accounted for at amortized cost. The financial liabilities designated at fair value include structured notes and structured deposits which are managed and reported on a fair value basis together with the hedging derivatives. The fair value of these liabilities is determined by discounting contractual cash flows using credit adjusted yield curves based on available market data in the secondary market and appropriate CDS spreads. All other market risk parameters are valued consistently with derivatives used to hedge the market risk in these liabilities. Changes in the fair value that are attributable to changes in own credit risk are reported in "Other comprehensive income". The change in fair value that is attributable to changes in own credit risk is calculated by deducting on a note by note basis the current fair value of the structured notes portfolio at the reporting date from the fair value recalculated based on the prevailing credit curve at the time of origination, with all other pricing components unchanged. This calculation reflects the amount that can be attributed to the change in the own credit risk of Rabobank since the origination of these structured notes.

Debt Securities in Issue.

The fair value of these instruments is calculated using quoted prices on an active market. For debt securities for which no quoted prices on an active market are available, a discounted cash flow model is used based on credit adjusted yield curves appropriate for the term to maturity.

The following table shows the fair value of financial instruments, recognized at amortized cost based on the valuation methods and assumptions detailed below. This table is included because not all financial instruments are recognized at fair value in the balance sheet. Fair value represents the price that would have been either received for the sale of an asset or paid in order to transfer a liability in a standard transaction conducted between market participants on the valuation date.

	2019		*2018*	
Amounts in millions of euros	*Carrying amount*	*Fair value*	*Carrying amount*	*Fair value*
Assets				
Cash and cash equivalents	63,086	63,104	73,335	73,335
Loans and advances to credit institutions	29,297	29,314	17,859	17,878
Loans and advances to customers	440,507	455,258	436,591	443,867
Liabilities				
Deposits from credit institutions	21,244	21,267	19,397	19,333
Deposits from customers	342,536	347,905	342,410	345,719
Debt securities in issue	130,403	132,326	130,806	132,397
Subordinated liabilities	15,790	17,625	16,498	17,220

The above stated figures represent the best possible estimates by management based on 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 and commodity instruments, Rabobank bases the expected fair value on the present value of the future cash flows, discounted at market rates which correspond to the credit ratings and terms to maturity of the investments. A model-based price can also be used to determine fair value.

Rabobank follows a policy of having all models used for valuing financial instruments in the statement of financial position validated by expert staff who are independent of the staff who determine the fair values of the financial instruments.

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

The table on the next page illustrates the fair value hierarchy used in determining the fair value of financial assets and liabilities. The breakdown is:

- Level 1: Quoted prices on active markets for identical assets or liabilities; an "active market" is a market in which transactions relating to the asset or liability occur in sufficient frequency and at a sufficient volume in order 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 are not based on observable market data.

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

Amounts in millions of euros	*Level 1*	*Level 2*	*Level 3*	*Total*
On December 31, 2019				
Assets carried at amortized cost in the statement of financial position				
Cash and cash equivalents	63,084	20	-	63,104
Loans and advances to credit institutions	38	29,000	276	29,314
Loans and advances to customers	-	132,562	322,696	455,258
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 amortized cost in the statement of financial position				
Deposits from credit institutions	-	21,131	136	21,267
Deposits from customers	-	80,043	267,862	347,905
Debt securities in issue	8,029	117,478	6,819	132,326
Subordinated liabilities	17,601	24	-	17,625
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

Amounts in millions of euros	*Level 1*	*Level 2*	*Level 3*	*Total*
On December 31, 2018				
Assets carried at amortized cost in the statement of financial position				
Cash and cash equivalents	73,298	32	5	73,335
Loans and advances to credit institutions	18	17,232	628	17,878
Loans and advances to customers	850	124,438	318,579	443,867
Assets carried at fair value in the statement of financial position				
Financial assets held for trading	2,382	431	63	2,876
Financial assets designated at fair value	126	23	8	157
Financial assets mandatorily at fair value	-	571	1,563	2,134
Derivatives	23	22,381	256	22,660
Financial assets at fair value through other comprehensive income	14,453	3,813	464	18,730
Non-current assets held for sale	-	-	268	268
Liabilities carried at amortized cost in the statement of financial position				
Deposits from credit institutions	18	19,164	151	19,333
Deposits from customers	(9)	95,824	249,904	345,719
Debt securities in issue	1,365	123,973	7,059	132,397
Subordinated liabilities	17,197	23	-	17,220
Liabilities carried at fair value in the statement of financial position				
Derivatives	41	23,763	123	23,927
Financial liabilities held for trading	400	-	-	400
Financial liabilities designated at fair value	-	6,614	-	6,614

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 90 million (2018: EUR 145 million) and on other comprehensive income EUR 3 million (2018: EUR 9 million). The potential effect before taxation, if more unfavorable reasonable assumptions are used for the valuation of financial instruments in level 3 on the income statement, is EUR -69 million (2018: EUR -142 million) and on other comprehensive income EUR -3 million (2018: EUR -7 million).

Financial assets at fair value categorised in Level 3 mainly include the DGS receivable, the equity stake in Mechanics Bank and private equity interests for a total amount of EUR 1,117 million as per 31 December 2019. 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 8.8, with a bandwidth of -1 (unfavorable) and +1 (favorable) of the multiplier.

The table shows movements in the financial instruments which are stated at fair value in the statement of financial position and which are categorised 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.

In 2019 there were no significant transfers between level 1 and level 2.

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 assets 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	-	-	-	-	-	-	-	-	-

Amounts in millions of euros	*Balance on January 1, 2018*	*Fair value changes incorporated in profit or loss*	*Fair value changes incorporated in OCI*	*Purchases*	*Sales*	*Settlements*	*Transfers to or from level 3*	*Balance on December 31, 2018*
Assets								
Financial assets held for trading	68	6	-	-	(11)	-	-	63
Financial assets designated at fair value	23	1	-	-	-	(16)	-	8
Financial assets mandatorily at fair value	1,668	54	-	162	(117)	(224)	20	1,563
Derivatives	315	(18)	-	82	-	(123)	-	256
Financial assets at fair value through other comprehensive income	471	10	19	20	(56)	-	-	464
Liabilities								
Derivatives	259	(10)	-	1	-	(127)	-	123
Financial liabilities designated at fair value	6	-	-	(2)	-	-	(4)	-

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

Amounts in millions of euros	*Instruments held at the end of the reporting period*	*Instruments no longer held at the end of the reporting period*	*Total*
On 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	-	-	-
On December 31, 2018			
Assets			
Financial assets held for trading	6	-	6
Financial assets designated at fair value	1	-	1
Financial assets mandatorily at fair value	50	4	54
Derivatives	40	(58)	(18)
Financial assets at fair value through other comprehensive income	11	(1)	10
Liabilities			
Derivatives	44	(54)	(10)
Financial liabilities designated at fair value	-	-	-

Recognition of Day 1 Gains

When using fair value accounting at the inception of a financial instrument, any positive difference between the transaction price and the fair value (known as "day 1 gains") is accounted for in the statement of income where the valuation method is based on observable inputs from active markets. In all other cases, the entire day 1 gain is deferred and after initial recognition the deferred day 1 gain is recognized as a gain to the extent it results from a change in a factor (including time effects). There are no deferred day 1 gains as at December 31, 2019.

4.10 Legal and Arbitration Proceedings

Rabobank is active in a legal and regulatory environment that exposes it to substantial risk of litigation. As a result, 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 fifty percent), 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. In March 2016, 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 announced its decision to take part in the Recovery Framework on July 7, 2016. The final version of the Recovery Framework was published by the independent committee on December 19, 2016. Rabobank is involved in civil proceedings in the Netherlands relating to interest rate derivatives entered into with Dutch business customers. The majority of these concern individual cases. In addition, there is a collective action regarding interest rate derivatives pending before the Court of Appeal (for which a standstill was agreed to, due to the Recovery Framework; the few remaining out-of-scope customers will be assessed on an individual basis). These actions concern allegations of misinforming clients with respect to interest rate derivatives. Some of these actions also concern allegations in connection with Rabobank's Euribor submissions (as described below). Rabobank will defend itself against all these claims. Furthermore, there are pending complaints and proceedings against Rabobank regarding interest rate derivatives brought before Kifid (Dutch Financial Services Complaints Authority, which, in January 2015, opened a conflict resolution procedure for SME businesses with interest rate derivatives). With respect to the (re-)assessment of the interest rate derivatives of its Dutch SME business customers and the advance payments made, Rabobank recognized at December 31, 2019 a provision of EUR 107 million (December 31, 2018: EUR 316 million). At year-end 2018, Rabobank provided all qualifying clients clarity on the outcome. Rabobank's payments to clients under the Recovery Framework amounted to EUR 249 million in 2019.

Imtech
On January 30, 2018, Rabobank received a letter indicating that legal proceedings may be started at a later stage with respect to a potential collective action in relation to certain share offerings of Royal Imtech N.V. in which Rabobank was involved. This situation has remained unchanged. Furthermore, the receivers sent a letter (August 10, 2018) in which they describe on what (possible) grounds their (future) claim(s) towards Rabobank in its capacity of lender will be based. 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 defences against these claims. Rabobank has the intention 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 not probable but also not 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 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 288 million.

5. Segment Reporting

5.1 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; Wholesale, Rural & Retail (WRR); Leasing; Real Estate; and Other Segments.

- Domestic Retail Banking mainly encompasses the activities of the local Rabobanks, Obvion, Financial Solutions and Roparco.
- Wholesale, Rural & Retail (WRR) 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, the 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. Manufacturers, vendors and distributors are globally supported in their sales with products relevant to asset financing.
- Real Estate mainly encompasses the activities of BPD. The core activity is the development of housing.
- Other segments within Rabobank include various sub-segments of which no single segment can be listed separately. 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, there is no other material comprehensive income between the business segments. The financial reporting principles used for the segments are identical to those described in the "Accounting Policies" section. As management primarily relies on net interest income to assess the performance of the segments and make decisions about resources to be allocated to the segment the segment's interest income is presented net of its interest expense.

As per the Financial statements 2019, 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 segment information have been adjusted accordingly to align with internal management reporting.

Amounts in millions of euros	*Domestic Retail Banking*	*WRR*	*Leasing*	*Real Estate*	*Other Segments*	*Consolidation Effects*	*Total*
For the year ended December 31, 2019							
Net interest income	5,258	2,458	1,052	(10)	(273)	(2)	8,483
Net fee and commission income	1,490	438	124	8	(21)	(50)	1,989
Other results	67	766	255	308	(3)	50	1,443
Income	**6,815**	**3,662**	**1,431**	**306**	**(297)**	**(2)**	**11,915**
Staff costs	2,738	1,396	536	84	214	(147)	4,821
Other administrative expenses	1,177	495	174	40	(15)	3	1,874
Depreciation and amortization	95	83	28	7	63	144	420
Operating expenses	**4,010**	**1,974**	**738**	**131**	**262**	**-**	**7,115**
Impairment on investments in associates	-	-	-	-	300	-	300
Impairment charges on financial assets	152	611	214	2	(4)	-	975
Regulatory levies	270	140	26	2	46	-	484
Operating profit before tax	**2,383**	**937**	**453**	**171**	**(901)**	**(2)**	**3,041**
Income tax	607	260	131	40	(200)	-	838
Net profit	**1,776**	**677**	**322**	**131**	**(701)**	**(2)**	**2,203**
Cost/income ratio including regulatory levies (in %)[1]	62.8	57.7	53.4	43.5	n/a	n/a	63.8
Impairment charges on financial assets (in basis points of average private sector loan portfolio)[2]	6	55	67	n/a	n/a	n/a	23
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 Impairment charges on financial assets divided by 12-month average private sector loan portfolio

Amounts in millions of euros	*Domestic Retail Banking*	*WRR*	*Leasing*	*Real Estate*	*Other Segments*	*Consolidation Effects*	*Total*
Impairment allowances on financial assets							
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**
Impairment allowance 12-month ECL	176	158	68	-	-	-	402
Impairment allowance lifetime ECL non-credit impaired	213	76	77	-	-	-	366
Impairment allowance lifetime ECL credit-impaired	1,735	1,362	212	14	-	-	3,323
Balance on December 31, 2019	**2,124**	**1,596**	**357**	**14**	**-**	**-**	**4,091**

Amounts in millions of euros	*Domestic Retail Banking*	*WRR*	*Leasing*	*Real Estate*	*Other Segments*	*Consolidation Effects*	*Total*
For the year ended on December 31, 2018							
Net interest income	5,575	2,388	986	(7)	(383)	-	8,559
Net fee and commission income	1,434	461	106	10	(35)	(45)	1,931
Other results	56	486	274	571	102	41	1,530
Income	**7,065**	**3,335**	**1,366**	**574**	**(316)**	**(4)**	**12,020**
Staff costs	2,765	1,292	517	137	215	(58)	4,868
Other administrative expenses	1,382	491	194	66	57	-	2,190
Depreciation and amortization	84	40	27	5	49	183	388
Operating expenses	**4,231**	**1,823**	**738**	**208**	**321**	**125**	**7,446**
Impairment charges on financial assets	(150)	300	105	(15)	(50)	-	190
Regulatory levies	237	169	25	2	45	-	478
Operating profit before tax	**2,747**	**1,043**	**498**	**379**	**(632)**	**(129)**	**3,906**
Income tax	712	333	99	70	(281)	(31)	902
Net profit	**2,035**	**710**	**399**	**309**	**(351)**	**(98)**	**3,004**
Cost/income ratio including regulatory levies (in %)[1]	63.2	59.7	55.9	36.6	n/a	n/a	65.9
Impairment charges on financial assets (in basis points of average private sector loan portfolio)[2]	(5)	29	34	(287)	n/a	n/a	5
External assets	280,691	139,963	35,227	2,979	131,577	-	590,437
Goodwill	322	125	72	-	-	-	519
Private sector loan portfolio	276,140	108,972	30,309	301	303	-	416,025

1 Operating expenses plus regulatory levies divided by Income

2 Impairment charges on financial assets (in basis points of average private sector loan portfolio)

Amounts in millions of euros	*Domestic Retail Banking*	*WRR*	*Leasing*	*Real Estate*	*Other Segments*	*Consolidation Effects*	*Total*
Impairment allowances on financial assets							
Balance on January 1, 2018	**2,693**	**1,297**	**257**	**270**	**-**	**-**	**4,517**
Increases due to origination and acquisition	134	208	30	-	-	-	372
Decreases due to derecognition	(489)	(230)	(48)	-	-	-	(767)
Changes due to change in credit risk	361	324	170	(12)	-	-	843
Write-off of defaulted loans during the year	(459)	(290)	(141)	(123)	-	-	(1,013)
Other adjustments	27	21	(3)	(128)	-	-	(83)
Balance on December 31, 2018	**2,267**	**1,330**	**265**	**7**	**-**	**-**	**3,869**
Impairment allowance 12-month ECL	132	114	55	-	-	-	301
Impairment allowance lifetime ECL non-credit impaired	168	39	46	-	-	-	253
Impairment allowance lifetime ECL credit-impaired	1,967	1,177	164	7	-	-	3,315
Balance on December 31, 2018	**2,267**	**1,330**	**265**	**7**	**-**	**-**	**3,869**

5.2 Geographic Information (Country-by-Country Reporting)

Rabobank operates in seven main geographical areas. The country of domicile of Rabobank is the Netherlands. The information below is reported by distinguishable components of Rabobank that provide products and/or services within a particular economic environment within specific geographical locations/ areas. The breakdown is based on the location of the individual subsidiary/ branch from which the transactions are initiated. Revenue is defined as total income as presented in the statement of income plus interest expense, fee and commission expense and expenses from other operating activities.

On December 31, 2019

Amounts in millions of euros

Geographic location	*Country*	*Name of division*	*Type of operations*	*Revenues*	*Average number of internal employees in FTE*	*Operating profit before tax*	*Income tax*
The Netherlands	The Netherlands	Rabobank, DLL, Obvion, Rabo Vastgoedgroep, BPD	Domestic Retail Banking, Wholesale, Rural and Retail, Leasing, Real Estate	20,354	24,780	1,801	448
Other Eurozone countries	France	DLL, Rabobank, Rabo Vastgoedgroep, BPD	Leasing, Wholesale, Rural and Retail, Real Estate	102	224	(7)	23
	Belgium	DLL, Rabobank	Leasing, Wholesale, Rural and Retail	112	108	(31)	(10)
	Germany	DLL, Rabobank, Rabo Vastgoedgroep, BPD	Leasing, Wholesale, Rural and Retail, Real Estate	941	658	99	29
	Italy	DLL, Rabobank	Leasing, Wholesale, Rural and Retail	77	146	28	3
	Luxembourg	Rabo Vastgoedgroep	Real Estate	-	-	-	-
	Ireland	DLL, Rabobank	Leasing, Wholesale, Rural and Retail	620	173	120	12
	Finland	DLL	Leasing	8	12	2	-
	Austria	DLL	Leasing	3	3	-	-
	Portugal	DLL	Leasing	14	18	1	-
	Spain	DLL, Rabobank	Leasing, Wholesale, Rural and Retail	63	145	15	6
Rest of Europe (non-Eurozone)	United Kingdom	DLL, Rabobank	Leasing, Wholesale, Rural and Retail	753	567	85	9
	Norway	DLL	Leasing	42	42	8	2
	Sweden	DLL	Leasing	51	129	4	3
	Denmark	DLL	Leasing	36	28	6	-
	Switzerland	DLL	Leasing	5	6	1	-
	Russia	DLL	Leasing	43	69	20	6
	Poland	DLL	Leasing	36	83	9	2
	Hungary	DLL	Leasing	14	37	-	-
	Romania	DLL	Leasing	-	2	-	-
	Turkey	DLL, Rabobank	Leasing, Wholesale, Rural and Retail	42	55	30	7
North America	United States	DLL, Rabobank, Rabo Vastgoedgroep	Leasing, Wholesale, Rural and Retail, Real Estate	4,244	3,524	434	133
	Canada	DLL, Rabobank	Leasing, Wholesale, Rural and Retail	285	238	63	16

On December 31, 2019							
Latin America	Mexico	DLL	Leasing	37	71	4	2
	Brazil	DLL, Rabobank	Leasing, Wholesale, Rural and Retail	603	752	97	30
	Chile	DLL, Rabobank	Leasing, Wholesale, Rural and Retail	76	140	(11)	2
	Argentina	DLL	Leasing	6	17	(1)	-
	Peru	Rabobank	Wholesale, Rural and Retail	1	-	-	-
Asia	India	DLL, Rabobank	Leasing, Wholesale, Rural and Retail	87	547	(10)	3
	Singapore	DLL, Rabobank	Leasing, Wholesale, Rural and Retail	257	195	6	1
	Indonesia	Rabobank	Wholesale, Rural and Retail	33	539	(85)	7
	Malaysia	Rabobank	Wholesale, Rural and Retail	-	1	-	-
	China	DLL, Rabobank	Leasing, Wholesale, Rural and Retail	72	106	3	4
	Hong Kong	DLL, Rabobank	Leasing, Wholesale, Rural and Retail	355	189	16	-
	South Korea	DLL	Leasing	13	23	3	1
	United Arab Emirates	DLL	Leasing	-	2	(1)	-
Australia	Australia	DLL, Rabobank	Leasing, Wholesale, Rural and Retail	1,154	1,153	233	70
	New Zealand	DLL, Rabobank,	Leasing, Wholesale, Rural and Retail	514	351	99	29
Other	Mauritius, Kenya	Rabobank	Wholesale, Rural and Retail	2	18	-	-
			Consolidation effects	(9,620)	-	-	-
				21,435	**35,145**	**3,041**	**838**

On December 31, 2018

Amounts in millions of euros

Geographic location	*Country*	*Name of division*	*Type of operations*	*Revenues*	*Average number of internal employees in FTE*	*Operating profit before tax*	*Income tax*
The Netherlands	The Netherlands	Rabobank, DLL, Obvion, Rabo Vastgoedgroep, BPD	Domestic Retail Banking, Wholesale, Rural and Retail, Leasing, Real Estate	20,718	25,504	2,268	493
Other Eurozone countries	France	DLL, Rabobank, Rabo Vastgoedgroep, BPD	Leasing, Wholesale, Rural and Retail, Real Estate	529	334	116	13
	Belgium	DLL, Rabobank	Leasing, Wholesale, Rural and Retail	118	104	25	5
	Germany	DLL, Rabobank, Rabo	Leasing, Wholesale, Rural and	855	645	116	36

On December 31, 2018							
		Vastgoedgroep, BPD	Retail, Real Estate				
	Italy	DLL, Rabobank	Leasing, Wholesale, Rural and Retail	72	138	28	3
	Luxembourg	Rabo Vastgoedgroep	Real Estate	1	-	-	-
	Ireland	DLL, Rabobank	Leasing, Wholesale, Rural and Retail	606	188	140	4
	Finland	DLL	Leasing	7	10	2	-
	Austria	DLL	Leasing	3	3	1	-
	Portugal	DLL	Leasing	12	16	4	-
	Spain	DLL, Rabobank	Leasing, Wholesale, Rural and Retail	52	132	15	4
Rest of Europe (non-Eurozone)	United Kingdom	DLL, Rabobank	Leasing, Wholesale, Rural and Retail	698	671	81	18
	Norway	DLL	Leasing	29	38	7	2
	Sweden	DLL	Leasing	49	122	9	2
	Denmark	DLL	Leasing	32	26	6	1
	Switzerland	DLL	Leasing	5	6	2	-
	Russia	DLL	Leasing	39	64	20	4
	Poland	DLL	Leasing	34	86	7	2
	Hungary	DLL	Leasing	8	40	2	-
	Romania	DLL	Leasing	-	3	-	-
	Turkey	DLL, Rabobank	Leasing, Wholesale, Rural and Retail	37	55	23	4
North America	United States	DLL, Rabobank, Rabo Vastgoedgroep	Leasing, Wholesale, Rural and Retail, Real Estate	3,709	4,053	577	128
	Canada	DLL, Rabobank	Leasing, Wholesale, Rural and Retail	245	213	33	9
Latin America	Mexico	DLL	Leasing	22	65	5	1
	Brazil	DLL, Rabobank	Leasing, Wholesale, Rural and Retail	548	708	191	72
	Chile	DLL	Leasing	71	141	13	13
	Argentina	DLL	Leasing	5	17	(2)	(1)
	Peru	Rabobank	Wholesale, Rural and Retail	-	-	-	-
Asia	India	DLL, Rabobank	Leasing, Wholesale, Rural and Retail	69	445	3	6
	Singapore	DLL, Rabobank	Leasing, Wholesale, Rural and Retail	219	194	(8)	(1)
	Indonesia	Rabobank	Wholesale, Rural and Retail	58	707	(60)	(9)

On December 31, 2018							
	Malaysia	Rabobank	Wholesale, Rural and Retail	7	3	2	-
	China	DLL, Rabobank	Leasing, Wholesale, Rural and Retail	82	138	2	5
	Hong Kong	DLL, Rabobank	Leasing, Wholesale, Rural and Retail	341	186	(46)	(8)
	South Korea	DLL	Leasing	12	22	2	-
	United Arab Emirates	DLL	Leasing	-	2	-	-
Australia	Australia	DLL, Rabobank	Leasing, Wholesale, Rural and Retail	1,150	1,059	211	64
	New Zealand	DLL, Rabobank,	Leasing, Wholesale, Rural and Retail	510	310	111	32
Other	Mauritius, Kenya	Rabobank	Wholesale, Rural and Retail	3	13	-	-
			Consolidation effects	(9,074)	-	-	-
				21,881	**36,461**	**3,906**	**902**

Rabobank did not receive government subsidies in 2019 and 2018.

5.3 Geographic Information of Non-current Assets

Amounts in millions of euros	*2019*		*2018*	
	Domestic	*Non-domestic*	*Domestic*	*Non-domestic*
Goodwill and other intangible assets	683	146	728	238
Property and equipment and investment properties	2,173	3,286	1,852	2,796
Other assets	4,660	1,950	3,720	2,711
Non-current assets held for sale	221	214	255	13
Total	**7,737**	**5,596**	**6,555**	**5,758**

6. Cash and Cash Equivalents

Amounts in millions of euros	*2019*	*2018*
Cash	745	811
Deposits at central banks	62,341	72,524
Total cash and cash equivalents	**63,086**	**73,335**

The average minimum reserve to be held for the Netherlands for the month of December 2019 was EUR 3,110 million (December 2018: EUR 3,066 million).

7. Loans and Advances to Credit Institutions

Amounts in millions of euros	*2019*	*2018*
Current accounts and receivables	5,905	8,007
Reverse repurchase transactions and securities borrowing agreements	22,703	8,743
Loans	644	1,080
Other	48	51
Gross carrying amount loans and advances to credit institutions	**29,300**	**17,881**
Loan impairment allowance on loans and advances to credit institutions	(3)	(22)
Total loans and advances to credit institutions	**29,297**	**17,859**

8. Financial Assets Held for Trading

Amounts in millions of euros	*2019*	*2018*
Government bonds	666	1,055
Other debt securities	1,039	1,602
Loans	106	149
Equity instruments	59	70
Total	**1,870**	**2,876**

9. Financial Assets Designated at Fair Value

Amounts in millions of euros	*2019*	*2018*
Debt securities	100	126
Loans	1	31
Total	**101**	**157**

The maximum exposure to credit risk is best represented by the carrying amount of the financial assets designated at fair value. The change in the current year in the fair value of the financial assets designated at fair value that is attributable to changes in the credit risk amounts to EUR 0 million (2018: EUR 14 million). The cumulative change is EUR 14 million (2018: EUR 14 million). Any changes in fair value are calculated by discounting future cash flows. When setting the discount rate, account is taken of expected losses, liquidity mark-ups and the risk margin. No use is made of credit derivatives to hedge the financial assets designated at fair value.

10. Financial Assets Mandatorily at Fair Value

Amounts in millions of euros	*2019*	*2018*
Debt securities	37	38
Loans	1,106	1,642
Equity instruments	762	454
Total	**1,905**	**2,134**

11. Derivatives

Derivatives are used at Rabobank to mitigate at least a portion of the risks arising from the bank's various operations. Examples of this include interest rate swaps used to hedge interest rate risks arising from the difference in maturities between assets and liabilities. Another example are cross-currency swaps, which are used to hedge the currency risk to which the bank is exposed after issuing debt instruments in foreign currencies. Besides hedging purposes, derivatives are also contracted with the bank's corporate customers where Rabobank is the counterparty.

11.1 Types of Derivatives Used by Rabobank

Forward currency and interest rate contracts are contractual obligations to receive or pay a net amount based on prevailing exchange or interest rates, or to purchase or sell foreign currency or a financial instrument on a future date at a fixed specified price in an organized financial market. Since collateral for forward contracts is provided in the form of cash, cash equivalents or marketable securities, and changes in the value of forward contracts are settled daily, mainly via a central counterparty clearing house, the credit risk is low. The credit risk exposure for Rabobank is represented by the potential cost of replacing the swaps if the counterparties default. The risk is monitored continuously against current fair value, a portion of the notional amount of the contracts and the liquidity in the markets. As part of the credit risk management process, Rabobank employs the same methods for evaluating counterparties as it does for evaluating its own lending activities.

Forward rate agreements are individually agreed forward interest rate contracts under which the difference between a contractually agreed interest rate and the market rate on a future date has to be settled in cash, based on a notional principal amount.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps entail an economic exchange of currencies or interest rates (such as a fixed rate for one or more variable rates), or a combination (i.e. a cross-currency interest rate swap). Except in certain currency swaps, no transfer of the principal amount takes place.

Currency and interest rate options are contracts under which the seller (known as the writer) gives the buyer (known as the holder) the right, entailing no obligation, to purchase (in the case of a call option) or sell (in the case of a put option) a specific amount of foreign currency or a specific financial instrument on or before an agreed date or during an agreed period at a price set in advance. As consideration for accepting the currency or interest rate risk, the writer receives a payment (known as a premium) from the holder. Options are traded on exchanges or between Rabobank and clients (OTC). Rabobank is only exposed to credit risks as an option holder and only up to the carrying amount, which is equivalent to the fair value.

Credit default swaps (CDSs) are instruments by means with which the seller of a CDS undertakes to pay an amount to the buyer. This amount is equal to the loss that would be incurred by holding an underlying reference asset if a specific credit event were to occur (i.e. the materialization of a risk). The buyer is under no obligation to hold the underlying reference asset. The buyer pays the seller a credit protection fee largely expressed in basis points, with the size of the fee depending on the credit spread and tenor of the reference asset.

11.2 Derivatives Held for Trading

The derivatives held or issued for trading are those used to hedge economic risks but which do not qualify as hedge accounting instruments and derivatives that corporate customers have contracted with Rabobank to hedge interest rate and currency risks. The exposures from derivatives with corporate customers are normally hedged by entering into offsetting positions with one or more professional counterparties, within trading limits set.

11.3 Derivatives Designated as Hedging Instrument

Rabobank has various derivatives that serve to hedge economic risks, including interest rate and currency risks, which qualify as a hedging instrument in a fair value hedge, a cash flow hedge or a net investment hedge.

Fair value hedges
Rabobank uses interest rate swaps and cross-currency interest rate swaps to hedge potential changes in the fair value due to interest rate or foreign currency rate changes. These changes ordinarily form the majority of the overall change of the hedged items. Hedged items are fixed-income financial assets and liabilities in both local and foreign currencies, such as mortgages, debt securities at fair value through other comprehensive income and issued debt securities. Rabobank tests the hedge effectiveness based on statistical regression analysis models, both prospectively and retrospectively for IAS 39 portfolio fair value hedges and analyses the sources of ineffectiveness for IFRS 9 non-portfolio fair value hedges. The identified source of ineffectiveness of the IFRS 9 fair value hedges is the float leg (excluding margin) of the cross currency interest rate swap.

The hedged ratio of the IFRS 9 fair value hedges is the actual economic hedge (notional issued bond and notional cross currency interest rate swap).

Maturity Profile and Average Interest Rate of Hedging Instruments in Fair Value Hedges

Amounts in millions of euros		*Remaining maturity*		
	Total notional amount	*Less than 1 year*	*1 - 5 years*	*Longer than 5 years*
On December 31, 2019				
Hedging instrument - Hedge of financial assets	47,514	4,393	25,541	17,580
Average fixed interest rate	1.92%	0.76%	1.74%	2.14%
Hedging instrument - Hedge of financial liabilities	49,342	560	21,094	27,688
Average fixed interest rate	1.85%	2.73%	1.21%	2.34%
On December 31, 2018				
Hedging instrument - Hedge of financial assets	51,852	7,553	31,990	12,309
Average fixed interest rate	1.92%	1.16%	1.87%	2.38%
Hedging instrument - Hedge of financial liabilities	62,604	3,954	18,797	39,853
Average fixed interest rate	2.31%	2.83%	2.02%	2.51%

Designated Hedging Instruments in Fair Value Hedges of Interest Rate Risk

Amounts in millions of euros	*Carrying amount derivative financial assets*	*Carrying amount derivative financial liabilities*	*Change in fair value used for calculating hedge ineffectiveness*
On December 31, 2019			
Hedge of loans and advances to customers	274	3,783	1,989
Hedge of financial assets at fair value through other comprehensive income	-	185	21
Hedge of issued debt securities	3,551	548	(1,234)
On December 31, 2018			
Hedge of loans and advances to customers	101	4,014	305
Hedge of financial assets at fair value through other comprehensive income	19	457	(148)
Hedge of issued debt securities	3,156	699	636

Hedge ineffectiveness of fair value hedging amounts to EUR 70 million and is included in the statement of income on line item "Gains/ (Losses) on Financial Assets and Liabilities at Fair Value through Profit or Loss".

Designated Hedged Items in Fair Value Hedges of Interest Rate Risk

Amounts in millions of euros	*Carrying amount*	*Accumulated amount of fair value hedge adjustment on the hedged item included in the carrying amount of the hedged item*	*Change in fair value used for calculating hedge ineffectiveness*	*Accumulated amount of fair value hedge adjustments remaining for any hedged items that have ceased to be adjusted for hedging gains and losses*
On December 31, 2019				
Loans and advances to customers	35,106	7,044	(1,961)	6,440
Financial assets at fair value through other comprehensive income	1,986	-	(20)	-
Issued debt securities	46,533	2,924	1,135	2,250
On December 31, 2018				
Loans and advances to customers	43,013	5,784	(285)	6,309
Financial assets at fair value through other comprehensive income	8,188	-	159	-
Issued debt securities	37,935	1,375	(841)	1,077

Cash Flow Hedges

Rabobank's cash flow hedges mainly consist of hedges of the margin of issued bonds in foreign currency hedged with cross-currency interest rate swaps to protect against a potential change in cash flows due to change in foreign currency rates. Rabobank analyzes the sources of ineffectiveness for IFRS 9 cash flow hedges. The IFRS 9 cash flow hedges are 100% effective. The interest rate risk is not hedged in the cash flow hedge (two fixed legs, foreign currency and Euro) and the average interest rate is therefore not disclosed in the table below.

Maturity Profile and Average Price/ Rate of Hedging Instruments in Cash Flow Hedges

Amounts in millions of euros		*Remaining maturity*		
	Total notional amount	*Less than 1 year*	*1 - 5 years*	*Longer than 5 years*
On December 31, 2019				
Cross-currency swaps (USD:EUR)				
Notional amounts of hedging instrument	25	1	-	24
Average exchange rate (USD:EUR)		1.37	n/a	1.24
Cross-currency swaps (GBP:EUR)				
Notional amounts of hedging instrument	77	-	32	45
Average exchange rate (GBP:EUR)		n/a	0.78	0.83
Cross-currency swaps (other currencies)				
Notional amounts of hedging instrument	86	13	56	17
On December 31, 2018				
Cross-currency swaps (USD:EUR)				
Notional amounts of hedging instrument	19	1	9	9
Average exchange rate (USD:EUR)		1.37	1.37	1.31
Cross-currency swaps (GBP:EUR)				
Notional amounts of hedging instrument	25	-	17	8
Average exchange rate (GBP:EUR)		n/a	0.79	0.80
Cross-currency swaps (other currencies)				
Notional amounts of hedging instrument	43	13	23	7

Cash Flow Hedges of Interest Rate and Foreign Currency Risk, Designated Hedging Instruments

Amounts in millions of euros	*Carrying amount derivative financial assets*	*Carrying amount derivative financial liabilities*	*Change in fair value used for calculating hedge ineffectiveness*
On December 31, 2019			
Cross-currency interest rate swaps (USD:EUR)	7	9	(8)
Cross-currency interest rate swaps (GBP:EUR)	9	9	25
Cross-currency interest rate swaps (other currencies)	7	1	(14)
Total	**23**	**19**	**3**
On December 31, 2018			
Cross-currency interest rate swaps (USD:EUR)	-	1	15
Cross-currency interest rate swaps (GBP:EUR)	3	9	27
Cross-currency interest rate swaps (other currencies)	3	3	(33)
Total	**6**	**13**	**9**

For the changes in the value of the hedging instrument recognized in other comprehensive income and the amount reclassified from the cash flow hedge reserve to profit or loss, reference is made to section 31 Reserves and Retained Earnings.

Hedge ineffectiveness amounts to nil and is included in the statement of income on line item "Gains/ (losses) on financial assets and liabilities at fair value through profit or loss".

Cash Flow Hedges of Interest Rate and Foreign Currency Risk, Designated Hedged Items

Amounts in millions of euros	*Change in fair value used for calculating hedge ineffectiveness*	*Cash flow hedge reserve for continuing hedges*	*Remaining cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied*
On December 31, 2019			
Issued debt securities	(3)	10	(36)
On December 31, 2018			
Issued debt securities	9	2	(42)

Net Investment Hedges

Rabobank uses forward currency contracts to hedge a portion of the currency translation risk of net investments in foreign operations.

Maturity Profile and Average Rate of Hedging Instruments in Net Investment Hedges

	Total notional amount	*Remaining maturity on December 31, 2019*		
Amounts in millions of euros		*Less than 1 year*	*1 - 5 years*	*Longer than 5 years*
Forward currency contracts				
Notional amounts of hedging instrument	5,719	5,231	488	-
	Total notional amount	*Remaining maturity on December 31, 2018*		
Forward currency contracts				
Notional amounts of hedging instrument	5,848	5,724	124	-

For the main currencies the average exchange rates used in net investment hedge accounting for 2019 are EUR/AUD 1.63 (2018: 1.58), EUR/NZD 1.73 (2018: 1.66) and EUR/BRL 4.58 (2018: 4.57).

Amounts in millions of euros	*Carrying amount financial assets*	*Carrying amount financial liabilities*	*Change in fair value used for calculating hedge ineffectiveness*
On December 31, 2019			
Forward currency contracts	-	1,984	(73)
On December 31, 2018			
Forward currency contracts	32	1,706	132

For the changes in the value of the hedging instrument recognized in other comprehensive income and the amount reclassified from the net investment hedge reserve to profit or loss, reference is made to Section 31 Reserves and Retained Earnings. Hedge ineffectiveness amounts to nil and is included in the statement of income on line item "Gains/ (Losses) on Financial Assets and Liabilities at Fair Value through Profit or Loss".

Net Investment Hedges of Currency Translation Risk, Designated Hedged Items

Amounts in millions of euros	*Change in fair value used for calculating hedge ineffectiveness*	*Foreign currency translation reserve for continuing hedges*	*Remaining foreign currency translation reserve from hedging relationships for which hedge accounting is no longer applied*
On December 31, 2019			
Net investment	73	276	140
On December 31, 2018			
Net investment	(132)	230	213

11.4 Notional Amount and Fair Value of Derivatives

The following table shows the notional amounts and the positive and negative fair values of derivatives as presented in the statement of financial position.

Notional Amount and Fair Values of Derivatives

	On december 31, 2019			On december 31, 2018		
Amounts in millions of euros	Notional amounts	Fair values		Notional amounts	Fair values	
		Assets	Liabilities		Assets	Liabilities
Derivatives held for trading	3,918,192	19,737	19,539	3,395,342	19,379	18,745
Derivatives designated as hedging instrument	97,042	3,847	4,535	114,541	3,281	5,182
Total derivatives	**4,015,234**	**23,584**	**24,074**	**3,509,883**	**22,660**	**23,927**
Derivatives held for trading						
Currency derivatives						
Currency swaps	416,494	3,187	4,948	388,686	3,949	5,116
Currency options - purchased and sold	5,579	55	45	3,437	47	30
Listed tradeable contracts	7,223	24	16	5,582	7	6
Currency futures	185	1	2	296	-	8
Total currency derivatives	**429,481**	**3,267**	**5,011**	**398,001**	**4,003**	**5,160**
Interest rate derivatives						
OTC interest rate swaps	2,973,088	13,789	11,788	2,828,432	12,908	11,108
OTC interest rate options	71,963	2,490	2,549	72,417	2,212	2,238
Listed interest rate swaps	434,346	1	1	91,454	1	1
Total interest rate derivatives	**3,479,397**	**16,280**	**14,338**	**2,992,303**	**15,121**	**13,347**
Credit derivatives	880	4	5	1,071	2	2
Equity instruments/index derivatives	3	2	-	-	-	1
Other derivatives	8,431	184	185	3,967	253	235
Total derivatives held for trading	**3,918,192**	**19,737**	**19,539**	**3,395,342**	**19,379**	**18,745**
Derivatives designated as hedging instrument						
Derivatives designated as hedging instrument in fair value hedges						
Interest rate swaps and cross-currency interest rate swaps	94,219	3,824	4,476	111,380	3,243	5,169
Derivatives designated as hedging instrument in cash flow hedges						
Currency swaps and cross-currency interest rate swaps	188	23	19	87	6	13
Derivatives designated as hedging instrument as net investment hedges						
Currency futures contracts	2,635		40	3,074	32	
Total derivatives designated as hedging instrument	**97,042**	**3,847**	**4,535**	**114,541**	**3,281**	**5,182**

12. Loans and Advances to Customers

Amounts in millions of euros	*2019*	*2018*
Loans to private sector clients:		
Overdrafts	14,335	15,758
Mortgages	186,594	190,651
Finance leases	20,332	18,772
Corporate loans	189,733	186,563
Other	10,850	8,009
Loans to government clients:		
Finance leases	194	202
Other	1,812	1,658
Reverse repurchase transactions, securities borrowing agreements and settlement accounts	13,553	12,929
Gross carrying amount loans and advances to customers	**437,403**	**434,542**
Hedge accounting adjustment	7,044	5,784
Impairment allowances on loans and advances to customers	(3,940)	(3,735)
Total loans and advances to customers	**440,507**	**436,591**

Finance Leases

Loans and advances to customers also includes receivables from finance leases, which can be broken down as follows:

Amounts in millions of euros	*2019*
Receivables from gross investment in finance leases	
Not exceeding 1 year	6,969
1 to 2 years	5,344
2 to 3 years	3,950
3 to 4 years	2,661
4 to 5 years	1,700
More than 5 years	1,239
Gross investment in finance leases	**21,863**
Unearned deferred finance income from finance leases	1,556
Net investment in finance leases	**20,307**
Loan impairment allowance finance leases	219
Gross carying amount finance leases	**20,526**
Finance income on net investment	878

Amounts in millions of euros	*2018*
Receivables from gross investment in finance leases	
Not exceeding 1 year	6,116
Longer than 1 year but less than 5 years	13,026
Longer than 5 years	1,292
Gross investment in finance leases	**20,434**
Unearned deferred finance income from finance leases	1,626
Net investment in finance leases	**18,808**
Not exceeding 1 year	5,962
Longer than 1 year but less than 5 years	11,574
Longer than 5 years	1,272
Net investment in finance leases	**18,808**
Loan impairment allowance finance leases	166
Gross carying amount finance leases	**18,974**

The finance leases mainly relate to the lease of equipment, cars and factoring products. The unguaranteed residual values accruing to the lessor amounted to EUR 2,153 million (2018: EUR 2,227 million). The contingent lease payments recognized as income in 2018 were zero.

13. Financial Assets at Fair Value through Other Comprehensive Income

Financial Assets at Fair Value through Other Comprehensive Income

Amounts in millions of euros	*2019*	*2018*
Government bonds	9,505	13,514
Other debt securities	3,504	4,502
Loans	206	214
Equity instruments	290	500
Total financial assets at fair value through other comprehensive income	**13,505**	**18,730**

Rabobank designated equity investments in foreign financial service providers at fair value through other comprehensive income upon initial recognition because these instruments are held for strategic purposes rather than for the purpose of selling it in the near term.

Amounts in millions of euros	*2019*	*2018*
Equity investments in foreign financial service providers	108	104
Equity investments held by subsidiaries	113	166
Other equity investments	69	230
Total equity instruments	**290**	**500**

During 2019, Rabobank recognized dividends of EUR 20 million of which EUR 0 million relates to equity investments that are derecognised in 2019. Transfers of the cumulative gains or losses within equity during the period are disclosed in Section 31 in the movement schedule of the Revaluation Reserve – Equity Instruments at Fair Value Through Other Comprehensive Income.

14. Investments in Associates and Joint Ventures

Amounts in millions of euros	*2019*	*2018*
Opening balance	2,374	2,521
Foreign exchange differences	(8)	5
Purchases	91	43
Sales	(71)	(187)
Share of profit of associates and and joint ventures	193	242
Dividends paid out (and capital repayments)	(56)	(149)
Revaluation	94	(80)
Impairment	(300)	-
Other	(9)	(21)
Total investments in associates and joint ventures	**2,308**	**2,374**

14.1 Investments in Associates

The main associate in terms of the size of the capital interest held by Rabobank is:

On December 31, 2019	*Shareholding*	*Voting rights*
The Netherlands		
Achmea B.V.	30%	30%

Achmea is a strategic partner of Rabobank for insurance products and Interpolis, a subsidiary of the Achmea Group, works closely with Rabobank. Achmea's head office is located in Zeist, the Netherlands. No listed market price is available for the interest in Achmea. The interest in Achmea is valued according to the equity method. Rabobank received dividend from Achmea for an amount of EUR 35 million (2018: EUR 37 million).

As mentioned by Achmea in its prospectus of the Tier 1 issue of September 2019, the sustained low interest rate environment in recent years in Europe has negatively impacted Achmea in various ways and will continue to do so if it persists, in particular for the closed pension and life book where long term options and guarantees have been underwritten. This element, in combination with the deteriorating business environment of Dutch insurers over the last years, gave triggers to reassess the valuation of the investment in Achmea. The test to establish whether potential impairments had occurred, resulted in a downward adjustments of the carrying value of the investment in Achmea of EUR 300 million which was recognised in the income statement as 'Impairment losses on investments in associates'. Achmea B.V. is part of the operating segment 'Other segments'. The recoverable amount is based on the estimated value in use and is a level 3 valuation according to the fair value hierarchy. To determine the value in use for Achmea, Rabobank has undertaken a review of the expected cash flows that Achmea generates for Rabobank discounted at a pre-tax discount rate of 10.24%.

Achmea

Amounts in millions of euros	*2019*	*2018*
Cash and balances at central banks	963	1,466
Investments	78,758	70,948
Other assets	9,767	9,402
Total assets	**89,488**	**81,816**
Insurance related provisions	57,770	55,065
Loans and funds borrowed	18,475	15,197
Other liabilities	3,052	1,849
Total liabilities	**79,297**	**72,111**
Revenues	24,653	21,336
Net profit	481	315
Other comprehensive income	313	(266)
Total comprehensive income	**794**	**49**

Reconciliation Carrying Amount of Interest in Achmea

	2019	*2018*
Total equity Achmea	10,192	9,705
Minus: hybrid capital	1,250	1,350
Minus: preference shares and accrued dividend	350	350
Shareholder's equity	**8,592**	**8,005**
Share of Rabobank	30.00%	30.00%
	2,577	2,401
Accumulated impairment	(1,019)	(719)
Carrying amount	**1,558**	**1,682**

Result from Other Associates

Amounts in millions of euros	*2019*	*2018*
Result from continuing operations	52	137
Net profit	**52**	**137**
Other comprehensive income	-	-
Total comprehensive income	**52**	**137**

14.2 Investments in Joint Ventures

Virtually all joint ventures are investments of BPD. Their total carrying amount is EUR 19 million (2018: EUR 7 million). Joint ventures are recognized in accordance with the equity method.

BPD often enters into partnerships for developing integrated residential areas. In the majority of cases, each participating member of the partnership has a decisive vote, and decisions can only be passed by consensus. The majority of these partnerships therefore qualify as "joint arrangements."

Each partnership has its own legal structure depending on the needs and requirements of the parties concerned. The legal form (business structure) typically used is the Dutch "CV-BV" structure (a limited partnership-private limited liability company) or the "VOF" structure (general partnership) or a comparable structure.

In the case of a CV-BV, the risk of a partner is generally limited to the issued capital and partners are only entitled to the net assets of the entity. In the case of general partnerships ("VOF"), each party bears, in principle, unlimited liability and has, in principle, a proportional right to the assets and obligations for the liabilities of the entity. On the basis of the legal form, a CV-BV structure qualifies as a "joint venture", whereas a VOF structure qualifies as a "joint operation". It is important to note that the contractual terms and other relevant facts and circumstances may result in a different classification.

As a separate legal structure is established for each project, projects have different participating partners and individual projects are not of a substantial size, BPD did not have material joint arrangements in 2019 and 2018.

Result from Joint Ventures

Amounts in millions of euros	*2019*	*2018*
Profit or loss from continuing operations	22	31
Post-tax profit or loss from discontinued operations	-	-
Net profit	**22**	**31**
Other comprehensive income	-	-
Total comprehensive income	**22**	**31**

Contingent Liabilities to Joint Ventures
BPD entered into commitments on December 31, 2019 with regard to real estate projects, commitments with third parties (including subcontractors and architects) for an amount of EUR 8 million (2018: EUR 5 million). The commitments regarding building sites amount to EUR 45 million (2018: EUR 23 million).

15. Goodwill and Other Intangible Assets

Amounts in milliions of euros	*Goodwill*	*Software developed inhouse*	*Other intangible assets*	*Total*
Year ended December 31, 2019				
Opening balance	519	357	90	966
Foreign exchange differences	1	1	1	3
Additions	-	85	78	163
Disposals	-	(16)	(6)	(22)
Disposal of subsidiary	(128)	(1)	(1)	(130)
Other	1	9	(3)	7
Amortization	-	(87)	(45)	(132)
Impairments	(1)	(25)	-	(26)
Closing balance	**392**	**323**	**114**	**829**
Cost	427	1,330	363	2,120
Accumulated amortisation and impairments	(35)	(1,007)	(249)	(1,291)
Net carrying amount	**392**	**323**	**114**	**829**
Year ended December 31, 2018				
Opening balance	519	371	112	1,002
Foreign exchange differences	3	-	-	3
Additions	-	80	41	121
Disposals	(2)	(17)	(13)	(32)
Other	-	18	1	19
Amortization	-	(95)	(49)	(144)
Impairments	(1)	-	(2)	(3)
Closing balance	**519**	**357**	**90**	**966**
Cost	1,136	1,286	444	2,866
Accumulated amortisation and impairments	(617)	(929)	(354)	(1,900)
Net carrying amount	**519**	**357**	**90**	**966**

Goodwill is reviewed for impairment by comparing the carrying amount of the cash generating unit (including goodwill) with the best estimate of the value in use of the cash generating unit. For this purpose, the best estimate of the value in use determined on the basis of cash flow forecasts is used first, as taken from annual medium-term plans drawn up as part of the annual planning cycle. The plans reflect the management's best estimates of market conditions, market restrictions, discount rates (before taxation), growth in operations, etc. If the outcome shows that there is no significant difference between the fair value and the carrying amount, the fair value is assessed in more detail, with the relevant share price being used for listed companies. In addition, valuation models are used which are similar to the initial recognition of an acquisition, peer reviews, etc. The valuation models are tested and include the development of the activities since the acquisition, the most recent income and expenses forecasts drawn up by management, as well as updated forecasts, assessments of discount rates, final values of growth rates, etc. Peer reviews include an assessment of the price/earnings ratio and price/carrying amount ratio of similar listed companies, or similar market transactions. Assumptions are generally based on experience, management's best estimates of future developments and, if available, external data.

The goodwill allocated to one of the cash-generating units in the Domestic Retail segment is significant in comparison with the goodwill's total carrying amount. The carrying amount of this goodwill is EUR 322 million (2018: EUR 322 million) and the cash-generating unit is the collective of local Rabobanks. The recoverable amount is based on the value in use. The value in use is determined using cash flows expected in the near future based on financial forecasts. As the recoverable amount substantially exceeded the carrying amount, it was concluded that the goodwill allocated to this cash-generating unit was not impaired. An increase in the discount rate of 10% or a reduction in the future cash flows of 10% are considered to be a maximum of possible changes in key assumptions. Such a change does not cause the carrying amount to exceed the recoverable amount and would not result in an impairment.

An impairment of goodwill was recognized in 2019 for EUR 1 million (2018: EUR 1 million). Impairments of software developed in-house and other intangible assets are not individually material. The total impairments of software developed in-house was EUR 25 million (2018: EUR 0 million). This was mainly caused by a too highly appreciated value of software in development.

16. Property and Equipment

Property and equipment

Amounts in millions of euros	*2019*	*2018*
Land and buildings	1,205	1,343
Equipment	275	312
Operating lease assets	3,114	2,800
Tangible fixed assets	**4,594**	**4,455**
Right-of-use assets	494	n/a
Total property and equipment	**5,088**	**4,455**

Tangible fixed assets

Amounts in millions of euros	*Land and buildings*	*Equipment*	*Operating lease assets*	*Tangible fixed assets*
Year ended December 31, 2019				
Opening balance	1,343	312	2,800	4,455
Foreign exchange differences	3	2	58	63
Purchases	43	82	1,286	1,411
Disposals	(5)	(20)	(274)	(299)
Transfers to held for sale	(81)	(13)	(81)	(175)
Impairments	(10)	-	-	(10)
Reversal impairments	32	-	-	32
Depreciation	(98)	(91)	-	(189)
Depreciation of operating lease assets	-	-	(693)	(693)
Other	(22)	3	18	(1)
Closing balance as per December 31	**1,205**	**275**	**3,114**	**4,594**
Cost	2,447	943	4,705	8,095
Accumulated depreciation and impairments	(1,242)	(668)	(1,591)	(3,501)
Net carrying amount as per December 31	**1,205**	**275**	**3,114**	**4,594**
Year ended December 31, 2018				
Cost	2,912	1,239	3,816	7,967
Accumulated depreciation and impairments	(1,366)	(852)	(1,162)	(3,380)
Net carrying amount as January 1	**1,546**	**387**	**2,654**	**4,587**
Opening balance	1,546	387	2,654	4,587
Foreign exchange differences	5	-	36	41
Purchases	35	87	1,152	1,274
Disposals	(9)	(10)	(435)	(454)
Transfers to held for sale	(91)	-	-	(91)
Impairments	(85)	(2)	-	(87)
Reversal impairments	45	-	-	45
Depreciation	(95)	(149)	-	(244)
Depreciation of operating lease assets	-	-	(594)	(594)
Other	(8)	(1)	(13)	(22)
Closing balance as per December 31	**1,343**	**312**	**2,800**	**4,455**
Cost	2,628	1,137	4,091	7,856
Accumulated depreciation and impairments	(1,285)	(825)	(1,291)	(3,401)
Net carrying amount as per December 31	**1,343**	**312**	**2,800**	**4,455**

The impairments and reversal impairments recognized per December 31, 2019 relate to property for own use in segment Domestic Retail Banking. Vacancy of property as a result of the restructuring (decreasing usage of square meters) triggered impairments calculations and resulted in impairments for a total amount of EUR 10 million (2018: EUR 85 million). Impairments were reversed for an amount of EUR 32 million (2018: EUR 45 million) as a result of increased own use of properties.

Leases

Rabobank has several lease contracts as a lessee, predominantly related to property used as office and cars for employees. The consolidated statement of financial position shows the following amounts relating to leases:

Amounts in millions of euros	*2019*
Property-lease	443
Car-lease	34
Other leases	17
Total right-of-use assets	**494**
Total lease liabilities	**542**

Additions to right-of-use assets during 2019 were 36. The consolidated statement of income shows the following amounts relating to leases:

Amounts in millions of euros	*2019*
Property-lease	79
Car-lease	14
Other leases	6
Depreciation charge of right-of-use assets	**99**
Interest expense	18
Expense relating to short-term leases	-
Expense relating to leases of low-value assets	12
Expense relating to variable lease payments not included in lease liabilities	-

The total cash outflow for leases in 2019 was 60.

17. Investment Properties

Amounts in millions of euros	*2019*	*2018*
Cost	259	291
Accumulated depreciation and impairments	(66)	(98)
Net carrying amount as per January 1	**193**	**193**
Opening balance	193	193
Purchases	55	28
Sales	(7)	(22)
Transfers from other assets	124	-
Depreciation	(6)	(8)
Impairments	-	(2)
Reversal impairment	(1)	2
Other	13	2
Closing balance as per December 31	**371**	**193**
Cost	454	259
Accumulated depreciation and impairments	(83)	(66)
Net carrying amount as per December 31	**371**	**193**

The fair value of the investment properties amounts to EUR 402 million (2018: EUR 208 million). External valuations of investment properties were performed by duly certified external parties in accordance with RICS valuation standards or other equivalent standards. Investment properties are valued, for determining of fair value, based on the methodologies which are most appropriate for that property. This includes the discounted cash flow valuation method and the capitalisation method based on net initial yields for comparable transactions.

Valuations		
	2019	*2018*
External valuations	60%	100%
Internal valuations	40%	0%

Most investment property is unique. There is often no active market for similar properties in the same location and condition. Appraisals of the different types of investment properties are based on many parameters, which are derived from current contracts and market information as much as possible. A certain degree of judgment and estimation cannot be avoided. Therefore, all investment property has been designated as level 3 in line with the fair value classification under IFRS 13. When determining the fair value of investment property, the parameters used include the following, depending on the type of property: current and expected future market rent per m2, current and expected future vacancy rates, location of the property, the marketability of the property, the average discount rate, the development budget, and any credit risks.

18. Other Assets

Other Assets

Amounts in millions of euros	*Note*	*2019*	*2018*
Receivables and prepayments		1,743	2,325
Accrued interest		950	1,041
Precious metals, goods and warehouse receipts		1,189	445
Real estate projects		1,810	1,694
Accrued income		408	393
Employee benefits	28	4	6
Other assets		506	527
Total other assets		**6,610**	**6,431**

Real Estate Projects

Amounts in millions of euros	*2019*	*2018*
Building sites	1,299	1,200
Work in progress	498	463
Finished goods	13	31
Total real estate projects	**1,810**	**1,694**

In 2019, the net realisable value of all current land operations and sites not subject to a zoning plan was calculated and compared with the carrying amount. This resulted in a release of provisions of EUR 14 million (2018: release of EUR 89 million).

Movements in Provisions for Real Estate Projects

Amounts in millions of euros	*Balance on January 1, 2019*	*Additions/ release*	*Withdrawals/ other changes*	*Balance on December 31, 2019*
Building sites	411	(14)	(23)	374
Work in progress	65	(1)	(6)	58
Completed developments	4	-	-	4
Total	**480**	**(15)**	**(29)**	**436**

Amounts in millions of euros	*Balance on January 1, 2018*	*Additions/ release*	*Withdrawals/ other changes*	*Balance on December 31, 2018*
Building sites	536	(89)	(36)	411
Work in progress	80	(7)	(8)	65
Completed developments	8	-	(4)	4
Total	**624**	**(96)**	**(48)**	**480**

Work in Progress

Amounts in millions of euros	*2019*	*2018*
Residential property in preparation and under construction	1,232	957
Commercial property in development and under construction	23	13
Instalments invoiced in advance – residential property	(736)	(507)
Instalments invoiced in advance – commercial property	(21)	-
Total work in progress	**498**	**463**

19. Non-Current Assets Held for Sale

The non-current assets held for sale amount to EUR 435 million (2018: EUR 268 million) and include assets related to the sale of Rabobank Indonesia for EUR 203 million, various types of real estate in the segments Domestic Retail Banking and Real Estate for an amount of EUR 113 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 December 11, 2019, Rabobank has signed a conditional sale and purchase agreement to sell Rabobank Indonesia which predominantly consists of a loan portfolio to retail customers. The completion of the transaction is expected to take place in the first half year of 2020. As per December 31, 2019 Rabobank Indonesia has been classified as held for sale according to IFRS 5. The assets and liabilities are included in the Wholesale, Rural & Retail segment and are measured at fair value less cost to sell which led to an impairment of EUR 10 million recognised in Other administrative expenses.

20. Deposits from Credit Institutions

Amounts in millions of euros	*2019*	*2018*
Demand deposits	1,415	986
Fixed-term deposits	18,244	18,280
Repurchase agreements	1,522	91
Other deposits from credit institutions	63	40
Total deposits from credit institutions	**21,244**	**19,397**

21. Deposits from Customers

Amounts in millions of euros	*2019*	*2018*
Current accounts	89,010	85,511
Deposits with agreed maturity	63,627	71,203
Deposits redeemable at notice	180,159	175,932
Repurchase agreements	32	13
Fiduciary deposits	9,522	9,750
Other deposits from customers	186	1
Total deposits from customers	**342,536**	**342,410**

Short-term deposits from central banks amounting to EUR 17 billion (2018: EUR 20 billion) are included in Deposits with agreed maturity.

22. Debt Securities in Issue

Amounts in millions of euros	*2019*	*2018*
Certificates of deposit	19,387	19,927
Commercial paper	7,312	9,802
Issued bonds	84,276	86,793
Other debt securities	19,428	14,284
Total debt securities in issue	**130,403**	**130,806**

23. Financial Liabilities Held for Trading

Financial liabilities held for trading are mainly negative fair values of derivatives and delivery obligations that arise on the short selling of securities. Securities are sold short to realize gains from short-term price fluctuations. The securities needed to settle short sales are acquired through securities lending and repurchasing agreements. The fair value of the shares and bonds sold short are EUR 399 million (2018: EUR 400 million).

24. Financial Liabilities Designated at Fair Value

Amounts in millions of euros	*2019*	*2018*
Debt securities issued	5,592	5,906
Deposits	736	708
Total financial liabilities designated at fair value	**6,328**	**6,614**

The cumulative change in fair value of the financial liabilities designated at fair value attributable to changes in the own credit risk of Rabobank amounts to EUR 191 million before taxes (2018: EUR 41 million).

The change in fair value that is attributable to changes in own credit risk is calculated by deducting on a note by note basis the current fair value of the structured notes portfolio at the reporting date from the fair value recalculated based on the prevailing credit curve at the time of origination, with all other pricing components unchanged. This calculation reflects the amount that can be attributed to the change in the own credit risk of Rabobank since the origination of these structured notes.

Transfers of the cumulative gains or losses within equity during the period and the amounts presented in other comprehensive income that are realized at derecognition are disclosed in Section 31 in the movement schedule of the "Revaluation Reserve – Fair Value Changes Due to Own Credit Risk on Financial Liabilities Designated at Fair Value".

The carrying value of the issued structured notes designated at fair value is EUR 138 million (2018: EUR 318 million) lower than the amount Rabobank is contractually obliged to repay to the holders of the structured notes.

25. Other Liabilities

Amounts in millions of euros	*Note*	*2019*	*2018*
Payables		4,022	4,241
Accrued interest		2,055	1,894
Lease liabilities		542	n/a
Employee benefits	28	230	254
Other		(14)	(47)
Total other liabilities		**6,835**	**6,342**

26. Provisions

Amounts in millions of euros	*Note*	*2019*	*2018*
Restructuring provision		271	318
Provision for legal issues		198	469
Impairment allowances on loan commitments and financial guarantees	4.3.4	146	109
Other provisions		168	230
Total provisions		**783**	**1,126**

Amounts in millions of euros	*Restructuring provision*	*Provision for legal issues*	*Other provisions*	*Total*
Opening balance on January 1, 2019	318	469	230	1,017
Change in accounting policy IFRS 16	-	-	(25)	(25)
Additions	122	68	88	278
Withdrawals	(140)	(264)	(114)	(518)
Releases	(29)	(75)	(11)	(115)
Closing balance on December 31, 2019	**271**	**198**	**168**	**637**
Opening balance on January 1, 2018	332	591	594	1,517
Additions	213	109	108	430
Withdrawals	(134)	(214)	(415)	(763)
Releases	(93)	(17)	(57)	(167)
Closing balance on December 31, 2018	**318**	**469**	**230**	**1,017**

In the additions to the restructuring provision, an amount of EUR 75 million (2018: EUR 151 million) is included for the reorganization program of the local Rabobanks. This reorganization provision consists of future payments relating to redundancy pay and other costs directly attributable to the reorganization program. These expenses are included when a redundancy scheme is drawn up and communicated to stakeholders. The expected outflow of funds will occur in 2020 and 2021.

An addition of EUR 40 million (2018: EUR 52 million) in the provision for legal issues was made for the SME interest rate derivatives recovery framework. For additional information, please refer to Section 4.10, "Legal and arbitration proceedings".

Maturities of Provisions

Amounts in millions of euros	*Not exceeding one year*	*Longer than 1 year but less than 5 years*	*Longer than 5 years*	*Total*
On December 31, 2019	*615*	*166*	*2*	*783*
On December 31, 2018	*917*	*207*	*2*	*1,126*

27. Deferred Taxes

Deferred tax assets and liabilities are measured for all temporary differences using the liability-method. No deferred tax asset has been recognized for unused tax losses totalling EUR 14 million (2018: EUR 1,458 million).

Deferred tax assets recognized in respect of carry forward losses can only be utilized if taxable profits are realized in the future. On December 31, 2019, Rabobank expects that sufficient taxable profits will be generated within the applicable periods.

	Deferred tax assets	*Deferred tax liabilities*	*Deferred tax charges*	*Tax on other compre-hensive income*
Amounts in millions of euros				
On December 31, 2019				
Pensions and other post-employment benefits	30	-	1	1
Impairment allowances on financial assets	229	-	46	-
Provisions	15	(3)	3	-
Hedge accounting	147	-	(42)	-
Carry forward losses	219	(150)	38	-
Tax credits	106	(63)	50	-
Goodwill and other intangible assets	-	-	2	-
Revaluation reserves for financial assets at fair value through other comprehensive income	(41)	6	(7)	14
Revaluation reserves – Cash flow hedges	6	-	3	2
Revaluation reserves – Costs of hedging	(13)	-	6	(1)
Revaluation reserve – Fair value changes due to own credit risk on financial liabilities designated at fair value	40	-	-	(31)
Property and equipment, including operating leases	75	672	(10)	-
Other temporary differences	120	78	32	-
Total	**933**	**540**	**122**	**(15)**

	Deferred tax assets	*Deferred tax liabilities*	*Deferred tax charges*	*Tax on other compre-hensive income*
Amounts in millions of euros				
On December 31, 2018				
Pensions and other post-employment benefits	42	(2)	8	-
Impairment allowances on financial assets	296	(16)	(52)	-
Provisions	33	(2)	9	-
Hedge accounting	105	-	(6)	-
Carry forward losses	187	(113)	(39)	-
Tax credits	121	(68)	28	-
Goodwill and other intangible assets	14	-	-	-
Revaluation reserves for financial assets at fair value through other comprehensive income	(35)	2	(26)	(35)
Revaluation reserves – Cash flow hedges	11	-	(2)	3
Revaluation reserves – Costs of hedging	-	8	-	8
Revaluation reserve – Fair value changes due to own credit risk on financial liabilities designated at fair value	8	-	-	40
Property and equipment, including operating leases	58	647	199	-
Other temporary differences	325	(4)	92	-
Total	**1,165**	**452**	**211**	**16**

28. Employee Benefits

Amounts in millions of euros	*2019*	*2018*
Employee benefits – assets	(4)	(6)
Employee benefits – liabilities	230	254
Total employee benefits	**226**	**248**
Pension plans	118	118
Other employee benefits	108	130
Total employee benefits	**226**	**248**

28.1 Pension Plans

Rabobank has placed its Dutch pension plan with Rabobank Pension Fund. The scheme is a collective defined contribution plan with a pensionable age of 68 and a target accrual percentage of 2. Each year Rabobank deposits pension contributions into the Rabobank Pension Fund based on a fixed system aimed at achieving the target pension accrual for services provided during the year of service based on a conditional career-average plan with a conditional indexation. Rabobank complies with all its pension obligations by paying the annual pension premium. Rabobank therefore has no financial liabilities with regard to underlying membership years and already accrued pension rights.

The Dutch pension plan qualifies as a defined contribution plan under IAS 19. Rabobank's obligation is limited to the premium payments owed, less previously made payments. As of December 31, 2019, a few small plans qualify as defined benefit pension plans. These are career-average defined benefit pension plans, administered by a fund or otherwise that are related to the remuneration of employees upon retirement and which mostly pay annual pensions. Annual contributions are paid to the funds at a rate necessary to adequately finance the accrued liabilities of the plans calculated in accordance with local legal requirements. The assets related to the plans maintained in a fund are held independently of Rabobank assets in separate funds managed by trustees. The obligations are valued each year by independent actuaries based on the method prescribed by IFRS. The most recent actuarial valuations were performed at the end of 2019. The tables with the weighted averages of the main actuarial assumptions, the sensitivity analysis and the future premium payments relate to the pension plan of Friesland Bank.

Amounts in millions of euros	*2019*	*2018*
Defined benefit obligation	546	487
Fair value of plan assets	428	369
Net defined benefit obligation	**118**	**118**

Movements in plan assets and liabilities:

Amounts in millions of euros	*2019*	*2018*
Defined benefit obligation		
Opening balance	487	748
Exchange rate differences	1	(1)
Interest expense	10	16
Benefits paid	(15)	(22)
Settlements	(13)	(232)
Other	3	3
Experience adjustments	3	(1)
Actuarial gains and losses arising from changes in demographic assumptions	1	(1)
Actuarial gains and losses arising from changes in financial assumptions	69	(23)
Defined benefit obligation on December 31	**546**	**487**
Fair value of plan assets		
Opening balance	369	596
Exchange rate differences	5	(1)
Interest income	8	9
Contributions paid by employer	6	30
Benefits paid	(15)	(22)
Settlements	-	(240)
Other	2	(2)
Experience adjustments	4	-
Remeasurements arising from changes in financial assumptions plan assets	49	(1)
Fair value of plan assets on December 31	**428**	**369**

The costs recognized in profit and loss are shown in the table below.

Amounts in millions of euros	*2019*	*2018*
Interest expense on liabilities	10	16
Interest income on plan assets	(8)	(9)
Losses/(gains) on curtailments, settlements and costs	(1)	6
Total cost of defined benefit pension plans	**1**	**13**

Main Actuarial Assumptions

The main actuarial assumptions for the valuation of the defined benefit obligation are the discount rate, the salary increases, and the price inflation. Recent mortality tables have also been used for the valuation of the respective plans. The weighted averages of the actuarial financial assumptions are shown in the table below (in % per year):

	2019	*2018*
Discount rate	0.8%	2.0%
Salary increases	1.3%	1.6%
Price inflation	1.3%	1.6%

Sensitivity Analysis
Rabobank is exposed to risks regarding their defined benefit plans related to the assumptions disclosed in the table below. The sensitivity analysis of these most significant assumptions has been determined based on changes of the assumptions occurring at the end of the reporting period that are deemed reasonably possible.

Amounts in millions of euros	*Change in assumption*	*Effect on defined benefit obligation of increase*		*Effect on defined benefit obligation of decrease*	
		2019	*2018*	*2019*	*2018*
Discount rate	0.25%	(16)	(12)	17	13
Salary increases	0.25%	7	6	(7)	(6)
Price inflation	0.25%	-	-	-	-
Mortality	1 year	-	12	-	(12)

Estimated Contribution
The estimated contributions to defined benefit pension plans for 2019 are approximately EUR 9 million (2018: EUR 5 million).

Average Duration
The average duration of the defined benefit plan of Friesland Bank is 18 years (2018: 17 years)

28.2 Other Employee Benefits
Other employee benefits mainly comprise liabilities for future long-service awards for an amount of EUR 32 million (2018: EUR 37 million).

29. Subordinated Liabilities

Amounts in millions of euros	*2019*	*2018*
Issued by Rabobank	15,777	16,485
Other	13	13
Total subordinated liabilities	**15,790**	**16,498**

In the following table details of the issues of subordinated liabilities are shown:

Subordinated Liabilities issued by Rabobank

Notional

(Amounts in millions)	*Currency*	*Coupon*	*Year of issuance*	*Year of maturity*
500	USD	4.00%	2017	2029, early repayment date 2024
1,500	USD	3.75%	2016	2026
225	AUD	5.00%	2015	2025, early repayment date 2020
475	AUD	Variable	2015	2025, early repayment date 2020
1,500	USD	4.375%	2015	2025
1,250	USD	5.25%	2015	2045
1,000	GBP	4.625%	2014	2029
2,000	EUR	2.50%	2014	2026, early repayment date 2021
50,800	JPY	1.429%	2014	2024
1,000	EUR	3.875%	2013	2023
1,750	USD	4.625%	2013	2023
1,250	USD	5.75%	2013	2043
1,000	EUR	4.125%	2012	2022
500	GBP	5.25%	2012	2027
1,500	USD	3.95%	2012	2022
1,000	EUR	3.75%	2010	2020
10	EUR	4.21%	2005	2025
10	EUR	5.32%	2004	2024

30. Contingent Liabilities

Credit Related Contingent Liabilities
Rabobank enters into irrevocable loan commitments and contingent liabilities consisting of financial guarantees and standby letters of credit on behalf of its customers. Under these contracts Rabobank is required to perform under an obligation agreement or to make payments to the beneficiary on third party's failure to meet its obligations. The following table shows the amount of the maximum potential utilization of credit related contingent liabilities.

Amounts in millions of euros	*2019*	*2018*
Financial guarantees	3,726	3,377
Loan commitments	35,089	32,583
Other commitments	19,353	20,273
Credit related contingent liabilities	**58,168**	**56,233**

Contingent Liabilities Related to Litigation
Rabobank is involved in a number of legal and arbitration proceedings in the Netherlands and other countries, including the United States, in connection with claims brought by and against Rabobank Group arising from its operations. The maximum amount of non-remote measurable contingent liabilities relating to claims is EUR 288 million (2018: EUR 197 million). For additional information, refer to Section 4.10 "Legal and Arbitration Proceedings".

Payments Receivable from Operating Leases
Rabobank has concluded various operating lease contracts as lessor. The future minimum lease payments receivable from non-cancellable operating leases can be broken down as follows:

Amounts in millions of euros	*2019*
Not exceeding 1 year	692
1 to 2 years	547
2 to 3 years	351
3 to 4 years	212
4 to 5 years	158
More than 5 years	112
Total payments receivable from operating leases	**2,072**

Amounts in millions of euros	*2018*
Not exceeding 1 year	589
Longer than 1 year but less than 5 years	1,132
Longer than 5 years	107
Total payments receivable from operating leases	**1,828**

No contingent lease payments were recognized as assets during 2018.

Other Contingent Liabilities
The contractual commitments relating to the acquisition, construction and development of work in progress and investment properties amounts to EUR 484 million (2018: EUR 518 million).

31. Reserves and Retained Earnings

Amounts in millions of euros	*2019*	*2018*
Foreign currency translation reserves	(742)	(817)
Revaluation reserve – Financial assets at fair value through other comprehensive income	308	240
Revaluation reserve – Cash flow hedges	(26)	(40)
Revaluation reserve – Costs of hedging	46	30
Revaluation reserve – Assets held for sale	(26)	(35)
Remeasurement reserve – Pensions	(170)	(145)
Revaluation reserve – Fair value changes due to own credit risk on financial liabilities designated at fair value	(143)	(31)
Retained earnings	28,910	28,062
Total reserves and retained earnings at year-end	**28,157**	**27,264**

Changes in the reserves were as follows:

Amounts in millions of euros	*2019*	*2018*
Foreign currency translation reserves		
Opening balance	(817)	(938)
Translation of foreign operations	217	(16)
Changes in hedging instrument	(73)	132
Changes at associates and joint ventures	(5)	(16)
Transferred to profit or loss	(64)	21
Closing balance	**(742)**	**(817)**
Revaluation reserves – Debt instruments at fair value through other comprehensive income		
Opening balance	23	-
Change in accounting policy	-	243
Foreign exchange differences	-	(2)
Changes at associates and joint ventures	104	(68)
Fair value changes	20	(62)
Transferred to profit or loss	(21)	(88)
Transfers to assets held for sale	5	-
Closing balance	**131**	**23**
Revaluation reserves – Equity instruments at fair value through other comprehensive income		
Opening balance	217	-
Change in accounting policy	-	225
Foreign exchange differences	-	(1)
Changes at associates and joint ventures	-	-
Fair value changes	39	(6)
Transferred to retained earnings	1	(1)
Transferred to assets held for sale	(71)	-
Other	(9)	-
Closing balance	**177**	**217**
Revaluation reserve – Cash flow hedges		
Opening balance	(40)	(42)
Change in accounting policy	-	3
Foreign exchange differences	19	8
Fair value changes	(10)	(16)
Transferred to profit or loss	5	7
Closing balance	**(26)**	**(40)**
Revaluation reserve – Costs of hedging		

Amounts in millions of euros	*2019*	*2018*
Opening balance	30	-
Foreign exchange differences	(2)	(1)
Fair value changes	20	31
Transferred to profit or loss	(2)	-
Closing balance	**46**	**30**
Revaluation reserve – Assets held for sale		
Opening balance	(35)	(35)
Transfers from revaluation reserves	66	-
Fair value changes	9	-
Disposal of assets	(66)	-
Closing balance	**(26)**	**(35)**
Remeasurement reserve – Pensions		
Opening balance	(145)	(225)
Changes at associates and joint ventures	(5)	4
Remeasurements defined benefit plans	(20)	20
Settlement	-	56
Closing balance	**(170)**	**(145)**
Revaluation reserve – Fair value changes due to own credit risk on financial liabilities designated at fair value		
Opening balance	(31)	(625)
Change in accounting policy	-	483
Fair value changes	(112)	111
Closing balance	**(143)**	**(31)**
Retained earnings		
Opening balance	28,062	26,777
Change in accounting policies	-	(475)
Net profit	2,157	2,944
Payments on equity instruments	(904)	(1,059)
Redemption of Capital Securities	(493)	(79)
Disposal of financial assets at fair value through other comprehensive income	71	-
Settlement pension plan	-	(56)
Other	17	10
Closing balance	**28,910**	**28,062**
Total reserves and retained earnings	**28,157**	**27,264**

32. Rabobank Certificates

Rabobank Certificates represent participation rights issued by Rabobank via the foundation Stichting Administratie Kantoor Rabobank Certificaten and belong to the Common Equity Tier 1 capital of Rabobank. As from 2014, the Rabobank Certificates are listed on Euronext Amsterdam.

The total number of certificates is 297,961,365 with a nominal value of EUR 25 each. The actual payment policy of Rabobank pursuant to the Participation Rules in respect of the participation issued by Rabobank (and via AK Foundation in respect of the Rabobank Certificates) can be found on the Rabobank website.

The distribution paid per certificate in 2019 was EUR 1.625 (2018: EUR 1.625). The Managing Board is entitled to decide not to pay the distribution. Unpaid distributions will not be paid at a later date. The amounts listed in the table below are based on the nominal value of EUR 25 per Rabobank Certificate. Cash flows arising from changes during the year in the Rabobank Certificates are included in the consolidated statement of cash flows.

Amounts in millions of euros	*2019*	*2018*
Changes during the year:		
Opening balance	7,445	7,440
Change in Rabobank Certificates during the year	4	5
Closing balance	**7,449**	**7,445**

33. Capital Securities and Trust Preferred Securities IV

Capital Securities and Trust Preferred Securities IV can be broken down as follows:

Amounts in millions of euros	*2019*	*2018*
Capital Securities issued by Rabobank	5,264	6,493
Capital securities issued by subsidiaries	-	164
Trust Preferred Securities IV	-	389
Total Capital Securities and Trust Preferred Securities IV	**5,264**	**7,046**

Capital Securities
All Capital Securities are perpetual securities and have no expiry date. The discretionary distribution on Capital Securities per issue is as follows:

33.1 Capital Securities Issued by Rabobank

Issue of EUR 1,500 Million
The coupon is 5.5% per year and is made payable every six months in arrears as of the issue date (January 22, 2015), for the first time on June 29, 2015. The Capital Securities are perpetual and first redeemable on June 29, 2020. As of June 29, 2020, and subject to Capital Securities not being redeemed early, the distribution is set for a five-year period, but without a step-up, based on the 5-year euro swap rate + 5.25%. The coupon is fully discretionary.

Issue of EUR 1,250 Million
The coupon is 6.625% per year and is made payable every six months in arrears as of the issue date (April 26, 2016), for the first time on June 29, 2016. The Capital Securities are perpetual and first redeemable on June 29, 2021. As of June 29, 2021, and subject to Capital Securities not being redeemed early, the distribution is set for a five-year period, but without a step-up, based on the 5-year euro swap rate + 6.697%. The coupon is fully discretionary.

Issue of EUR 1,000 Million
The coupon is 4.625% per year and is made payable every six months in arrears as of the issue date (September 11, 2018), for the first time on December 29, 2018. The Capital Securities are perpetual and first redeemable on December 29, 2025. As of December 29, 2025, and subject to Capital Securities not being redeemed early, the distribution is set for a five-year period, but without a step-up, based on the 5-year euro swap rate + 4.098%. The coupon is fully discretionary.

Issue of EUR 1,250 Million
The coupon is 3.25% per year and is made payable every six months in arrears as of the issue date (September 9, 2019), for the first time on December 29, 2019. The Capital Securities are perpetual and first redeemable on December 29, 2026. As of December 29, 2026, and subject to Capital Securities not being redeemed early, the distribution is set for a five-year period, but without a step-up, based on the 5-year euro swap rate + 3.702%. The coupon is fully discretionary.

Issue of GBP 250 Million
The coupon is 6.91% per year and is made payable every six months in arrears as of the issue date (June 10, 2008), for the first time on December 10, 2008. As of June 10, 2038, the coupon will be made payable every six months based on the six-month GBP Libor plus an annual 2.825% mark-up. The coupon is payable at the issuer's discretion. In case Rabobank does not use its discretionary power to not pay distributions on the Rabobank Certificates, payment on this instrument will also apply.

33.2 Capital Securities Issued by Rabobank That Were Redeemed During the Reporting Year

Issue of EUR 500 Million
Rabobank issued the EUR 500 million Capital Securities on February 27, 2009. In accordance with the Terms and Conditions of these Capital Securities, Rabobank has redeemed the Capital Securities on the first call date, being February 27, 2019.

Issue of USD 2,872 Million
Rabobank issued the USD 2,872 million Capital Securities on June 4, 2009. In accordance with the Terms and Conditions of these Capital Securities, Rabobank has elected to redeem these Capital Securities on the first call date being June 30, 2019.

33.3 Capital Securities Issued by Subsidiaries of Rabobank That Were Redeemed During the Reporting Year

Issue of NZD 280 Million
Rabo Capital Securities Limited issued the NZD 280 million Capital Securities on May 27, 2009. In accordance with the Terms and Conditions of these Capital Securities, Rabo Capital Securities Limited redeemed these Capital Securities on the first call date being June 18, 2019.

33.4 Trust Preferred Securities IV That Were Redeemed During the Reporting Year

Issue of GBP 350 Million
Rabobank Capital Funding Trust IV, Delaware, a group company of Rabobank, issued GBP 350 million non-cumulative Trust Preferred Securities on October 21, 2004. In accordance with the Terms and Conditions of these Trust Preferred Securities, Rabobank Capital Funding Trust IV redeemed these Trust Preferred Securities on the first call date being December 31, 2019.

Amounts in millions of euros	*2019*	*2018*
Opening balance	389	394
Redemption of Trust Preferred Securities IV	(383)	-
Exchange rate differences and other	(6)	(5)
Closing balance	**-**	**389**

34. Other Non-Controlling Interests

This item relates to shares held by non-controlling interests in Rabobank subsidiaries.

Amounts in millions of euros	*2019*	*2018*
Opening balance	481	475
Net profit	46	60
Exchange rate differences	4	(3)
Entities included in consolidation/deconsolidated	-	9
Dividends	(50)	(58)
Other	(4)	(2)
Closing balance	**477**	**481**

The Rabobank subsidiaries with the largest non-controlling interests are Cargobull Finance Holding and AGCO Finance SNC. Both entities are accounted for in the segment Leasing.

Cargobull Holding B.V. is based in Eindhoven, Netherlands, and Rabobank has a capital and voting right interest of 51%. The non-controlling interests with regard to this entity amount to EUR 66 million (2018: EUR 60 million). The following financial data apply:

Cargobull Holding B.V.

Amounts in millions of euros	*2019*	*2018*
Revenues	57	57
Net profit	11	13
Other comprehensive income	-	-
Total comprehensive income	**11**	**13**
Profit attributable to non-controlling interests	6	7
Dividends paid to non-controlling interests	-	22
Financial assets	704	693
Other assets	138	152
Financial liabilities	671	697
Other liabilities	37	25

AGCO Finance SNC is located in Beauvais, France, and Rabobank has a capital and voting right interest of 51.0%. The non-controlling interests with regard to this entity amount to EUR 97 million (2018: EUR 106 million). The following financial data apply:

AGCO Finance SNC

Amounts in millions of euros	*2019*	*2018*
Revenues	37	36
Net profit	(10)	16
Other comprehensive income	-	-
Total comprehensive income	**(10)**	**16**
Profit attributable to non-controlling interests	(5)	8
Dividends paid to non-controlling interests	4	3
Financial assets	1,800	1,536
Other assets	14	55
Financial liabilities	1,554	1,348
Other liabilities	62	34

35. Changes in Liabilities Arising from Financing Activities

Amounts in millions of euros	*Debt securities in issue*	*Subordinated liabilities*	*Total*
Year ended December 31, 2019			
Opening balance	130,806	16,498	147,304
Changes from financing cash flows	(3,507)	(999)	(4,506)
Effect of changes in foreign exchange rates	1,457	270	1,727
Other non-cash changes	1,647	21	1,668
Closing balance	**130,403**	**15,790**	**146,193**
Year ended December 31, 2018			
Opening balance	134,423	16,170	150,593
Changes from financing cash flows	(6,039)	(21)	(6,060)
Effect of changes in foreign exchange rates	272	342	614
Other non-cash changes	2,150	7	2,157
Closing balance	**130,806**	**16,498**	**147,304**

36. Net Interest Income

Amounts in millions of euros	*2019*	*2018*
Interest income		
Cash and cash equivalents	390	347
Loans and advances to credit institutions	154	295
Loans and advances to customers	14,935	15,001
Derivatives used for fair value hedge-accounting	9	(320)
Financial assets at fair value through other comprehensive income	410	637
Interest income from financial assets using the effective interest method	**15,898**	**15,960**
Financial assets held for trading	29	36
Financial assets designated at fair value	2	1
Financial assets mandatorily at fair value	27	49
Interest income on financial liabilities with a negative interest rate	112	152
Other	89	83
Other interest income	**259**	**321**
Total interest income	**16,157**	**16,281**
Interest expense		
Deposits from credit institutions	182	173
Deposits from customers	2,598	2,587
Debt securities in issue	3,025	3,026
Financial liabilities held for trading	5	10
Derivatives held as economic hedges	696	758
Financial liabilities designated at fair value	164	199
Subordinated liabilities	728	713
Interest expense on financial assets with a negative interest rate	249	259
Other	27	(3)
Total interest expense	**7,674**	**7,722**
Net interest income	**8,483**	**8,559**

Capitalized interest attributable to qualifying assets amounted to EUR 17 million (2018: EUR 18 million). The average interest rate applied in determining interest charges to be capitalized ranges between 1% and 6% (2018: between 1% and 6%). The interest income on credit-impaired financial assets accrued is EUR 420 million (2018: EUR 485 million).

37. Net Fee and Commission Income

Amounts in millions of euros	*2019*	*2018*
Fee and commission income		
Payment services	754	726
Lending	569	564
Purchase and sale of other financial assets and handling fees	334	326
Insurance commissions	297	276
Investment management	4	8
Custodial fees and securities services	5	6
Other commission income	188	200
Total fee and commission income	**2,151**	**2,106**
Fee and commission expense		
Payment services	58	56
Purchase and sale of other financial assets and handling fees	53	61
Custodial fees and securities services	8	9
Other commission expense	43	49
Total fee and commission expense	**162**	**175**
Net fee and commission income	**1,989**	**1,931**

38. Net Income from Other Operating Activities

Amounts in millions of euros	*2019*	*2018*
Income from real estate activities	1,238	1,754
Expenses from real estate activities	969	1,352
Net income real estate activities	**269**	**402**
Income from operational lease activities	887	768
Expenses from operational lease activities	700	601
Net income from operational lease activities	**187**	**167**
Income from investment property	29	25
Expenses from investment property	15	11
Net income from investment property	**14**	**14**
Net income from other operating activities	**470**	**583**

All expenses from investment properties relate to properties that are leased.

39. Income from Investments in Associates and Joint Ventures

Amounts in millions of euros	*2019*	*2018*
Rabobanks share of profit of investments in associates and joint ventures	193	242
Result on disposal of investments in associates and joint ventures	(1)	1
Income from investments in associates and joint ventures	**192**	**243**

40. Gains/ (Losses) on Financial Assets and Liabilities at Fair Value through Profit or Loss

Amounts in millions of euros	*2019*	*2018*
Gains/ (losses) on financial assets and liabilities held for trading and from derivatives held for trading	79	225
Gains/ (losses) on financial assets designated at fair value	-	(5)
Gains/ (losses) on financial assets mandatorily at fair value through profit or loss	141	21
Gains/ (losses) on financial liabilities designated at fair value and derivatives used to hedge the interest rate risk of those financial liabilities	(64)	(3)
Total gains/ (losses) on financial assets and liabilities at fair value through profit or loss	**156**	**238**

Gains/ (losses) on other financial liabilities designated at fair value and derivatives used to hedge the interest rate risk of those financial liabilities mainly relates to fair value changes of the structured notes portfolio attributable to changes in i) market interest rates and ii) day-one gains that are directly recognized in profit or loss for an amount of EUR 5 million (2018: EUR 5 million). The results related to fair value changes of the structured notes due to changes in market interest rates are largely offset by the fair value changes of the derivatives used to hedge this interest rate risk.

Amounts in millions of euros	*2019*	*2018*
Gains/ (losses) on interest rate instruments	227	(310)
Gains/ (losses) on equity instruments	(5)	24
Gains/ (losses) on foreign currency instruments	(20)	524
Translation gains/ (losses) on foreign currency	26	14
Other	(72)	(14)
Gains/ (losses) on financial assets and liabilities at fair value through profit or loss	**156**	**238**

41. Other Income

Amounts in millions of euros	*2019*	*2018*
Gains/ (losses) arising from the derecognition of financial liabilities at amortised cost	(1)	(10)
Result on sale of group companies	373	119
Other	153	231
Other income	**525**	**340**

The gain on sale of Rabobank National Association as disclosed below is included in line-item 'Result on sale of group companies'.

Sale of Rabobank National Association

On March 15, 2019, Rabobank has signed transaction documentation to sell Rabobank National Association (RNA)'s retail, business banking, commercial real estate, mortgage, wealth management and other non-Food & Agri business to Mechanics Bank. Prior to the closing, at July 1, 2019, the Food & Agri loan portfolio of RNA with a carrying amount of EUR 4.0 billion has been transferred to Rabo Agrifinance. The transaction has been completed in the third quarter of 2019. The total consideration received amounted to USD 2.1 billion (EUR 1.9 billion) consisting of a 9.9% equity stake in Mechanics Bank measured at EUR 220 million and cash for an amount of USD 1.9 billion (EUR 1.7 billion), including a pre-closing dividend of USD 600 million (EUR 545 million). The sale led to a gain of EUR 380 million recognised in 'Other income' in the Wholesale, Rural & Retail segment.

The carrying amounts of assets and liabilities as at the date of sale were:

Amounts in millions of euros	
Cash and cash equivalents	2,707
Loans and advances to customers	4,600
Financial assets at fair value through other comprehensive income	2,152
Other assets	529
Total assets	**9,989**
Deposits from customers	8,853
Other liabilties	125
Total liabilities	**8,978**

42. Staff Costs

Amounts in millions of euros	*2019*	*2018*
Wages and salaries	2,660	2,698
Social security contributions and insurance costs	331	348
Pension costs - defined contribution plans	408	400
Pension costs - defined benefit pension plans	1	13
Training and travelling expenses	191	206
Addition/ (release) of other post-employment provisions	18	8
Other staff costs	1,212	1,195
Staff costs	**4,821**	**4,868**

Expressed in FTEs, the number of internal and external employees in Rabobank was 43,822 (2018: 43,247).

Rabobank has a Group Remuneration Policy which is updated on a regular basis and includes the provisions under the Dutch Act on Remuneration Policies for Financial Companies. Insofar as employees in the Netherlands are still eligible for variable remuneration, it never amounts to more than an average of 20% of the fixed income. Outside the Netherlands, any variable remuneration never amounts to more than 100% of the fixed income. Insofar as identified staff (employees who can have a material influence on the risk profile of Rabobank Group) are eligible for variable remuneration, it is awarded for such a period that the risks associated with the underlying business activities are adequately taken into account. Payment of a significant portion of variable remuneration is therefore deferred; 40% of the variable pay is paid on a deferred basis. If the total variable pay exceeds €500,000, 60% of the total variable pay will be deferred. The immediate portion of variable remuneration is unconditional, whereas the deferred portion is conditional. The deferred portion vests after three years if the conditions are met, or after five years when rewarded to 'senior management'. Among other things, it is assessed whether there has been a significant reduction in financial performance or a significant change in risk management at Rabobank or one of its business unit that puts the circumstances assessed when the relevant variable remuneration was awarded in a different perspective. In principle, the right to any provisionally allocated remuneration lapses when the staff member's employment ends. 50% of both the direct and the deferred portion of the variable remuneration is allocated in cash. The cash component of the direct portion is immediately awarded following allocation. The cash component of the deferred portion is awarded to employees only after vesting (after a period of three or five years). 50% of the direct and the deferred portion of the variable remuneration is allocated in the form of an instrument (instrument component) i.e. the Deferred Remuneration Note (DRN). The value of a DRN is linked directly to the price of a Rabobank Certificate (RC) as listed on the NYSE Euronext. The instrument component is converted into DRNs at the time of allocation on completion of the performance year. The number of DRNs is determined on the basis of the closing rates for Rabobank Certificates, as traded on the NYSE Euronext during the first five trading days of February of each year. This therefore represents both the instrument component of the direct and the deferred portion of the variable remuneration. The final value of the DRNs relating to the deferred portion is established on vesting (after a period of three or five years). The payment of the instrument component is subject to a one year retention period.

After the end of the retention period, the employee receives, for each DRN (or a portion thereof) an amount in cash that corresponds with the value of the DRN at that moment.

Payment of the variable remuneration is measured in accordance with IAS 19 Employee benefits. The immediate portion of the variable remuneration is recognized in the performance year, whereas the deferred portion is recognised in the years before vesting.

The same system also applies, in broad terms, to non-identified staff, although no deferral policy applies to the first one hundred thousand euros and both the immediate and the deferred portion are paid fully in cash, which means that no DRNs are awarded.

On December 31, 2019, the costs of equity instrument-based payments were EUR 12 million (2018: EUR 14 million) and a liability of EUR 36 million was recognized (2018: EUR 34 million) of which EUR 18 million (2018: EUR 16 million) was vested. The costs of variable remuneration paid in cash were EUR 160 million (2018: EUR 180 million). The number of DRNs outstanding is presented in the following table.

in thousands	*2019*	*2018*
Opening balance	1,484	1,412
Awarded during the year	378	455
Paid during the year	(356)	(348)
Changes from previous year	(73)	(35)
Closing balance	**1,433**	**1,484**

The value of a DRN is linked directly to the price of a Rabobank Certificate. The estimated payments to be made for the variable remuneration are shown in the following table.

On December 31, 2019			*Year of payment*					
Amounts in millions of euros	*2020*	*2021*	*2022*	*2023*	*2024*	*2025*	*2026*	*Total*
Variable remuneration, excluding DRNs	163.9	7.4	5.8	4.2	0.2	0.1	-	181.6
DRNs	16.0	17.6	4.6	3.2	1.7	0.2	0.1	43.4
Total	**179.9**	**25.1**	**10.4**	**7.3**	**1.9**	**0.3**	**0.1**	**225.0**

On December 31, 2018			*Year of payment*					
Amounts in millions of euros	*2019*	*2020*	*2021*	*2022*	*2023*	*2024*	2025	Total
Variable remuneration, excluding DRNs	181.0	13.4	3.5	1.7	0.1	0.1	-	199.8
DRNs	10.2	15.8	10.6	3.2	1.7	0.1	0.1	41.8
Total	**191.2**	**29.2**	**14.2**	**4.9**	**1.8**	**0.2**	**0.1**	**241.6**

43. Other Administrative Expenses

Amounts in millions of euros	*2019*	*2018*
Additions and releases of provisions	163	262
IT expenses and software costs	530	426
Consultants fees	388	420
Publicity expenses	150	151
Result on derecognition and impairments on (in)tangible assets	(4)	66
Other expenses	647	865
Other administrative expenses	**1,874**	**2,190**

44. Depreciation and Amortization

Amounts in millions of euros	*2019*	*2018*
Depreciation of tangible fixed assets	189	244
Depreciation of right-of-use assets	99	n/a
Amortization of intangible assets	132	144
Depreciation and amortization	**420**	**388**

45. Impairment Charges on Financial Assets

Amounts in millions of euros	*2019*	*2018*
Loans and advances to customers and credit institutions	1,035	315
Financial assets at fair value through other comprehensive income	(1)	(5)
Recoveries following write-off	(103)	(117)
Loan commitments and financial guarantees	44	(3)
Impairment charges on financial assets	**975**	**190**

46. Regulatory Levies

The regulatory levies consist of bank tax, bank levies and contributions to the Single Resolution Fund and contributions to the Deposit Guarantee Scheme.

Amounts in millions of euros	*2019*	*2018*
Bank tax Netherlands	133	139
Bank tax other countries	8	31
Contribution Single Resolution Fund	206	190
Contribution Deposit Guarantee Fund	137	118
Regulatory levies	**484**	**478**

47. Income Tax

Amounts in millions of euros	*2019*	*2018*
Income tax		
Reporting period	731	727
Adjustments of previous years	78	(26)
Recognition of previously unrecognized tax losses	(3)	(10)
Deferred tax	32	211
Total income tax	**838**	**902**

The effective tax rate was 27.6% (2018: 23.1%) and differs from the theoretical rate that would arise using the Dutch corporate tax rate. This difference is explained as follows:

Amounts in millions of euros	*2019*		*2018*	
Operating profit before taxation		3,041		3,906
Applicable tax rate	25%	760	25%	977
Increase/(decrease) in taxes resulting from:				
Tax-exempt income	(2.7%)	(82)	(2.6%)	(101)
Impact of foreign tax rates	0.7%	20	1.3%	52
Non-deductible expenses	2.0%	62	1.7%	65
Recognition of previously unrecognized tax losses	(0.1%)	(3)	(0.3%)	(10)
Other permanent differences	(1.7%)	(52)	(4.5%)	(174)
Adjustments of previous years	2.6%	78	(0.5%)	(18)
Adjustment due to changes in tax rates	(0.6%)	(19)	1.3%	51
Other non-recurring tax items	2.4%	74	1.5%	60
Total income tax	**27.6%**	**838**	**23.1%**	**902**

The other permanent differences mainly comprise of the deduction of interest payments on Capital Securities.

48. Transactions with Related Parties

Two parties are considered related if one party exercises control or has significant influence over the other party regarding financial or operating decisions. In the normal course of business, Rabobank conducts a wide variety of transactions with related entities which involve different types of loans, deposits and transactions in foreign currencies. Transactions between related parties also includes transactions with associates, pension funds, joint ventures, the Managing Board and the Supervisory Board. These transactions are conducted against commercial terms and conditions and market prices. In accordance with IAS 24.4, intragroup transactions are not disclosed in the consolidated financial statements.

In the normal course of Rabobank's business operations, banking transactions are carried out with related parties. These involve loans, deposits and transactions in foreign currencies. These transactions are conducted against commercial terms and conditions and market prices. The volumes of related party transactions, year-end outstanding balances and the corresponding income and expenses during the year are presented in the following table. Transactions and balances outstanding with members of the Managing Board and members of the Supervisory Board are disclosed in Section 50. Transactions with pension funds are disclosed in Section 28.

Amounts in millions of euros	*Investments in associates*		*Other related parties*	
	2019	*2018*	*2019*	*2018*
Loans				
Outstanding at beginning of year	19	397	44	-
Provided during the year	6	-	7	44
Redeemed during the year	(6)	(378)	(9)	-
Other	-	-	-	-
Gross loans as of December 31	**19**	**19**	**42**	**44**
Less: loan impairment allowance	-	-	-	-
Total loans as of December 31	**19**	**19**	**42**	**44**
Deposits from credit institutions and deposits from customers				
Outstanding at beginning of the year	6,062	6,946	38	-
Received during the year	348	263	86	38
Repaid during the year	(390)	(1,017)	(77)	-
Other	-	(130)	-	-
Total deposits as of December 31	**6,020**	**6,062**	**47**	**38**
Credit related contingent liabilities	274	262	-	-
Income				
Net interest income	8	6	-	-
Net fee and commission income	250	237	-	-
Trading income	3	-	-	-
Other	14	15	-	-
Total income from transactions with related parties	**275**	**258**	**-**	**-**
Expenses				
Interest expense	224	244	-	-
Net fee and commission expense	-	-	-	-
Impairments	-	-	-	-
Total expenses from transactions with related parties	**224**	**244**	**-**	**-**

49. Cost of External Independent Auditor

Expenses for services provided by Rabobank's independent auditor, PricewaterhouseCoopers Accountants N.V. ("PwC") and its member firms and/ or affiliates to Rabobank and its subsidiaries in 2019 are specified as follows:

Amounts in millions of euros	*2019*			*2018*		
	PwC Netherlands	*Other PwC network firms*	*Total*	*PwC Netherlands*	*Other PwC network firms*	*Total*
Audit services	8.2	7.4	15.6	9.8	7.5	17.3
Other audit services	1.5	0.6	2.1	0.5	0.5	1.0
Tax advisory services	-	1.8	1.8	-	0.3	0.3
Other non-audit services	-	-	-	-	0.6	0.6
Total	**9.7**	**9.8**	**19.5**	**10.3**	**8.9**	**19.2**

The audit fees listed above relate to the procedure applied to Rabobank and its consolidated group entities by PwC and other member firms in the global PwC network, including their tax services and advisory groups. These audit fees relate to the audit of the financial statements, regardless of whether the work was performed during the financial year.

Our independent auditor, PricewaterhouseCoopers Accountants N.V., has rendered, for the period to which our statutory audit relates, in addition to the audit of the statutory financial statements the following services to the company and its controlled entities:

Summary of services rendered by the independent auditor, in addition to the audit of the financial statements (Section 10, subsection 2.g of the EU Regulation 537/2015)

Other Audit Services Required by Law or Regulatory Requirements

- Statutory audits of controlled and related entities
- Audit of the regulatory returns to be submitted to European Central Bank
- Assurance engagement for the TLTRO II reporting to be submitted to De Nederlandsche Bank
- Non-audit assurance engagement cost price models for the Authority Financial Markets

Other Audit Services

- Assurance engagement on the sustainability report
- Assurance engagement on the effectiveness of internal control over financial reporting
- Agreed-upon procedures on cost allocations
- Special purpose financial statement audits of controlled and related entities
- Comfort letters issued as part of funding transactions and based on Dutch Accounting Standard 3850N

50. Remuneration of the Supervisory Board and the Managing Board

The members of the Supervisory Board and the Managing Board are listed in Section 56 of these Consolidated Financial Statements. Rabobank regards the members of the Managing Board and the Supervisory Board as key management personnel. The members of the Managing Board are among the identified staff as disclosed in Section 42. The remuneration of members of the Managing Board is set out below.

Amounts in thousands of euros	*Short-term employee benefits*		*Post-employment benefits*		*Total*
	Salary	*Other*	*Pension scheme*	*Individual pension contribution*	
Berry Marttin	884	-	27	188	1,099
Jan van Nieuwenhuizen	884	-	27	188	1,099
Kirsten Konst	800	2	27	168	997
Wiebe Draijer	980	-	27	211	1,218
Mariëlle Lichtenberg	750	9	27	156	942
Ieko Sevinga	750	-	27	156	933
Bas Brouwers	884	2	27	188	1,101
Petra van Hoeken (till February 1, 2019)	74	-	2	16	92
Janine Vos	650	-	27	132	809
Bart Leurs	650	-	27	132	809
Els de Groot (from February 1, 2019)	688	-	25	143	855
Total 2019	**7,993**	**13**	**272**	**1,674**	**9,952**
Members Managing Board	8,116	164	260	1,707	10,247
Former members Managing Board	-	-	-	-	-
Total 2018	**8,116**	**164**	**260**	**1,707**	**10,247**

At year-end 2019, there were a total of 2,761 DRNs (liability of EUR 83 thousand) outstanding with members of the Managing Board (year-end 2018 Managing Board: 2,761 pieces). The pension scheme for the members of the Managing Board is classified as a collective defined contribution scheme. The maximum income on the basis of which the members of the Managing Board can build up a pension amounts to a maximum, for 2019 one-hundred one thousand seven-hundred forty five euros. Any income exceeding this amount is not pensionable. As of January 1, 2015, the members of the Managing Board therefore receive an individual pension contribution. There is entitlement to a car lease arrangement. There is also a company car policy in place for all members of the Managing Board for the purpose of commuting and business travels.

Expenses related to members and former members of the Supervisory Board totalled EUR 1.2 million (2018: EUR 1.2 million). This includes VAT and employer's contributions payable. In addition to the role of Member of the Supervisory Board of Rabobank, the remuneration also depends on the roles in the various committees. The composition of these committees is detailed in the Annual Report. The remuneration structure as of October 1, 2016 (exclusive of VAT and other charges) is:

Amounts in euros	*Fee*
Member	90,000
Chairman of Audit Committee, Risk Committee, Cooperative Issues Committee, additional	20,000
Chairman of Appointments Committee together with HR Committee, additional	20,000
Vice chairman, additional	30,000
Chairman	220,000

The table below shows the remuneration (excluding VAT and other charges) for individual members of the Supervisory Board.

Amounts in thousands of euros	*Remuneration*
Irene Asscher-Vonk (till June, 2019)	38
Leo Degle	90
Petri Hofsté	110
Arian Kamp	110
Jan Nooitgedagt	110
Ron Teerlink	220
Pascal Visée	90
Marjan Trompetter	140
Annet Aris (from December 12, 2018)	90
Total 2019	**998**
Total 2018	**992**

At Rabobank, the Chairman of the Supervisory Board holds a number of roles which are related to the cooperative such as Chairman of the General Members' Council.

Amounts in millions of euros	*Managing Board*		*Supervisory Board*	
Loans, advances and guarantees	*2019*	*2018*	*2019*	*2018*
Outstanding on 1 January	5.3	5.8	2.2	1.9
Provided during the year	-	-	-	0.4
Redeemed during the year	(1.1)	(0.5)	(0.3)	(0.3)
Reduction on account of leaving office	-	-	-	-
Increase on account of taking office	-	-	-	0.2
Outstanding on 31 December	**4.2**	**5.3**	**1.8**	**2.1**

The loans, advances and guarantees of the members of the Managing Board in office and the average interest rates were as follows:

Amounts in millions of euros	*Outstanding loans*	*Average interest rate (in %)*
On December 31, 2019		
Bas Brouwers	-	n/a
Kirsten Konst	0.2	5.0
Bart Leurs	0.8	2.2
Mariëlle Lichtenberg	1.2	3.6
Berry Marttin	0.0	5.8
Jan van Nieuwenhuizen	1.2	1.9
Janine Vos	0.9	2.3

Amounts in millions of euros	*Outstanding loans*	*Average interest rate (in %)*
On December 31, 2018		
Bas Brouwers	0.5	2.6
Kirsten Konst	0.2	4.6
Bart Leurs	0.9	2.1
Mariëlle Lichtenberg	1.4	3.9
Berry Marttin	0.1	5.8
Jan van Nieuwenhuizen	1.2	2.0
Janine Vos	0.9	2.3

The loans, advances and guarantees of the members of the Supervisory Board in office and the average interest rates were as follows:

Amounts in millions of euros	*Outstanding loans*	*Average interest rate (in %)*
On December 31, 2019		
Annet Aris	-	n/a
Arian Kamp	1.2	1.6
Marjan Trompetter	0.6	2.5

Amounts in millions of euros	*Outstanding loans*	*Average interest rate (in %)*
On December 31, 2018		
Annet Aris	0.2	5.2
Arian Kamp	1.3	1.7
Marjan Trompetter	0.6	2.5

At year-end 2019, the members of the Supervisory Board not listed in the table had not received any loans, advances or guarantees. These transactions with members of the Managing Board and Supervisory Board were completed in person on the basis of employee terms and conditions and/or market rates for the Supervisory Board. The rates depend in part on the currency, the agreed fixed-interest period and the time the transaction was completed or the time a new fixed-interest term becomes effective.

Some members of the Supervisory Board have invested in Rabobank Certificates in person and/or through their own pension B.V.

Supervisory Board	*Number of Rabobank Certificates*	*Remarks*
On December 31, 2019		
Irene Asscher-Vonk	14,995	out of office per May 31, 2019
Leo Degle	4,836	in pension BV

Managing Board	*Number of Rabobank Certificates*	*Remarks*
On December 31, 2019		
Kirsten Konst	800	
Mariëlle Lichtenberg	970	
Berry Marttin	5,600	

51. Main Subsidiaries

On December 31, 2019, Rabobank Group is comprised of Coöperatieve Rabobank U.A. and its consolidated subsidiaries in the Netherlands and abroad.

On December 31, 2019	*Share*	*Voting rights*
Main subsidiaries		
The Netherlands		
DLL International B.V.	100%	100%
BPD Europe B.V.	100%	100%
Obvion N.V.	100%	100%
North America		
Utrecht America Holdings Inc.	100%	100%
Australia and New Zealand		
Rabobank Australia Limited	100%	100%
Rabobank New Zealand Limited	100%	100%

All subsidiaries listed in the table have been consolidated. In 2019, none of the subsidiaries experienced any significant restrictions in the payment of dividends or the redemption of loans and repayment of advances. The option of subsidiaries to pay dividend to Rabobank depends on various factors, including local regulatory requirements, statutory reserves and financial performance.

Several structured entities in segment WRR are not consolidated, even if Rabobank retains more than half of the voting rights. These structured entities are not consolidated because the relevant activities are determined by a third party to the contract which also determines the variable returns.

Rabobank has control over several entities in the "Leasing" segment as part of its vendor leasing operations, even though it retains less than half of the voting rights because control is not determined based on such rights, but rather on management participation.

52. Transfer of Financial Assets and Financial Assets Provided as Collateral

52.1 Reverse Repurchase Transactions and Securities Borrowing Agreements

Reverse repurchase transactions and securities borrowing agreements concluded by Rabobank are included under "Loans and Advances to Credit Institutions" or "Loans and Advances to Customers" and amount to:

Amounts in millions of euros	*2019*	*2018*
Loans and advances to credit institutions	22,703	8,743
Loans and advances to customers	13,462	12,928
Total reverse repurchase transactions and securities borrowing agreements	**36,165**	**21,671**

Under the terms of the reverse repurchase transactions and securities borrowing agreements, Rabobank receives collateral under conditions that enable it to re-pledge or resell the collateral to third parties. On December 31, 2019, the total fair value of the securities received under the terms of the agreements was EUR 36,956 million (2018: EUR 18,887 million). In accordance with the agreement terms, a portion of the securities was re-pledged or sold as collateral. These transactions were effected subject to the normal conditions for standard reverse repurchase transactions and securities borrowing agreements. The securities are not recognized in the statement of financial position because almost all the associated risks and benefits accrue to the counterparty. A receivable is recognized at a value equivalent to the amount paid as collateral.

52.2 Repurchase Transactions and Securities Lending Agreements

Repurchase transactions and securities lending agreements concluded by Rabobank are included under "Deposits from Credit Institutions" and "Deposits from Customers" and amount to:

Amounts in millions of euros	*2019*	*2018*
Deposits from credit institutions	1,522	91
Deposits from customers	32	13
Total repurchase and securities lending	**1,554**	**104**

On December 31, 2019, interest-bearing securities with a carrying amount (equal to fair value) of EUR 1,525 million (2018: EUR 92 million) were provided as collateral for repurchase agreements. The counterparty retains the right to sell or re-pledge the securities. These transactions were performed subject to the normal conditions for standard repurchase transactions and securities lending agreements. The bank may provide or receive securities or cash as collateral if the value of the securities changes. The securities are not de-recognized because almost all the associated risks and benefits accrue to Rabobank, including credit and market risks. A liability is recognized at a value equivalent to the amount received as collateral.

52.3 Securitizations

As part of the financing activities and liquidity management of Rabobank Group, and in order to reduce credit risk, cash flows from certain financial assets are transferred to third parties (true sale transactions). Most of the financial assets subject to these transactions are mortgages and other loan portfolios that are transferred to a special purpose vehicle that is subsequently consolidated. After securitization, the assets continue to be recognised in the statement of financial position of Rabobank Group, mainly under "Loans and advances to customers". The securitized assets are measured in accordance with the accounting policies referred to in Section 2.15.

The carrying amount of the transferred financial assets related to own-asset securitization is EUR 82,053 million (2018: EUR 80,842 million) with the corresponding liability amounting to EUR 80,121 million (2018: EUR 78,880 million). Approximately 72% (2018: 72%) of the transferred assets are securitized internally for liquidity purposes. The carrying amount of the assets where Rabobank acts as a sponsor (Nieuw-Amsterdam) is EUR 3,398 million (2018: EUR 4,938 million) with the corresponding liability amounting to EUR 3,398 million (2018: EUR 4,938 million). Rabobank retains 5% to 6% of the outstanding commercial paper issued by Nieuw Amsterdam for regulatory purposes.

52.4 Carrying Amount of Financial Assets Pledged as Collateral for (Contingent) Liabilities

The assets referred to below have been pledged as collateral for (contingent) liabilities (with exception of repo transactions, securities lending and own-asset securitizations) with the objective of providing security for the counterparty. If Rabobank would enter into default the counterparties may use the security to settle the debt.

Amounts in millions of euros	*2019*	*2018*
Cash and cash equivalents	28	82
Loans and advances to credit institutions	2,155	2,536
Loans and advances to customers	26,017	27,499
Financial assets held for trading	77	77
Financial assets designated at fair value	100	126
Financial assets at fair value through other comprehensive income	3,083	4,223
Total assets pledged as collateral	**31,460**	**34,543**

53. Structured Entities

53.1 Consolidated Structured Entities

A structured entity is an entity which is structured so that voting rights or comparable rights do not constitute the dominant factor in determining who exercises control over the entity. Rabobank uses structured entities in order to securitize mortgages and other loan portfolios as part of its financing activities, liquidity management and in order to reduce credit risk. The loans are actually transferred to the structured entities. Own-asset securitization is handled by Obvion and DLL. As well as having provided cash facilities, Rabobank also acts as a swap counterparty for all own-asset securitizations.

Rabobank acts as a sponsor in Nieuw Amsterdam Receivables Corporation. Nieuw Amsterdam issues ABCP in various currencies and provides Rabobank customers access to liquidity through the commercial paper market. Rabobank provides advice and manages the program, markets ABCP, provides cash facilities and credit risk enhancements and other facilities for the underlying transactions and the program itself.

Rabobank consolidates the own-asset securitisation vehicles and Nieuw Amsterdam because it is exposed to or entitled to fluctuating income in respect of its involvement in these entities. In addition, Rabobank also has the option to influence the amount of the investor's income by virtue of having control over the entities.

53.2 Non-Consolidated Structured Entities

Non-consolidated structured entities refers to all structured entities over which Rabobank has no control. These interests are comprised mainly of debt securities in a securitization vehicle, including RMBS, ABS and CDO and private equity interests. The amount of these debt securities is almost always limited when compared to the vehicle's total assets. Those securitization vehicles are usually refinanced by issued debt securities or credit facilities.

The following table shows the nature and risks of Rabobank's interests in non-consolidated structured entities. The size of non-consolidated structured entities generally reflects the carrying amount of the assets and the contingent liabilities. The maximum exposure equals the carrying amount disclosed in the table below.

Amounts in millions of euros	*On December 31, 2019*			*On December 31, 2018*		
Assets recognized by Rabobank	*Securitisations*	*Other*	*Total*	*Securitisations*	*Other*	*Total*
Financial assets held for trading	-	48	48	7	52	59
Financial assets designated at fair value	-	-	-	-	-	-
Financial assets mandatorily at fair value	41	337	378	2	267	269
Derivatives	105	-	105	131	-	131
Loans and advances to customers	683	-	683	798	-	798
Financial assets at fair value through other comprehensive income	5	-	5	142	-	142
Investments in associates	74	226	300	98	253	351
Total financial assets recognized by Rabobank	**908**	**611**	**1,519**	**1,178**	**572**	**1,750**
Liabilities recognized by Rabobank						
Derivatives	(4)	-	(4)	26	-	26
Deposits from customers	233	-	233	182	-	182
Total liabilities recognized by Rabobank	**229**	**-**	**229**	**208**	**-**	**208**

Income from sponsored, non-consolidated structured entities in which Rabobank holds no interest is nil (2018: nil).

54. Events after the Reporting Period

Since early 2020 the coronavirus is spreading across the world. The impact for economic growth and business activities will depend on the severity of the outbreak. At this moment it is too early to define the concrete financial impact for clients and provisioning levels.

55. Management Report on Internal Control over Financial Reporting

The Managing Board of Rabobank is responsible for establishing and maintaining adequate internal control over financial reporting. Management is also responsible for the preparation and fair presentation of the Consolidated Financial Statements.

At the end of the period covered by this Annual Report, Rabobank's' management carried out an evaluation, under the supervision and with the participation of its Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of it's internal control over financial reporting. Rabobank's internal control over financial reporting is a process designed, when working effective, to provide reasonable assurance regarding the reliability of financial reporting for the preparation of its financial statements for external purposes in accordance with generally accepted accounting principles.

All internal control systems, no matter how well designed, have inherent limitations. Due to the inherent limitations, internal control over financial reporting may not prevent or detect misstatements. At the same time, future projections on the basis of any evaluation of the effectiveness of internal control are subject to the risk that the control measures may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has assessed the effectiveness of Rabobank's internal control over financial reporting as of December 31, 2019 in accordance with the criteria set out in 2013 by the Committee of Sponsoring Organisations of the Treadway Commission (COSO), as defined in Internal Control - Integrated Framework.

Based on that assessment, the Managing Board of Rabobank concluded that, it maintained in all material aspects, effective internal control over financial reporting as of 31 December, 2019, in accordance with criteria established in the Internal Control – Integrated Framework issued in 2013 by the Committee of Sponsoring Organisations of the Treadway Commission (COSO).

PricewaterhouseCoopers Accountants N.V., which has audited the consolidated financial statements of Rabobank for the financial year ended December 31, 2019, also examined management's assessment of the effectiveness of the internal control over financial reporting in Rabobank . The assurance report of PricewaterhouseCoopers Accountants N.V. is included on page XX.

Wiebe Draijer and Bas Brouwers

Utrecht, March XX, 2020

The above statement on internal controls should not be construed as a statement in response to the requirements of section 404 of the US Sarbanes-Oxley Act.

56. Authorization of the Financial Statements

The financial statements were signed by the Supervisory Board and Managing Board on March 5, 2020. The financial statements will be presented to the General Meeting, to be held on April 16, 2020, for adoption. With regard to the adoption of the financial statements of Rabobank, the Articles of Association state: "The resolution to adopt the financial statements will be passed by an absolute majority of the votes validly cast by the General Members' Council".

Managing Board
Wiebe Draijer, *Chairman*
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*

Supervisory Board
Ron Teerlink, *Chairman*
Marjan Trompetter, *Vice Chairman*
Leo Degle
Arian Kamp
Jan Nooitgedagt
Petri Hofsté
Pascal Visée

Annet Aris

Company Financial Statements

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Statement of Financial Position (Before Profit Appropriation)

Statement of Financial Position (Before Profit Apprpriation)					
Amounts in millions of euros	*Note*		*December 31, 2019*		*December 31, 2018*
Assets					
Cash and balances at central banks	1		62,908		72,786
Short-term government papers	2		792		330
Professional securities transactions		22,074		8,238	
Other loans and advances to credit institutions		15,679		20,994	
Loans and advances to credit institutions	3		37,753		29,232
Public sector lending		1,728		1,556	
Private sector lending		383,336		369,461	
Professional securities transactions		13,756		13,120	
Loans and advances to customers	4		398,820		384,137
Interest-bearing securities	5		62,653		67,299
Shares	6		83		253
Interests in group companies	7		14,077		13,555
Other equity investments	8		1,632		1,722
Intangible assets	9		417		419
Tangible fixed assets	10		1,720		1,451
Other assets	11		4,505		4,180
Derivatives	12		26,993		25,252
Prepayments and accrued income			914		905
Total assets			**613,267**		**601,521**
Liabilities					
Professional securities transactions		1,502		80	
Other liabilities to credit institutions		20,356		19,497	
Due to credit institutions	14		21,858		19,577
Savings		148,851		135,441	
Professional securities transactions		32		13	
Other due to customers		188,393		191,202	
Due to customers	15		337,276		326,656
Debt securities in issue	16		110,848		111,171
Other liabilities	17		59,554		58,785
Derivatives	12		24,322		24,225
Accruals and deferred income			1,919		1,767
Provisions	18		843		1,100
Subordinated liabilities	19		15,777		16,875
			572,397		**560,156**
Rabobank Certificates		7,449		7,445	
Capital Securities		5,264		6,657	
Revaluation reserves		359		199	
Legal reserves		(106)		(252)	
Other reserves		25,746		24,373	
Profit for the year		2,158		2,943	
Equity	20		**40,870**		**41,365**
Total equity and liabilities			**613,267**		**601,521**
Contingent liabilities	28		67,437		64,342

Statement of Income

Statement of Income

			For the year ended 31 December
Amounts in millions of euros	*Note*	*2019*	*2018*
Interest income	21	13,839	14,070
Interest expense	21	8,215	8,333
Net interest income	**21**	**5,624**	**5,737**
Fee and commission income	22	1,902	1,856
Fee and commission expense	22	126	135
Net fee and commission income	**22**	**1,776**	**1,721**
Income from equity interests	23	890	1,889
Gains/ (losses) from trading portfolio with external parties		(23)	87
Gains/ (losses) from trading portfolio with group companies		587	(465)
Gains/ (losses) from investment portfolio		97	236
Net income from financial transactions		**661**	**(142)**
Other results		165	96
Income		**9,116**	**9,301**
Staff costs	24	3,682	3,773
Other administrative expenses		1,325	1,458
Depreciation		350	332
Operating expenses		**5,357**	**5,563**
Impairment on investments in associates		300	-
Impairment charges on financial assets		346	(3)
Regulatory levies	25	429	428
Operating profit before taxation		**2,684**	**3,313**
Income tax	26	526	370
Net profit		**2,158**	**2,943**

Notes to the Company Financial Statements

1. Basis of Preparation

The company financial statements of Coöperatieve Rabobank U.A., a credit institution as referred to in Section 1:1 of the Financial Supervision Act, have been prepared in accordance with accounting policies generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code. In accordance with subsection 8 of section 362 of Book 2 of the Dutch Civil Code, the accounting policies in the company financial statements are the same as those used in preparing the consolidated financial statements of Rabobank, reference is made to Section 2 "Accounting Policies of the Consolidated Financial Statements", with one exception regarding the measurement of interests in group companies as these are measured at net asset value. The hedge accounting entries of the consolidated financial statements have also been applied in the company financial statements by using combination 3 (Option 3 RJ).

The Coöperatieve Rabobank U.A. and the legal entities and companies that form part of the group, is an international financial services provider operating on the basis of cooperative principles. Rabobank has its registered office in Amsterdam and is registered under Chamber of commerce number 30046259.

2. Risk Exposure on Financial Instruments

Rabobank manages risks at various levels within the organization. At the highest level, the Managing Board (under the supervision of the Supervisory Board) determines the risk strategy it will pursue, the risk appetite, the policy framework as well as the limits. The Supervisory Board regularly assesses the risks attached to the activities and portfolio of Rabobank. The Chief Risk Officer, as a Member of the Managing Board, is responsible for the risk management policy within Rabobank.

Rabobank considers risks at company level the same as risks at consolidated level. We therefore refer to Section 4 "Risk Exposure on Financial Instruments" of the consolidated financial statements. Additional remarks on solvency on solo level are disclosed below.

Solvency

Coöperatieve Rabobank U.A. (solo) must comply with a number of minimum solvency positions as stipulated under law. The solvency position is determined on the basis of ratios. These ratios compare the qualifying capital (total capital ratio), the tier 1 capital (tier 1 ratio) and the core capital (common equity tier 1 ratio) with the total of the risk-adjusted assets. Effective January 1, 2014, the minimum required percentages are determined on the basis of CRD IV/CRR. The table below shows the minimum buffers based on CRD IV/CRR.

Minimum Capital Buffer

	CET 1	*Tier 1*	*Total capital*
Pillar 1 requirement	4.5%	6.0%	8.0%
Pillar 2 requirement	1.75%	1.75%	1.75%
Capital conservation buffer	2.5%	2.5%	2.5%

The CET1-ratio of Coöperatieve Rabobank U.A. (solo) is 16.8% (2018: 16.0%).

Legal and Arbitration Proceedings

Rabobank considers risks regarding legal and arbitration proceedings the same at company level as at consolidated level. For a description of these proceedings, we refer to Section 4.10 "Legal and Arbitration Proceedings" in the Consolidated Financial Statements. For legal and arbitration proceedings related to Coöperatieve Rabobank U.A. the following amounts apply.

Amounts in millions of euros	*2019*	*2018*
Legal provisions	183	408
Contingent liabilities	59	11

Notes to the Statement of Financial Position

1. Cash and Balances at Central Banks

This item consists of legal tender, balances available on demand with foreign central banks in countries where Rabobank operates, as well as a balance with De Nederlandsche Bank (the Dutch Central Bank) as required under its minimum reserve policy.

2. Short-term Government Papers

This item relates to government securities with an original term to maturity of up to two years that the central bank in the country of origin will redeem at a discount or accept as collateral. The cost and market value of short-term government papers are virtually the same.

Amounts in millions of euros	*2019*	*2018*
Recognized in the trading portfolio	157	35
Recognized in the investment portfolio	635	295
Total short-term government papers	**792**	**330**

3. Loans and Advances to Credit Institutions

This item represents loans and advances to other credit institutions, other than in the form of interest-bearing securities.

Amounts in millions of euros	*2019*	*2018*
Loans and advances to other credit institutions	27,806	16,648
Loans and advances to group companies	9,947	12,584
Total loans and advances to credit institutions	**37,753**	**29,232**
Of which subordinated	-	-
The terms of loans and advances to credit institutions can be broken down as follows:		
On demand	18,694	11,277
≤ 3 months	8,633	4,958
> 3 months ≤ 1 year	3,183	4,916
> 1 year ≤ 5 years	5,137	5,349
> 5 years	191	186
No maturity	1,915	2,546
Total loans and advances to credit institutions	**37,753**	**29,232**

The fair value of accepted collateral in the form of securities is EUR 22,640 million (2018: EUR 6,756 million).

4. Loans and Advances to Customers

This item consists of loans and advances arising in the course of business operations, other than receivables from credit institutions and interest-bearing securities.

Amounts in millions of euros	*2019*	*2018*
Breakdown of loans and advances to customers:		
Public sector lending	1,728	1,556
Private sector lending	383,336	369,461
Professional securities transactions	13,756	13,120
Total loans and advances to customers	**398,820**	**384,137**
Totals include:		
Of which to group companies	71,591	60,451
Of which mortgages	224,503	229,094
Loans recognised in the trading portfolio	106	147
Loans recognised in the investment portfolio	206	205
Loans recognised in the investment portfolio at fair value through profit or loss	1,088	1,659
Loans at amortised cost	397,420	382,126
Total loans and advances to customers	**398,820**	**384,137**
The terms of loans and advances can be broken down as follows:		
On demand	49,824	44,000
≤ 3 months	16,892	15,526
> 3 months ≤ 1 year	28,914	25,280
> 1 year ≤ 5 years	87,977	81,897
> 5 years	207,470	211,099
No maturity	6,343	4,324
Loans at amortised cost	**397,420**	**382,126**
Loans (excluding government loans and reverse repos) can be classified as follows by their concentration in specific business sectors:		
Food & agri	18%	17%
Trade, industry and services	29%	29%
Private individuals	53%	54%
Total	**100%**	**100%**

The fair value of accepted collateral in the form of securities is EUR 14,133 million (2018: EUR 12,131 million).

5. Interest-Bearing Securities

This item represents interest-bearing securities other than short-term government papers.

Amounts in millions of euros	*2019*	*2018*
Interest-bearing securities of:		
Public authorities	7,877	11,414
Other issuers	54,776	55,885
Total interest-bearing securities	**62,653**	**67,299**
Breakdown of interest-bearing securities:		
Trading portfolio	1,735	2,693
Investment portfolio	60,780	64,442
Investment portfolio at fair value through profit or loss	138	164
	62,653	**67,299**
The portfolio also includes:		
Securities issued by group companies	50,803	51,030
Listed portion of the portfolio	11,386	15,479
Non-listed securities and securities issued by group companies	51,267	51,820
Total interest-bearing securities	**62,653**	**67,299**

6. Shares

This item consists of shares and other non-interest-bearing securities, including temporary other investments.

Amounts in millions of euros	*2019*	*2018*
This breaks down as follows:		
Investment portfolio	72	242
Trading portfolio	11	11
Total	**83**	**253**
Listed portion of the portfolio	11	11
Non-listed portion of the portfolio	72	242
Total	**83**	**253**

7. Interests in Group Companies

This item includes the interests held directly in group companies.

Amounts in millions of euros	*2019*	*2018*
Equity investments in:		
Credit institutions	3,853	3,630
Other entities	10,224	9,925
Total	**14,077**	**13,555**
Changes in equity investments:		
Carrying amount on January 1	13,555	13,536
Additions, capital contributions during the financial year	56	55
Sales, disposals and liquidations during the financial year	(3)	(3)
Legal merger	-	(1,240)
Profit	764	1,816
Dividend/capital reimbursements	(361)	(332)
Revaluation	119	(84)
Other	(53)	(193)
Carrying amount on December 31	**14,077**	**13,555**

8. Other Equity Investments

This item includes participating interests in associates, in particular Achmea B.V.

Amounts in millions of euros	*2019*	*2018*
Equity investments in:		
Credit institutions	-	-
Other entities	1,632	1,722
Total other equity investments	**1,632**	**1,722**
Changes in equity investments:		
Carrying amount on January 1	1,722	1,745
Acquisitions during the financial year	29	8
Disposals during the financial year	-	(1)
Profit/ (loss)	123	68
Revaluation	94	(61)
Impairment	(300)	-
Dividend	(36)	(37)
Carrying amount on December 31	**1,632**	**1,722**

9. Intangible Assets

The intangible assets mainly consist of software.

Changes in intangible assets 2019	
Amounts in millions of euros	*Software*
Carrying amount on January 1	419
Acquisitions during the financial year (to group companies)	77
Acquisitions during the financial year	150
Disposals during the financial year (to group companies)	(69)
Disposals during the financial year	(17)
Depreciation	(117)
Impairment losses	(25)
Exchange differences and other	(1)
Carrying amount on December 31	**417**
Accumulated depreciation and impairment losses	1,067

Changes in goodwill and other intangible assets 2018			
Amounts in millions of euros	*Goodwill*	*Software*	*Total*
Carrying amount on January 1	2	435	437
Acquisitions during the financial year	-	102	102
Disposals during the financial year	(2)	(44)	(46)
Depreciation	n/a	(116)	(116)
Impairment losses	(1)	-	(1)
Exchange differences and other	1	42	43
Carrying amount on December 31	**-**	**419**	**419**
Accumulated depreciation and impairment losses	3	977	980

10. Tangible Fixed Assets

Amounts in millions of euros	*2019*	*2018*
Land and buildings in own use	1,153	1,212
Equipment	218	239
Right-of-use assets	349	n/a
Total tangible fixed assets	**1,720**	**1,451**

Amounts in millions of euros	*Land and buildings in own use*	*Equipment*
Carrying amount on January 1, 2019	1,212	239
Acquisitions during the financial year	33	56
Disposals during the financial year	(2)	(13)
Depreciation	(92)	(70)
Impairment losses	(10)	-
Reversal impairment losses	32	-
Exchange differences and other	(20)	6
Carrying amount on December 31, 2019	**1,153**	**218**
Accumulated depreciation and impairment losses	1,182	569
Amounts in millions of euros		
Carrying amount on January 1, 2018	1,397	303
Acquisitions during the financial year	30	64
Disposals during the financial year	(6)	(7)
Transfers to other assets	(91)	-
Depreciation	(90)	(126)
Impairment losses	(85)	(2)
Reversal impairment losses	45	-
Exchange differences and other	12	7
Carrying amount on December 31, 2018	**1,212**	**239**
Accumulated depreciation and impairment losses	1,188	654

11. Other Assets

This item relates to current and deferred tax assets and assets that cannot be classified under any other heading.

Amounts in millions of euros	*2019*	*2018*
This item can be broken down as follows:		
Current tax assets	349	252
Deferred tax assets	383	727
Employee benefits	4	3
Other	3,769	3,198
Total other assets	**4,505**	**4,180**

Fiscal Unit for Corporate Tax Purposes

For corporate tax purposes Rabobank forms a fiscal unit with a number of domestic subsidiaries. Under the fiscal unit, each participating legal entity is jointly and severally liable for the fiscal unit's corporate tax liabilities.

12. Derivatives

Amounts in millions of euros	*2019*	*2018*
Assets		
This item can be broken down as follows:		
Derivative contracts with third parties	23,462	22,393
Derivative contracts with group companies	3,531	2,859
Total derivatives	**26,993**	**25,252**
Liabilities		
This item can be broken down as follows:		
Derivative contracts with third parties	23,951	23,794
Derivative contracts with group companies	371	431
Total derivatives	**24,322**	**24,225**

The table below shows the notional amounts and the positive and negative fair values of Rabobank's derivative contracts with third parties.

Amounts in millions of euros	*Notional amounts*	*Fair values*	
Balance on December 31, 2019		*Assets*	*Liabilities*
Derivatives held for trading			
Interest rate contracts	**3,472,469**	**16,360**	**14,334**
OTC	3,042,781	16,360	14,335
Listed	429,688	-	-
Currency contracts	**417,244**	**3,190**	**4,903**
OTC	417,244	3,190	4,903
Listed	-	-	-
Credit derivatives	880	4	5
Other contracts	**7,853**	**162**	**173**
OTC	7,853	162	173
Listed	-	-	-
Derivatives designated as hedging instrument			
Derivatives designated as hedging instrument in fair value hedges	**96,855**	**3,723**	**4,517**
Interest rate contracts	86,002	1,655	4,194
Currency contracts	10,853	2,068	323
Derivatives designated as hedging instrument in cash flow hedges	**187**	**23**	**19**
Currency contracts	187	23	19
Total derivative contracts with third parties	**3,995,488**	**23,462**	**23,951**

Amounts in millions of euros	*Notional amounts*	*Fair values*	
Balance on December 31, 2018		*Assets*	*Liabilities*
Derivatives held for trading			
Interest rate contracts	**2,984,214**	**15,165**	**13,319**
OTC	2,894,546	15,164	13,319
Listed	89,668	1	-
Currency contracts	**388,586**	**3,917**	**5,068**
OTC	388,586	3,917	5,068
Listed	-	-	-
Credit derivatives	1,071	2	2
Other contracts	**3,629**	**251**	**224**
OTC	3,629	251	224
Listed	-	-	-
Derivatives designated as hedging instrument			
Derivatives designated as hedging instrument in fair value hedges	**114,455**	**3,052**	**5,169**
Interest rate contracts	105,633	1,621	4,684
Currency contracts	8,822	1,431	485
Derivatives designated as hedging instrument in cash flow hedges	**86**	**6**	**12**
Currency contracts	86	6	12
Total derivative contracts with third parties	**3,492,041**	**22,393**	**23,794**

13. Trading and Investment Portfolios

Breakdown of Trading and Investment Portfolios

Amounts in millions of euros	*2019*	*2018*
Trading portfolio		
Short-term government papers	157	35
Loans and advances to customers	106	147
Interest-bearing securities	1,735	2,693
Shares	11	11
Total trading portfolio	**2,009**	**2,886**
Investment portfolio		
Short-term government papers	635	295
Interest-bearing securities	60,780	64,442
Shares	72	242
Loans and advances to customers	206	205
Total investment portfolio	**61,693**	**65,184**
Included in the investment portfolios of group companies	50,773	50,993
Changes in the investment portfolio		
Balance on January 1	65,184	75,350
Foreign exchange differences	48	71
Acquisitions during the financial year	2,626	1,741
Disposals during the financial year	(5,427)	(11,688)
Fair value changes	(241)	(812)
Other	(497)	522
Balance on December 31	**61,693**	**65,184**
The terms of the investment portfolio can be broken down as follows:		
On demand	187	129
≤ 3 months	501	325
> 3 months ≤ 1 year	1,449	1,410
> 1 year ≤ 5 years	7,188	9,787
> 5 years	52,296	53,300
No maturity	72	233
Total investment portfolio	**61,693**	**65,184**
Investment portfolio at fair value through profit or loss		
Interest-bearing securities	138	164
Loans and advances to customers	1,088	1,659
Total investment portfolio at fair value through profit or loss	**1,226**	**1,823**

14. Due to Credit Institutions

This item represents amounts owed to credit institutions, other than debt securities and subordinated debt, of which:

Amounts in millions of euros	*2019*	*2018*
Deposits	17,836	15,883
Deposits to group companies	3,999	3,671
Deposits to other equity investments	23	23
Total due to credit institutions	**21,858**	**19,577**
On demand	7,430	4,580
≤ 3 months	1,643	507
> 3 months ≤ 1 year	1,767	5,410
> 1 year ≤ 5 years	2,628	2,635
> 5 years	405	393
No maturity	7,985	6,052
Total due to credit institutions	**21,858**	**19,577**

15. Due to Customers

This item consists of amounts due to customers other than debt securities. Due to customers also includes the investments of central banks amounting to EUR 17 billion (2018: EUR 20 billion).

Amounts in millions of euros	*2019*	*2018*
Deposits	321,244	313,000
Deposits to group companies	10,047	7,628
Deposits to other equity investments	5,985	6,028
Total due to customers	**337,276**	**326,656**

Due to other customers comprises all deposits and savings accounts of natural persons, non-profit making associations and foundations, as well as non-transferable savings bonds.

Amounts in millions of euros	*2019*	*2018*
On demand	283,628	276,748
≤ 3 months	13,386	7,264
> 3 months ≤ 1 year	6,091	5,858
> 1 year ≤ 5 years	10,993	12,872
> 5 years	21,858	22,758
No maturity	1,320	1,156
Total due to customers	**337,276**	**326,656**

16. Debt Securities in Issue

This item relates to non-subordinated bonds and other interest-bearing securities, such as certificates of deposit.

Amounts in millions of euros	*2019*	*2018*
Tradeable debt securities	79,279	81,477
Other debt securities	31,569	29,694
Total debt securities in issue	**110,848**	**111,171**
On demand	8,596	4,414
≤ 3 months	9,550	11,645
> 3 months ≤ 1 year	22,685	23,277
> 1 year ≤ 5 years	39,529	47,168
> 5 years	30,488	24,667
Total debt securities in issue	**110,848**	**111,171**

17. Other Liabilities

This item includes liabilities that cannot be classified under any other heading, such as liabilities associated with securitized receivables, current taxes, short positions on securities, liabilities for staff costs and creditors. At year-end 2019, approximately EUR 57 billion in Rabobank mortgages were securitized.

Amounts in millions of euros	*2019*	*2018*
This item can be broken down as follows:		
Liabilities associated with securitised receivables	56,653	56,206
Current tax liabilities	153	31
Other liabilities	2,748	2,548
Total other liabilities	**59,554**	**58,785**

18. Provisions

Amounts in millions of euros	*2019*	*2018*
Provision for pension plans and other post-retirement provisions	186	178
Provision for deferred tax liabilities	2	2
Impairment allowances on loan commitments and financial guarantees	142	105
Other provisions	513	815
Total provisions	**843**	**1,100**

Provision for Employee Benefits
The provision for employee benefits consists of a provision for pension plans of EUR 90 million (2018: EUR 76 million) and other post-retirement provisions of EUR 96 million (2018: EUR 102 million).

Other Provisions

Amounts in millions of euros	*Restructuring provision*	*Provision for legal issues*	*Other*	*Total*
Opening balance on January 1, 2019	298	408	109	815
Additions	120	67	83	270
Withdrawals	(128)	(218)	(108)	(454)
Releases	(29)	(74)	(15)	(118)
Closing balance on December 31, 2019	**261**	**183**	**69**	**513**
Opening balance on January 1, 2018	283	557	159	999
Additions	197	62	96	355
Withdrawals	(90)	(204)	(112)	(406)
Releases	(92)	(7)	(34)	(133)
Closing balance on December 31, 2018	**298**	**408**	**109**	**815**

19. Subordinated Liabilities

This represents the loans relating to the issue of Trust Preferred Securities and subordinated loans.

Amounts in millions of euros	*2019*	*2018*
Loans related to the issue of Trust Preferred Securities IV	-	390
Subordinated loans	15,777	16,485
Balance on 31 December	**15,777**	**16,875**

In the following table details of the issues of subordinated liabilities are shown:

Subordinated Liabilities				
Notional				
(Amounts in millions)	*Currency*	*Coupon*	*Year of issuance*	*Year of maturity*
500	USD	4.00%	2017	2029, early repayment date 2024
1,500	USD	3.75%	2016	2026
225	AUD	5.00%	2015	2025, early repayment date 2020
475	AUD	Variable	2015	2025, early repayment date 2020
1,500	USD	4.375%	2015	2025
1,250	USD	5.25%	2015	2045
1,000	GBP	4.625%	2014	2029
2,000	EUR	2.50%	2014	2026, early repayment date in 2021
50,800	JPY	1.429%	2014	2024
1,000	EUR	3.875%	2013	2023
1,750	USD	4.625%	2013	2023
1,250	USD	5.75%	2013	2043
1,000	EUR	4.125%	2012	2022
500	GBP	5.25%	2012	2027
1,500	USD	3.95%	2012	2022
1,000	EUR	3.75%	2010	2020
10	EUR	4.21%	2005	2025
10	EUR	5.32%	2004	2024

20. Equity

Amounts in millions of euros	*2019*	*2018*
This item can be broken down as follows:		
Rabobank Certificates	7,449	7,445
Capital Securities	5,264	6,657
Revaluation reserves	359	199
Legal reserves	(106)	(252)
Other reserves	25,746	24,373
Profit for the year	2,158	2,943
Total equity	**40,870**	**41,365**

Rabobank Certificates
Rabobank Certificates represent participation rights issued by Rabobank via the foundation Stichting Administratie Kantoor Rabobank Certificaten and belong to the Common Equity Tier 1 capital of Rabobank. As from 2014, the Rabobank Certificates are listed on Euronext Amsterdam.

The total number of certificates is 297,961,365 with a nominal value of EUR 25 each. The actual payment policy of Rabobank pursuant to the Participation Rules in respect of the participation issued by Rabobank (and via AK Foundation in respect of the Rabobank Certificates) can be found on the Rabobank website.

The distribution paid per certificate in 2019 was EUR 1.625 (2018: EUR 1.625). The Managing Board is entitled to decide not to pay the distribution. Unpaid distributions will not be paid at a later date. The amounts listed in the table below are based on the nominal value of EUR 25 per Rabobank Certificate. Cash flows arising from changes during the year in the Rabobank Certificates are included in the consolidated statement of cash flows.

Rabobank Certificates		
Amounts in millions of euros	*2019*	*2018*
Changes during the year:		
Opening balance	7,445	7,440
Changes Rabobank Certificates during the year	4	5
Closing balance	**7,449**	**7,445**

Capital Securities

Issue of EUR 1,250 million
The coupon is 3.25% per year and is made payable every six months in arrears as of the issue date (September 9, 2019), for the first time on December 29, 2019. The Capital Securities are perpetual and first redeemable on December 29, 2026. As of December 29, 2026, and subject to Capital Securities not being redeemed early, the distribution is set for a further five-year period, but without a step-up, based on the five-year euro swap rate + 3.702%. The coupon is fully discretionary.

Issue of EUR 1,000 Million
The coupon is 4.625% per year and is made payable every six months in arrears as of the issue date (September 11, 2018), for the first time on December 29, 2018. The Capital Securities are perpetual and first redeemable on December 29, 2025. As of December 29, 2025, and subject to Capital Securities not being redeemed early, the distribution is set for a five-year period, but without a step-up, based on the five-year euro swap rate + 4.098%. The coupon is fully discretionary.

Issue of EUR 1,250 Million
The coupon is 6.625% per year and is made payable every six months in arrears as of the issue date (April 26, 2016), for the first time on June 29, 2016. The Capital Securities are perpetual and first redeemable on June 29, 2021. As of June 29, 2021, and subject to Capital Securities not being redeemed early, the distribution is set for a further five-year period, but without a step-up, based on the five-year euro swap rate + 6.697%. The coupon is fully discretionary.

Issue of EUR 1,500 Million
The coupon is 5.5% per year and is made payable every six months in arrears as of the issue date (January 22, 2015), for the first time on June 29, 2015. The Capital Securities are perpetual and first redeemable on June 29, 2020. As of June 29, 2020, and subject to Capital Securities not being redeemed early, the

distribution is set for a further five-year period, but without a step-up, based on the five-year euro swap rate + 5.25%. The coupon is fully discretionary.

Issue of GBP 250 Million
The coupon is 6.91% per year and is made payable every six months in arrears as of the issue date (June 10, 2008), for the first time on December 10, 2008. As of June 10, 2038, the coupon will be made payable every six months based on the six-month GBP Libor plus an annual 2.825% mark-up. The coupon is payable at the issuer's discretion. In case Rabobank does not use its discretionary power to not pay distributions on the Rabobank Certificates, payment on this instrument will also apply.

Capital Securities Issued by Rabobank That Were Redeemed During the Reporting Year

Issue of EUR 500 Million
Rabobank issued the EUR 500 million Capital Securities on February 27, 2009. In accordance with the Terms and Conditions of these Capital Securities, Rabobank has redeemed the Capital Securities on the first call date, being February 27, 2019.

Issue of USD 2,872 Million
Rabobank issued the USD 2,872 million Capital Securities on June 4, 2009. In accordance with the Terms and Conditions of these Capital Securities, Rabobank has elected to redeem these Capital Securities on the first call date being June 30, 2019.

The level of profit made by Rabobank may influence the distribution on the Capital Securities. Should Rabobank become insolvent, the Capital Securities are subordinate to the rights of all other (current and future) creditors of Rabobank, unless the rights of those other creditors are substantively determined otherwise.

Capital Securities

Amounts in millions of euros	*2019*	*2018*
Movements were as follows:		
Balance on January 1	6,657	5,925
Issuance of Capital Securities	1,250	1,000
Costs of issuance of Capital Securities	(7)	(6)
Redemption of Capital Securities	(2,666)	(275)
Other	30	13
Balance on December 31	**5,264**	**6,657**

Revaluation Reserves

Amounts in millions of euros	*2019*	*2018*
The revaluation reserves can be specified as follows:		
Cash flow hedges	(26)	(40)
Interest-bearing securities	131	24
Shares and non-interest-bearing securities	208	185
Costs of hedging	46	30
Total revaluation reserves	**359**	**199**
Movements were as follows:		
Balance on January 1	199	386
Change in accounting policies	-	7
Exchange rate differences	18	5
Revaluations	173	(122)
Other	52	5
Transferred to profit or loss	(83)	(82)
Balance on December 31	**359**	**199**

Rabobank's cash flow hedges mainly consist of hedges of the margin of issued bonds in foreign currency hedged with cross-currency interest rate swaps to protect against a potential change in cash flows due to change in foreign currency rates. Rabobank assesses the hedge effectiveness on the basis of statistical regression analysis models, both prospectively and retrospectively for IAS 39 cash flow hedges and analyses the sources of ineffectiveness for IFRS 9 cash flow hedges. The IFRS 9 cash flow hedges are 100% effective.

Legal Reserves

Amounts in millions of euros	*2019*	*2018*
The legal reserves can be specified as follows:		
Retained profits of investments in associates	315	214
Software developed in-house	321	351
Translation differences	(742)	(817)
Total legal reserves	**(106)**	**(252)**

Amounts in millions of euros	*2019*	*2018*
Movements were as follows:		
Balance on January 1	(252)	(359)
From other reserves to legal reserves	71	(14)
Exchange rate differences	75	121
Balance on December 31	**(106)**	**(252)**

Other Reserves

Amounts in millions of euros	*2019*	*2018*
The other reserves can be specified as follows:		
Recalibration of pensions	(170)	(145)
Fair value changes due to own credit risk on financial liabilities designated at fair value	(143)	(31)
Retained earnings	26,059	24,549
Total other reserves	**25,746**	**24,373**

Amounts in millions of euros	*2019*	*2018*
Movements in the recalibration of pensions:		
Balance on January 1	(145)	(225)
Recalibration of pensions	(25)	80
Balance on December 31	**(170)**	**(145)**

Movements in the fair value changes due to own credit risk on financial liabilities designated at fair value:		
Balance on January 1	(31)	(625)
Change in accounting policies	-	483
Fair value changes	(112)	111
Balance on December 31	**(143)**	**(31)**

Amounts in millions of euros	*2019*	*2018*
Movements in retained earnings:		
Balance on January 1	24,549	23,583
Change in accounting policies	-	(475)
Profit for previous financial year	2,943	2,616
Distribution to third parties	(886)	(1,037)
Transferred to legal reserves	(71)	14
Transferred to revaluation reserves	(53)	(4)
Redemption of Capital Securities	(493)	(79)
Disposal of financial assets at fair value through other comprehensive income	71	-
Other changes	(1)	(69)
Balance on December 31	**26,059**	**24,549**

The reserves cannot be distributed among members. The consolidated financial statements of Rabobank include the financial information of Rabobank and other group companies.

Consolidated net profit for Rabobank was EUR 2,203 million (2018: EUR 3,004 million); net profit of Rabobank in the company financial statements was EUR 2,158 million (2018: EUR 2,943 million). The difference of EUR 45 million (2018: EUR 61 million) represents profit attributed to the other non-controlling interests.

The table below shows reconciliation between the equity of Rabobank and that of Rabobank Group:

Amounts in millions of euros	*2019*	*2018*
Equity of Rabobank according to Part 9 of Book 2 of the Dutch Civil Code	40,870	41,365
A component of the equity of Rabobank Group: Trust Preferred Securities IV	-	389
A component of the equity of Rabobank Group: Other non-controlling interests	477	481
Total group equity under IFRS, as presented in consolidated financial statements	**41,347**	**42,235**

Notes to the Statement of Income

21. Net Interest Income

Amounts in millions of euros	*2019*	*2018*
Interest income		
Cash and cash equivalents	370	341
Loans and advances to credit institutions	370	515
Loans and advances to customers	10,868	11,007
Derivatives used for fair value hedge-accounting	9	(320)
Financial assets at fair value through other comprehensive income	560	778
Interest income from financial assets using the effective interest method	**12,177**	**12,321**
Financial assets held for trading	30	36
Derivatives held as economic hedges	1,453	1,504
Financial assets designated at fair value	-	-
Financial assets mandatorily at fair value	27	26
Interest income on financial liabilities with a negative interest rate	135	172
Other	17	11
Other interest income	**1,662**	**1,749**
Total interest income	**13,839**	**14,070**
Interest expense		
Deposits from credit institutions	154	145
Deposits from customers	4,030	4,090
Debt securities in issue	2,839	2,896
Financial liabilities held for trading	5	10
Financial liabilities designated at fair value	164	199
Subordinated liabilities	745	729
Interest expense on financial assets with a negative interest rate	268	271
Other	10	(7)
Total interest expense	**8,215**	**8,333**
Net interest income	**5,624**	**5,737**

22. Net Fee and Commission Income

Amounts in millions of euros	*2019*	*2018*
Fee and commission income		
Payment services	732	698
Lending	502	512
Purchase and sale of other financial assets and handling fees	312	304
Insurance commissions	294	274
Other commission income – group companies	4	7
Other commission income	58	61
Total fee and commission income	**1,902**	**1,856**
Fee and commission expense		
Payment services	54	52
Handling fees	32	39
Custodial fees and securities services	8	9
Purchase and sale of other financial assets	-	-
Other commission expense – group companies	19	16
Other commission expense	13	19
Total fee and commission expense	**126**	**135**
Net fee and commission income	**1,776**	**1,721**

23. Income from Equity Interests

Amounts in millions of euros	*2019*	*2018*
Dividend income from shares	2	5
Results from interests in group companies	764	1,816
Results from other equity investments	123	68
Results from disposed interests	1	-
Total income from equity interests	**890**	**1,889**

24. Staff Costs

Amounts in millions of euros	*2019*	*2018*
Wages and salaries	1,914	2,006
Social security contributions and insurance costs	233	249
Pension costs	352	349
Training and travelling expenses	143	157
Other staff costs	1,040	1,012
Total staff costs	**3,682**	**3,773**

The average number of internal and external employees 35,429 (2018: 35,771), of which outside the Netherlands 3,153 (2018: 3,340). Expressed in FTEs, the average number of internal and external employees was 33,529 (2018: 33,674).

25. Regulatory Levies

The regulatory levies consist of bank tax, bank levies and contributions to the Single Resolution Fund and the Deposit Guarantee Scheme.

Amounts in millions of euros	*2019*	*2018*
Bank tax Netherlands	112	120
Bank tax other countries	8	31
Contribution Single Resolution Fund	173	161
Contribution Deposit Guarantee Fund	136	116
Regulatory levies	**429**	**428**

26. Income Tax

The major components of the income tax are included below.

Amounts in millions of euros	*2019*	*2018*
Income tax		
Reporting period	410	371
Adjustments of previous years	(24)	(3)
Deferred tax	140	2
Total income tax	**526**	**370**
Effective tax rate	19.6%	11.2%
Applicable tax rate	25.0%	25.0%

The effective tax rate differs from the applicable tax rate in 2019 mainly because of the net inclusion of income from group entities and the partial deduction of interest payments on Capital Securities.

Other Notes to the Financial Statements

27. Professional Securities Transactions and Assets Not Freely Available

Reverse repurchase transactions and securities borrowing agreements concluded by Rabobank are included under "Loans and advances to credit institutions" or "Loans and advances to customers".

Amounts in millions of euros	*2019*	*2018*
Loans and advances to credit institutions	22,074	8,238
Loans and advances to customers	13,756	13,120
Total	**35,830**	**21,358**

Repurchase transactions and securities lending agreements concluded by Rabobank are included under "Due to credit institutions" and "Due to customers" .

Amounts in millions of euros	*2019*	*2018*
Due to credit institutions	1,502	80
Due to customers	32	13
Total	**1,534**	**93**

The assets referred to in the table below (with exception of professional securities transactions) were provided to counterparties as security for (contingent) liabilities. If Rabobank would enter into default the counterparties may use the security to settle the debt.

Amounts In millions of euros		*2019*	*2018*
Assets not freely available:	**Related to type of liabilities:**		
Loans and advances to credit institutions	Derivatives	2,155	2,536
Loans and advances to customers	Due to customers, Debt securities in issue	18,809	18,667
Interest-bearing securities	Due to customers	3,260	3,286
Total		**24,224**	**24,489**

28. Contingent Liabilities

Rabobank enters into irrevocable loan commitments as well as contingent liabilities consisting of financial guarantees and standby letters of credit on behalf of its customers. Under these contracts Rabobank is required to perform under an obligation agreement or to make payments to the beneficiary on third party's failure to meet its obligations. The following table shows the amount of the maximum potential utilization of contingent liabilities.

Amounts in millions of euros	*2019*	*2018*
Contingent liabilities consist of:		
Financial guarantees	7,401	7,712
Loan commitments	36,358	33,839
Other commitments	23,678	22,791
Total contingent liabilities	**67,437**	**64,342**
Of which:		
Contingent liabilities of group companies	16,116	15,667

Liability Undertakings

Pursuant to Section 403 of Book 2 of the Dutch Civil Code, Rabobank has assumed liability for the debts arising from the legal transactions of the following Group companies:

- Bodemgoed B.V.
- De Lage Landen America Holdings B.V.
- De Lage Landen Corporate Finance B.V.
- De Lage Landen Facilities B.V.
- De Lage Landen International B.V.
- De Lage Landen Vendorlease B.V.
- Rabo Direct Financiering B.V.
- Rabo Factoring B.V.
- Rabo Financial Solutions Holding B.V.
- Rabo Groen Bank B.V.
- Rabo Lease B.V.
- Rabo Merchant Bank N.V.
- Rabobank International Holding B.V.

A liquidity guarantee was issued by Rabobank for Rabo Groen Bank B.V.

In the past, Rabobank has guaranteed the liabilities of a number of group companies. Even though these guarantees have come to an end, Rabobank remains liable for the fulfillment of obligations entered into by the group companies during the term of the guarantees.

Fiscal Unity for Corporate Tax Purposes

For corporate tax purposes Rabobank forms a fiscal unity with a number of domestic subsidiaries. Under the fiscal unity, each participating legal entity is jointly and severally liable for the fiscal unity's corporate tax liabilities.

29. Main Group Companies

In 2019, none of the group companies experienced any significant restrictions in the payment of dividends or the redemption of loans and repayment of advances. The option of group companies to pay dividend to Rabobank depends on various factors, including local regulatory requirements, statutory reserves and financial performance.

On December 31, 2019	*Share*	*Voting rights*
Main group companies		
The Netherlands		
DLL International B.V.	100%	100%
BPD Europe B.V.	100%	100%
Obvion N.V.	100%	100%
North America		
Utrecht America Holdings Inc.	100%	100%
Australia and New Zealand		
Rabobank Australia Limited	100%	100%
Rabobank New Zealand Limited	100%	100%

30. Remuneration of the Supervisory Board and the Managing Board

The members of the Managing Board and the Supervisory Board are listed in Section 33 of these financial statements. The information on remuneration of the members of the Managing Board and the Supervisory Board is included in Section 50 'Remuneration of the Supervisory Board and the Managing Board' in the Consolidated Financial Statements.

31. Proposals Regarding the Appropriation of Available Profit for Rabobank

Of the profit of EUR 2,158 million, EUR 843 million is payable to the holders of Capital Securities and Rabobank Certificates in accordance with Managing Board resolutions. It is proposed that the remainder of the profit will be added to the general reserves held by Rabobank.

32. Events After the Reporting Period

Since early 2020 the coronavirus is spreading across the world. The impact for economic growth and business activities will depend on the severity of the outbreak. At this moment it is too early to define the concrete financial impact for clients and provisioning levels.

33. Authorization of the Financial Statements

The financial statements were signed by the Supervisory Board and Managing Board on March 5, 2020. The financial statements will be presented to the General Meeting, to be held on April 16, 2020, for adoption. With regard to the adoption of the financial statements of Rabobank, the Articles of Association state: "The resolution to adopt the financial statements will be passed by an absolute majority of the votes validly cast by the General Members' Council."

Managing Board
Wiebe Draijer, *Chairman*
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*

Supervisory Board
Ron Teerlink, *Chairman*
Marjan Trompetter, *Vice Chairman*
Leo Degle
Arian Kamp
Jan Nooitgedagt
Petri Hofsté
Pascal Visée
Annet Aris

Other Information

Statutory Provisions

Profit can be used under a Managing Board resolution to pay distributions on participation rights and distributions on additional tier 1 instruments.

The remainder of the profit is added to the general reserves held by Rabobank. The Managing Board can also decide to make interim distributions to holders of participation rights and the holders of additional tier 1 instruments from the profit and/or the result. While Rabobank still exists, the reserves cannot be distributed to the members, neither in full, nor in part. The Managing Board has the right to make a distribution from the reserves on participation rights and/or additional tier 1 instruments. If the decision is taken at any time to dissolve Rabobank in order to have its business continued by another legal entity or institution, the reserves will be transferred to said other legal entity or institution.

Independent auditor's report

To: The General Members' Council and Supervisory Board of Coöperatieve Rabobank U.A.

Report on the financial statements 2019

Our opinion

In our opinion:

- the Consolidated Financial Statements of Coöperatieve Rabobank U.A. together with its subsidiaries ('the Group') give a true and fair view of the financial position of the Group as at 31 December 2019 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code; and
- the Company Financial Statements of Coöperatieve Rabobank U.A. ('the Company', 'Rabobank' or 'the Bank') give a true and fair view of the financial position of the Company as at 31 December 2019 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2019 of Coöperatieve Rabobank U.A., Amsterdam. The financial statements include the Consolidated Financial Statements of the Group and the Company Financial Statements.

The Consolidated Financial Statements comprise:

- the Consolidated Statement of Financial position as at 31 December 2019;
- the following statements for 2019: the Consolidated Statement of Income, the Consolidated Statements of Comprehensive Income, Changes in Equity and Cash Flows; and
- the notes, comprising significant accounting policies and other explanatory information.

The Company Financial Statements comprise:

- the Statement of Financial Position as at 31 December 2019;
- the Statement of Income for the year then ended; and
- the notes, comprising the accounting policies applied and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the Consolidated Financial Statements and Part 9 of Book 2 of the Dutch Civil Code for the Company Financial Statements.

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The basis for our opinion

In expressing this opinion, we believe that the audit evidence we have obtained is sufficient and appropriate. Our audit has been undertaken, and our opinion expressed, in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities and those of the Managing Board and Supervisory Board are explained in the section 'Responsibilities for the financial statements and audit' of our report.

Independence

We reviewed the details of services provided by the PwC network of firms and concluded that we are independent of Coöperatieve Rabobank U.A. in accordance with the European Regulation on specific requirements regarding statutory audit of public interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO – Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Our audit approach

Overview and context of the 2019 audit

Rabobank is an international bank operating on the basis of cooperative principles. Rabobank operates globally in 39 countries with focus on universal banking in the Netherlands and food and agricultural financing in the Netherlands and abroad. Its operations include domestic retail banking, wholesale banking, international rural banking, leasing and real estate. As the Group comprises of multiple components, we considered our group audit scope and approach as set out in the section 'The scope of our group audit'.

Rabobank operates in a challenging environment due to the low interest environment, technical change which requires ongoing investments in digitization, geopolitical tensions and high expectations from society towards compliance with laws and regulations. Refer to section 'Our focus on the risk of fraud and non-compliance with laws and regulations' for our approach on compliance with laws and regulations. During 2019 Rabobank continued executing the 'Strategic Framework 2016-2020'. The strategic objectives that impact the financial statements directly focus on balance sheet flexibility and reduction as well as further improving financial performance in a persistently unfavourable interest rate environment. The reliability and continuity of information processing is significant to the Bank's operational, regulatory and financial reporting processes and we identified therefore the design and effectiveness of IT-general controls as a key audit matter.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the Managing Board made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In paragraph "Judgements and Estimates" in note 2.1 to the financial statements, the Bank describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty. Of the estimates and judgements mentioned in this paragraph, we consider the impairment allowances and advances to customers a key audit matter, given the significant estimation uncertainty in combination with the magnitude.

Other areas of focus, that were not considered as key audit matters, were fair value of financial instruments (more specific level 2 and level 3 financial instruments), impairment of goodwill, other intangible assets and investment in associates, taxation (more specific valuation of deferred tax assets) and other provisions.

We ensured that the audit teams, both at group and at component levels, collectively contain the appropriate skills and competences which are needed for the audit of a bank. We therefore included specialists in the areas of IT, taxation, forensics and hedge accounting and experts in the areas of valuation of real estate, financial instruments and employee benefits in our team.

The outline of our approach was as follows:

Materiality

- Overall materiality: €150 million (2018: €195 million)

Audit scope

- We conducted audit work on 14 components.
- Site visits and or meetings with the component teams by the group engagement team were carried out in the following locations – the Netherlands, USA, Singapore, Australia and Brazil. We met with the audit partner and local management team.
- Audit coverage: 93% of total assets, 89% of profit before tax and 88% of net interest income.

Key audit matters

- Impairment allowances on loans and advances to customers
- Litigation, regulatory and client care exposures
- Design and effectiveness of IT General controls

Materiality

The scope of our audit is influenced by the application of materiality, which is further explained in the section ‘Our responsibilities for the audit of the financial statements’.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Overall group materiality	€150 million (2018: €195 million)
Basis for determining materiality	We used our professional judgement to determine overall materiality. As a basis for our judgement, we used 5% of profit before tax.
Rationale for benchmark applied	We used profit before tax as the primary benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the

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	financial statements. On this basis, we believe that profit before tax is an important metric for the financial performance of the Bank and is widely used within the industry.
Component materiality	To each component in our audit scope, we allocate, based on our judgement, materiality that is less than our overall group materiality. The range of materiality allocated across components was between €40 million and €90 million.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons. Examples of areas that we focussed on due to qualitative reasons are the accuracy and completeness of the fair value disclosure, impairment of investment in associates disclosure, the legal, regulatory and client care exposure and the remuneration of the Supervisory Board and the Managing Board.

We agreed with the Supervisory Board that we would report to them misstatements identified during our audit above €7.5 million (2018: €8.75 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

Coöperatieve Rabobank U.A. is the parent company of a group of entities. The financial information of this Group is included in the Consolidated Financial Statements of Coöperatieve Rabobank U.A.

We tailored the scope of our audit to ensure that we, in aggregate, provide sufficient coverage of the financial statements for us to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the Group, the nature of operations of its components, the accounting processes and controls, and the markets in which the components of the Group operate.

In establishing the overall group audit strategy and plan, we determined the type of work required to be performed at the component level by the group engagement team and by each component auditor.

Rabobank has an internal audit department ('Audit Rabobank') that performs operational audits, compliance audits, IT audits, loan (valuation) audits and audits on internal control on financial reporting. We considered, in the context of audit standard 610 'Using the work of internal auditors', whether we could make use of work of Audit Rabobank and we concluded that this was appropriate. To arrive at this conclusion, we evaluated the competence, objectivity as well as the systematic and disciplined approach applied by Audit Rabobank. Subsequently we developed a detailed approach and model to make use of work of Audit Rabobank in our financial statement audit. We were substantially and independently involved in the higher risk areas and or in areas or procedures that require significant judgement. During the audit process we worked closely with Audit Rabobank, had frequent status meetings and reviewed and reperformed some of their work which confirmed our initial assessment and reliance approach.

The group audit focused on the three individually financially significant components: Domestic Retail Banking Netherlands (not including Obvion and other associated entities), Wholesale Banking Netherlands and Treasury (WRR) and De Lage Landen (DLL). We subjected these components to audits of their complete financial information (full scope audit procedures). We further subjected 4 components for full scope audit procedures or an audit of certain specific account balances only, as they include significant or higher risk areas due to estimation uncertainty, higher fraud risk and complex items such as hedge accounting. Additionally, we selected 7 components for full scope audit procedures or an audit of certain specific account balances only, to achieve additional coverage on

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financial line items in the Consolidated Financial Statements. In total, in performing these procedures, we achieved the following coverage on the financial line items:

Total assets	93%
Profit before tax	89%
Net interest income	88%

None of the remaining components represented individually more than 2% of total group assets, profit before tax or net interest income. For those remaining components we performed, amongst other procedures, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within these components.

Group components in the Netherlands include the significant components Domestic Retail Banking Netherlands, WRR and DLL, but also include the Real Estate Group, Obvion and some other smaller components. The group engagement team utilised the work of component teams for these entities. For components in the USA, Australia/New Zealand, Brazil and Hong Kong, we used component auditors who are familiar with the local laws and regulations to perform the audit work.

Where component auditors performed the work, we determined the level of involvement we needed to have in their audit work to be able to conclude whether sufficient and appropriate audit evidence had been obtained as a basis for our opinion on the financial statements as a whole.

We issued instructions to the component audit teams in our audit scope. These instructions included amongst others our risk analysis, materiality and scope of the work. We explained to the component audit teams the structure of the Group, the main developments that are relevant for the component auditors, the risks identified, the materiality levels to be applied and our global audit approach. We were in active dialogue throughout the year with each of the in-scope component audit teams including upon the conclusion of their work. During these dialogues, we discussed the significant accounting and audit issues identified by the component auditors, the reports of the component auditors, the findings of their procedures and other matters which could be of relevance for the Consolidated Financial Statements.

In the current year, we visited the components in the Netherlands, USA, Australia, Singapore and Brazil at least once given the importance of the judgements, such as the impairment allowances on loan and advances to customers, significance to the group audit or unpredictability. During these visits, the group engagement team met with the component teams (including audit partner), discussed the audit approach in detail and met with local management. For the significant components and the USA, we reviewed selected working papers of the component auditors.

The group engagement team performed the audit work on the group consolidation, IT general controls, central cost centre, financial statement disclosures, some specific accounts in scope and a number of complex items such as impairment allowances on loans and advances to customers, hedge accounting, and certain accounting matters, such as the divestments of Rabobank North America and ACC Loan Management and goodwill, valuation of interest in associates, income tax on the Dutch fiscal unity, and the legal provisions at the head office.

By performing the procedures above at components, combined with the additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence on the Group's financial information, as a whole, to provide a basis for our opinion on the financial statements.

Our focus on the risk of fraud and non-compliance with laws and regulations

Fraud

The objectives of our audit, in respect to fraud are:

- to identify and assess the risks of material misstatement of the financial statements due to fraud;
- to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate audit responses; and
- to respond appropriately to fraud or suspected fraud identified during the audit.

As in all of our audits, in assessing the risks of material misstatement in the financial statements, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Managing Board that may represent a risk of material misstatement due to fraud. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls that mitigate fraud risks, performed data analysis of high-risk journal entries and evaluated key estimates and judgements for bias by Rabobank, and finally we incorporated elements of unpredictability in our audit. We refer to the key audit matter ‘Impairment allowances on loans and advances to customers’ that is an example of our approach related to an area with higher risk due to accounting estimates where management makes significant judgements.

As part of our procedures we met throughout the year with the Rabobank Financial and Economic Crime (“FEC”) team. The FEC team investigates, amongst others, reported internal integrity and fraud matters. We assessed the process which the Bank has in place, this assessment included: assessing the skills of the investigators, the investigation approach and based on risk-based criteria we selected a number of these individual cases, and reviewed the documentation, conclusions, reporting and responses from the Bank. We involved our forensics specialist by this assessment.

The primary responsibility for the prevention and detection of fraud lies with the Managing Board with the oversight of the Supervisory Board.

Laws and regulations

There is an industry risk that emerging compliance or litigation areas have not been identified and or addressed by management for financial statement purposes. This includes the consideration whether there is a need for the recognition of a provision or a contingent liability disclosure on the future outcome of legal or regulatory processes.

The objectives of our audit, in respect to non-compliance with laws and regulations are:

- to identify and assess the risk of material misstatement of the financial statements due to non-compliance with laws and regulations; and
- to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether due to fraud or error when considering the applicable legal and regulatory framework.

In line with Standard 250 we made in our audit approach a distinction between those laws and regulations which:

- have a direct effect on the determination of material amounts and disclosures in the financial statements. For this category we obtained audit evidence regarding compliance with the provision of those laws and regulations; and

- Does not have a direct effect on the determination of material amounts and disclosures in the financial statement, but where compliance may be fundamental to the operating aspects of the business, to the Bank's ability to continue its business or to avoid material penalties. For this category, we performed specific audit procedures to identify non-compliance with those laws and regulations that may have a material effect on the financial statements.

We identified that the risk of non-compliance with laws and regulates relates mainly to the laws and regulations which have an indirect impact on the financial statements as described in the key audit matter Litigation, regulatory and client care exposures.

The primary responsibility for the prevention and detection non-compliance with laws and regulations lies with the Managing Board with the oversight of the Supervisory Board.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance to the audit of the financial statements. We have communicated the key audit matters to the Audit Committee and Supervisory Board. The key audit matters are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. In this section we described the key audit matters and included a summary of the audit procedures we performed on those matters.

We addressed the key audit matters in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comment or observation we make on the results of our procedures should be read in this context.

The key audit matters are similar to last year, with the exception of valuation of financial instruments at fair value, which we no longer consider a key audit matter. One of the reasons we identified this as a key audit matter in 2018 related to the size of the ACC loan portfolio and the complexity involved in determining the fair value of this loan portfolio. Since the ACC loan portfolio is sold in 2019, the volume of the remaining portfolio of level 3 financial instruments decreased, and we determined that the valuation of financial instruments at fair value is not a key audit matter anymore.

Key audit matter	***Our audit work and observations***
Impairment allowances on loans and advances to customers Refer to note 2.16 'Impairment allowances on financial assets', note 4.3.4 'Impairment allowances on financial and credit related contingent liabilities and note 12 'Loans and advances to customers'. In accordance with the requirements of IFRS 9, Rabobank calculates the loan impairment allowance using a three-stage expected credit loss impairment model. Rabobank determines loan impairments in stage 1 and 2 on a modelled basis whereas the loan impairments in stage 3 are determined on either a modelled basis or on a specific loan-by-loan basis. *Modelled loan impairments* For the modelled loan impairments Rabobank utilised point in time probability of default (PD), loss given	*Control design and operation effectiveness* We evaluated the design and tested the operating effectiveness of key controls over: • The internal credit management process to assess the loan quality classification to identify impaired loans; • The assessment of the future cash flows and existence and valuation of collateral, based on the appropriate use of key parameters for the specific impairment allowance; • The methodology and controls applied in measuring and determining significant increase in credit risk; • The governance over development, validation, calibration and implementation of the PD, EAD and LGD impairment models; and • The review and approval process that management has in place for the outputs of the impairment models, and the top level adjustments that are

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Key audit matter	***Our audit work and observations***
default (LGD) and exposure at default (EAD) models for the majority of the loan portfolio. Three global macroeconomic scenarios (consisting of a baseline, a baseline minus and a baseline plus scenario) were incorporated into these models and probability weighted in order to determine the expected credit losses. In case of data quality issues, or when unexpected external developments were not sufficiently covered by the outcome of the impairment models, adjustments were made (so called: top level adjustments). *Individually assessed credit-impaired loans* For credit-impaired loans that are assessed on an individual basis, the impairment allowance is based on the weighted average of the net present value of expected future cash flows (including forward looking information and the valuation of underlying collateral) in three different scenarios: a sustainable cure, an optimizing scenario and a liquidation scenario. *Judgements and estimation uncertainty* The judgement and estimation uncertainty in the impairment allowance of loans and advances is primarily linked to the following aspects: • Judgement is required to determine significant increase in credit risk which is applied to transfer assets from stage 1 to stage 2; • The probability of default (PD) and loss given default (LGD) models that are used to estimate expected credit losses are complex and therefore require judgement; • The exposure at default (EAD) takes into account expected changes due to prepayments which is judgment based; • The process of preparing and probability weighting the macroeconomic scenarios applied in the modelled loan impairments requires judgment; • Top level adjustments to the outcome of models due to unexpected external developments or data quality issues require judgement; and • For credit-impaired loans and advances that are assessed on an individual basis, discounted cash flow calculations are performed for three scenarios (a sustainable cure, an optimizing and a liquidation scenario). In such cases, judgement is required for the estimation of the expected future cash flows and the weighting of the three scenarios. Given the significance of the number of accounting policy choices, judgements taken by management, the complexity and the inherent limitations to the inputs required by the loan impairment models, this area is	applied to model outputs. The majority of these controls were designed and operated effectively. For certain controls, specifically around the loan quality classification process in the small and medium size business loans domain, remedial control activities and impact assessments were performed by management. Based on the testing of controls and additional testing of remedial actions, we determined that it was appropriate to place reliance on the above controls for the purpose of our audit. *Assessment of model based impairment allowances* In our audit (using our internal model experts), we evaluated the reasonableness of PD and LGD model methodology, assessed model validation reports prepared by Rabobank's model validation department, evaluated the macroeconomic scenarios using our internal economic department and performed backtesting procedures on key model parameters per 31 December 2019. Also, based on historical prepayments we evaluated the prepayment rate applied in the EAD calculations. Based on the above we assessed the methodology in line with industry practice and the inputs to be reasonable. Finally, we evaluated the top level adjustments per 31 December 2019 by obtaining supporting evidence that these adjustments were necessary to balance underlying model and data limitations and we found the provided supporting evidence to be reasonable. *Assessment of individually assessed credit- impaired loans* Considering the inherent estimation risk of individually credit-impaired loans, we selected appropriate samples and analysed the latest developments at the borrowers and considered whether the key judgements and significant estimates applied in the impairment allowance were acceptable for 31 December 2019. This included the following procedures: • Evaluate the feasibility of the forecasted cash flows (including the use of forward looking information) for each scenario by comparing them to historical performance of the customer and evidence (such as collateral values) to support forecasted cashflows; • Assessing the external collateral valuator's credentials and the valuation with an independent valuation performed by our valuation experts; and • Assessing management's analysis of the probability allocation of each individual scenario for each credit-impaired loan, corroborate with the actual facts and circumstances. Based on the above we assessed the methodology and inputs to be in line with market and industry practice

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Key audit matter	Our audit work and observations
subject to a higher risk of material misstatement due to error or fraud. Therefore, we considered this a key audit matter in our audit.	and we did not identify management bias in the determination of the impairment allowances on loans and advances to customers.
Litigation, regulatory and client care exposures Refer to note 4.8 'Operational Risk', 4.10 'Legal and arbitration proceedings' and note 26 'Provisions'. *Completeness of identification of emerging compliance or litigation areas* There is an industry risk that emerging compliance or litigation areas have not been identified and or addressed by management for financial statement purposes. This includes the consideration whether there is a need for the recognition of a provision or a contingent liability disclosure on the future outcome of legal or regulatory processes. We identified that the risk of non-compliance with laws and regulates relates mainly to the laws and regulations which have an indirect impact on the financial statements, such as Anti-Money Laundering and Anti-Terrorist Financing Act (Wwft) (inclusive global regulations on Anti-Money Laundering (AML), Counter Terrorist Financing (CTF) and sanctions, Client Due Diligence (CDD)), Market Abuse Regulation, Markets in Financial Instruments Directive II (MiFID II – including transaction reporting),the General Data Protection Regulation (GDPR), the Capital Requirements Regulations (CRR) and Capital Requirements Directive IV (CRD IV). *Management judgement* The recognition and measurement of provisions and the disclosure of contingent liabilities requires considerable management judgement around the future outcome of legal, regulatory or client care disputes. Given the inherent uncertainty and the judgemental nature of contingent liabilities and provisions, we determined the provisions and disclosures on contingent liabilities to be of particular importance to our audit, since this area is subject to a higher risk of material misstatement due to error or fraud. Therefore, we determined this to be a key audit matter in our audit.	*General* We obtained an understanding of the significant laws and regulations with which the entity has to comply and how the entity is instituting and operating appropriate systems of internal control to comply with those laws and regulations. *Control design and operating effectiveness* We understood and evaluated the design and tested the operating effectiveness of controls of the Bank to identify litigation and regulatory exposures due to complaints, claims and/or legal cases within the Group. We determined that we could place reliance on these controls for the purpose of our audit. *Specific audit procedures to identify non-compliance with those laws and regulations that may have a material effect on the financial statements.* We met with different members of the Managing Board on a regular basis to understand the emerging and potential exposures that they identified. We challenged management's view on these exposures based upon our knowledge and experience of emerging industry trends and the regulatory environment. To identify potential regulatory investigations that could lead to the need for potential new provisions or disclosures in the financial statements, we read the Bank's relevant correspondence with the Autoriteit Financiële Markten ("AFM"), De Nederlandse Bank ("DNB"), Federal Reserve and European Central Bank ("ECB"). We met on a trilateral and bilateral basis with the joint supervisory team of DNB and ECB during the year. We read the minutes of the Managing Board and the Supervisory Board meetings and attended all Risk- and Audit committee meetings throughout the year and up to our signing date of our auditor's report. We held regular bilateral meetings with the Chairs of the Supervisory Board, Audit committee and Risk committee.

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Key audit matter	Our audit work and observations
	We inquired with internal legal counsel to understand the risk position of each new as well as existing regulatory matters and reviewed audit reports and assessments of the internal audit department relating to compliance with laws and regulations. During the inquiries performed, attending meetings, reading of the minutes and reports, we noted that compliance, related matters and improvement of procedures and tooling around compliance receive attention of management. More specifically, we noted that that specific programs in place that aim to improve CDD and transactions monitoring process throughout the entire network, including remediation work in the Netherlands to improve current client files were discussed in meetings of the Managing Board, risk Committee, Audit Committee and Supervisory Board. These programs are also following regulatory enforcement actions related to AML and CDD in the United States and the Netherlands. We obtained an understanding of the initiatives which are part of this program through inquiry of the program owners, Managing Board, Audit committee, reading correspondence with AFM, DNB, Federal Reserve and ECB related to these matters and discussed the outcomes of audits performed by Audit Rabobank with respect AML and CDD. *Substantive audit procedures regarding the legal provision and contingent liabilities* We obtained legal letters from the Bank's external lawyers to verify completeness of the identified exposures. We assessed (customer) claims received and the analysis prepared by management of these claims. We used this analysis to understand whether there were indicators of more systematic exposures being present for which provisions or disclosures should be made in the financial statements. These procedures did not result in the identification of unidentified provisions or systematic exposures. We have assessed that the disclosures were sufficiently clear in highlighting the uncertainties and exposures of potential liabilities that exist.
Design and effectiveness of IT-General Controls	Our efforts relating to understanding, evaluating and testing the design and operating effectiveness of ITGCs focused on:

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Key audit matter	Our audit work and observations
IT-General Controls (ITGCs) are controls, implemented in IT-processes, ensuring the integrity and continuity of IT-programs and data. Effective ITGCs are conditional for reliance on automated controls in the Bank's operations, and in our audit approach. Deficiencies in IT general controls as such could have a pervasive impact across the Bank's internal control framework. In addition, the Bank has a number of long-term strategic regulatory and transformation projects, with important IT-components to continue to meet the high reporting standards and expectations from stakeholders relating to operating effectiveness, efficiency and data quality. During system transitions there is an increased risk that ITGCs are not operated as intended. Therefore, we identified the Bank's IT-General Controls as a key audit matter.	• Entity level controls over information technology in the IT-organisation, including IT-governance, IT-risk management and cyber security management; • Management of access to programs and data, including user access to the network, access to and authorizations within applications, privileged access rights to applications, databases and operating systems and physical access to data centres. As the Bank uses automated tools to manage access rights, we have evaluated the appropriate use of these tools and tested the correct operation of these tools. • Governance over the strategic IT-transformation projects and assessment of the impact on our 2019 audit; • Management of changes to applications and IT-infrastructure, including the change management process and the implementation of changes in the production systems using automated deployment mechanisms; • Computer Operations, including batch monitoring, back-up and recovery and incident management; and • Management of cybersecurity, through understanding of Rabobank's approach to enhancing cybersecurity and evaluating the status of the implementation in certain critical areas. We focused on the ITGCs to the extent relevant for the purpose of our audit of the financial statements. Most of these controls operated effectively. For certain controls, specifically relating to privileged access rights to a limited number of systems, remedial control actions were taken by management. Based on the testing of controls and additional testing of remedial control actions, we determined that we could place reliance on these controls for the purpose of our audit.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- About this Report;
- Chairman's Foreword;
- Management Report;
- Appendices;

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- Corporate Governance; and
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:
- is consistent with the financial statements and does not contain material misstatements; and
- contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The Managing Board is responsible for the preparation of the other information, including the management report and the other information in accordance with Part 9 Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our appointment

We were appointed as auditors of Coöperatieve Rabobank U.A. on 18 June 2015 by the Supervisory Board following the passing of a resolution by the members at the General Members Council held on 18 June 2015 for a total period of uninterrupted engagement appointment of 4 calendar years, 2016. 2017, 2018 and 2019. This resolution is subject to be renewed annually by members. This was our fourth year as auditors of Coöperatieve Rabobank U.A.

No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in Article 5(1) of the European Regulation on specific requirements regarding statutory audit of public interest entities.

Services rendered

The services, in addition to the audit, that we have provided to the Bank and its controlled entities, for the period to which our statutory audit relates, are disclosed in note 49 ‘cost of external independent auditor’ to the financial statements.

Responsibilities for the financial statements and audit

Responsibilities of the Managing Board and the Supervisory Board for the financial statements

The Managing Board is responsible for:
- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code; and for

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- such internal control as the Managing Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Managing Board is responsible for assessing the Bank's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Managing Board should prepare the financial statements using the going-concern basis of accounting unless the Managing Board either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so. The Managing Board should disclose events and circumstances that may cast significant doubt on the Bank's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the Bank's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 5 March 2020
PricewaterhouseCoopers Accountants N.V.

Original has been signed by R.E.H.M. van Adrichem RA

Appendix to our auditor's report on the financial statements 2019 of Coöperatieve Rabobank U.A.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things, of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Managing Board.
- Concluding on the appropriateness of the Managing Board's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the Bank's financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. In this respect, we also issue an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

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

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Assurance report of the Independent auditor

To: The General Members Council and Supervisory Board of Coöperatieve Rabobank U.A.

Assurance report on the internal control over financial reporting

Our opinion

In our opinion the Coöperatieve Rabobank U.A. maintained, in all material respects, effective internal control over financial reporting as of 31 December, 2019, in accordance with criteria established in the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO), (hereafter: COSO criteria) as set out in the section 'Applicable criteria'.

What we have audited

The object of our assurance engagement concerns the internal control over financial reporting of Coöperatieve Rabobank U.A. (hereafter: Rabobank) as of 31 December 2019 (hereafter: the internal control over financial reporting).

For the purpose of this engagement Rabobank's internal control over financial reporting is the process designed, when working effective, to provide reasonable assurance regarding the reliability of financial reporting for the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles.

The basis for our opinion

We conducted our assurance engagement, in accordance with Dutch law, including the Dutch Standard 3000A 'Assurance engagements, other than audits or reviews of historical financial information (attestation engagements)' ('Assuranceopdrachten anders dan opdrachten tot controle of beoordeling van historische financiële informatie (attest-opdrachten)'). This assurance engagement is aimed to provide reasonable assurance. Our responsibilities under this standard are further described in the section 'Our responsibilities for the assurance engagement' of our report.

We believe that the assurance information we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Independence and quality control

We are independent of Rabobank in accordance with the Code of Ethics for Professional Accountants, a regulation with respect to independence ('Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' - ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct ('Verordening gedrags- en beroepsregels accountants' - VGBA).

We apply the detailed rules for quality systems ('Nadere voorschriften kwaliteitssystemen' - NVKS) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and other applicable legal and regulatory requirements.

Applicable criteria

For the purpose of this engagement Rabobank's internal control over financial reporting is the process designed, when working effective, to provide reasonable assurance regarding the reliability of financial reporting for the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Rabobank's internal control over financial reporting is designed in accordance with the COSO criteria and includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with a generally acceptable reporting framework, and that receipts and expenditures are being made only in accordance with authorisations of management; and
- provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of assets that could have a material effect on the consolidated financial statements.

Inherent limitations

Because of its inherent limitations, internal control over financial reporting may not prevent or detect and correct all misstatements. Also, the projection of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Responsibilities for the internal control over financial reporting and the assurance engagement

Responsibilities of the Managing Board

The Managing Board of Rabobank is responsible for implementing, maintaining and assessing effective internal control over financial reporting, in accordance with the COSO criteria as further set out in the section 'Applicable criteria' of our report. The Managing Board is also responsible for its conclusion as documented in note 55 'Management Report on Internal Control over Financial Reporting', including the identification of the intended users and the COSO criteria being applicable for the purposes of the intended users.

Our responsibilities for the assurance engagement

Our responsibility is to plan and perform the assurance engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our opinion aims to provide reasonable assurance that Rabobank maintained, in all material respects, effective internal control over financial reporting in accordance with the COSO criteria, as set out in the section 'Applicable criteria'. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all weaknesses in the internal control over financial reporting.

Procedures performed

An assurance engagement includes, amongst others, examining appropriate evidence on a test basis. We have exercised professional judgement and have maintained professional scepticism throughout the assurance engagement, in accordance with the Dutch Standard 3000A, ethical requirements and independence requirements.

Our main procedures include:

- identifying and assessing the risks that the conclusion of management on the internal control over financial reporting is not fairly presented and that the internal control over financial reporting is not effectively maintained by the Rabobank, whether due to fraud or error, designing and performing assurance procedures responsive to those risks, and obtaining evidence that is sufficient and appropriate to provide a basis for our opinion;
- gaining knowledge about Rabobank's internal control over financial reporting, including the effectiveness of controls in accordance with the COSO criteria;
- based on this knowledge, assessing the risks that the internal control statement contains material misstatements;
- responding to the assessed risks, including the development of an overall approach, and determining the nature, timing and extent of further procedures;

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- performing further procedures clearly linked to the identified risks, using a combination of inspection, observation, confirmation, recalculation, re-run, analytical procedures and making inquiries; such further procedures involve substantive procedures, including obtaining corroborating information from sources independent of the entity and, depending on the nature of the object, testing the actual effectiveness of the control measures; and
- evaluating the adequacy of the assurance information.

Amsterdam, 5 March 2020
PricewaterhouseCoopers Accountants N.V.

Original has been signed by R.E.H.M. van Adrichem RA

Assurance report of the independent auditor

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

Assurance report on the non-financial & sustainability information 2019

Our conclusion

Based on our procedures performed nothing has come to our attention that causes us to believe that the non-financial & sustainability information included in the Annual Report 2019 of Coöperatieve Rabobank U.A. (hereafter: "the Annual Report") does not present, in all material respects, a reliable and adequate view of:

- the policy and business operations with regard to corporate social responsibility; and
- the thereto related events and achievements for the year ended 31 December 2019

in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the internally applied reporting criteria as included in the section 'reporting criteria'.

What we have reviewed

We have reviewed the non-financial & sustainability information included in the Annual Report for the year ended 31 December 2019, as included in the following sections in the Annual Report (hereafter: "the non-financial & sustainability information"):

- Rabobank at a Glance
- Excellent Customer Focus
- Meaningful Cooperative
- Empowered Employees
- Rock-Solid Bank
- Appendices
  - Appendix 1: About this Report
  - Appendix 2: Methodology & Definitions of Non-Financial Key Figures
  - Appendix 3: Sustainability Facts & Figures
  - Appendix 4: Dialogues with Clients

This review is aimed at obtaining a limited level of assurance.

The non-financial & sustainability information comprises a representation of the policy and business operations of the Coöperatieve Rabobank U.A. and its subsidiaries (hereafter: "Rabobank") with regard to corporate social responsibility and the thereto related business operations, events and achievements for the year ended 31 December 2019.

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The basis for our conclusion

We have performed our review in accordance with Dutch law, which includes the Dutch Standard 3810N 'Assuranceopdrachten inzake maatschappelijke verslagen' ('Assurance engagements on corporate social responsibility reports'). Our responsibilities under this standard are further described in the section 'Our responsibilities for the review of the non-financial & sustainability information' of this assurance report.

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Independence and quality control

We are independent of Rabobank in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO – Code of Ethics for Professional Accountants, a regulation with respect to independence) and other for the engagement relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA – Dutch Code of Ethics).

We apply the 'Nadere voorschriften kwaliteitssystemen' (NVKS – Regulations for quality systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and other relevant legal and regulatory requirements.

Reporting criteria

The non-financial & sustainability information needs to be read and understood in conjunction with the reporting criteria. Management of Rabobank is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting.

The reporting criteria used for the preparation of the non-financial & sustainability information are the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the internally applied reporting criteria, as disclosed in in Appendix 1: "About this report" and Appendix 2: "Methodology & Definitions of Non-Financial Key Figures" of the Annual Report. The absence of an established practice on which to draw, to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Limitations to the scope of our review

The non-financial & sustainability information includes prospective information such as expectations on ambitions, strategy, plans, estimates and risk assessments. Inherently, the actual results are likely to differ from these expectations. These differences may be material. We do not provide any assurance on the assumptions and the achievability of prospective information in the non-financial & sustainability information.

The links to external sources or websites in the non-financial & sustainability information are not part of the non-financial & sustainability information reviewed by us. We do not provide assurance over information outside of this Annual Report.

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Responsibilities for the non-financial & sustainability information and the review

Responsibilities of the managing board

The managing board of Rabobank is responsible for the preparation of reliable and adequate non-financial & sustainability information in accordance with the reporting criteria as included in section ‘reporting criteria’, including the identification of stakeholders and the definition of material matters. The choices made by the managing board regarding the scope of the non-financial & sustainability information and the reporting policy are summarized in Appendix 1 “About this report” and Appendix 2: “Methodology & Definitions of Non-Financial Key Figures” on the pages 60 - 66 of the Annual Report. The managing board is responsible for determining that the applicable reporting criteria are acceptable in the circumstances.

The managing board is also responsible for such internal control as management determines is necessary to enable the preparation of the non-financial & sustainability information that is free from material misstatement, whether due to fraud or errors.

The supervisory board is responsible for overseeing Rabobank’s reporting process on the non-financial & sustainability information.

Our responsibilities for the review of the non-financial & sustainability information

Our responsibility is to plan and perform the review engagement in a manner that allows us to obtain sufficient and appropriate evidence to provide a basis for our conclusion.

Procedures performed to obtain a limited level of assurance are aimed to determine the plausibility of information and vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in review engagements is therefore substantially less than the assurance obtained in audit engagements.

Procedures performed

We have exercised professional judgement and have maintained professional scepticism throughout the review, in accordance with the Dutch Standard 3810N, ethical requirements and independence requirements.

Our procedures included amongst others:

- Performing an analysis of the external environment and obtaining insight into relevant social themes and issues and the characteristics of Rabobank.
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the non-financial & sustainability information. This includes the evaluation of the results of the stakeholders’ dialogue and the reasonableness of estimates made by the managing board.
- Obtaining an understanding of the reporting processes for the non-financial & sustainability information, including obtaining a general understanding of internal control environment relevant to our review.
- Obtaining an understanding of the procedures performed by the internal audit department.

- Identifying areas of the non-financial & sustainability information with a higher risk of misleading or unbalanced information or material misstatement, whether due to fraud or errors. Designing and performing further assurance procedures aimed at determining the plausibility of the non-financial & sustainability information responsive to this risk analysis. These procedures consisted amongst others of:
  - interviewing management and relevant staff at corporate level, responsible for the sustainability strategy, policy and results;
  - interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the Annual Report;
  - obtaining assurance evidence that the non-financial & sustainability information reconciles with underlying records of Rabobank;
  - reviewing, on a limited test basis, relevant internal and external documentation;
  - performing an analytical review of the data and trends.
- Evaluating the consistency of the non-financial & sustainability information with the information in the Annual Report, which is not included in the scope of our review.
- Evaluating the presentation, structure and content of the non-financial & sustainability information;
- To consider whether the non-financial & sustainability information as a whole, including the disclosures, reflects the purpose of the reporting criteria used.

We communicate with the supervisory board on the planned scope and timing of the engagement and on the significant findings that result from our engagement.

Amsterdam, 5 March 2020
PricewaterhouseCoopers Accountants N.V.

Original has been signed by R.E.H.M. van Adrichem RA