

A man with a beard, wearing a blue plaid shirt and khaki pants, is smiling and carrying a baby on his shoulders. The baby is wearing blue denim overalls and a dark shirt. They are standing in a cornfield with tall stalks of corn and green leaves. The background is a cloudy sky.

2017
Annual report



*Growing
a better world
together.*

Rabobank

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Chairman's foreword

Strong performance but some way to go

We are committed to being a meaningful cooperative bank, making a substantial contribution towards achieving welfare and prosperity in the Netherlands and to resolving the global food issue. We are shaping our mission of 'Growing a better world together' with passion and this is bearing fruit. In 2017 we accelerated our efforts to reach the goals set in our Strategic Framework 2016-2020. We further reinforced our position in Food & Agriculture in the Netherlands and around the world. The future Rabobank is taking shape with more satisfied customers, innovations, a stronger balance sheet and improved financial results.

Our cooperative structure helps us identify and act upon the issues which matter to our 7.3 million retail and corporate customers in the Netherlands. Last year, for instance, we took specific measures to help starters and seniors in the housing market. Our recent efforts relating to livestock production rights (such as phosphate legislation) underscore our strong commitment to our clients and partners in the Dutch Food & Agri sector. Local Rabobanks allocated an amount of EUR 45 (2016: 40) million from their net profit for future investments in local community initiatives in the Netherlands.

As a leading global Food & Agri bank, that lends around EUR 98 billion to corporate and rural clients in the Food & Agri sector, we are uniquely positioned to help our clients to produce more and better quality food in a more sustainable way, while using fewer resources. In October we launched the Kickstart Food programme. In collaboration with the UN Environment Programme, we are creating a USD 1 billion facility to help accelerate the transition to a sustainable food supply. Our Sustainably Stronger Together mission and our commitment to the [UN Sustainable Development Goals](#) guide us in helping clients around the world make their businesses more sustainable.

The capital targets we set for 2020 were reached this year, which we consider prudent given upcoming new regulations and we posted a net profit over the year of EUR 2,674 million. Our ratings are stable, as are our market shares and margins, despite external volatile realities. Our Net Promotor Score and other metrics have shown even higher levels of client appreciation nearly all our businesses throughout 2017. We have applied greater focus in our Food & Agri portfolios and, through the work of Rabo Development and with the help

of the independent Rabobank Foundation¹, we are helping 5 million poor small farmers in the developing world to achieve self-reliance. We have launched and driven forward numerous digital innovations (including our first block chain application in 2017) and our operational indicators on reliability and availability have improved sharply. We have introduced many innovations in our client service offerings, and have improved the Rabobank digital experience across many domains. The Rabo banking App is now highly rated and offers the widest number of services provided on the platform. The vast majority of our segments and businesses have delivered higher performance this year compared to last. What's more, we have done this with a more diverse leadership team: 26% of our senior management positions are now occupied by women (up from 25%), while 40% of the Managing Board and 33% of the Supervisory Board are female. We are deeply committed to diversity of all forms and will continue to champion this cause in 2018.

Our employees make the difference. They are the people bringing about the bank's transition and we very much appreciate their efforts. Human Resources' attention for talent is now represented at the highest management level, with Janine Vos being appointed as CHRO. The results of recent surveys show an inspiring rise in employee motivation, thanks in part to our new mission Growing a better world together. Our mission

¹ The Rabobank Foundation is an independent foundation, founded about 40 years ago by local Rabobanks. Up to this day the local banks donate a percentage of their profits to the foundation. The foundation's financial statements are not consolidated within Rabobank's consolidated financial statements.

confirms the course we are taking and guides our actions as a cooperative bank. The increase in employee motivation is appropriate to the current phase of our overall transformation. We have confidence in the measures we are taking to address employee motivation and are grateful for their continued dedication to Rabobank in these turbulent times.

In all, we are proud that we are on track to achieving the goals set in the Strategic Framework 2016-2020. Yet our ambitions go beyond the results to date. We must pick up even more speed, particularly in our digital transition and innovation efforts, to continue offering our customers the best possible service. We laid a solid foundation for this in 2017. And like in any organisation in transition some things go according to plan while others are more challenging, and sometimes even present dilemma's.

Keeping up with the implementation of new regulation needs attention. Rabobank runs a complex portfolio of IT change programmes. It requires extra management attention, time and costs to implement new policies and procedures in the changing organisation. We also implemented a global programme on customer due diligence, encompassing governance, education, conduct and tools. We monitor a large portfolio of customer relationships and transactions worldwide and address new adverse external signals throughout the entire organisation. That also means that we sometimes need to end customer relationships or decline transactions. We assigned a task to a committee to review the target operating model of the local Rabobanks in order to increase customer focus, increase the contribution to the regional economy, improve operational management and reduce costs. The outcome is planned for 2018.

In June we announced the formation of a new management structure. In the new Managing Board, all key customer segments are represented at the executive level. Group-wide attention for digitalisation and talent at the highest executive management level gives us a closer fit with the change agenda of the cooperative Rabobank. Each of my fellow members of the Managing Board will introduce themselves and their business later in this report. Suffice to say here that I am proud to chair such a driven and diverse team and to be leading the bank forward together. I would also like to express our deep appreciation and thanks to Rien Nagel and Ralf Dekker who stepped down in September. They brought distinctive leadership to Rabobank during their long careers at the bank. We wish them all the best for the future.

Taking a stand on issues that matter is also key to the personal and professional development of our employees. In 2017, we redesigned the leadership profiles; they now emphasise leadership through connection in the community in addition to personal and team leadership. We seek to empower our employees and leaders by asking them: What do you need to achieve personal growth as well as growth in and for your team? How are you helping to grow a better world together? This applies to the whole bank, to our customers and their communities.

In the Strategic Framework 2016-2020, Rabobank adopted a clear strategy for improvement with Performance Now. This programme has had major consequences for our staffing levels, reducing them by approximately 7,000 jobs so far with another 5,300 set to go between 2018 and 2020. Job loss is an issue across the financial sector, but our mobility centres are proving effective in helping many of those who we had to let go. The initial figures show that almost half of this group found a job or started their own business within six months of being made redundant. In 2018 the focus will shift to starting support earlier, in the active mobility phase. Research shows that the earlier employees start working on developing a new perspective, the more likely they are to succeed in finding a new challenge.

Many of our employees are migrating from local Rabobanks to centralised regionalised service centres. This move will benefit our client service because it will boost our speed and efficiency and reduce back office costs. Our cost reduction efforts are mostly on target, with increased efficiency in many parts of Rabobank, in line with our strategic plan. However additional efforts in IT and follow-up work on for example SME derivatives and other one-offs led to an increase in overall costs for the year. We need to continue focusing intensively on cost control to achieve structural efficiency gains to further reduce our cost-to-income ratio, leveraging the benefits of further digitalisation and building scale in back-office activities.

The past few years have been particularly challenging for our employees. In the Organisational Health Index taken at the start of 2017, they expressed a need for a clearer sense of direction and purpose. We have addressed this in our new mission, Growing a better world together, which is a clear statement of that purpose. On behalf of the Managing Board, I sincerely thank our employees for their intensive efforts in 2017 and look forward to the growth we can achieve together in 2018.

Looking ahead

In 2017 Rabobank laid a solid foundation for the next step in its transition. The environment is changing fast and we will boost our digitalisation and innovation efforts so we can continue to offer optimum service to our clients. Our employees play a key role in this process. The legislative changes in Europe, such as PSD2 and GDPR, will alter client interactions in all industries. Open banking could make us just one of many ecosystem choices. While the regulatory requirements of the reform of Basel III have finally been made clear, they do not favour north-western European banks like ourselves, with a prudent risk profile like Rabobank. We will of course comply with these new requirements on time, but we would prefer a more level playing field. The favourable economic climate in many parts of the world helped many customers thrive in 2017 and this will continue in 2018. When our customers do well, we do well. Yet we also face considerable uncertainties. The interest rate landscape in 2018 is likely to remain challenging for our customers and our balance sheet. And the geopolitical environment is both tense and unpredictable. The one constant in the world - not just the financial sector - is change and disruption.

While we can be pleased with our progress in 2017, we are not there yet. I believe that our new positioning and clear direction as a meaningful cooperative will serve as a source of inspiration for our employees and our customers. It represents the basis for the choices we make in the future. As the natural world teaches us, adaptivity is key in a changing, and sometimes hostile, environment. In the future we will focus even more keenly on adaptivity: the key not only to survival, but also to thriving.

Wiebe Draijer, *Chairman of the Managing Board*



*Wiebe Draijer, Chairman
of the Managing Board*

About this report

Rabobank is driven to create value for our clients and other stakeholders. Key inputs fuel our strategy and business model, allowing us to fulfil our mission and vision, and maximise both our output and our impact on members, customers, the society and our employees. Therefore the 2017 Annual Report takes an integrated approach, highlighting Rabobank's contribution to our various stakeholders by providing both financial and non-financial information. This report and Financial Statements have been prepared in accordance with the appropriate reporting standards and guidelines and it relates to the reporting period 1 January 2017 to 31 December 2017. They were published on 15 March 2018 on Rabobank's corporate website. See [appendix 1](#) for more information.

Integrated reporting

Our integrated reporting approach rests on two pillars: our value creation model and materiality matrix. The value creation model is about how we create economic, social and ecological value through our capital resources, business model and strategic priorities. This model enables a transparent view of our ability to create value over the short, medium and long term. It begins with three key inputs: human and social capital, intellectual capital and financial resources. These inputs lead to our business model, including Rabobank's mission, vision and strategy. Finally, the output and impact section of the model is structured along the 18 material topics from the materiality matrix.

Materiality

The materiality analysis provides insight into the choices we made in the reporting year. This is illustrated in a materiality matrix, which shows the topics that require attention as they have substantial impact on both our stakeholders and on Rabobank. Information on the process of determining materiality and the boundaries of the topics is provided in Appendix 1. Rabobank's mission is Growing a better world together. Through our strategic focus areas – Banking for the Netherlands and Banking for Food - we offer value-added products and services to our customers in the Netherlands and in Food & Agri in the world. We are committed to making a difference as a leading, cooperative, client-driven bank, in the Netherlands and around the world and to being a rock-solid bank with strong financial capital and liquidity buffers for financial solidity and high credit ratings made possible by our empowered employees.

Management report



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Key figures

Key figures					
<i>Amounts in millions of euros</i>	2017	2016	2015	2014	2013
Financial position and solvency					
Equity	39,610	40,524	41,197	38,788	38,534
Common equity tier 1 capital	31,263	29,618	28,754	28,714	28,551
Tier 1 capital	37,204	37,079	35,052	33,874	35,092
Total capital	51,923	52,873	49,455	45,139	41,650
Risk-weighted assets	198,269	211,226	213,092	211,870	210,829
Profit and loss account					
Income	12,001	12,805	13,014	12,889	13,072
Operating expenses	8,054	8,594	8,145	8,055	9,760
Regulatory levies	505	483	344	488	197
Impairment losses on goodwill and investments in associates	0	700	623	32	42
Loan impairment charges	(190)	310	1,033	2,633	2,643
Taxation	958	694	655	(161)	88
Net profit from continued activities	2,674	2,024	2,214	1,842	342
Net profit from discontinued activities	0	0	0	0	1,665
Net profit	2,674	2,024	2,214	1,842	2,007
Ratios					
Common equity tier 1 ratio	15.8%	14.0%	13.5%	13.6%	13.5%
Fully loaded common equity tier 1 ratio	15.5%	13.5%	12.0%	11.8%	11.1%
Tier 1 ratio	18.8%	17.6%	16.4%	16.0%	16.6%
Total capital ratio	26.2%	25.0%	23.2%	21.3%	19.8%
Equity capital ratio	17.3%	15.0%	14.7%	14.4%	16.1%
Leverage ratio	6.0%	5.5%	5.1%	4.9%	4.8%
Loan-to-deposit ratio	1.20	1.22	1.25	1.32	1.35
Return on tier 1 capital	7.2%	5.8%	6.5%	5.2%	5.2%
ROIC	6.9%	5.2%	6.0%	-	-
Cost/income ratio excluding regulatory levies	67.1%	67.1%	62.6%	62.5%	74.7%
Cost/income ratio including regulatory levies	71.3%	70.9%	65.2%	66.3%	76.2%
Net profit growth	32.1%	-8.6%	20.2%	-8.2%	-2.5%
Return on assets	0.44%	0.31%	0.33%	0.28%	0.27%
Ratings					
Standard & Poor's	A+	A+	A+	A+	AA-
Moody's Investors Service	Aa2	Aa2	Aa2	Aa2	Aa2
Fitch Ratings	AA-	AA-	AA-	AA-	AA-
DBRS	AA	AA	AA	AA (high)	AAA
Sustainability ratings					
RobecoSAM (DJSI) – ranking	11	7	5	12	-
Sustainalytics – ranking	7	2	11	40	-
Volume of services					
Total assets	602,991	662,593	678,827	691,278	669,095
Private sector loan portfolio	410,964	424,551	433,927	429,731	434,691
Deposits from customers	340,682	347,712	345,884	336,409	326,222
Wholesale funding	160,407	188,862	203,218	216,529	219,057
Supporting local communities					
Rabobank Foundation (in the Netherlands and abroad)	20	16.9	16.3	19.5	16.4
Cooperative dividend (local Rabobanks)	38.9	36.8	38.1	36.8	44.5
Donations Rabobank	6.6	6.5	6.9	8.0	8.0
Climate Footprint before full compensation					
CO ₂ emissions own operations (x 1,000 tonnes CO ₂)	174	181	182	198	208
CO ₂ emissions per FTE (tonnes CO ₂)	4.0	3.8	3.5	3.6	3.5

Key figures

	2017	2016	2015	2014	2013
Private customers					
Net Promotor Score (NPS Recommendation)	53	36	33	17	12
Customer Effort Score (CES Day-to-day banking)	66	67	64	68	66
Customer Advocacy Score (CAS Recommendation)	80%	79%	76%	61%	59%
Satisfaction with day-to-day banking	8.4	8.2	7.9	7.8	7.7
Private Banking customers					
Net Promotor Score (NPS Recommendation)	50	41	37	29	20
Customer Effort Score (CES Day-to-day banking)	65	68	64	68	66
Customer Advocacy Score (CAS Recommendation)	82%	84%	81%	70%	64%
Satisfaction with day-to-day banking	8.4	8.1	7.8	7.8	7.7
Corporate customers					
Net Promotor Score (NPS Recommendation)	43	30	21	10	1
Customer Effort Score (CES Day-to-day banking)	49	51	43	52	43
Customer Advocacy Score (CAS Recommendation)	69%	71%	62%	53%	48%
Satisfaction with day-to-day banking	8.0	8.4	7.3	7.1	6.9
Nearby					
Local Rabobanks	102	103	106	113	129
Offices	446	475	506	547	656
ATMs	1,967	2,141	2,206	2,305	2,524
Members (x 1,000)	1,916	1,927	1,945	1,959	1,947
Availability of internet payments & savings ¹	99.9%	99.7%	99.8%	98.9%	-
Availability of mobile banking ¹	99.9%	99.7%	99.8%	99.0%	-
Foreign places of business	389	382	403	440	769
Market shares (in the Netherlands)					
Mortgages	22%	21%	20%	22%	26%
Savings	34%	34%	35%	36%	38%
Trade, Industry and Services (TIS)	39%	41%	42%	39%	44%
Food & Agri	86%	84%	84%	85%	85%
Sustainable products and services (in millions of euros)					
Total sustainable financing	18,610	18,791	19,240	19,510	18,926
Total sustainable assets under management and assets held in custody	4,030	3,835	2,843	2,101	1,739
Total sustainable funding	3,501	2,985	2,122	2,365	2,870
Total financial transactions supervised by Rabobank	6,236	5,750	6,313	2,383	883
Personnel data					
Number of employees (internal in FTEs)	37,170	40,029	45,658	48,254	56,870
Number of employees (external in FTEs)	6,640	5,538	6,355	5,658	6,034
Number of employees (total in FTEs)	43,810	45,567	52,013	53,912	62,904
Staff costs (in millions of euros)	4,472	4,680	4,787	5,086	5,322
Absenteeism	4.0%	3.6%	3.7%	3.7%	3.5%
Females employed	50.9%	51.7%	51.8%	53.3%	53.5%
Females in senior positions (≥ scales 8)	27.4%	25.8%	28.6%	28.5%	27.6%
Training expenses (in millions of euros)	68	78	79	77	91
Training expenses in EUR per FTE	1,837	1,945	1,734	1,604	1,603

¹ Average availability measured over 12 months

Rabobank at a glance

Mission } Growing a better world together

More than 8.5 million customers



7.3 million Dutch customers*

1.2 million international customers**

Banking for the Netherlands

102 local Rabobanks



446 offices
1.9 million members

13,635 FTEs
1,967 ATMs

6.5 million private customers
0.8 million commercial customers

Market shares



Banking for Food

40 countries



€ 60.9 billion private sector lending to Food & Agri*

€ 38.4 billion private sector lending to trade, industry and services*

389 offices*

7,909 FTEs*

* the Netherlands not included

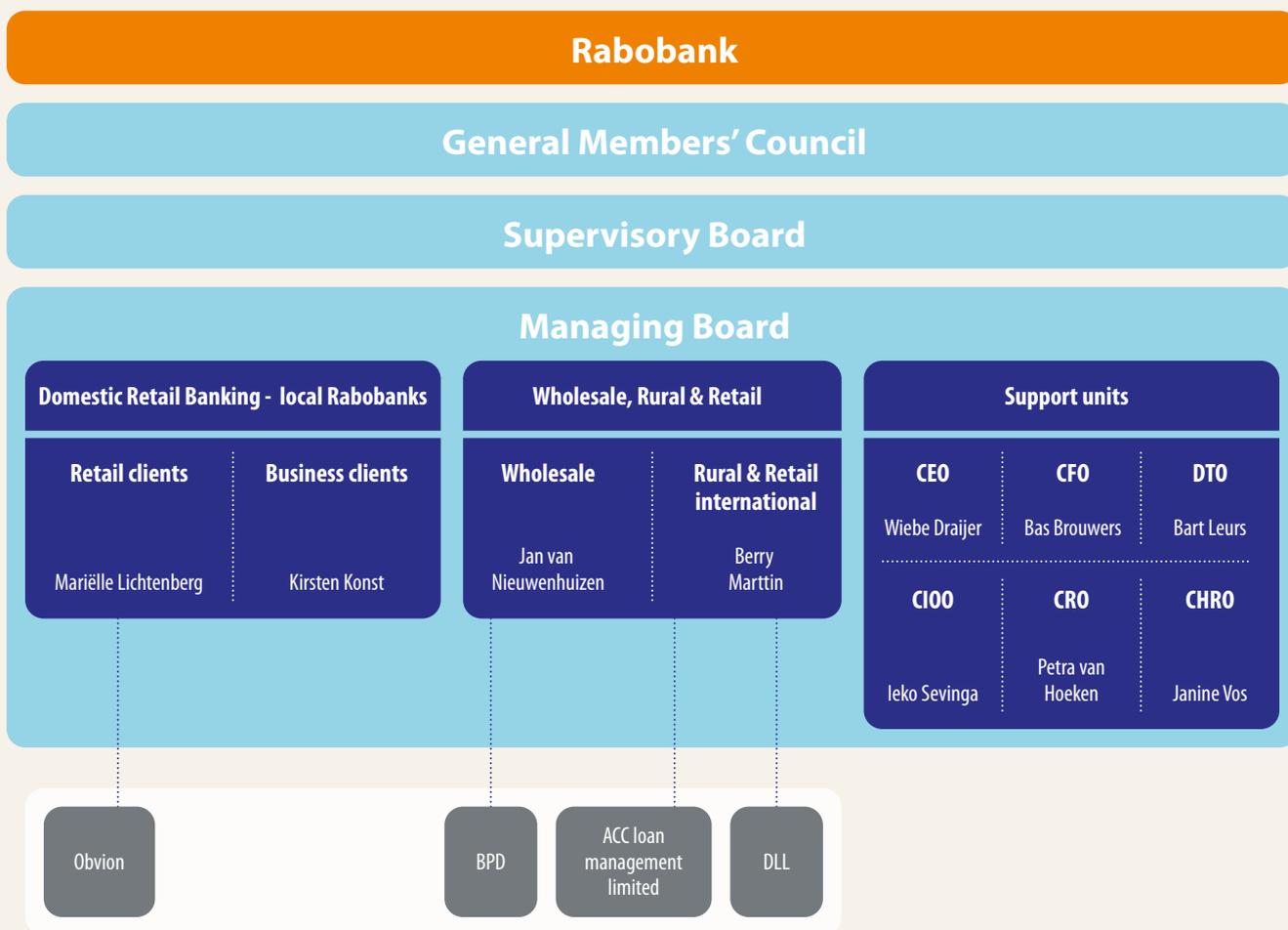
Example value chain



* Wholesale, Rural & Retail

** Direct Banking, Indonesia and RNA

Rabobank organisation chart



Rabobank is committed to making the difference as a cooperative, customer-driven bank, in the Netherlands and around the world. We aim to be a courageous, socially responsible bank, championing customer issues that have a

major societal impact. And we want to be the Netherlands' most customer-driven bank and leading in Food & Agri. In October 2017 we launched a new global brand positioning to underline our mission [Growing a better world together](#).



Envision: The Rabobank story

In October 2017 we launched a new brand positioning to underline our mission Growing a better world together. This is the story behind the mission.

Envision a group of entrepreneurs getting together 120 years ago. With a bit of ingenuity and a dash of boldness, these go-getters established a cooperative bank. Founded on solidarity, pragmatism and professionalism.

Envision a different society than today's. Nothing is for certain anymore, while flexibility and autonomy have become a challenge. We want customers to feel confident, to be themselves and to feel they belong. With our business expertise, our capital and our networks, our employees act as a compass that our clients can depend on to guide them.

Envision everyone in the world having enough food to eat healthily. We share what we know and whom we know with our clients. That way, everyone benefits from our roots and experience in Food & Agri. And the world becomes better for it.

Envision the Netherlands being one of the most prosperous countries, where people are happy to live, work and do business. Being at the heart of society means we invest and innovate together with clients. Truly and sincerely. With respect for each other and the environment for the long term. With everything done as it should.

Envision all dreams also being opportunities. Technology can take us anywhere. And it can bring us together. Always quickly and personally. The bank is for the benefit of our clients and the results are for the benefit of society. Together we become stronger.

Envision we could make a difference. All of us together.

Growing a better world together

Mission

Our mission is: Growing a better world together. This is what we stand for and what we aim to achieve through boldness, ingenuity and decisiveness.

Vision

We are committed to making the difference as a cooperative, customer-driven bank, in the Netherlands and leading in Food & Agri around the world. To achieve this, we have two strategic focus areas: Banking for the Netherlands and Banking for Food. We want to make a substantial contribution to welfare and prosperity in the Netherlands and to feeding the world sustainably. The visions outlined in Banking for the Netherlands and Banking for Food define our focus and provide a joint understanding of what it means to be a client-focused cooperative. Sustainability forms an integral part of both these visions.

Banking for the Netherlands

We feel a strong connection with our customers and members. We prosper when our customer prosper. As a cooperative bank, we want to make a clear contribution to meeting the challenges the Netherlands will face in the years ahead.

Our approach to this can be categorised under four headings: food, self-sufficiency, entrepreneurship and local living environment. Our presence at the heart of local society, combined with our financial capabilities, network and knowledge, enables us to address relevant local and regional topics and so contribute to sustainable welfare and prosperity in the Netherlands of tomorrow.

Banking for Food

Food security concerns us all. In 2050, the world population will have increased by 2 billion people to nearly 10 billion, many of whom will have twice as much income to spend. To meet the resulting increased demand for food, global food production will have to increase by at least 60%, while at the same time arable land and natural resources are already nearing their limits. The Food & Agri value chain will have to produce more with less to ensure long-term sustainability and economic viability.

We want to make a sustainable contribution to the global Food & Agri sector by helping increase the availability of food and access to food, promoting healthy nutrition and enhancing stability of the food industry. In our strategy we emphasise access to finance, networks and knowledge and connect producers, consumers, government bodies and the public in the wider food issues.

Strategic cornerstones

With our knowledge, networks and finance, we strive to enable customers to make autonomous decisions and to act with flexibility and independence. We want customers to feel confident, be themselves and feel they belong. Our strategy is founded on four cornerstones: excellent client focus, meaningful cooperative, rock-solid bank, and empowered employees. These four cornerstones permeate all of our actions, priorities, key performance indicators (KPIs), values and behaviors.

Four cornerstones

Excellent customer focus

We aim to be a leading bank in which being client-driven is deeply embedded. Current and future client requirements can be fully satisfied through good advice, transparent products and digital, convenient and innovative services.

Meaningful cooperative

We translate social developments into specific contributions for the long term. Cooperative banking means acting as a forward-looking social compass that actively involves members, employees and customers and connects them in a network, with each other and with Rabobank. We take a stand on social issues that matter to our clients and stakeholders.

Empowered employees

Our employees are proud and driven, manifesting professionalism, vitality and a capacity for change. They feel empowered to represent Rabobank and are inspired by what we want to be. Top talent wants to work, develop and stay at Rabobank. All our employees want to grow and make each other better. Learning is the key.

Rock-solid bank

Rabobank remains a model of stability, reliability and solidity. Our services are delivered efficiently at competitive cost levels and we are continuing to optimise the balance sheet. We are doing the right things well, or even exceptionally well, with everyone taking ownership, remaining conscious of risks and operating as professionals.

Key trends and developments

Every year we analyse external trends and developments that affect our work. In the year 2017 we saw many trends in terms of consumer behaviour, technology, innovation, market players, regulations, the economy and society. All these ongoing trends and developments present a number of opportunities and challenges for Rabobank and its customers.

Our conclusions in a nutshell:

- Client preferences are changing rapidly and significantly. Digital interaction is increasingly replacing face-to-face. Therefore we are investing in the quality of our (digital) services and in further innovation to improve client services. Client preferences are also driving changes in the online distribution of goods, including food, with a high impact in food and other chains. In the Food & Agri sector the consumer's influence is growing; 'from farm to fork' is becoming 'from fork to farm'.
- Technology is leading to significant innovation and disruption. This calls for a proactive, efficient client approach and provides us with opportunities to combine online services with personal attention. Our clients see the arrival of technology impacting their businesses as well – varying from the arrival of drones at the farm to use of data for all of our customers.
- To meet customer needs, we will proactively monitor innovations in, and related to, the financial (fintech) and agribusiness (agtech) industries and we will enter into strategic partnerships.
- New players in the financial industry like financial start-ups pressure us to critically evaluate how we do business.
- Driven by the current economy, low interest rate environment and other factors mean that we must continue to operate on a cost-effective basis and improve our cost-to-income ratio.
- There is ample opportunity to further leverage our research and sector knowledge and national/international network to the benefit of our customers and environment. In our international Food & Agri activities the international trade including growth of a middle class in emerging countries create opportunities by linking regions.
- Regulators and new regulation and legislation (such as the recently announced reforms to the Basel III accords) are having a growing impact on the ways banks can provide their services which influences our business model.
- Global population growth, ageing and the growing middle class will change demand for food in both volume and quality terms. This will be an important driver of growth for our clients serving the world of food and we will continue to support them.
- Climate change is a bitter reality. Despite the intentions and ambitions of the Paris climate agreement, the world is warming up, posing risks for the environment and the food security of people and communities. We use the UN Sustainable Development Goals as guidelines in our efforts to reduce hunger and poverty in the world.

- The global trend of urbanisation continues unabated, especially in the Netherlands. Some 55% of the world's population currently live in cities, in 2050 this number is likely to be 70%. Urbanisation is quickly broadening the gap between the demographic and economic composition of urban and rural areas.
- Our fast-changing world demands ever more flexibility and autonomy – a challenge for many people in many societies. The global population is expected to grow to nearly 10 billion people by 2050. Western countries are experiencing limited growth.
- Geopolitical unrest is undiminished.
- Vulnerability and uncertainty in society are on the increase. At the same time, society requires the business community in general, and banks in particular, to show social responsibility and we risk not meeting these expectations.

Stakeholder engagement

Given these far-reaching trends and disruptions we are fully convinced there is a solid yet evolving place for a cooperative customer-focused Rabobank, with the intent to serve clients on their significant issues with material societal impact. We are strongly aware of the social role we play as a provider of financial services and of our social responsibility as a cooperative organisation. Banks play a crucial role in payments and lending to private individuals, businesses and other institutions, so we are also closely involved in matters that affect the economy and society at large.

We are committed to a strategic, constructive and proactive dialogue with all our stakeholders: clients, members, employees, investors, non-governmental organisations, government agencies, media, politicians and supervisory bodies and other banks. We engage with them by means of Member Councils, client feedback platforms, client and employee surveys, participation in sector initiatives, and other means. Our Managing Board Members meet with clients, stakeholders and employees to discuss progress on Rabobank's strategy, receive their feedback and discuss general developments in the financial sector and those specific to Rabobank.

This engagement gives us a clear view of what our stakeholders believe is important and how they see Rabobank's role and contribution to society. As such, we base the list of material reporting topics in this report on the dialogues we had during the year with our stakeholder groups.

- For more details of our stakeholder dialogues, see [downloads](#).

Value creation

Key inputs fuel our strategy and business model, allowing us to fulfil our mission and vision, and maximise both our output and our impact on members, customers, the society and our employees.

Human and social capital

With the execution of our strategy, Rabobank remains focused on human capital and empowering employees by encouraging continuous learning, professionalism and entrepreneurship. As a customer-focused cooperative bank with 1.9 million members, 8.5 million clients and over 43,810 thousand fulltime employees, Rabobank takes its role as a socially responsible bank seriously. We participate in many local, sector and supply chain initiatives and support both businesses and private customers, as we continue to actively promote sustainability.

Intellectual capital

Rabobank's intellectual capital input encompasses 120 years of banking knowledge and expertise in Food & Agri. We use our knowledge base to offer clients innovative products and services in line with ongoing economic changes and social trends. Rabobank offers knowledge and financial resources to customers worldwide. We will continue to follow our value creation model as we execute our strategy, allowing us to remain a meaningful cooperative and a rock-solid bank with excellent client focus and empowered employees.

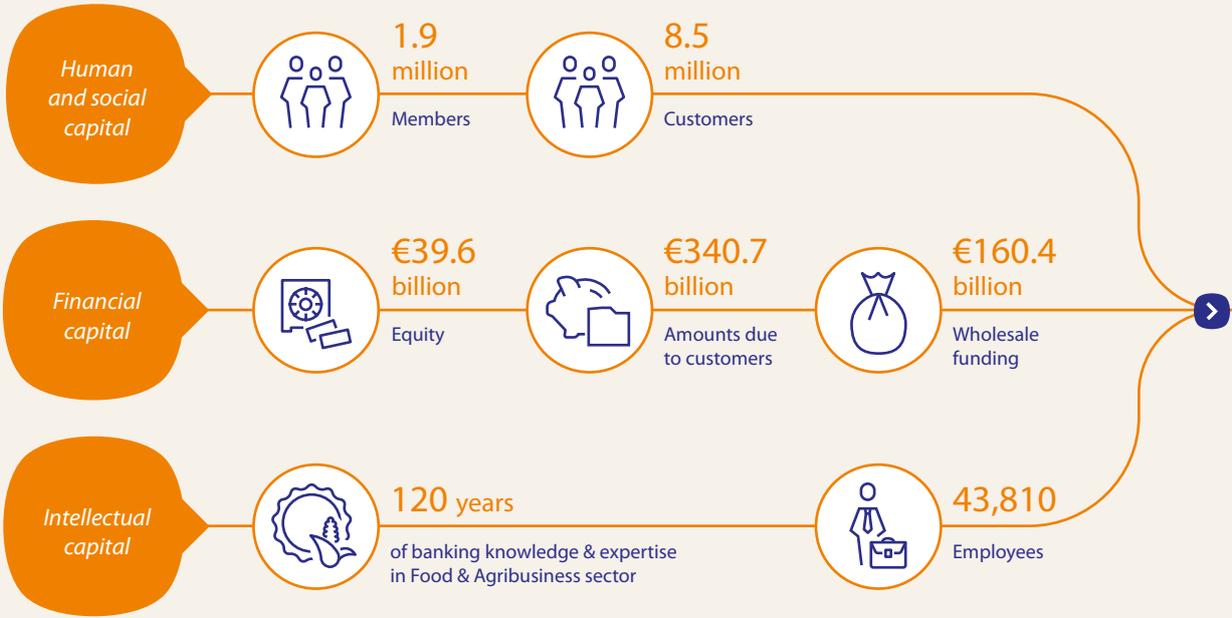
Financial resources

Rabobank offers financial resources to customers worldwide. Our products and services include banking, capital management, leasing, insurance and real estate. With EUR 39.6 billion in equity, EUR 340.7 billion in deposits from customers and EUR 160.4 billion in wholesale funding, Rabobank is a rock-solid bank with strong financial capital and liquidity buffers for financial solidity and high ratings.

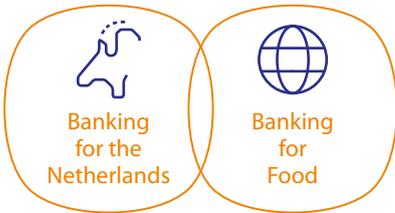
Rabobank is committed to creating value for our stakeholders and society at large. In today's world with changing client behaviour, technological developments and a complex economic environment, value is created through enduring relationships with all stakeholders and responding to client needs efficiently.

Our value creation model gives a transparent view of our ability to create value over the short, medium and long term. Our value creation begins with three key inputs: human and social capital, intellectual capital and financial resources. These inputs lead to our business model, including Rabobank's mission, vision and strategy. Finally, the output and impact section of the value creation model is structured according to our 18 material topics derived from the materiality matrix.

Input



Our vision



Our ambition

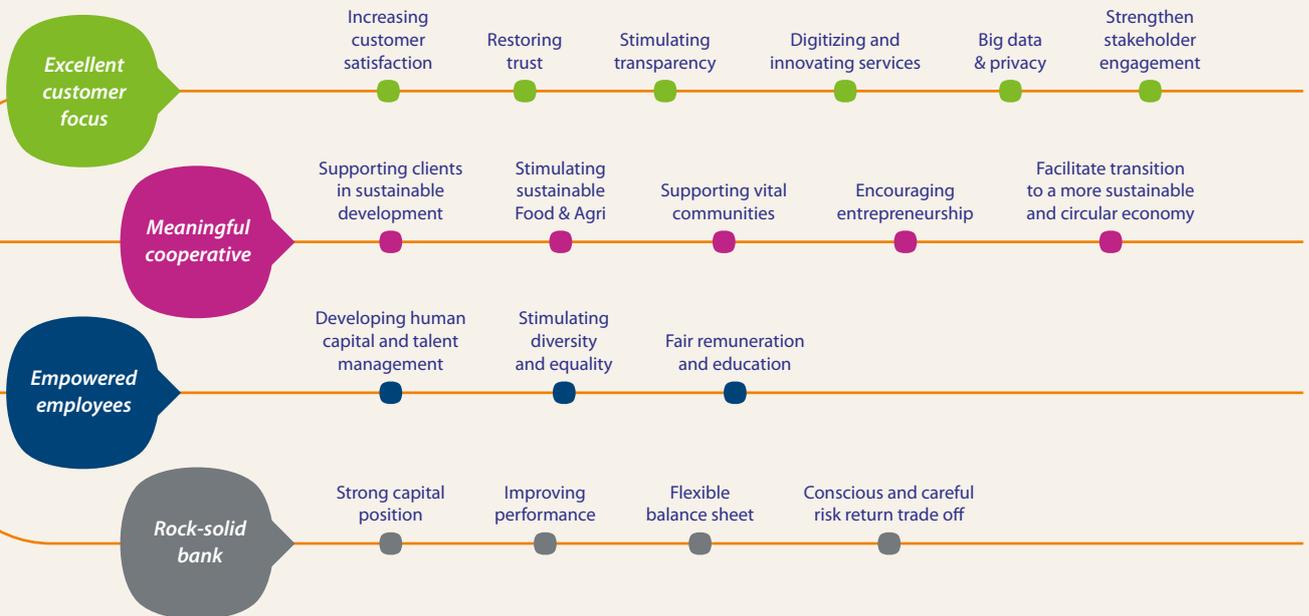


Business model

Our services



Output



Contributing to Sustainable Development Goals

Rabobank feels a responsibility to make a meaningful contribution to achieving the 17 UN Sustainable Development Goals. Our 'Banking for Food' and 'Banking for the Netherlands' vision and our Sustainability Programme '[Sustainably Successful Together](#)' programme help us achieve our contribution to the SDGs. The infographic illustrates how we are working towards reaching the goals. For more information [see Theme Report: Rabobank's contribution to the Sustainable Development Goals](#).

Performance indicators

We have translated our mission, vision and strategy to a number of KPIs for 2017. The table below shows the strategic KPIs. An elaborate overview of these KPIs and our sustainable ambitions can be found in [appendix 2](#). Progress on these KPIs is measured with information obtained from both inside and outside the organisation.

Cornerstones	KPI	2017	2016 ¹
Excellent Customer Focus	Net Promotor Score private customers in the Netherlands	53	36
	Customer Effort Score private customers in the Netherlands	66	67
	Net Promotor Score Private Banking customers in the Netherlands	50	41
	Customer Effort Score Private Banking customers in the Netherlands	65	68
	Net Promotor Score Corporate customers in the Netherlands	43	30
	Customer Effort Score Corporate customers in the Netherlands	49	51
	Number of users Mobile Banking (x 1,000)	3,518	3,079
	Amount of sustainable products and services (in EUR millions):		
	- Total sustainable Financing	18,610	18,791
	- Sustainable assets under management and assets held in custody	4,030	3,835
- Sustainable funding	3,501	2,985	
- Sustainable transactions supervised	6,236	5,750	
Meaningful cooperative	Sustainability performance recorded of all our larger corporate clients in a client photo		
	Number and percentage of client photos:		
	Local Rabobanks	14,192 (98.4%)	14,502 (99%)
	Wholesale offices	1,413 (72.5%)	1,533 (85%)
	Reprtrak pulse score	69.5	66.1
	Percentage of our annual profit invested in social initiatives on a not-for-profit basis through the Rabobank Group and the Rabobank Foundation	2.5%	2.9%
	Number of agricultural value chain visions and active participation in roundtables or similar initiatives	2 visions and 9 roundtables	2 visions and 9 roundtables
Number of supported small-scale farmer organisations in developing countries	260	278	
Empowered employees	Gender diversity Supervisory Board	Male Female	6 3
	Gender diversity Managing Board	Male Female	6 4
	Gender diversity Managing Board -1	Male Female	59 24
	Gender diversity Managing Board -2	Male Female	294 101
	Organisational Health Index		61
			56
Rock-solid bank	Cost/income ratio	71.3	70.9
	Fully loaded Common Equity Tier 1 ratio	15.5	13.5

1 The 2016 NPS Advisor and CES figures have been restated due to a clarification regarding the scope. In addition, the NPS and CES figures have been measured for a 12 month period instead of solely measuring the fourth quarter, as was conducted in 2016.

Rabobank's contribution to the UN Sustainable Development Goals

Banking for the Netherlands



No poverty

- Rabobank Foundation is investing EUR 28 million towards reducing poverty¹.
- Positive impact on 4.9 million small holders in developing countries and 619,565 vulnerable people in the Netherlands¹.



Zero hunger

- Rabobank is investing EUR 98 billion in the global food supply.
- > 200 knowledge reports on Food & Agri disseminated to clients and stakeholders.



Good health and well-being

- Financing for more than 48,000 business clients in healthcare sector in the Netherlands.
- Investments in healthcare total EUR 5.4 billion.
- Rabobank Innovation Funds supports start-ups active in the healthcare sector.



Quality education

- We finance the education sector with EUR 668 million and as such we contribute to education.



Gender equality

- Positive development of gender equality at Rabobank: SB 33% female, MB 40% female and senior management 26% female. For this Rabobank is winner of the Diamond for Diversity award 2017.



Affordable and clean energy

- EUR 3.4 billion in investments to renewable energy generation, mainly through wind and solar, and partly through biomass and geothermal.
- EUR 500 million from Rabobank Green Bond invested in 12 solar and wind energy projects.
- EUR 548 million in investments from Rabo Groen Bank to renewable energy projects.



Decent work and economic growth

- We promote economic growth by investing EUR 213 billion in Dutch and international companies and providing EUR 198 billion in loans to private clients (primarily mortgages).
- We support business clients in the Netherlands with education.



Industry, innovation and infrastructure

- We invested EUR 4.6 billion in the construction sector.



Sustainable cities and communities

- EUR 65.9 million through community not-for-profit investments.
- We enhance the sustainability of homes with the 'Rabobank Green Mortgage'.
- We supported 175 new local cooperative initiatives since 2016, with financing, knowledge and networks in the Netherlands.
- New real estate finance transactions must meet ambitious energy labelling standards.
- Through the Rabo Impact Loan for Healthcare and Education we invested EUR 14 million (a total of EUR 100 million was made available in 2017).



Responsible consumption and production

- We invested EUR 18.9 billion in sustainable financing and EUR 4 billion in sustainable funds.
- We use the Circular Enterprise Performance Indicator, fund circular business activities, and offer programmes like Circular Economy Challenges and Regional Circular Economy scans to help companies transform their circular enterprise ideas into business opportunities.



Climate action

- We used the Rabo Impact Loan to invest EUR 179 million in sustainable frontrunners with a positive environmental impact.
- Rabobank climate neutral again in 2017 (own operations).
- Introduction of Rabobank Climate Strategy, participation in UNEP-TCFD and Sounding Board PCAF.
- No funding for gas production in the Wadden sea or for coal mining or coal-fired power plants.
- Rabo Green Bank invested a total of EUR 342 million in green loans to greenhouses.



Life below water

- We promote sustainable aquaculture, partly by offering a reduced interest rate to certified fish farms.



Life on land

- We invested EUR 326 million in organic farming projects and EUR 38 million in nature conservation projects.



Peace, justice and strong institutions

- Encourage investment funds to comply with the UN's Global Compact principles and the UN Principles for Responsible Investment.
- We contribute to agreements on International Responsible Business Conduct (IMVO-convenant in Dutch).



Partnerships for the goals

- Rabobank is involved in the World Economic Forum.
- CEO Wiebe Draijer appointed to a European Commission advisory committee on sustainability.

¹ Figures 2016. Legally the Rabobank Foundation is not part of Rabobank Group.

Rabobank's contribution to the UN Sustainable Development Goals

Banking for Food



No poverty

- Rabobank Foundation is investing EUR 28 million towards reducing poverty¹.
- Positive impact on 4.9 million small holders in developing countries and 619,565 vulnerable people in the Netherlands¹.



Zero hunger

- Rabobank is investing EUR 98 billion in the global food supply
- > 200 knowledge reports on Food & Agri disseminated to clients and stakeholders.
- 119,885 farmers gained access to markets through the Farm to Market Alliance.



Good health and well-being

- Investments in healthcare total EUR 5.4 billion.



Quality education

- We finance the education sector with EUR 668 million and as such we contribute to education.



Gender equality

- Positive development of gender equality at Rabobank: SB 33% female, MB 40% female and senior management 26% female. For this Rabobank is winner of the Diamond for Diversity award 2017.



Affordable and clean energy

- EUR 3.4 billion in investments to renewable energy generation, mainly through wind and solar, and partly through biomass and geothermal.
- EUR 500 million from Rabobank Green Bond invested in 12 solar and wind energy projects.



Decent work and economic growth

- We promote economic growth by investing EUR 213 billion in Dutch and international companies and providing EUR 198 billion in loans to private clients (primarily mortgages).
- Access to banking services to 7.2 million clients in developing countries through 9 Partner banks².



Industry, innovation and infrastructure

- Together with development banks, we support industry in emerging markets.
- We invested EUR 4.6 billion in the construction sector.



Sustainable cities and communities

- EUR 65.9 million through community not-for-profit investments.
- In 2017 we supported 260 local cooperative initiatives abroad with financing, knowledge and networks.



Responsible consumption and production

- We invested EUR 18.9 billion in sustainable financing and EUR 4 billion in sustainable funds.
- We participate in round tables for 9 sustainable value chains.



Climate action

- Rabobank climate neutral again in 2017 (own operations).
- Introduction of Rabobank Climate Strategy, participation in UNEP-TCFD and Sounding Board PCAF.
- No funding for gas production in the Wadden sea or for coal mining or coal-fired power plants.
- Rabobank became a member and co-chairman in 2017 of WBCSD's Climate Smart Agriculture Working Group.



Life below water

- With WWF, we help clients in Chile with sustainable aquaculture businesses and ASC certification.
- We promote sustainable aquaculture, partly by offering a reduced interest rate to certified fish farms.



Life on land

- USD 1 billion partnership with UN Environment for sustainable forestry methods.
- Rabobank is involved in the Tropical Forest Alliance 2020 against deforestation.



Peace, justice and strong institutions

- Encourage investment funds to comply with the UN's Global Compact principles and the UN Principles for Responsible Investment.
- We contribute to agreements on International Responsible Business Conduct (IMVO-convenant in Dutch).



Partnerships for the goals

- Rabobank is involved in the World Economic Forum.
- CEO Wiebe Draijer appointed to a European Commission advisory committee on sustainability.
- Participants in WBCSD for Sustainable Development and in FrESH.
- Partnership with WWF on sustainable production.
- Cooperation with UN organisations on food security, nutrition and agriculture.

1 Figures 2016. Legally the Rabobank Foundation is not part of Rabobank Group.

2 Figures 2016. The partner banks are institutions in which Rabo Development and the investment fund Arise (with a minority interest of Rabobank) invest.



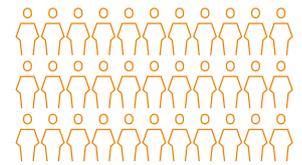
Excellent
customer
focus

We aim to be a leading bank in which being client-driven is deeply embedded. Current and future client requirements can be fully satisfied through good advice, transparent products and digital, convenient and innovative services.

Our impact on our customers

We want to help all our customers grow. As the world is rapidly transforming to digital and mobile, customer needs and expectations are also evolving fast. Asking our customers for feedback, helps us to learn and focus on the most relevant and impactful ways to improve the customer experience. This has resulted in a broad range of innovations and partnerships, and has helped us to maintain the positive trend in customer satisfaction.

More than 8.5 million customers



7.3 million Dutch customers
Local Rabobanks and Obvion



1.2 million international customers
Direct Banking, Indonesia and RNA

Meaningful cooperative

Empowered employees

Rock-solid bank

Excellent customer focus

Innovative services



4th Moonshot Campaign that **challenges employees** to come up with **innovative ideas**



Blockchain trade finance **platform** that makes **cross-border commerce** easier for European SMEs

PEAKS

The app that **invests** with your **spare change**

Tellow

Completely **automated bookkeeping tool** for **freelancers** in order to help them **focus** on their **business**

IBAN-Name Check

Helps to **avoid incorrect transfers** and **fraud**

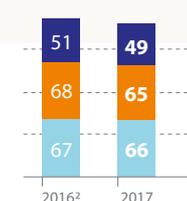
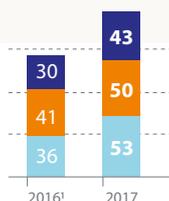


Launch of our **Fin-, Food- and AgTech investment fund**

KPI (NPS and CES)

KPI Net Promotor Score

KPI Customer Effort Score



Commercial customers in the Netherlands
Private Banking customers in the Netherlands
Private customers in the Netherlands

- The 2016 NPS Advisor figures have been restated due to a clarification regarding the scope. In addition, the NPS figures have been measured for a 12 month period instead of solely measuring the fourth quarter, as was conducted in 2016.
- The 2016 CES figures have been restated due to a clarification regarding the scope. In addition, the CES figures have been measured for a 12 month period instead of solely measuring the fourth quarter, as was conducted in 2016.

FoodBytes!
by Rabobank

TERRA
by Rabobank + RocketSpace

KPI Reptrak

69.5

in 2017

2016: 66.1

**CI00:
Building Tomorrow's
Bank Today**

We have linked all our activities to five themes:

- always on
- fast & flexible
- simplicity
- excellent data
- innovation

"We treat our clients as we would want to be treated. We respond to their requests and real needs."



Banking at home

Sustainable banking

in billions of euros



Promoting the circular economy

We believe that transforming the linear economy into a circular one will strengthen the competitiveness of the Dutch economy and of clients active in global food supply chains.



3.5
million active users

+14%
in 2017

**Marketshare
new
mortgages**

22%



37%

Rise in loan applications

37% of the loan applications under EUR 1 million were done digitally

Our impact on our customers



Excellent
customer
focus

Bart Leurs

*Member of the Managing Board
and Chief Digital Transformation
Officer*

More impact thanks to innovation and digitalisation

Rabobank is sharpening its focus on innovation and digitalisation. Which is only natural, given the pace of developments in the world around us. Yet this is also driven by the belief that innovation significantly boosts our power to achieve our mission: Growing a better world together.

I lead the team that is responsible for the digitalisation of our products and services and for the new innovations that help our customers to grow. Our aim is to offer digital solutions for all our customers' digital needs.

But that's only the start of our ambitions. We also see innovation and digitalisation as key drivers for achieving Rabobank's mission. We want to help all our customers grow. Moreover we want to play a meaningful role in both in global food chains and local communities.

A good example is the development of the Tellow app, which helps self-employed people manage their administration and taxes. Our innovative investment app Peaks allows individual customers to invest more easily. While working on new innovations, we are also improving our Rabo Banking App, because we expect mobile banking to be the future. And we are taking the first steps towards open banking and allowing customers to manage all their finances- also the accounts with other banks - through Rabobank's app.

We are involved in many innovations in Food & Agri. Which is only natural given our deep connection with the sector as a leading global Food & Agri bank. Rabobank is helping to solve the global food issue through a unique combination of capital, networks and innovation. In the [FoodBytes event](#) we have created an ecosystem of start-ups and corporates who all want to work on the global food issue. Through the TERRA accelerator programme we help Food & Agri start-ups become more successful. We also invest in blockchain technology to optimise the food chain.

We use our expertise to help our customers innovate. We are involved in 69 start-up hubs throughout the Netherlands. local Rabobanks give master classes to help customers generate ideas and consider future business models. In essence we are using new technology to do what we have always done: connecting people and businesses to help them grow.

Becoming an innovative bank requires endurance and high levels of integration and alignment across the company. We have created the digital hub to encourage employees to collaborate on digitalisation. In the digital hub we give full responsibility to small teams that work as multi -disciplinary entrepreneurial units. You could say we are working as a group of start-ups. The Managing Board has also adopted some Agile working practices such as a fortnightly stand-up at the scrum board. Our fourth annual Moonshot campaign encourages employees to be innovative. The strong engagement around these Moonshots prove that innovation is an integral part of our mission to help our customers grow.

Our impact on our customers

We want to help all our customers grow. As the world is rapidly transforming to digital and mobile, customer needs and expectations are also evolving fast. Asking our customers for feedback, helps us to learn and focus on the most relevant and impactful ways to improve the customer experience. This has resulted in a broad range of innovations and partnerships, and has helped us to maintain the positive trend in customer satisfaction.

Digitalisation

Over the past few years we have substantially expanded our digital banking services. In 2017 we made further investments in our digital interactions with customers. We now have 5.2 million active online customers. The Rabo Banking App, which users in the Apple App store gave a 4.6 star rating, had 3.5 million active users in 2017 – an increase of 14% compared to the year before. Each month there are on average 95 million logins on our digital channels.

Digital banking

These days more and more things can be arranged digitally, and banking is no exception. As of summer 2017, our customer onboarding can be done online. In December eight out of ten of 'Rabo InternetSparen' and 'Rabo PeriodeSparen' accounts were opened online, an increase of 22% compared to the start of the year. Of all mortgage applications prepared by customers, 93% were completed through their digital mortgage file.

Improving continuously

In order to consistently offer our customers digital services of the highest possible quality, we continuously respond to customer feedback. We closely monitor our customers' user experience to learn how and when they interact with the Rabo Banking App. We use these insights to continuously improve and expand the app features. For example Rabo Betaalverzoek (Rabo Payment Request) was launched in June 2017 and grew to 270,000 unique users by December. Mortgages, loans and online investing were also added to the app, while logging in can be done safely through Face ID. This illustrates how we are responding to the growing number of customers who primarily use their mobile phones to manage their banking affairs.

Innovating for customers

We are helping our customers through innovations. In 2017 we have introduced several relevant new innovations for our customers. Rabo Safe2Pay, a collaboration with PostNL, is one interesting example. It ensures that payment only takes place

once a delivery has been confirmed. We are also collaborating with our Norwegian partner Signicat to offer secure identification for online customers. Our innovation efforts were recognised with the Dutch FinTech Award in April 2017.

New innovations

Tellow has been available to freelancers since April. This app helps entrepreneurs with their bookkeeping and taxes. Tellow is connected to a Rabobank business account, allowing the app to instantly recognise business payments and automatically process scanned receipts. And at the end of each quarter Tellow automatically prepares the user's VAT return.

Peaks is an innovation that makes investing easier. The app rounds up small purchase amounts automatically investing the spare change in funds that match the customer's preferred risk profile.

Rabobank was the first Dutch bank to introduce the IBAN-NameCheck. The IBAN-NameCheck makes online payments easier and safer by checking whether the entered name and IBAN data match, mitigating the risk of mistakes or fraud. So far over 200 million transactions have been checked this way. This service has been developed such that it can also be used by other banks and financial service providers.

Groundbreaking collaborations

In 2017, Rabobank has joined forces with other banks and IBM to develop the We Trade-platform. This platform aims to simplify cross-border trade by using blockchain technology. We also participate with other Dutch banks in Payconiq, a mobile payment app that simplifies mobile payments in store, between friends and online.

Helping our customers innovate

Apart from our own innovations, we are also committed to helping our customers innovate. Through other business models and leveraging our knowledge and global networks, we aim to help them prepare for a digital future.

Banking for Food

Finding solutions to address the global food problems is one of the spearheads of Rabobank's mission. Our FoodBytes! event is an international innovation platform. This is where start-ups and scale-ups in Food & Agri get in contact with potential investors and customers, allowing them to innovate faster.

Through the acceleration programme TERRA we are also helping high potential start-ups in Food & Agri to enhance their success. In 2017 we also founded Rabo Frontier Ventures, an investment fund that participates in Fin, Food & Agritech companies.

Banking for the Netherlands

Rabobank is involved in several startup hubs in the Netherlands. We were a founding father of StartupFest Europe and have supported multiple startup-events.

In specific knowledge regions like Nijmegen, Eindhoven and Maastricht the Teckle growth and innovation desk is located closed to a range of flourishing startup-hubs. Through Teckle we help them get access to knowledge and capital.

With local Rabobanks we have also started innovation desks throughout the Netherlands. Through the Innovation Fund Rabobank they are granting subordinated loans to startups in the region.

Positive trend in client satisfaction

Energy goes into further improving our service, both through digital channels and advice from our advisers. We ask for feedback from customers on our products, service and advice. In 2017 we saw customer satisfaction continue to rise in most areas.

NPS scores show more satisfied customers in 2017

The positive trend in customer satisfaction with Rabobank continued in 2017, as demonstrated by the Net Promotor Scores (NPS) for our advisers. Compared with year-end 2016, most of our scores increased – which is great news since satisfied customers are our top priority. The increase testifies to the intensive efforts of our people and our customer service innovations. We measure different types of customer satisfaction as well, such as their opinion of our sustainable products and services (for more information see <https://www.rabobank.com/en/about-rabobank/results-and-reports/archive/downloads-2017.html>).

KPI Net Promotor Score

	2017	2016 ¹
Net Promotor Score private customers in the Netherlands	53	36
Net Promotor Score Private Banking customers in the Netherlands	50	41
Net Promotor Score Corporate Customers (Retail domestic) in the Netherlands	43	30

More customers on our user-friendly apps and services

The Rabo Banking App can be used for payments, as well as for advice about a broad range of products and services. It is now also possible to open a savings account entirely through the app.

KPI Close to customers in our digital world

	2017	2016
Number of users mobile banking (x 1,000)	3,518	3,079

Slight decline in satisfaction on everyday banking

In contrast to the NPS, our Customer Effort Score (CES) in the Netherlands declined slightly in 2017. This was due mainly to changes in our Rabo Klanten Service (RKS) in 2017 which led to reduced availability. In 2017 103 local customer service centres were concentrated into eight centres under central management. It was a major transformation for the staff involved. Service levels were restored by November 2017.

Alongside digitalised service provision, Rabobank attaches great importance to high quality customer service. Customers expect everyday banking services to run smoothly. They expect answers to their questions quickly, in a single session and through the channel of their choice. We will continue to improve our customer service provisions in 2018.

KPI Customer Effort Score

	2017	2016 ²
Customer Effort Score private customers in the Netherlands	66	67
Customer Effort Score Private Banking customers in The Netherlands	65	68
Customer Effort Score Corporate customers (Retail domestic) in the Netherlands	49	51

- 1 The 2016 NPS Advisor figures have been restated due to a clarification regarding the scope. In addition, the NPS figures have been measured for a 12- month period instead of solely measuring the fourth quarter, as was conducted in 2016.
- 2 The 2016 CES figures have been restated due to a clarification regarding the scope. In addition, the CES figures have been measured for a 12- month period instead of solely measuring the fourth quarter, as was conducted in 2016.

Digital @ Rabobank

Powered by **digitAlhub** Accelerating together

Digitise our traditional products & services

Online: rabobank.nl

5.2 million active customers



82% of savings accounts 'Rabo InternetSparen' and 'Rabo PeriodeSparen' opened online

Growing engagement for key customer journeys

+22% in 2017

93% of all mortgage applications were prepared by customers through their digital mortgage file

37% of the loan applications under 1 million EUR were done digitally
Applicable only to SME (MKB).

Mobile: Rabo Banking App

3.5 million active users



★★★★★
Apple App store rating 4.6

+14% in 2017

Full mobile onboarding

Multiple features in Rabo Banking App



Innovation @ Rabobank

Powered by **innohub** Turbocharging innovation

Develop innovative services for our customers



4th Moonshot Campaign that **challenges employees** to come up with **innovative ideas**



Blockchain trade finance **platform** that makes **cross-border commerce** easier for European SMEs

PEAKS

The app that **invests** with your **spare change**.

Tellow

Completely **automated bookkeeping tool** for **freelancers** in order to help them **focus** on their **business**

IBAN-Name Check

Helps to **avoid incorrect transfers** and **fraud**

Rabo Frontier Ventures

Launch of our Fin-, Food- and AgTech **investment fund**

Support our customers in their innovation challenge

Banking for Food

Stimulating innovation in Food & Agri in three continents



TERRA
by Rabobank + RocketSpace

FoodBytes!
by Rabobank

Banking for the Netherlands

Supporting Startup Hubs



Our impact on our customers



Mariëlle Lichtenberg

Member of the Managing Board responsible for Retail and Private Banking in the Netherlands

We aim to help our customers live financially healthy lives. In a time that the Dutch government is expecting more financial self-sufficiency from its citizens, we believe people should be encouraged and empowered to take adequate action themselves. We want to motivate people to get more insight into their future financial needs. Then we can assist them in taking the initial steps towards achieving good financial health. We believe that this is also part of our mission 'Growing a better world together'.

Our retail and private banking businesses serve 7.3 million consumers in the Netherlands. We achieved good results in this highly competitive market in 2017. Our mortgage market share increased slightly, over the past three years and more assets under management have been entrusted to us by customers. Customer

satisfaction (Net Promotor Score) went up again too. We also co-created a new online proposition for younger audiences, in close collaboration with a few hundred young people, which has mainly been met by positive responses so far. This proposition is helping us to attract young customers to Rabobank at an earlier age and to retain them longer.

We continued to improve our digital products like the Rabo Banking App. Improving and expanding digitalisation demands constant vigilance, since the retail banking portfolio is subject to massive external changes like new technologies and the enormous growth of the digital world. As a result, our customers' expectations are also changing drastically and fast. The better we understand their everyday needs the greater an impact we can have. We are always searching for ways to stay close to the customer, while offering relevant solutions to meet their everyday needs. Providing digital convenience is important, but we also want to give our customers sound personal advice whichever way suits them best – whether that's through the

chat box or a personal meeting with an adviser. The advisers at our local Rabobanks play a key role in providing customers high-quality advice and information about their financial situation, mortgage, investment or payment needs.

Rabobank wants to be more than just a good financial services provider for its customers. We want to be a bank which takes a stand on issues that impact society. The Retail bank embodies this mission by helping people achieve good financial health. Many people in the Netherlands barely realise what they need to keep their finances healthy for the long term. We aim to increase awareness generally – not just among our customers – and to offer accessible options for people looking take big first steps like buying a house instead of renting one, starting to save for their children's education now or managing their own care requirements as they grow older.

In our ongoing drive to better live up to customers' expectations, we are also encountering dilemma's and challenges. While 'treating customers fairly' is

Excellent
customer
focus

paramount and a fundamental value that drives our actions, this becomes real in how we are able to safeguard our standards in customer due diligence and suitability. How we deal with these is being described in more detail in another part of this report. But it is important to note that the standards around what is fair and suitable are also evolving because of the changing societal and economic context, supported by various kinds of new legislation. It is our duty to live up to these new standards, which also means addressing issues from the past. Changing

standards also translates in changing expectations from our customers and regulators. And we want to be on the forefront of this. It is my conviction that we should have a pro-active attitude in solving these issues, which is why we have stepped up our efforts to address these issues pro-actively in close collaboration with our supervisors.

2017 was another year of major transformation for Rabobank and for me too. After more than 22 years at the company, I feel honoured to now be a

member of the Managing Board team. I am excited about helping increase our impact. As someone who is committed to connecting people, I am looking forward to working together with my very involved colleagues to achieve our collective goal of contributing to welfare and prosperity in the Netherlands and helping our customers make more self-confident personal finance choices.



Excellent
customer
focus

Retail

In keeping with our new mission 'Growing a better world together', it is our objective to help our retail customers keep their finances healthy. For instance, by giving people more insight into their personal financial situation. Or by providing access to financial education for young people at an early age.

Providing more mortgages in the Netherlands and managing more assets for customers

In 2017, our market share in new mortgages increased from 20.6% in 2016 to 22% and we became the largest mortgage provider in the Netherlands. Our mortgage portfolio is discussed in detail in the performance chapter. In 2017 we developed a basic mortgage product to help starters get onto the housing ladder in an increasingly tight market. These tight market conditions were reflected by the rise in consumers consulting independent mortgage brokers for the best mortgage deal. In response, Rabobank accordingly focused more attention on the intermediary channel. In 2017, assets under management increased by EUR 4.4 billion to EUR 43.8 billion. A third of this positive development is the result of high cash inflows, mainly from Private Banking customers, and the other two-thirds comes from positive investment returns.

Focus on younger customers

Rabobank wants to attract and retain young customers in our client base. To achieve this, we used many test panels to understand the wishes, needs and experiences of younger customers. We wanted to listen what they had to say. These young people actually helped us to launch several new propositions in 2017 that appeal to a younger customer base and will help them achieve financial self-reliance and independence.

One of these propositions is PinPin, which we launched in October 2017. This virtual reality pocket money app for children aged between 6 and 12 takes a playful approach to making them more aware of how to handle money responsibly and teaching them, for example, the difference between having money in your savings account and your current account. The first banking app of its kind in the Netherlands to use augmented reality, PinPin had already been downloaded over 40,000 times by mid-October, easily beating our initial target of 20,000 users by the end of 2017.

With PASSI, we aim to help our young customers build a financially healthy life by encouraging them to earn their own money and develop their skills. The youth platform helps 12-to-18-year-olds find their passion by exploring what they're good at through partnerships, masterclasses, work placements or part-time jobs at companies relevant to them.

Supporting vulnerable customers

Rabobank is more than a provider of financial services. We are committed to the world around us and we are involved with the local communities in which our customers live and work. We try to help vulnerable customers become more comfortable with the digital transformation and the applications that come with it. With adapted services and tools, we can help people continue to manage their own banking affairs for as long as possible.

Banking Together

We introduced the Rabo Scanner Grip, a practical tool which literally increases people's grip on their scanner via a sticker – the product was developed after specific feedback from customers. We continued Banking Together (Samen Bankieren) a service that supports vulnerable customers in many different ways, such as workshops for online banking and the Rabo Cardpuller, which helps people remove their debit card from cash machines.

Housing and care platform for seniors ('woon-leef-zorg')

In 2017 we launched an online platform to address housing and care issues for elderly people in the Netherlands. We developed the 'ikwoonleefzorg.nl' platform in collaboration with Interpolis Insurance. The idea is to help seniors live independently for longer by providing knowledge, tips and practical solutions to housing and care issues they may face.

Commercial Banking and Food & Agri

Growth is key for companies to respond to the rapidly changing world around them, to innovate and to stay ahead of the competition. We aim to offer a combination of extensive digital services and personal advice to customers about what's important for them at key times, giving them insight into their competitive environment. Our sector management and research teams work proactively to alert customers on complex issues such as food safety, animal welfare and market developments both in the Netherlands and abroad. Click [here](#) to read more about RaboResearch.

Our impact on our customers



Excellent
customer
focus

Kirsten Konst

*Member of the Managing Board
responsible for Commercial
Banking in the Netherlands and
Regional Directors*

Helping our business customers to grow and be financially healthy is the key objective for the Rabobank Commercial Banking team, since growth is essential for entrepreneurs and for the Dutch economy. It creates jobs and helps companies to stay flexible to respond to the changing world around them. And helps us contribute to the Rabobank mission: Growing a better world together.

Rabobank is responsible for financing two-thirds of the SME sector in the Netherlands including Food & Agri. As a leading global Food & Agri bank with a market share in Food & Agri in the Netherlands of 85.7%, we are dedicated to helping solve the global food issue, and other issues important to our customers in the

Netherlands. We are strongly committed to our clients and partners in the Dutch Food & Agri sector, as shown by our recent efforts relating to livestock production rights (e.g. phosphate legislation).

We want to be a top advisory bank and help our business customers to grow and achieve good financial health. We offer them a combination of extensive digital services and personal advice about what's important to them at key times, giving them insight into their competitive environment. Our sector management and research teams work proactively to inform customers on market developments both in the Netherlands and abroad. We apprise customers of complex issues such as food safety and work with the sector to address animal welfare and environmental impact dilemmas.

The speed of social change presents entrepreneurs with major challenges. Take, for instance, developments like robotisation, digitalisation and big data. At Rabobank our own response is a far-reaching digital transformation of the

company. But as a top advisory bank we also want to help our customers innovate to respond early to future and emerging trends. We do this by giving them access to our knowledge and networks and by offering financing options to help them innovate in practice, in combination with good payment and insurance solutions.

I joined Rabobank in 2010, attracted by its cooperative mission. Like me, many of our employees choose Rabobank because its purpose is about more than banking alone. A key change for me last year was that loyalty scores in Commercial Banking in the Netherlands rose strongly in 2017, well above expectations. That demonstrates our expanded capacity for advising entrepreneurs and the continual improvement of our online service provision. The digitalisation of our commercial lending and leasing puts the customers in the driving seat so they can obtain a rapid and clear response about their financial needs. This means they can get on with what they love most: doing business.

Rise in online loan and lease applications from corporate customers

SME entrepreneurs can apply for a financing facility with Rabobank online. In 2017 37% of the loan applications under 1 million euro were done digitally, an increase of 9% compared to 2016. Rabobank offers customers online and real-time options to apply for leasing to fund their business equipment.

Starters

We encourage people who are starting a business to 'start strong' by gaining inspiration and knowledge from successful entrepreneurs who share their honest and, above all, personal stories about decisive moments in their entrepreneurship. Ikgastarten.nl is the online knowledge platform for starters in business. The local Rabobanks organised many events for starters in 2017.

New innovations

Several innovations relate to helping entrepreneurs continue to grow. Tellow provides self-employed professionals with a fully automated bookkeeping system that is linked to a bank account. Since Tellow supports self-employed professionals in their bookkeeping, they have more time and opportunity to focus on growing their business. It also gives the entrepreneur better insight into income and expenses, a sound basis for financial decision-making.

Entrepreneurs can use the payment request function (betaalverzoek) in the Rabo Banking App to collect payments due from their customers. This gives the entrepreneur an at-a-glance overview of which requests have been paid.

Derivatives

In March 2016, the Dutch Minister of Finance appointed an independent committee, which on 5 July 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 7 July 2016. The final version of the Recovery Framework was published by the independent committee on 19 December 2016.

With respect to the (re-)assessment of the interest rate derivatives of its Dutch SME business customers and the advance payments made, Rabobank recognised a provision of 450 (2016: 665). Implementation of the Recovery Framework is expected to be finalised in 2018. At year-end 2017, Rabobank's advance payments amounted to EUR 267 million and an addition of EUR 51 million was made.

Earning customer trust

Rabobank believes that earning customer trust begins by truly listening to the needs and concerns of all stakeholders and by showing our commitment to our cooperative principles of customer participation, long-term relationships, sustainability and financial solidity. We have launched a number of initiatives to grant customers easier access to new, relevant products, to focus on sustainability and banking ethics, to improve communication and problem resolution, and to increase transparency.

Reputation

Rabobank's reputation in the Netherlands showed a positive trend. We measure reputation using The RepTrak® Monitor, a tool of the Reputation Institute. Every month a representative sample of the general public is surveyed online. This leads to the RepTrak® Pulse score (as a proxy for trust), which is based on four statements regarding the esteem, good feeling, trust and admiration that consumers feel towards a company. Rabobank's Pulse score improved from 66.1 in 2016 to 69.5 in 2017.

Reputation scores based on RepTrak



The RepTrak® Monitor tracks 23 key performance indicators grouped around seven reputation dimensions that appear to be most effective in getting stakeholders to support the company: products and services, innovation, workplace, governance, citizenship, leadership and performance of the company. Each driver is broken down into several attributes that give a more detailed level of assessment. Rabobank demonstrated improvement in all dimensions, especially Governance and Products & Services.

Rabobank			
	2016	2017	Gap with 2016
RepTrak® Pulse	66.1	69.5	3.4
Products & services	67.0	67.8	0.8
Innovation	63.7	64.0	0.3
Workplace	63.7	63.8	0.1
Governance	60.2	62.7	2.5
Citizenship	66.4	66.9	0.5
Leadership	64.8	65.3	0.5
Performance	68.1	68.8	0.7

In 2017 Rabobank selected five attributes it deems its most relevant Reputation KPIs. Rabobank actively steers on these attributes and has set specific and increasingly ambitious targets for the coming years. Starting in 2017, promoting Rabobank's reputation has become one of the indicators for assessing the Managing Board members' performance. The targets and RepTrak scores for 2017 are shown in the table below.

<i>Rabobank KPIs</i>	<i>12-months moving average December 2017</i>	<i>Target December 2017</i>	<i>Gap</i>	<i>Target December 2018</i>	<i>Target December 2019</i>
Good value for money	64.6	64.6	On target	65.7	66.8
Meets customer needs	65.6	66.1	Below target (-0.5)	67.5	68.9
Fair in the way it does business	63.2	63.0	Above target (+0.2)	64.8	66.6
Positive influence on society	65.5	65.1	Above target (+0.4)	66.8	68.5
Clear vision for its future	68.7	69.3	Below target (-0.6)	70.6	72.0

Rabobank reached its target for 'Good value for money' in 2017. Our investments in product innovations are bearing fruit. The Rabo Banking App is rated highly and we exceeded our target for the KPI 'Fair in the way it does business' and 'Positive influence on society'. This is commensurate with our cooperative character and our presence in local communities. If something goes wrong, customers can rely on us to find a solution. Complaints handling continued to improve in 2017 and client contact centres are available 24/7.

In 2017 Rabobank did not yet meet the targets for the KPIs 'Meets customer needs' and 'Clear vision for its future'. The bank sees this as an incentive to listen more closely to customers and to better respond to their needs. The mission 'Growing a better world together' is the compass we use to chart Rabobank's future direction. The passion with which we realise this mission will be reflected in higher scores on these KPIs.

Stimulating transparency

At Rabobank, we believe it is important to be open about how our customers' evaluate our service. We use customer feedback to improve our services. In 2017 several measures were taken to promote transparency, like improving banking terms and conditions and the Financial Coach.

We improved our banking terms and conditions, replacing the old Rabobank General Banking Terms and Conditions (GBTC) with a new and more accessible set of terms and conditions. The new GBTC is written in a style that is easier to understand and includes illustrative examples. The new version pays more attention to the customers' rights, making it much more functional.

We developed a 'Financial Coach', an online tool that helps customers prepare for advice meetings with their bank, and assists them at an earlier stage when they encounter financial setbacks

Dutch Banking Confidence Monitor

Last year we continued to participate in the Dutch Banking Confidence Monitor (Vertrouwensmonitor Banken), a survey that gauges the trust our customers have in us, and their opinion of our services and products. The results for 2017 for Rabobank on trust and perception were stable and comparable to the sector as a whole; they help us determine how to adapt our services. We are determined to live up to our customers' expectations and make a difference for them, especially when they most need us. Acting on outcomes of the 2017 survey, for instance, we decided to be more proactive towards customers should they experience life-changing events like marriage or divorce. We now contact them about what this means for their personal financial situation.

The results of the Banking Confidence Monitor showed that customer appreciation of our complaints handling process has risen from 3.0 to 3.5 in the past two years. We strive for even more improvement through better communications and information for our customers.

Our impact on our customers



Berry Marttin

Member of the Managing Board responsible for Rural & Retail International, Sustainability, Leasing and Banking for Food Inspiration Centre.

Many parties can provide money, but very few do it with a higher purpose. I have been working on that purpose with the Banking for Food team for years. So, in October I was delighted to be able to launch our Kickstart Food initiative with Wiebe Draijer to an international audience in Washington, D. C. to support the launch of our new mission statement: Growing a better world together. For me, our restated mission really underscores what Rabobank has in fact been doing for years. Taking leadership and responsibility in the debate on how to feed the world sustainably.

In October, we had a meeting with our Managing Board and Supervisory Board in the US, where we also had the opportunity to visit several clients and partners. It

was satisfying and energizing to hear the positive feedback from our clients and employees on our restated mission, and to show them just how it has inspired the company's entire leadership too.

Another one of last year's highlights for me was the worldwide rollout of the Global Farmers platform. Global Farmers is an online community where Rabobank's farming clients can exchange of ideas, and pool knowledge and experiences. I am confident that it will quickly become a key platform for helping our rural clients to grow a better world together.

In Australia, I was impressed to see how RaboDirect linked our purpose to the interests of savers. The concept of 'Saving with a Purpose' shows clients how much money they could save by reducing their food waste, one of our four kickstart themes.

In Africa, Rabo Development launched our ARISE partnership pooling our assets, network and expertise with development institutions Norfund and FMO to strengthen and develop inclusive financial systems in Africa. By supporting local

banks Rabo Development helped about 1.9 million rural individuals in Africa, Asia and South America.

I am very proud of the independent Rabobank Foundation of which we are the founding father. Its work is dear to my heart and its efforts have not gone unnoticed. In July, the United Nations Food and Agriculture Organization of the United Nations awarded Rabobank Foundation the Jacques Diouf Award for its 'many years of dedication to improving the lives and food security of small farmers in developing countries'.

If I had to choose a single key turning point for 2017 it would be the launch of the Banking for Food Inspiration Centre in Q1. It proves that we have entered a new phase in our efforts to support the global transition to a sustainable Food & Agri industry. It shows that our commitment goes beyond just managing relationships to inspiring and driving real change. It's clear to me that our mission of Growing a better world together resonates deeply with our employees and clients.

Client satisfaction

Satisfied clients are our highest priority. Achieving a high level of client satisfaction is only possible through focusing on our clients' needs and expectations. We use NPS to measure Rural client satisfaction and the Greenwich Quality Index to measure Wholesale client satisfaction.

Providing products and solutions for our clients

2017 was a successful year for our international business. For our wholesale clients, we are able to play a leading role in many Food & Agri and other transactions in the Netherlands and worldwide.

Products and innovations that matter

In 2017 we started a range of pilots and experimental innovations like mOOvement and TERRA and continued those which proved useful for our clients around the world. Particularly in the Food & Agri space new technologies and use of data make it possible to produce higher yields from the same land.

Foodbytes!

This platform for Food & Agri Innovation was created with one simple goal: to find the most innovative concepts in Food & Agri and pair them with the capital needed to bring them to the market.

Since the launch of Foodbytes! in 2015, more than 1,400 companies have presented themselves in these pitch forums in New York, San Francisco, Austin, Sydney and Wageningen. With Foodbytes! we continue to strengthen our global network of Food & Agri innovators who help us to accomplish our mission of Growing a better world together.

TERRA

Last year we launched TERRA with the aim of fuelling cross-industry innovation and setting a new standard for Food & Agri. Guided by Rabobank's Food & Agri leadership and expertise, TERRA allows selected cohort companies to work hand-in-hand with corporate collaborators on customised, collaborative and confidential product pilots. TERRA connects the top corporate brands and the top start-ups in the Food & Agri sector. It is the first programme of its kind to bring together the industry's most disruptive start-ups with the execution power of the big players. It is designed to be an ongoing innovation platform that will result in a stream of commercially viable solutions.

Rabobank Global Farmers

Rabobank Global Farmers is a worldwide online farmers community exclusively for our Rabobank customers, which was rolled out globally in mid- 2016. Rabobank's farming clients requested a platform where they could exchange ideas,

experiences and gain knowledge. We expect Global Farmers to become an important platform that helps our rural clients with access to our network and tools to improve their businesses and therefore contribute to Growing a better world together.

mOOvement

'Data is the oil of the 21st century'. We expect that in Food & Agri algorithms based on big data will improve farm productivity. mOOvement, a technology that helps our clients gain better insight into their farm management by allowing them to register, locate and follow their cattle at any time. It collects agri data and combines and analyses it to support farmers and the F&A supply chain in making key decisions. The Australian beef industry is the first market where mOOvement is using track & trace and sensor technology to solve issues concerning localising livestock inefficient pasture use and limited health status.

Blockchain

Blockchain technology can have an enormous impact on corporate clients. To be prepared, we are establishing strategic partnerships to rethink current practices in trade and commodity finance, and to test and exploit the ample possibilities blockchain technology offers.

➤ Read more about [blockchain](#) in this case

Ecosystem

Our ecosystem is a holistic client-based, sector-focused approach. It is based on the idea of thinking through the value chain to get to sector-based solutions and having a clear view of all the relevant stakeholders in a sector. It enables us to be a strategic partner for clients when they need help to get through bottlenecks and find a financial solution.

➤ Read more about [ecosystem](#) in this case

Sustainability programme - Sustainably Successful Together

We recognise the importance of the role that sustainable development can play in society and are committed to facilitating the transition to a more sustainable and circular economy. This is why we are continuing to implement the Sustainably Successful Together (SST) programme which started in 2014. We aim to be ranked by independent rating agencies as one of the most sustainable globally active banks by 2020. For a complete overview of our ratings, please refer to [appendix 3](#).

Our impact on our customers



Excellent
customer
focus

Jan van Nieuwenhuizen *Member of the Managing Board responsible for Dutch and International Wholesale Banking and Commercial Real Estate*

Growing a better world together is a powerful description of our vision for the future. Everyday our colleagues around the world are using our knowledge and network to help our clients to grow and achieve their ambitions.

The 'grow' aspect of our mission is a logical expression of our agricultural roots as well as our ambitions for clients and employees. By helping our clients to grow, we grow as colleagues, teams and individuals.

Clients often say that it's the combination of our knowledge and network that makes Rabobank unique. We do indeed have a unique network and knowledge of the sectors our clients are active in, across the entire Food & Agri value chain around the world and in the leading sectors in the Netherlands. We continue to see the impact of new data technologies, digitalisation, industry convergences and changing consumer trends. In the Food & Agri sector the consumer's influence is growing; 'from farm to fork' is becoming 'from fork to farm'. We already have tools in place to deal with these changes – like our Client Advisory Boards in each region – but the rapid pace of change means that we really need to stay on top of these dynamics.

Innovation is key for securing our future growth. Helping our clients innovate is one of our key priorities. We have conducted our initial proof of concept in

blockchain with our technology partner and the first transactions with clients are expected soon. We strengthened our 'ecosystem' approach to clients, bringing many parties together to look for solutions in their sectors: for example, pilots for animal nutrition in the Netherlands and organic grain in the US are up and running. Developments in the industry and consumer trends make it essential that we look beyond our traditional stakeholders to deepen our understanding and build relationships throughout the broader ecosystem in which our clients operate.

We serve our clients better and more effectively when we work as one bank. I'm delighted to see this togetherness expressed in the new mission and the way we are working together in the Managing Board. I feel that we are making tangible progress in running the organisation as one Rabobank.

Case: Harnessing the power of blockchain

Blockchain has the potential to change today's financial landscape dramatically. It is a system of accounting records shared between multiple parties, enabling them to carry out transactions safely, such as payments between banks. Blockchain can make transactions faster and more reliable.

The technology is complex. To examine thoroughly whether it can be genuinely useful for Rabobank, we are experimenting extensively in our own Blockchain Acceleration Lab and examining dozens of test cases. We have experimented with over 20 blockchain cases where we combined client needs with the possibilities of blockchain.

Last year we were involved in one of the first real-world use cases of blockchain technology by financial institutions. Rabobank and other European banks – Deutsche Bank, HSBC, KBC, Natixis, Société Générale, Santander, Nordea and UniCredit – partnered to create the We Trade platform that aims to make domestic and cross-border trade easier for European companies. The so-called Digital Trade Chain platform enables cross-border transactions for SMEs.

This product will simplify trade finance processes for SMEs by addressing the challenge of managing, tracking and securing domestic and international trade transactions. By maintaining secure records on a digital distributed ledger, We Trade will accelerate the order-to-settlement process and sharply reduce administrative paperwork.

We see many potential applications for blockchain. In the Food & Agri sector, for example, the digitalised approach to managing supply chains through blockchain could benefit farmers, traders, processors, supermarkets, and consumers by boosting transparency and efficiency. Blockchain is unlike many new digital agriculture technologies, which usually focus on an individual segment of the Food & Agri value chain.

Rabobank is therefore working together with clients to explore strategic partnerships that rethink current practices in trade and commodity finance. We are experimenting with using blockchain to benefit players throughout the food value chain.

'Ecosystem' thinking to solve business bottlenecks

How does a bank become a true strategic partner and trusted advisor to corporate customers? One way we are enhancing this role is through our ecosystem approach, which we launched in 2017. It's helping us make new connections, devise new products and solutions, and enrich our dialogue with clients.

The holistic, sector-focused ecosystem approach combines our Food & Agri expertise, enthusiastic, professional employees worldwide, and conversations with players across the F&A value chain to help find tangible solutions to clients' business bottlenecks.

So how does it work? First, we identify a 'pain point' – a real or perceived problem – affecting a small sub-sector within Food & Agri. Then, we investigate this issue in-depth, talking to all relevant players to understand all the dynamics. Our open, agile, non-hierarchical way of working that invites the participation of people from all parts of the bank, whatever their department or level of seniority.

Take organic grain in the US, one of the first issues we tackled with our ecosystem approach. We knew that consumer food companies were keen to 'premiumise' their products and capture strong demand growth for organic products but they

struggled to find a reliable supply of high-quality, domestic organic grain. But why weren't more farmers converting to organic production to benefit from that demand?

Our six weeks of investigation included conversations with farmers, grain traders, protein companies, large branded food companies and players across the supply chain, like logistics companies. Representative of Rural & Retail Banking based in Nebraska, Wichita, St Louis and San Francisco joined a team of Wholesale representatives based in New York, Chicago, Atlanta, Toronto, London and Utrecht. In addition to the Research department and Risk Department ten product groups were represented. The team already knew that the main challenge of 'going organic' was the three year conversion period (which represents a daunting financial hurdle) but they discovered a range of related challenges. For example, going organic requires sufficient special infrastructure: organic commodities must be carried by special trucks and kept in dedicated silos.

Based on our research and follow-up work, we generated tangible ideas to relieve the pain points in organic grain production. These include creating online information and support groups to help farmers engage with the topic, exchange information and take practical steps.

Sustainably Successful Together

The SST programme commits us to integrating sustainability into all relevant policies, processes, products and services.

Our group-wide sustainability goals are:

1. Strengthening the vitality of communities
2. Accelerating sustainable agriculture and food supply
3. Collaborating with corporate clients to make their businesses more sustainable
4. Providing retail customers with not only the best and most suitable financial advice and products but also a positive contribution to sustainable development
5. Our staff consider sustainability an integral part of customer service.

A report detailing the progress of our SST programme can be found [here](#). The following sections highlight the most substantial sustainable developments.

Sustainability Policy Framework

Realising our sustainability ambitions requires in-depth knowledge of the performance of our corporate customers. The Sustainability Policy Framework is designed for all Rabobank stakeholders of Rabobank and forms the basis of

our sustainability standards for business relationships, and for providing financial products and services. Examples of updates of the Sustainability Policy Framework in 2017 are the exclusion by Rabobank from direct financing of the extraction of coal or coal-fired power plants, gas extraction under the Dutch Wadden Sea in the Netherlands, and the decision to add depleted uranium and white phosphorus for use in weapons to the list of controversial weapons. The Sustainability Policy Framework can be found at <https://www.rabobank.com/en/about-rabobank/in-society/sustainability/vision-and-policy/vision-sustainably-successful-together.html>.

Rabobank Climate Strategy

Climate change is rapidly becoming one of the most important global issues impacting society. We take a professional approach to managing climate-related risks and actively seize opportunities to integrate these risks into our products and services. In 2017 we drew up the Rabobank Climate Strategy. The strategy describes our ambitions in respect of climate issues on identifying and managing the key climate-related opportunities and risks for Rabobank and our customers. By offering financial support, sharing knowledge and connecting parties, Rabobank can help customers to mitigate their impact



on climate change and adapt to the new reality. We are an active member of the United Nations Environment Programme (UNEP) pilot project on implementing the recommendations of the Task Force on Climate-related Financial Disclosures as well as the Platform for Carbon Accounting Financials. Please refer to www.rabobank.com for more information on the Rabobank Climate Strategy and other initiatives.

Human Rights

Human rights are universal – to be enjoyed by all people, no matter who they are or where they live. Relevant issues include rights to adequate housing, food, water and sanitation, rights of indigenous peoples, rights to self-determination, and rights to privacy. Rabobank recognises the importance of its role in an international business community, and recognises that the economic activities of its own operations may impact human rights. The Rabobank [Sustainability Policy Framework](#) contains a separate extensive Human Rights Policy including a description of Rabobank commitments to ensure a mitigation of potential human right risks as much as possible. This policy is fully integrated in our client photo and expert opinion and engagement-processes, with underlying KPIs. We respect and uphold the international human rights described in the United Nations Declaration of Human Rights and are guided by the United Nation's Guiding Principles on Business and Human Rights.

Sustainable impact for our customers

We aim to collaborate with corporate clients to make their businesses more sustainable and with our retail customers to also give a positive contribution to sustainable development. We promote and support sustainable frontrunners and give them priority in financing. In below table, the total amount of our sustainable products and services are shown. Some of the highlights are elaborated on below. For a detailed overview of sustainable products and services, please refer to [appendix 3](#).

KPI: Rabobank gives priority to sustainability leaders in financing and will double the volume of the services provided to them.

Sustainable products and services

<i>in millions of euros</i>	2017	2016	Target 2020
Total sustainable financing	18,610	18,791	Doubling of services (base year: 2013)
Total sustainable assets under management and assets held in custody	4,030	3,835	-
Total sustainable funding	3,501	2,985	Doubling of services (base year: 2013)
Total financial transactions supervised by Rabobank	6,236	5,750	-

Customers as sustainable leaders

Rabobank wants to help its customers to develop a sustainable business model. To gain better insight into the approach and achievements of our customers in environmental, social and governance (ESG) related matters, we have developed client photo (Klantfoto). Account managers create a profile of their wholesale clients and assign one of five sustainability categories to them from 'sustainable leader' to 'does not adhere to Rabobank's sustainability policy'. We have integrated the client photo as a criterion for our primary lending process.

KPI: By 2020, all our corporate clients will have maximum access to the sustainability expertise they require, and the sustainability performance of all our larger corporate clients will be recorded in a client photo.

Client photo

	Number	%	2020 target
Local Rabobanks	14,192	98.4%	100%
Wholesale	1,413	72.5%	100%
Other Group divisions	n/a	n/a	100%

Sustainability performances of clients of local Rabobanks in the Netherlands (exposure > 1 mio EUR)

Number of clients per sector

	Total	A	B	C	D+	D
Food & Agri	6,371	212	6,073	85	1	0
Trade, industry and services	5,349	207	4,892	246	2	2
Other and unclassified	2,463	134	2,280	47	0	2
Unknown	9	1	8	0	0	0
Total in numbers	14,192	554	13,253	378	3	4
Total in %	100%	4%	93%	3%	0%	0%

Receivables from clients in millions of euros

	Total	A	B	C	D+	D
Total loans and advances	43,518	2,323	39,803	1,290	4	99
Total in %	100%	5%	91%	3%	0%	0%

Sustainability performances of clients of wholesale offices (exposure > 1 mio EUR)

<i>Number of clients per sector</i>						
	<i>Total</i>	<i>A</i>	<i>B</i>	<i>C</i>	<i>D+</i>	<i>D</i>
Food and agri	266	55	168	39	4	0
Trade, industry and services	1,063	218	725	103	10	7
Other and unclassified	84	17	57	10	0	0
Total in numbers	1,413	290	950	152	14	7
Total in %	100%	21%	67%	11%	1%	0%

<i>Receivables from clients</i>						
<i>in millions of euros</i>	<i>Total</i>	<i>A</i>	<i>B</i>	<i>C</i>	<i>D+</i>	<i>D</i>
Total loans and advances	53,946	11,395	36,990	4,260	1,070	232
Total in %	100%	21%	69%	8%	2%	0%

<i>Category</i>	<i>Criteria</i>
A	A customer is in the highest category if it is among the most active companies in sustainability in its peer group. These customers are (pro)actively engaged in preserving their core business, while also looking at innovative solutions.
B	The majority of our customers are in this category. They recognise that sustainability is an issue that they have to take into account in their business and they respond to demands from customers or from the market. Working on the sustainability of the core activities is done mainly from an economic perspective. For example, they seek a balance between investments and fast returns.
C	Customers in this category see sustainability as a necessary requirement imposed on them via (inter)national laws and regulations. Sustainability is seen as an increase in costs and therefore adopted only when benefits are proven or regulations amended.
D+	This client does not (yet) meet Rabobank's sustainability policy on one or more points or has not responded adequately to key questions. Specific agreements are made about a possible solution and timelines are established. Once the customer meets the sustainability policy of Rabobank, it is classified in category A, B or C.
D	The customer does not meet Rabobank's sustainability policy (any more) on one or more points or does not give Rabobank insight into their sustainability. Here no specific arrangements are made within certain periods or the client does not respect its commitments. Financing of prospects in category D will not be approved. The relationship with existing customers in category D will be phased out.

In 2017 Rabobank covered 98.4% of its portfolio of clients with an exposure of over EUR 1 million with a client photo in the Netherlands. We also expanded the client photo coverage for our Wholesale Clients. This part of the client photo covers 72.5% of the corporate clients from international offices with an exposure over EUR 1 million. What stands out is the high percentage of frontrunners in our Wholesale domain, 21%. This matches our ambition of being the preferred bank for leading sustainable Food & Agri Wholesale companies. In 2017 Rabobank started implementing the client photo process for the final category of clients; our rural clients (with an exposure of over EUR 1 million). The sustainability performance of rural clients served in Brazil, Chile, Australia, New Zealand and in our

Rabo AgriFinance (RAF) office were assessed. The assessment of Clients of Rabobank National Association (RNA) will be finalised in 2018.

Expert Opinion and Engagement

Companies that do not comply with our sustainability policy may be having a serious negative impact on people or the environment. We initiate a client engagement process with such clients in order to bring them back into compliance and make sure the impact is redressed. We initiate a client engagement process based on a set of fixed criteria when we receive information indicating that a client's sustainability performance is not in line with our sustainability policy.

In 2017, the central Sustainability Department engaged with 56 clients in the fields of environment, human rights, labour rights and governance. Refer to [appendix 4](#) for more information. We have developed a procedure for enhanced analysis of clients active in countries and industries with major sustainability risks or controversies. This procedure enables us to assess the sustainability performance in greater detail during the lending process. The resulting 'expert opinion' which provides a deeper understanding of our clients risks and opportunities for our clients and informs our decision-making.

Impact Loan for SMEs

To facilitate the transition to a more sustainable and circular economy, we wish to increase the delivery of products to clients we consider to be sustainable frontrunners. An example is our Impact Loan. This was developed and funded in collaboration with the European Investment Bank (EIB) to encourage small and medium-sized businesses in the Netherlands to make sustainable investments. The loan enjoyed continued success in 2017 and Rabobank received a third tranche of EUR 200 million from the EIB.

We introduced a EUR 100 million Rabo Impact Loan for healthcare and elementary schools, two sectors which are of great importance to the cohesion of Dutch communities, in cooperation with the Council of Europe Development Bank. The total outstanding volume of Rabo Impact Loans was EUR 193 million at the end of 2017, up from EUR 80.6 million at the end of 2016.

Brazilian Green Loan for Food & Agri

As an Food & Agri bank, our sustainability efforts for clients are geared towards this sector. Rabobank Brazil, for instance, launched a Green Loan for Food & Agri clients who want to invest in renewable energy. The first loan of this type was granted to an entrepreneur who grows beans, soy and corn and who wanted to invest in solar power.

Green Bonds and Green Revolving Credit Facilities

The support for sustainable frontrunners evolved progressively in the debt capital markets, as we have been more involved in issuing green, social and sustainability bonds for large corporations, public institutions and financial institutions in 2017. Rabobank is a partner of the Executive Committee of the Green Bond Principles, and is one of the drafting parties of the Climate Bond Initiative's standard for Land Use Criteria (previously Agriculture, Forestry and other land use).

Our innovative green bond programme was named 'bond of the year' in the Green Bonds Award 2017. This bond has dual aims: it gives investors exposure to large-scale renewable energy projects as well as linking socially responsible fixed-income investors with sustainable SMEs that lack the scale to issue green bonds themselves. This approach enables the financing of areas that have traditionally been inaccessible to institutional investors. All proceeds of the issued Rabo Green Bond (2016) were allocated to 12 new wind and solar power projects in the first year after issuance of the bond. See [appendix 3](#) for more information and the [first annual Green Bond Report](#).

In 2017, capital markets saw the birth of Green Revolving Credit Facilities: syndicated loans where environmental and social criteria are embedded in the credit arrangements. Rabobank has been involved in several instances of this new type of corporate financing.

Rabo Groen Bank (Green Bank)

Private investors can also invest in sustainable business through Rabobank's green bank, Rabo Groen Bank. Since private investors with a green savings account benefit from a tax reduction, Rabo Groen Bank benefits from lower funding costs as a result. It transfers this benefit in the form of an

interest discount on green loans to companies with sustainable investments. In total Rabo Groen Bank issued EUR 1,424 million in green loans.

Clean Technology

At DLL new business volume from Clean Technology grew in 2017 with the portfolio surpassing EUR 383 million. The increase was attributable mainly to the renewables business in the US, and the Energy Efficiency business which had significant growth in the US and expanded in Europe.

Promoting responsible investing on capital markets

Rabobank takes the sustainability performance of companies and countries on issues like people, the environment and good governance into account when making investment decisions. We provide information to clients, enter into dialogue with the asset managers with whom we cooperate, engage with companies that underperform based on the UN Global Compact principles and take conscious choices on our range of investments.

We ask cooperating fund houses to refer to the United Nations Global Compact principles and incorporate these ten principles in their corporate sustainability strategies on human rights, the environment, labour rights and anti-corruption. Clients who want to take sustainable investing a step further can use Rabobank's ample offering of additional screening options and sustainable investment funds. These funds typically have more stringent exclusion criteria, a best-in-class approach or thematic investing. In 2017, Rabobank total sustainable assets under management and assets in custody – including funding – amounted to EUR 7,531 million.

Fair Finance Guide

Our performance related to Rabobank's investment policy is measured by the Fair Finance Guide. See for a couple of our results the table Fair Finance Guide or [appendix 3](#) for a complete overview of the results.

Fair Finance Guide			
	2016 ¹	2015	2014
Human rights	8	8	8
Climate change	3	5	3
Labour rights	9	9	9
Remuneration	5	4	2
Corruption	8		
Food	6	7	5
Fisheries	6	7	6
Financial Sector	3	3	1
Transparency and accountability	5	6	5
Gender Equality	4		

1 In 2017 no research has been conducted by the Fair Finance Guide.

Promoting the circular economy

The circular economy is of importance to Rabobank. It serves as a point of reference for our Banking for the Netherlands and Banking for Food focus points. Circular economy methods offer our clients a way to deliver value and profitability in a sustainable manner. By designing products to be recycled, reused or remanufactured at the end of their first life cycle, manufacturers can help reduce pressure on the planet's finite resources. We believe that transforming the linear economy into a circular one will strengthen the competitiveness of the Dutch economy and of clients active in global food supply chains.

Our leasing arm DLL, supports its partners in their transition to a circular economy by providing financial solutions through its Life Cycle Asset Management (LCAM) programme. In this programme DLL collaborates with dealers and manufacturers who sell used equipment, but also increasingly refurbish or even remanufacture assets to extend their useful life significantly. For more information on the sustainability activities of DLL, please refer to <https://www.dllgroup.com/en/annual-report>. For more information on circular economy, see textbox.

Sustainable real estate opportunities for retail and corporates

The focus on Sustainable real estate is growing in our services and products for retail and corporate customers. Real estate is responsible for 40% of global energy consumption. Reducing the energy usage of the properties in our real estate portfolios will contribute to the current Dutch climate goals. To accelerate and merge current sustainability strategies, we have set up a real estate strategy for the Netherlands with the aim of making our real estate portfolio more sustainable. Besides the requirements for our customers, we also set internal goals to improve our own real estate. We intend for all Rabobank offices to have at least an A-label within the next 5 years.

Mortgages

We have placed a special focus on the energy efficiency of houses as this provides retail customers with an accessible way to reduce their use of energy. The new Dutch government has decided that all houses must have an average of energy label rating of A in 2030. Currently, about 45% has a D-label or even lower which means much needs to be done. Rabobank strives to align its financial product and services with the customers' sustainability requirements and our knowledge and network opportunities.

Creating circular networks

Circular enterprise requires entrepreneurs to develop a new way of thinking, looking beyond the boundaries of their own businesses and cooperating with others. This creates new ideas and business models. The Rabobank Circular Economy Challenge (CE Challenge) is a regional initiative to help entrepreneurs transition to circular entrepreneurs.

The goal of the CE Challenge is to map circular opportunities for regions and for individual businesses, bringing entrepreneurs together to devise new ideas and solutions to achieve their circular ambitions. The [CE Challenge](#) consists of a region scan, company scan, various workshops and the design of a circular action plan. In 2017, 32 businesses participated.

To make the CE Challenge as effective as possible, we partnered with CSR Netherlands and KPMG in 2017. CSR Netherlands deployed its network, knowledge and active matchmaking capabilities to guide entrepreneurs during the challenges. KPMG worked on the analyses performed for the region and company scans.

The CE Challenge has added value for entrepreneurs. It encourages them to initiate circular enterprise, gives them access to new circular networks, and makes businesses into important role models for their regions. The challenges also inspire entrepreneurs to form new alliances and circular solutions, because of the cross-sector discussions facilitated by the dialogue sessions.

Recent success stories include two entrepreneurs who met at a CE Challenge in the province of Zuid-Holland, and have since teamed up with their new 'product as a service' business model. Property maintenance company Etro Vastgoedzorg was the 2017 CE Challenge winner for the Amsterdam metropolitan area, with its realistic and feasible plan to repurpose existing buildings.

Rabo GreenMortgage

A product that testifies to our sustainability efforts is the 'Rabo GreenMortgage (GroenHypotheek)'. The green mortgage offers retail customers a discount of 0.5% on the interest rate when they buy a newly built energy-efficient house. It makes use of the so-called green measure ('groenregeling'), so Rabo Groen Bank's green capital can be used to finance energy efficient houses.

Incorporation in the mortgage consultation

To encourage retail customers to invest in energy saving measures, we have started our collaboration with GreenHome. New and existing customers are referred to the GreenHome platform for a quick scan of the available energy efficiency measures. They can also get support during the process from GreenHome and connect with local installers. A national programme for local Rabobanks has been set up to incorporate energy saving measures in their mortgage consultations with customers. This includes the training of all mortgage consultants, appointing champs as accelerators at each local Rabobank, joining up local installers and providing local marketing tools.

In 2017 we again organised Smart Renovation ('Slim Verbouwen') events to promote energy efficiency in housing. At these events, our corporate clients can showcase their products and services and connect with our retail customers with an eye to helping them make sustainable home improvements. Our commitment to reducing energy has already brought improved the energy label ratings of our mortgage portfolio, as shown in the following figure.

Current energy labels of Rabobank mortgage portfolio of Domestic Retail Banking.

Energy labels in the mortgage portfolio				
Energy label	% of houses funded by Rabobank (2016) ¹	relative discrepancy	% of houses funded by Rabobank (2017) ²	% of houses in the Netherlands ³
A	16%	+2%	18%	11%
B	16%	-1%	15%	16%
C	26%	0%	26%	31%
D	17%	-1%	16%	21%
E	11%	-1%	10%	11%
F	8%	0%	8%	6%
G	6%	+1%	7%	4%
Total	100%	-1%	100%	100%

Amount mortgage portfolio	Total loan amount
Total mortgage portfolio	EUR 193.1 billion
'A' energy labels (18.1% of total)	EUR 35.0 billion ⁴
Climate mortgages	EUR 58.5 million

Sustainable real estate finance

We have adopted a new real estate sustainability policy that states that new real estate loans and refinancing are obliged to comply with requirements for minimal energy labels as of the end of 2017. This will apply to all real estate, starting with offices, and the targets need to be met in 2022 (minimum energy label C).

Rabobank's real estate portfolio has been analysed by a specialised agency to ascertain the current situation of the labels. The conclusion was that 55% of utility buildings have a C energy label or higher, or 30% including rental property.

We set a target to make our commercial real estate portfolio completely sustainable in the next 10 years (energy label A). The interim target is to reach 100% energy labels C in 2020, well before the required deadline in 2022. Apart from the energy labels we strive to include circularity, sustainable entrepreneurship and insight in how healthy the location of the property is.

To contribute to making buildings more sustainable, Rabobank in 2017 joined the Dutch Green Building Council. We also participated for the first time in the Global Real Estate Sustainability Benchmark for debt and received a four-star rating.

Our subsidiary Bouwfonds Property Development (BPD) the largest housing developer in the Netherlands has announced they will develop detached houses with an EPC of 0.26 or better. This is 33% better than the standard of current construction laws.

Our own efforts

Sustainable procurement

The Sustainability Policy Framework addresses policies, but also provides an overview of the implementation landscape with Standards: documents describing how to implement the policies. The Sustainable Procurement Standard is valid for Rabobank Group, and requires a supplier's level of sustainability to be documented during the Requests for Proposal, RFP's (Procurement Projects). Rabobank business departments determine their sustainability requirements according to their department's sustainability goals. The Rabobank Procurement department participates in the business procurement teams for projects exceeding EUR 50,000. Procurement supports the business in checking potential suppliers compliance with sustainability criteria based upon the ISO26000 guideline. In general, the Standard requires that Rabobank exclude potential suppliers if they are involved in activities which the bank

- 1 In 2016 approximately 15% of the mortgage portfolio had a confirmed energy label.
- 2 In 2017 approximately 16% of the mortgage portfolio has a confirmed energy label.
- 3 Confirmed energy labels: Rijksdienst voor Ondernemend Nederland.
- 4 In 2017 approximately 16% of the mortgage portfolio has a confirmed energy label. This is extrapolated over the total mortgage portfolio. To come to the total corresponding loan value an assumption is taken that the loan value per mortgage financed house in all energy labels is the same.

considers unethical or inappropriate. Departments are encouraged to incorporate sustainability criteria and incorporate them in their decision making process. The departments deliver their sustainability requirements to 'Rabobank Concern Inkoop' (RCI). RCI then will ask the suppliers if they can meet the required sustainability requirements. The business can use a sustainability tool, which also offers the option of tracking suppliers' progress of the suppliers in meeting the requirements, to compare suppliers' sustainability levels.

Efforts to reduce emissions

Rabobank continues efforts to reduce CO₂ emissions per FTE by 10% between 2013 and 2020. We implemented an energy management system which provides management and control information to ensure compliance with EEP 2017-2020 and gives insights into savings made in terms of energy use and CO₂ emissions. In 2017, we joined the Carbon Disclosure Project to publicly disclose data on how much energy we use and our emissions reduction efforts. We also increased our green gas purchasing. Rabobank was again climate neutral in 2017 and is actively reducing CO₂ emissions related to its own operations. Rabobank is following the developments of reporting standard setters on carbon disclosure and climate change reporting. We recognise that the potential impact of climate change and carbon reporting through our client base is much larger than our own footprint. See [appendix 3](#) for more information on our own CO₂ emissions.

Safe transfer of data

In the digital world it is more important than ever to ensure the standardised and secure exchange of financial information. Since 1 January 2017 Standard Business Reporting has been the national standard for the digital exchange of business information in the Netherlands.

SBR is a public-private partnership initiative to exchange financial data between entrepreneurs, intermediaries, government bodies (currently Chambers of Commerce, the Dutch tax authorities and Statistics Netherlands) and private parties. To make financial data exchange between entrepreneurs and banks more efficient three Dutch banks – Rabobank, ING and ABN AMRO – set up 'SBR Banken'. In this partnership the banks work with intermediaries and software suppliers to stimulate secure and efficient digital data exchange. Rabobank considers SBR to be a meaningful building block for secure digital data exchange.

Protecting personal data

The intensification and acceleration of technology present opportunities to innovate and increase effectiveness for our customers. Big data, for example, can give customers greater

insight into their specific situation. However, it also raises potential risks for exposure that could result in anything from a privacy breach to outright discrimination.

Rabobank takes the protection of personal data of clients and employees very seriously. We avoid using personal data in Big data analytics unless we have adequate data protection measures such as data confidentiality and restricted access, as defined under the European General Data Protection Regulation. Commercial use of data is carefully monitored and governed by the Business Data Committee. Data use is weighted by business value, legal boundaries and ethical considerations. In this respect, the committee acts as a line definer in data for the Rabobank Ethics Committee.

Ethics

In order to restore and maintain trust of its stakeholders and society in general, the financial sector must ask ethical questions in relation to their business activities. For this reason, Rabobank's Ethics Committee scrutinises ethical themes and practical cases which the bank faces. Through its great attention to these cases, the committee can define justifiable and sustainable positions regarding to the dilemmas we face.

The Ethics Committee met five times in 2017 and dealt with 18 practical cases relating to themes like responsible use of data, pricing and fiscal ethics. Generally, cases involve funding requests but sometimes relate to whether it is desirable to provide a current account to certain customers. Some of the issues that arose last year included how to deal with a customer or prospect trading in air soft weapons, a residents' association that wanted to stop asylum seekers moving into the neighbourhood, and a company whose business focuses on 'secondary tickets' for events.

In respect of big data, the Ethics Committee considers the key question to be whether the use of big data serves the interests of customers. This pertains for example tackling fraud and the IBAN-Name Check tool developed in 2017. The Ethics committee maintains that the language used in communicating with clients about opting in to data must be 'easy to read'. Explanations must be formulated clearly and not consist of long legal agreements and jargon, expecting the customer to simply accept/not accept by ticking a tick box at the end.

Rabobank prefers an approach to introducing new data services that is cautious rather than pioneering. As a general rule, if you cannot explain the value to the customer, then you should not be doing it. Rabobank should be the bank that makes an ethical judgement first before giving a go-ahead to the new options.

Our impact on our customers



Excellent
customer
focus

Ieko Sevinga

Member of the Managing Board and Chief Information & Operations Officer

I am proud of the progress we made at IT and Operations in 2017. We implemented many improvements and innovations that contributed to transforming Rabobank into a 'Tech Fin' company; a large-scale financial institution driven by technology and innovation. Under our motto 'Building Tomorrow's Bank Today', we have linked all our activities to five themes: always on, fast & flexible, simplicity, excellent data and innovation.

We made substantial investments in chain monitoring to allow earlier detection of upcoming problems in our banking systems, for example DDoS-attacks. We want to solve problems before they impact our clients. Our internet and mobile banking showed less downtime in 2017¹. An impressive result considering the many changes we were making at the same time. 'Always on' is indisputably our top priority.

The implementation of automated testing and deployment resulted in a shorter time to market for new software in our client applications. We also took a major step in removing legacy. We deployed significant capacity to decouple or simplify the connections between our applications. This involved establishing several change programmes which will start to bear fruit in 2018. All these investments combined with a strong focus on an Agile and Dev/Ops way of working, are resulting in more agility and an ability to respond quicker to the changing needs of customers.

We are busy merging our Dutch and International infrastructure. One key effort is the development of a single global digital workspace for all Rabobank employees. Preparations were made for this in 2017 and we are ready to roll in 2018. We also made progress with centralising our client support centres, like those for insurance and mortgages. In this way, we have contributed substantially to 'One Rabobank'.

Our data initiatives are laying the foundations for the bank's data-driven ambitions. This allows us to improve data quality, availability and protection all at the same time.

We have also made a strong commitment to innovation. We have already put some in practice, through the robotisation of repetitive actions. In others as a proof of concept, for example with blockchain technology for the grain value chain in Australia and the use of artificial intelligence (AI) to answer employee IT questions. These innovative activities raised our profile in the IT world and it's gratifying that top IT talent is increasingly interested in working for Rabobank. We will do our utmost to further develop these top talents and retain them for the bank.

2017 was a year of major changes. The first results are clearly visible but we still have some ground to cover. I look forward to pursuing these challenges with my team in 2018.

1 As reported to the Nederlandsche Bank.



Meaningful
cooperative

We translate social developments into specific contributions for the long term. Cooperative banking means acting as a forward-looking social compass that actively involves members, employees and customers and connects them in a network, with each other and with Rabobank. We take a stand on social issues that matter to our clients and stakeholders.

Our impact on society

Being a meaningful cooperative bank is the essence of what Rabobank stands for: it is one of the four cornerstones of our strategy. In a rapidly changing society and in an era of digitalisation and diminishing trust in institutions, life seems to revolve more around the individual instead of the community. People are required to be more independent and self-reliant in a world of increasing uncertainty.

Knowledge and networks

RaboResearch published 3,600 publications in 2017.

3,600
publications



Blockchain advantages to the food value chain

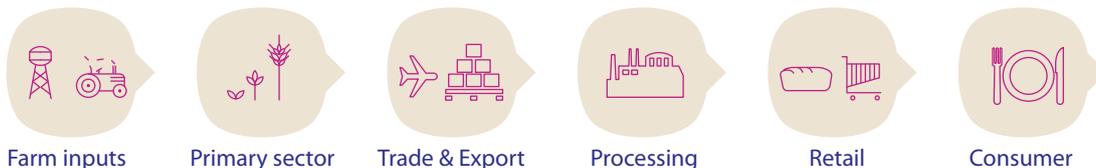
Farmers/inputs suppliers

- Optimise yield and operational management
- Anticipate future developments
- Provide product and process guarantees

Offtakers

- Enable market- and consumer-driven production
- Shorten and optimise production chains

Reduce food waste and increase production



Example Value chain

- Predict market dynamics to anticipate supply/demand and negotiate better prices
- Meet demand by consumers for more transparency e.g. provenance, production methods, etc.

in 2017:
9 round tables,
2 value chain
visions

Strategies

Banking for food



Banking for the Netherlands



KICKSTART FOOD

Facilitate sufficient sustainably produced and healthy food for the growing world population

- Kickstart Earth
- Kickstart Waste
- Kickstart Stability
- Kickstart Nutrition

Climate Smart Agriculture

Reduce the scale of Food Waste

Kickstart Self-sufficiency

Kickstart Living environment

Kickstart Entrepreneurship



Client Photo

We measure the sustainability performance of nearly all our larger corporate clients in a client photo.

Local Rabobanks

98.4%
2016: 99%

Wholesale

72.5%
2016: 85%



Supporting local communities

In 2017, local Rabobanks supported **14,206 social initiatives**, of which 72 were specific **new collective local community initiatives** in the Netherlands, with both a social and an economic purpose.

“We want to help build a better and more sustainable world. We care about the society in which we live.”



We supported 260 initiatives abroad in 2017

Banking for food

Stimulating innovation in Food & Agri in three continents



FoodBytes!
by Rabobank

TERRA
by Rabobank + RocketSpace

Mission Statement



Growing a better world together.

Partnerships sustainable development goals

Community funds and donations

We invested 2.5% of our net profit in social initiatives on a not-for-profit basis.

65.9
EUR million



Rabobank launched a **\$ 1,000,000,000** partnership with **UN Environment** for clients to stimulate forest protection and sustainable agriculture.



Rabobank is member and co-chair of the Climate Smart Agriculture Working Group of the WBCSD



Partner of WWF on sustainable production

Our impact on society



Meaningful
cooperative

Wiebe Draijer

Chairman of the Board

When people ask me what makes Rabobank different from other banks, I answer that it is our purpose as a meaningful cooperative.

Of course, we are a banking business first and foremost. And like all businesses, if the basics aren't right, our customers will go elsewhere. Our results for 2017 show that we're doing the basics better than ever: The Rabo Banking App in the Netherlands has 4.6 stars in the Apple App store, our digital reliability is 99.9%, our Net Promoter Score has increased over the last five years, and our products are relevant, competitive and increasingly innovative.

From these foundations Rabobank customers can choose to do all their banking business online. Or they can choose to have a conversation with one of our advisers: professionals who understand the customers personal or business

context and are part of their communities and networks. They offer advice supported by Rabobank's research expertise and sector knowledge, embodying the meaningful cooperative for our customers in the Netherlands and around the world.

The final distinguishing factor of Rabobank is our mission, Growing a better world together. This is about being a meaningful cooperative with strategies in place to contribute to welfare and prosperity in the Netherlands and using our leading position in global Food & Agri to help resolve the global food issue.

We want existing and potential customers to know that we are not just a bank that does things right, but one that also does the right thing, and does it well. We dare to take a stand on issues that are important to our customers. Our purpose is to help improve the world by focusing on those themes that are within our sphere of influence. We combine finance, knowledge, networks and partnerships so we can be more than just a bank.

In 2017, local Rabobanks in the Netherlands invested EUR 38.9 million in local projects through the cooperative dividend. Once again in 2017, Rabobank Foundation, an independent foundation set up by Rabobank over 40 years ago, helped thousands of small farmers in developing countries to achieve financial self-reliance. The FAO acknowledged Rabobank Foundation's long-term efforts with the Jacques Diouf award. As part of our efforts to achieve the UN Sustainable Development Goals, we continued our partnership with WWF and we joined the World Business Council for Sustainable Development. In October, we launched the new mission Growing a better world together and immediately partnered with the UN Environment Programme in our Kickstart Food programme through the launch of a USD 1-billion facility to catalyse sustainable food production. These are just some examples of what it means to be a meaningful cooperative.

Our impact on society

Being a meaningful cooperative

Being a meaningful cooperative bank is the essence of what Rabobank stands for: it is one of the four cornerstones of our strategy. In a rapidly changing society and in an era of digitalisation and diminishing trust in institutions, life seems to revolve more around the individual instead of the community. People are required to be more independent and self-reliant in a world of increasing uncertainty.

We see cooperative banking as a forward-looking social compass in which customers, members, and employees are actively involved and connected in a network, with each other and with the bank. We aim to deliver a specific contribution to society with specific impacts.

Promoting sustainable food supply

As a leading Food & Agri bank worldwide, we are committed to helping solve the global food issue and helping to nourish the world more sustainably. Banking for Food is our strategic pillar to help achieve this. To help feed the world's population in a sustainable way, Rabobank focuses on four major issues [earth](#), [waste](#), [stability](#) and [nutrition](#). We are in continuous dialogue with our customers in the Food & Agri business in the Netherlands and around the world about their sectors and how to enhance our joint efforts to make the food chain more sustainable.

Kickstart Food

On the UN's World Food Day in November 2017, we announced our global 'Kickstart Food' programme, which seeks to accelerate the transition to a more sustainable food supply. This programme marks the start of a three-year initiative to kickstart and scale up Rabobank's support for customers and partners in the transition to a more sustainable Food & Agri sector. The initiative covers four main kickstart areas: [earth](#), [waste](#), [stability](#) and [nutrition](#). In 2017 we started with Kickstart Earth. Waste, stability and nutrition will follow in 2018.

Earth, waste, stability and nutrition

Different programmes will address specific areas in which a sustainable food supply can be stimulated. Kickstart Earth aims to promote solutions such as integrated crop, livestock and forestry farming that can help restore and sustain the soil while increasing crop yields. Through Kickstart Earth we will scale up these and similar efforts around the world. One of the first kickstart events was the launch in October 2017 of a USD 1 billion facility in a partnership with UN Environment and that focuses on land restoration and forest protection initiatives. With this partnership, we again renew our commitment to the UN SDGs.

Kickstart Waste will work on reducing food waste throughout the food supply chain. Kickstart Stability aims to create a more stable and resilient Food & Agri sector. Kickstart Nutrition focuses on ensuring a healthy and balanced diet for everyone.

Knowledge and networks

Rabobank's research departments, known as RaboResearch, published 3,600 publications in 2017. We share our knowledge worldwide via our [website](#), mailings, events and social media. Researchers and analysts regularly represent Rabobank in newspapers and on radio and TV. Above all, we deploy our knowledge for optimal customer service. We analyse economic, political and financial developments in the Netherlands and around the world and bring this applied knowledge to customers so that they can make better decisions.

RaboResearch Global Economics & Markets helped our customers to understand the potential impact of Brexit on the Dutch economy through a scenario study that was picked up by the international media. For example, we hosted a Brexit event at Rabobank's London office which included a roundtable discussion with companies involved in the animal protein sector. A group of client CEOs and CFOs attended the event, along with senior representatives of the bank.



RaboResearch Food & Agribusiness organised a seminar for Brazilian coffee farmers in the Netherlands. The Brazilian farmers were introduced to Dutch roaster and trader clients. Together with Brazilian government representatives and coffee experts from RaboResearch they explored trade opportunities and potential matches. Rabobank also hosted a group of leading grain producers from across Australia on a knowledge tour to Rabobank clients in the US Midwest who operate the country's largest scale farms. Analysts from RaboResearch gave a keynote speech on different aspects of the US grain industry supply chain.

RaboResearch also plays an active role in the debate on social themes and contributes to the bank's vision of increasing the prosperity and welfare of the Netherlands. RaboResearch Netherlands launched the Broad Prosperity Indicator at the provincial level. The aim was to facilitate discussion with stakeholders on various socio-economic criteria and reach better quality of (government) policy. Our regional economic scans provide insight into the economic and social issues affecting the areas Rabobank works in so that we can enhance the connection between our services and our social involvement with the region.

Knowledge and partnerships

Through our knowledge, activities and partnerships we work to address local and global challenges as expressed in the SDGs. Rabobank believes it can add value by participating in roundtables to share knowledge and expertise and by partnering with clients in ten key value chains: soybeans, palm oil, sugarcane, forestry, beef, dairy, fish, coffee, cocoa and bio-materials. Three criteria were used to identify these chains: many active clients in the chain; clients spanning the entire chain and relevant sustainability issues in the chain.

KPI: We define our vision of how to improve the sustainability of the agricultural value chain for soy, palm oil, sugarcane, forestry, beef, dairy, fish, coffee, cocoa and bio-materials. We share our vision and actively participate in roundtables or similar initiatives to accelerate the process of making these agricultural value chains more sustainable and work together with our clients to integrate the outcomes of these dialogues into their business operations and achieve commercial success at the same time.

	2017	2016	2020 target
Number of published value chain visions (cumulative)	2	2	10
Number of value chains for which we participate in a roundtable or similar initiative	9	9	10

As a financial institution working in multiple sectors, it is crucial for us to have a broad vision on sustainability within a chain. We will update our current visions on sustainable palm oil and coffee if new trends require a new perspective on the sectors.

Working with the WWF

Rabobank has been collaborating with the World Wide Fund for Nature (WWF) since 2011 on achieving our shared goal of making global food supply chains more sustainable. In recent years we have set up projects with entrepreneurs to increase the sustainability of five projects in five food chains in five countries: salmon in Chili, soy in Brazil, milk in the Netherlands, palm oil in Indonesia and sugarcane in India.

Banking for Food Inspiration Centre

We set up the Banking for Food Inspiration Centre in 2017 to consolidate and manage knowledge from inside and outside Rabobank: via Food & Agri research, the innovation agenda around start-ups, and farming network initiatives. And through [partnerships](#) with banks in Africa and Latin America and its relationships with NGOs, organisations like the World Bank, the United Nations and governments around the world.

World Business Council for Sustainable Development

In 2017, we joined the WBCSD, a CEO-led organisation of over 200 leading businesses working together to accelerate the transition to a sustainable world. This will enhance our efforts to support farmers in more efficient and sustainable production. Rabobank also became member and co-chairman of the Climate Smart Agriculture Working Group of the WBCSD motivated by the ambition to ensure greater availability of food in 2030 and to reduce agriculture-related greenhouse gases. We actively joined the Biodiversity Monitor and our partnership with the United Nations Environment Program.

Supporting community vitality

We believe that a bank must do more than provide financial services. Investing in communities is a significant part of our identity. We invest in the local communities with cooperative dividend and knowledge, networks and volunteering by our employees. Local Rabobanks also invest part of their net profit in the independent Rabobank Foundation, which invests in international projects. Rabobank Foundation also invests in projects in the Netherlands together with local Rabobanks.

Investing in self reliance

Social reinvesting of our net profit

An integral part of the Rabobank ethos is the cooperative dividend, which is the portion of our profit that is reinvested back by local Rabobanks into the community. These are funds from Rabobank entities that are used for projects and activities which benefit society. Local Rabobanks allocated an amount of EUR 45 (2016: 40) million from their net profit for future investments in local community initiatives in the Netherlands. The projects are chosen by members of the local Rabobanks and the dividend is allocated across a wide spectrum of projects throughout the Netherlands.

It demonstrates that Rabobank does more than just provide banking services. In 2017, local Rabobanks supported 14,206 social initiatives, of which 72 were specific new collective local community initiatives in the Netherlands, with both a social and an economic purpose. These collective initiatives consist of local renewable energy cooperatives, local civil healthcare collaborations and fibre optic internet projects.

In 2017, investments in social initiatives as a percentage of our net profit totalled 2.5%, down from 2.9% in 2016. Our KPI target for these investments is 3%.

Rabobank Foundation

On average around 0.5 percent of the local Rabobanks net profits is invested in providing funds for Rabobank Foundation. Rabobank Foundation is an independent foundation and its financials are not included in the consolidated figures of Rabobank. Rabobank Foundation's mission is to invest in people's self-sufficiency. In the Netherlands, they focus on social entrepreneurship, employability and financial self-sufficiency. Internationally the Rabobank Foundation supports small-scale farmers and their cooperatives. Rabobank's collaboration with Rabobank Foundation contributes to our Banking for the Netherlands and Banking for Food strategies by supporting social projects that boost vulnerable groups' participation in society. Through 51 project partners in the Netherlands, the Rabobank Foundation helped 619,565 people in 2016¹. Rabobank Foundation supported 260 initiatives abroad in the year 2017. For more information see <https://www.rabobank.com/en/about-rabobank/in-society/rabobank-foundation/rabobank-foundation-news/2017/20170222-satellite-data-key-resource-in-financing-food-security.html>

1 2017 data is not yet available.

2 The 2016 figures have been restated due a change in methodology.

Jacques Diouf Award

We are very proud that the independent Rabobank Foundation received the FAO's international Jacques Diouf Award in 2017. The FAO Awards are an initiative of Food and Agriculture Organization of the United Nations and are presented annually. Recipients include individuals, institutions and organisations that make a substantial contribution to resolving the global food issue.

The Rabobank Foundation was presented with the award for its efforts to support and economically strengthen small farming communities in developing countries. Receiving the award is a recognition of the Foundation's many years of work and its dedication to this cause.

KPI: We support social initiatives in the communities in which we operate with manpower, knowledge, networks and facilities and we invest the equivalent of 3% of our annual profit in social initiatives on a not-for-profit basis through the Rabobank Group and the independent Rabobank Foundation.

	2017	2016	2020 target
Community not-for-profit investments (in % of profit)	2.5%	2.9%	3%

Community not-for-profit investments

in millions of euros	2017	2016 ²
Cooperative dividend	38.9	36.8
Donation from Rabobank and other Group divisions	6.6	6.5
Rabobank Foundation (in the Netherlands and abroad)	20.1	15.8
Other	0.3	0.4
Total community funds and donations	65.9	59.6

KPI: By 2020, we will be supporting 1,000 cooperatives and other member organisations in achieving business success, including 500 in the Netherlands and 500 in developing countries.

	2017	2016	2020 target
Collective local community initiatives as declared by local Rabobanks (cumulative)	175	103	n/a
Total supported by Rabobank in the Netherlands	175	103	500
Collective local community initiatives supported by Rabobank Foundation (in the year)	260	278	n/a
Total number supported by Rabobank abroad	260	278	500

An example of how Rabobank uses its network and knowledge in the Netherlands is the Altena project. Rabobank Altena, a local Rabobank again worked with a network of local stakeholders to show young people the many opportunities for employment, living and recreation in the area. Not only in the Netherlands, but also abroad we support local communities.

Helping Hands

In the United States Rabo Agrifinance employees receive two paid days off to volunteer their services to the community. Staff must donate one volunteer day to an eligible food or hunger-related organisation and are free to choose a good cause for the second day. RAF employees volunteered more than 3,700 hours in 2017. Through the RAF gift matching and Helping Hands programmes, they donated more than USD 136,600 to local communities. Following the devastation caused by Hurricanes Harvey and Irma in the South Eastern United States Rabo AgriFinance not only reached out to affected customers but also helped raise over USD 45,000 for American Red Cross disaster relief programmes with Wholesale Rural and Retail colleagues.

Rabo International Advisory Services (RIAS)

About 100 Rabobank employees went on an assignment for Rabo International Advisory Services (RIAS). RIAS is part of Rabo Development. Its mission is to provide developing societies with improved access to financial services, employing cooperative principles and banking expertise. For more information on RIAS see <https://www.rabobank.com/en/raboworld/articles/you-can-really-make-a-difference-here.html>.

Supporting sport and culture

Rabobank has a long-standing relationship with many Dutch sport clubs and cultural organisations. They play a vital role in people's living environments, improve social cohesion and help new talent be discovered. Being a member of a club or cultural group means participating in something with others. That is why they are at the centre of our sponsorship strategy.

Sport clubs and cultural organisations have had difficult times as government funding is declining. Rabobank helps strengthen them financially. We are the largest local sponsor of Dutch (sport) events and run programmes to help them and cultural organisations become more self-sufficient. We discuss their ambitions and help them plan how to achieve them. To do this, we share our knowledge of creating a strong organisation, use our network to find new volunteers and provide funding to the club. Clubs are supported for a minimum of two years.

Case: With the community for the community

As a bank with deep roots in local communities, we are uniquely placed to bring together local stakeholders to address regional opportunities and challenges. Having the latest facts and figures at your fingertips is crucial. Last year, two local Rabobanks commissioned regional reports which set in motion concrete change through local cooperation.

Rabobank Altena: real local cooperation and change

Rabobank Altena – which represents the municipalities of Woudrichem, Werkendam and Aalburg – based its community outreach around the theme 'work' after its study identified specific challenges in the areas of sustainability, care & well-being, living & liveability, and work, innovation & education. 'All of us – residents, business owners, government bodies and other institutions – must work together in a meaningful and effective manner,' says Rabobank Altena chairman Joan Wassink.

Rabobank Arnhem en Omstreken: Collaboration for growth

In Arnhem, the local Rabobank interviewed stakeholders to identify local challenges and opportunities for economic growth and improvement. The resulting report, called 'Arnhem Connect', pinpoints the growth opportunities in the region and the possibilities for greater [collaboration](#).

The chairman of the local Rabobank, Jan Ummenthum, explains that Rabobank Arnhem en Omstreken, as a bank committed to local communities will work with stakeholders to address the region's economic issues for the benefit of everyone. Rabobank Arnhem en Omstreken has set up four teams to explore opportunities for economic growth and installed an economic board to provide ongoing support. To that end, Rabobank Arnhem en Omstreken plans to use its newly-launched '[Arnhem Connect](#)' newsletter to maintain momentum and inspire local stakeholders to work with the bank and the community to make the region stronger.

DLL volunteering and fundraising

DLL's various volunteering and fundraising activities have a meaningful impact on society. In 2017, 30% of DLL's global employee base volunteered their time and expertise to community projects.

We also work closely with key sport stakeholders like NOC*NSF/ TeamNL and the Royal Dutch Hockey Federation (KNHB). These parties provide real-world knowledge that can guide us. This approach lets us help sport clubs to create a sustainable future for themselves.

Helping young creatives make it to Lowlands

In 2017 Rabobank helped eight young creative talents make it to the stage of the leading Dutch culture festival, Lowlands. In a partnership with the Kunstbende (Art Gang) we aim to help creative youth find a public platform for their talent. Together we organise events, masterclasses, coaching sessions and competitions to discover talent in eight categories: dance, DJ, expo, fashion, film, music language and theatre. The eight finalist get a chance to perform at one of the biggest cultural events in the Netherlands, Lowlands, our partner since 2017.

Art

Art is a barometer of society, offering a view of the world and the times we live in. Rabobank firmly believes in the importance of art to society and in its transformative power for individuals and organisations alike. Each year, about 100 art works from the Rabo Art Collection are loaned to temporary exhibitions at museums in the Netherlands and abroad. This is one of the ways we share our art collection with the general public. In addition to the Rabo Art Collection, we have the Rabo Art Lab, where we invite artists to do a residency as 'artist-in-residence', and work freely in the organisation. Rabobank, Lucas de Man and nine other artists affiliated with the Stichting Nieuwe Helden foundation explored the question: What role might art and artists be able to play in a bank's transition and evolution? These artists-in-residence basically 'infiltrated' into all levels of the bank, maintaining the balance between involvement and detachment. In our Rabo Search Centre, we investigate how art can be a source of knowledge for all levels of the organisation. Our cooperation with artists is the common thread.

The Rabo Art Collection contains works of artists prominent in the Dutch art scene since 1950. For an impression of the richness of the collection see www.rabobank.com/art.



Empowered employees

Our employees are proud and driven, manifesting professionalism, vitality and a capacity for change. They feel empowered to represent Rabobank and are inspired by what we want to be. Top talent wants to work, develop and stay at Rabobank. All our employees want to grow and make each other better. Learning is the key.

Empowered Employees

It is our people that make our bank and it is HR's mission to create the best possible context to excel. It is our people who define who we are as Rabobank. In cooperation with our employees we enable our customers ambitions and those of Rabobank itself. We are most successful by being the best version of ourselves, continuously developing ourselves and reinforcing each other. We need to increase momentum every day as change is the new constant.

Our mission



Happy People

=



Happy Customers

Excellent customer focus

Meaningful cooperative

Rock-solid bank

Empowered employees



HR Fundamentals

G R  W !
Learning

1,500
EUR

Our strategic HR pillars are **leadership, talent** and **culture**. We are going to accelerate these topics in 2018 as they are of high strategic importance for the bank. They provide the context in which employees and the bank itself can develop.

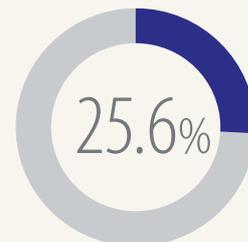
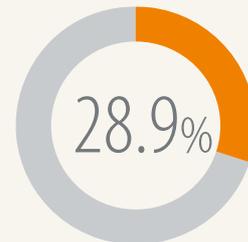
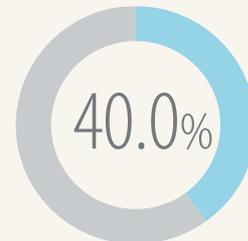
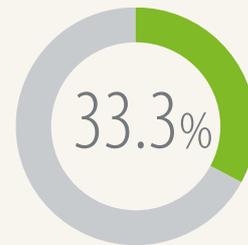
Employee performance is the key to Rabobank's aim of being a high-performance bank for clients in this fast-changing world. In January 2017, we introduced GROW!, where we encourage employees to conduct a constant dialogue about their own contribution, behaviour and development, using appreciative inquiry techniques and regular feedback sessions. We also introduced a personal annual development budget of EUR 1,500 to stimulate our employee's personal growth.



Rabobank believes in first **empowering people** through craftsmanship, vitality and adaptability to establish self-confidence. We want employees to be confident towards the future.

Gender diversity

Percentage of women ...



In 2017 Rabobank received a 'Diamond Award' honouring the bank as a **'shining example' in the field of gender diversity.**

"Together we are growing stronger. Diversity and different perspectives enrich our world and our efforts. We give and receive feedback to grow and develop."



Top talent at Rabobank

Engagement scan

In this survey 81% of our employees indicated they enjoy going to work at Rabobank.

81%

Organisational Health Index

61 2016: 56

Number of employees worldwide

43,810
FTE

2016 = 45,567

-4%

RaboVitality

As part of our vision on health, we launched RaboVitality 2017. In this one-year programme, the employees learn to change behaviour and to strengthen their vitality. The programme also includes events such as Boost your Summer, participation in a run and a RaboVitality Lab in Utrecht, where employees can use innovative tools which contribute to a vital workplace.

Empowered Employees



Janine Vos

*Member of the Managing Board
and Chief Human Resources Officer*

Happy people, Happy customers

We are feeling the influence of trends like globalisation and hyper connectivity, as well as demographic developments and the rapid advance of artificial intelligence and robotics. These changes are affecting the way we work. In that environment Rabobank believes in empowering people through adaptability, vitality and craftsmanship to establish self-confidence. We want employees to face the future with confidence. It requires professionalism and expertise – in short, craftsmanship – to provide excellent customer service every day. As a result of all the trends and changes, employees need the capacity to embrace change and a energetic attitude towards a new way of working in teams and with customers. By focussing on adaptability, vitality and craftsmanship in an ecosystem where we are constantly learning from each other, in a diverse and inclusive organisation with clear values, we are creating the workplace of the future

In 2017 we have put a lot of effort into adaptability, vitality and craftsmanship to help employees developing their talents and skills, to remain passionate about their profession and adapt to ever-changing circumstances. Our aim is to have Rabobank employees who are proud of their work and their company, who go the extra mile for our customers and dare to make a difference for society. Employees who help each other to go beyond what is expected and do the right thing exceptionally well, together. Growing a better world together through these values and behaviours. We strongly believe in happy people means happy customers.

All our employees felt the efforts that were made in 2017. We developed a new leadership profile, that was first rolled out for our top 180 leaders and will be made available to all 4,000 managers in spring 2018. We expect the company's leaders to develop the craft of leadership through coaching and continuous feedback. Learning agility is key for all employees, as is making the most of your own potential and working together to make each other better. We acquire new skills and knowledge every day. What we learned

yesterday we apply today to enrich our contribution. Together, we're building the future. In 2017 we introduced GROW! to replace the traditional performance management system. The GROW! Model contains short-cycle feedback based on the appreciative inquiry method, with an individual annual development budget of EUR 1,500 for 2017.

For me personally, 2017 was also a year of transition. I'm honoured to represent the HR function in such a diverse and complementary Managing Board team. And I was honoured to accept the award of Chief HR Officer of the year in the Netherlands. In my acceptance speech I dedicated this award to all my Rabobank colleagues. While it's not been the easiest year for some, the positive responses I have received confirm we are on the right track.

The people who work for Rabobank now, or will come to work for us in future, are searching for more than just a job. They aspire to meaningful work in a company with a mission beyond financial profit. Growing a better world together.

Empowered
employees

Empowered Employees

HR Mission

The changes that Rabobank is going through have a significant impact on our employees. After all, they are not only shaping the transition through the implementation of key improvement initiatives, but they also continue to feel the consequences of these changes in their own work environment. Unfortunately many of our employees have had to leave the bank. This is not easy and we understand that it is really difficult for all our employees. Attention and careful guidance is required for employees who leave our organisation, to help them with new opportunities and end their time with us in a good fashion. It also requires attention towards our employees who are staying. We believe that if you do this well and respectfully, you can mean a lot for all employees.

It is our people that make our bank and it is HR's mission to create the best possible context to excel. It is our people who define who we are as Rabobank. In cooperation with our employees we enable our customers ambitions and those of Rabobank itself. We are most successful by being the best version of ourselves, continuously developing ourselves and reinforcing each other. We need to increase momentum every day as change is the new constant.

People experience is the foundation of our HR strategy. We are striving for a sound HR organisation and an excellent working experience for our employees by providing well-oiled HR operational processes and ensuring a sound HR organisation.

Besides adaptability, vitality and craftsmanship our strategic HR pillars are leadership, talent and culture. We are going to accelerate these topics in 2018 as they are of high strategic importance for the bank. They provide the context in which employees and the bank itself can develop. The HR strategy is structured so that our employees can be happy people who make sure our Rabobank customers are happy.

Dilemma Ups and downs of Staff reduction

Because of the transformation of our organisation, we have unfortunately had to let members of staff go. The reduction of staff is impactful for employees leaving the bank as well as for the remaining employees. It also led to a loss of historical context and knowledge. By working in teams we transfer, share and keep this knowledge within our organisation as much as possible.

Mobility Centre SamenWerk!

The internal and external changes affect our employees. SamenWerk! is a mobility centre that supports those employees whose job is affected by these changes by helping them to look for a new job, inside or outside the bank. Staff whose positions have become redundant are now eligible for mobility support for a period of six months. Employees take the lead in determining their specific needs to find a new perspective.

This approach is starting to pay off. In 2017, around 1,150 employees registered for SamenWerk!. Approximately 25% signed up for the entire support programme to help them find other work. The initial figures show that 46% of this group found a new job or started their own business within six months of being made redundant. Employees rated the support from SamenWerk! at 7.0 on a scale of 10 and were satisfied with the quality of the support. In 2018 we will adopt a more proactive approach, where the employees will be supported already in the active mobility phase. Research shows that the sooner employees start working on a new perspective, the more successful they are in finding other work.

Number of employees

	2017	2016
Number of internal employees (in FTEs)	37,170	40,029
Number of external employees (in FTEs)	6,640	5,538
Total number of employees (in FTEs)	43,810	45,567

Adaptability

The Future of Work

At Rabobank, we are analysing how economic, technological and social changes affecting the global economy will influence our work. We use HR analytics and strategic resource planning to understand which parts of Rabobank will be most affected by these changes. These developments demand agility from our organisation and our employees. Rabobank wants its culture to reflect this agility and manoeuvrability by encouraging a culture of continuous improvement and learning from best practices. In 2017 our Future of Work team gave presentations and workshops to raise internal awareness about the changes that are reshaping our work.

Vitality

We value and nurture our staff's health and vitality. Health is not just measured by the absence of illness, but is increasingly regarded as the ability to deal with life's physical, emotional and social challenges, while retaining as much individual control as possible. We believe vitality encompasses the body and mind and that everybody is responsible for their own journey.

Rabobank offers support and encouragement to employees to take personal responsibility to achieve and retain vitality. The tools we offer vary from digital tests and information sessions to courses, workshops and one-on-one support covering areas such as work-related stress, resilience and absenteeism.

RaboVitality

As part of our vision on health, we launched RaboVitality last year. In this one-year programme, the employees learn to change their behaviour and to be able to strengthen their vitality. The RaboVitality programme includes a digital platform and an app called Boost!, which was used by 174 teams last December. The programme also includes events such as Boost your Summer, participation in a run and a RaboVitality Lab in Utrecht, where employees can use innovative tools which facilitate a vital workplace.

Absenteeism

Absenteeism rates rose to 4.03% in a rolling 12-month period in 2017, exceeding the 2016 figure of 3.61% and the Occupational Health & Safety (OH&S) standard of 3.7%. 54% of the long-term sick leave is related to mental health problems (47% in 2016). About 30% of long-term sick leave is related to work, with half of these cases caused by psycho-social factors, and the rest related mainly to labour relations and conditions. Of those absent due to sickness, 78% had returned to work fully within the week (79% in 2016). In 2017, 50% of employees never called in sick (46% in 2016).

Craftsmanship

Taking ownership of development

To stimulate our employees' personal growth, in 2017 we introduced a personal annual development budget of EUR 1,500

per employee working under the Dutch Collective Labour Agreement (CLA). This enables employees to take responsibility for their personal and professional development and choose the training sessions or workshops they wish to follow. By the end of 2017, 30% of employees in the Dutch CLA population used their development budget. We expect that the remainder of our employees to spend their budget in 2018 after saving it up in 2017.

Leadership

Inspiring leaders

Last year we developed the Rabo Leadership Profile, which outlines the four leadership traits we want all Rabobank leaders to have in abundance.

The dimension of personal leadership requires a Rabobank leader to take full responsibility for his or her actions, and to develop by honing their skills, vitality and adaptability. A Rabobank leader creates, facilitates and inspires high-performing teams and is focused on developing and empowering that team to get results.

A Rabobank leader leads Rabobank as a whole. He or she uses the network inside the bank and in the community, takes responsibility for the collective and creates maximum impact and results by working together with others. For the community, a Rabobank leader recognises and leverages our unique ability to connect clients and stakeholders with the aim of building a better world. The Rabobank leader can step out of his or her own shadow to empower someone else and dares to ask for help when needed.

The four dimensions of Rabo Leadership

Individual Leadership

Personal

A Rabobank leader takes full responsibility for his or her actions, and develops through craftsmanship, vitality and adaptability

Network Leadership

One Rabo

A Rabobank leader leads Rabobank as a whole, takes responsibility for the collective and creates maximum impact and results by working together

Team

A Rabobank leader creates, facilitates and inspires high-performing teams and is focused on developing the team in order to get results

Community

A Rabobank leader recognises and leverages our unique ability to connect clients and stakeholders to build a better world

— RABO
— LEADERSHIP

Based on the Enterprise Leadership model from CEB Research

The Rabo Leadership profile was first shared with senior management at an offsite leadership event in September 2017. This event, named 'Unplugged – the Rabo Leadership Experience', was organised by the HR and Communications departments to kick off Rabobank's new proposition and leadership profile worldwide roll-out.

Talent

Talent management

As the world evolves, and Rabobank with it, so must the approach ensuring we have the right people, in the right roles at the right time. In 2017 we saw an increase in the need to facilitate the placement of employees quickly for short-term projects and initiatives, based on their specific skills and knowledge. We anticipate that this need will further increase in the future, as work transitions from functions to roles. For this reason, a major focus for talent management in 2018 will be to leverage new technology to find, select and utilise talent more effectively across the Rabobank Group, thereby growing a better world together.

Nurturing employee growth

Employee performance is the key to Rabobank's aim of being a high-performance bank for clients in this fast-changing world. In January 2017, we therefore introduced the GROW! model, a new way to manage all employees' performance. We no longer use fixed targets, but focus on the growth of all our employees and Rabobank as a whole. We encourage employees to engage in ongoing dialogue about their own contribution, behaviour and development, using appreciative inquiry techniques and regular feedback sessions.

The GROW! model uses a language very different from our previous performance management system. We monitored sentiment and word choice through text analytics and used these insights to track the implementation of GROW!. The analyses showed us that Rabobank is undergoing a positive cultural shift. Non-judgemental words describing personal qualities, such as 'enthusiasm', 'helpful' and 'honest', are used more often, rather than words that focus on targets, which previously dominated.

Culture

Engagement

In September 2017, Rabobank announced its new mission of the organisation: 'Growing a better world together'. Rabobank believes that an organisation striving for success in the long-term should not only focus on the performance of today (performance), but also on the ability to ensure that strong performance in the future (health). Performance and health must be in balance with each other. In January 2018, a cross-functional 'Performance & Health' team will begin working on the implementation of the transformation: one team, one goal.

To know where we stand in this strategic and cultural transformation, we regularly measure employee culture and engagement. In 2017, we used two tools for this purpose: the Engagement Scan (previously known as Pulse) and the Organisational Health Index (OHI).

The Engagement Scan is a short-cycle instrument measuring engagement from a local and organisational perspective. The Engagement Scan contains questions about the individual and



local work environment, as well as key themes that emerge from the OHI. This enables employees to discuss the results on different levels and to measure the effect of local interventions afterwards. Between June and September 2017, we sent the Engagement Scan to our employees, to obtain worldwide insights into employee engagement. In this survey 81% of our employees indicated they enjoy going to work at Rabobank.

The OHI, on the other hand, is an extensive annual instrument designed to measure the effect of group-wide interventions. The results of the OHI in 2016 were critical and gave us meaningful insights which were used to develop things like our renewed cultural values, the GROW! model initiative and the development budget. The OHI was sent to a representative group of employees during Q4 2017.

These two instruments give us clear insight into the progress of the organisations transformation into a meaningful cooperative with passionate employees.

KPI developing human capital and talent management

	2017	2016
Organisational Health Index	61	56

Detailed results of the OHI and accompanying action plans will be presented during the first quarter of 2018. The first higher level results indicate a positive overall trend, from 56 in 2016 to 61 in 2017. Of the nine different categories, only one was unchanged, and the rest improved. Most notable are 'External Orientation' and 'Work Environment' both of which increased 9 points.

Diversity and inclusion

Diversity is a vital and integral part of our strategic objectives. A more diverse staff will help us to better understand our business and serve our clients. Diversity manifests itself in many ways, including diversity of gender, age, race, colour, sexual orientation, physical or mental ability and other elements which we call 'Diversity Characteristics'. Managing diversity means that all differences are optimally used so that everyone in the organisation feels valued and we maximise our potential.

Last year, Rabobank set up a new international working group which developed a global diversity & inclusion (D&I) policy. The Global Policy on Diversity and Inclusion is a general overarching policy which will bring together all ongoing global D&I initiatives and help them succeed. The policy will be implemented in the first half of 2018, with each region and country formulating its own D&I plan based on the global policy.

Targets and policies

Our Diversity Board, comprising directors of local and central units and chaired by Jan van Nieuwenhuizen, member of the Managing Board, meets each quarter to monitor policy compliance and target progress.

Percentage Women

	2017	2016	2015	Target
In the Supervisory Board	33.3%	33.3%	22.2%	30%
In the Managing Board	40%	14.3%	0%	30%
In the top (Managing Board -1)	28.9%	25%	13.8%	30%
In the subtop (Managing Board -2)	25.6%	24.5%	24.4%	40%

To meet our gender diversity targets, Rabobank offers a wide range of internal and external activities that enhance career opportunities for women. These include sponsorship of talented women by senior executives, cross-mentoring and coaching programmes. We also provide training courses for everyone to raise their awareness of the unconscious biases that obstruct diversity.

In order to connect cosmopolitan talent we are partnering with the Agora network. This network was set up with 12 multinational firms within the Netherlands. Multicultural talents receive coaching from mentors supplied by the other partners.

Eleven local Rabobanks and four central divisions began implementing a multi-year cultural diversity plan. We participated with PostNL, KPMG and Randstad, in a four-year research project being conducted by VU university Amsterdam. This research project aims to advance public acknowledgment of cultural diversity and to develop intervention tools.

Rabobank was a co-initiator of a high-level national meeting at the Social and Economic Council of the Netherlands (SER), aimed at strengthening cultural diversity both at the executive level and more broadly in Dutch business. The meeting brought together around 100 participants including 40 CEOs, representatives of the community sector and politics, and role models from multicultural groups.

Rabobank is on the board of a foundation in the Netherlands (called Onbepoort aan de Slag) which helps people with a disability or labour market disadvantage to gain work experience. In partnership with the Dutch Employee Insurance Administration we help people find work at the bank. In 2017 we introduced a Support Desk to help these employees with any adaptations they need in their workplace. Managers and recruiters took part in an 'All Inclusive at Work' workshop to encourage better vacancy matching for employees with a disability or labour market disadvantage.

Diversity recognition

Our efforts to enhance diversity and inclusion were recognised with a series of awards and nominations in 2017. We were shortlisted for two European Diversity Awards – in the categories of ‘company of the year’ and ‘diversity team of the year’. Rabobank received a ‘highly commended company’ award for excellent performance in developing diversity and inclusivity.

In June 2017, Rabobank was awarded a ‘Diamond’ for exceptional results on gender diversity from the Monitoring Talent to the Top Committee who called Rabobank’s gender diversity policy a ‘shining example’ and commended our progress in gender diversity.

Our CRO Petra van Hoeken was one of three women nominated for ‘top woman of the year’ by Topvrouwen.nl. Marthe Oudega, financial advice manager at Rabobank Emmen-Coevorden, made Topvrouwen.nl’s shortlist for ‘young female talent of the year’. Our Global Head IT Continuity & Security Services Mimoent Haddouti won the Computable Diversity Award and Rabobank Almere CEO Ugur Özcan was nominated for The Other Businessman award.

Sustainability

Sustainability goes hand in hand with Rabobank’s identity and core values. In 2017 we continued our efforts to integrate cooperative and sustainability topics into our recruitment and selection processes.

Sustainability is addressed in several training programmes and there are several specific sustainability workshops available. Suppliers of educational programmes to Rabobank and external employees are expected to comply with our Sustainable Procurement Standard.

Enhancing risk awareness

We continued our worldwide employee training programme ‘Rabobank Right’ in 2017. The programme aims to ensure that employees can recognise and deal effectively with operational risks in their day-to-day work by improving their awareness and assessment skills. This helps us retain the trust that our clients and society place in us.

Speaking up

If disputes arise, managers and employees can bring labour-related issues before an independent and unbiased mediator/adviser in our Industrial Relations Disputes Procedure (GRA). The advisers/mediators aim to resolve differences of opinion internally, preferably in open dialogue between the bank and the employee. Our Industrial Relations Disputes Committee can also be asked to issue a binding decision.

Most disputes in 2017 were related to performance and growth/future. In 2017, the GRA handled 220 disputes (204 in 2016). The advisory procedure was the one most frequently applied in disputes (117 in 2017). There were 37 cases of arbitration and 19 cases of mediation. Forty-seven cases were presented to the Industrial Relations Disputes Committee, which has issued six binding decisions so far.

The Internal Regulation for Reporting Misconduct offers employees the possibility to safely address possible misconduct within the organisation. It contributes to transparent governance and promotes integrity within Rabobank. Seventeen reports of possible misconduct were submitted in 2017, of which sixteen reports were discussed, appropriately handled and closed and while one report is still open.

The internal Speak Up Desk, which was launched in 2016, continued to further enhance Rabobank’s response to employees’ reports and questions on (potential) misconduct, irregularities, inappropriate behaviour and labour-related disputes. During 2017, the process around the Speak Up Line was further enhanced to ensure a global independent process and uniformity in the handling of reports made.

Remuneration

Rabobank has a remuneration policy befitting of an attractive employer who seeks to hire and retain talent, and to empower its employees in all their diversity. We do this by offering fair remuneration packages and providing a valuable set of employment conditions, such as an attractive working environment, a good pension structure and attention for employee development. All Rabobank employees receive a salary and a set of employment conditions which corresponds with their responsibilities and contribution. We believe that remuneration is more than just pay. We strive to provide an inspiring working environment in which employees can develop and get the most out of themselves and their talent. In 2017 we introduced the new worldwide performance management system GROW! and the development budget in the Netherlands to boost employees’ opportunities for professional and personal development. Rabobank as a cooperative encourages employees to make a difference both in the local communities where they work and internationally by contributing to our vision to provide a solution to the global food issue.

➤ For more information on Rabobank’s remuneration policy click [here](#).



Rock-solid bank

Rabobank remains a model of stability, reliability and solidity. Our services are delivered efficiently at competitive cost levels and we are continuing to optimise the balance sheet. We are doing the right things well, or even exceptionally well, with everyone taking ownership, remaining conscious of risks and operating as professionals.

Our performance

As a bank we carefully monitor the changes in our environment, especially trends in client behaviour, stricter regulatory requirements and new, highly digital, competition. Rabobank responded to these changes by formulating the Strategic Framework 2016-2020.

Our ambition

 Leading customer-oriented cooperative bank **in the Netherlands**

 Leading bank in food & agribusiness **worldwide**

Excellent customer focus

Meaningful cooperative

Empowered employees

Rock-solid bank

First-ever issuance of covered bonds

Programme size

25

EUR billion

Rating (Moody's)

Aa2



Rabobank

Growing a better world together.

Rabobank Certificates

1.5

EUR billion

Financial capital



39.6 billion

Equity



340.7 billion

Amounts due to customers



160.4 billion

Wholesale funding

Net profit

2,674

EUR million

+32%

2016 = 2,024 EUR million

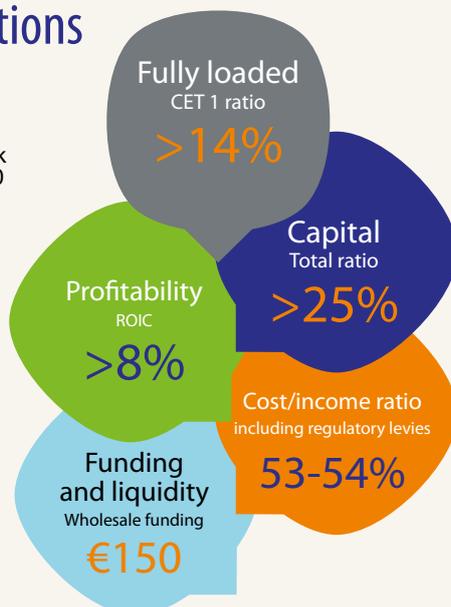
“Being a rock-solid bank is a corner stone of Rabobank’s strategy. We strive to do the right things extraordinary well, with everyone taking ownership and remaining conscious of the risks.”



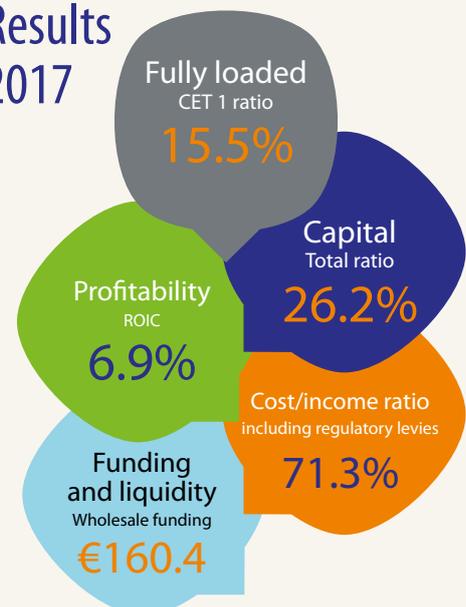
Uniquely positioned to deliver on mission

Ambitions 2020

Financial framework 2016-2020



Results 2017



Our performance



Rock-solid
bank

Bas Brouwers

*Member of the Managing Board
and Chief Financial Officer*

Delivering on objectives

I look back on 2017 as a year in which we made tangible progress in executing our strategy, delivering on the objectives of optimising the balance sheet and improving performance. As a bank we carefully monitor the changes in our environment, especially trends in client behaviour, stricter regulatory requirements and new, highly digital, competition. Rabobank responded to these changes by formulating the Strategic Framework 2016-2020.

We succeeded in relieving our capital and funding requirements not only by selling some mortgage portfolios but also by conducting risk-sharing transactions for our SME and corporate book. In addition we strengthened our capital base with

healthy earnings, supported by the issuance of Rabobank certificates. Another noteworthy event was the first-ever issuance of Covered Bonds. After issuing Green Bonds for the first time in 2016, this marked an important next step in the diversification of our funding mix.

Looking to the future, we have been proactively preparing for the Basel III reforms. As I have stated before: the new capital floors are disproportionate for banks with risk profiles similar to ours. The final outcome of the latest reforms to the Basel III framework still depends how it is implemented in the EU where some relief or a carve-out for specific asset classes may be provided for. Despite this uncertainty, we are taking the appropriate measures to ensure Rabobank remains a rock-solid bank after Basel IV becomes effective.

For me personally, 2017 was my second year as CFO. Driven by the dynamic world around us the Finance function has great potential to add more value for our

business by further leveraging our wealth of data and increasingly applying powerful technologies like robotics process automation and advanced analytics. I am competitive by nature, and that gives me lots of energy to drive this change and reach the next level with my team. Getting to know the broader social purpose of our cooperative bank, since I started has been a very enriching experience.

This was the year we stood up and publicly linked our performance to a higher purpose: Growing a better world together. Combined with our tangible progress in strengthening our strategic pillar 'Rock-solid bank', we are uniquely positioned to deliver on that mission. For me, it is a privilege to contribute.

Our performance

Rock-solid bank

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

Checking in on our financial targets

Rabobank's Strategic Framework 2016-2020 provides meaningful targets and gives us direction for the next few years. This framework will ensure we remain a rock-solid bank and that we stay on track as we prepare for forthcoming regulations such as the reform of Basel III, the minimum requirement for own funds and eligible liabilities (MREL) and International Financial Reporting Standards (IFRS) 9. The table below presents our ambitions and the actual performance on our financial targets as at 31 December 2017.

Summary targets financial framework 2016-2020

Amounts in billions of euros

		Ambition 2020	31-12-2017	31-12-2016
Capital	Fully loaded CET1 ratio	>14%	15.5%	13.5%
	Total capital ratio	>25%	26.2%	25.0%
Profitability	ROIC	>8%	6.9%	5.2%
	Cost/income ratio (regulatory levies included)	53%-54%	71.3%	70.9%
Funding and liquidity	Wholesale funding	~150	160	189

Important strides on our capital ambitions

To comply with stricter regulatory requirements, such as the gradual implementation and phase-in of the Capital Requirements Directive (CRD IV)/Capital Requirements Regulation (CRR), and to improve our capital position under this regulatory framework, we have set a very clear ambition regarding Rabobank's capital ratios.

Following the progress we made in 2016, we strengthened our capital ratios further last year. Our fully loaded common equity tier 1 (CET1) ratio, that is our CET1 capital as a percentage of our risk-weighted assets assuming the CRD IV/CRR regulation fully applies¹, was 15.5% (2016: 13.5%) on 31 December 2017. Our transitional CET1 ratio also improved to 15.8% from 14.0% at year-end 2016. This increase means we have already reached our 2020 target, a prudent situation given the final proposals of the Basel Committee in December with regard to new capital requirements for banks.

Our capital ratios benefited from the additional issuance of EUR 1.5 billion in Rabobank Certificates (by 0.8 percentage points) in January 2017, as well as from adding part of net profit for the year to retained earnings (by 0.8 percentage points) and from the balance sheet reduction measures we took.

Development of the CET 1 ratio in 2017



Our total capital ratio - our qualifying capital as a percentage of risk-weighted assets - amounted to 26.2% (2016: 25.0%). The same factors that bolstered our CET1 ratio also improved our total capital ratio, as did the tier 2 issue of USD 500 million in April 2017. That said, the total capital ratio improvement was partly offset by the FX impact on tier 2 instruments and by lower additional tier 1 capital. Due to the stricter regulatory requirements certain capital elements will gradually cease to qualify as tier 1 capital. In addition, we called several of the non-qualifying tier 1 instruments.

By further optimising our balance sheet and profitability, we will continue to strengthen our capital ratios over the coming period. In 2017, our risk-weighted assets decreased by EUR 12.9 billion to EUR 198.3 billion. For more information about the development of our capital ratios, click [here](#).

1 The bank uses models for each asset to determine the risk weight depending on the asset's risk profile. The higher the risk weight, the more capital the bank has to hold for the asset in question.

Performance improvements benefit ROIC

Rabobank's targets for performance improvement will make future growth possible. We have already taken several steps to enhance our effectiveness and efficiency, resulting in an ROIC¹ of 6.9% (2016: 5.2%) over the course of 2017. Our cost/income ratio, including regulatory levies, increased to 71.3% in 2017 (2016: 70.9%). Improvement of this ratio remains a priority. Several exceptional items affected these figures in 2017 and the previous year. In calculating the underlying cost/income ratio, adjustments were made for these items (please see [Notes to the financial results of Rabobank](#) for a specification). In 2017, the underlying cost/income ratio, including regulatory levies, stood at 65.3% (2016: 64.8%).

Rabobank is undergoing a major transition to achieve our performance improvement targets in coming years. We are addressing this in part through the performance improvement programme Performance Now, which resulted in a further reduction in staff costs in 2017.

Dilemma funding digitalisation and innovation

Implementation of new rules and regulations like PSD2, Basel IV, IFRS9 and privacy regulations (GDPR) present dilemmas. Adapting costs time, effort and money, but so does our transition to being a more client-oriented, innovative and digital organisation. The dilemma here is that both the transition and the implementation of new rules and regulations have to be funded even as we aim to lower our cost-income ratio.

Optimising our funding and liquidity

Rabobank aims to reduce its use of wholesale funding, which makes the bank less dependent on the financial markets. This is being realised by optimising the balance sheet structure. Our total assets declined to EUR 603 billion (2016: EUR 663 billion) as at 31 December 2017. The decrease of the balance sheet is due to the lower value of derivatives as a result of higher interest rates and a modest decline in the lending book. In addition to this, we actively managed down our non-strategic commercial real estate loan portfolio and held a more efficient liquidity buffer.

¹ The ROIC is calculated by dividing the net profit realised 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.

On the liabilities side, the value of derivatives also decreased. In addition, in line with the target of the financial framework, wholesale funding went down by EUR 28.5 billion to EUR 160.4 billion, excluding the TLTRO take-up, which increased from EUR 2.0 billion to EUR 5.0 billion in 2017.

Rabobank successfully issued its first covered bonds in May 2017, raising EUR 2.5 billion. Over the coming years, we aim to issue up to EUR 25 billion in covered bonds, which would further diversify and optimise our funding composition.

The Basel III reform

In December 2017 the Basel Committee finalised the Basel III reform (also referred to as Basel IV by the industry). This reform complements the initial phase of the Basel III reforms announced in 2010 (and implemented in the CRR/CRD IV in 2014) as a response to the global financial crisis. The 2017 reform seeks to restore credibility in the calculation of risk-weighted assets (RWAs) and improve the comparability of banks' capital ratios. Main features of the reform:

- Revisions to the standardised approaches for calculating credit risk, market risk, credit value adjustments (CVA) and operational risk
- Constraints on the use of internal model approaches, by placing limits on certain inputs used to calculate capital requirements under the internal ratings-based (IRB) approach for credit risk and by removing the use of internal model approaches for CVA risk and for operational risk
- The introduction of an output floor, which limits the benefits banks can derive from using internal models to calculate minimum capital requirements. Banks' calculations of RWAs generated by internal models cannot, in aggregate, fall below 72.5% of the risk-weighted assets computed by standardised approaches
- Global systemically important banks (G-SIBs) are subject to higher leverage ratio requirements

Although we endorse the general direction of the Basel Committee towards strengthening banks' capital buffers, we are not in favour of the Basel III reform proposals to generically constrain the use of internal models. Improvement of internal risk models is key and we remain in favour of a risk sensitive approach rather than a simplified standardised model that does not reflect the underlying risks.

The implementation date is set at 1 January 2022 with a phase-in period of 5 years. National supervisors have the discretion to cap the increase in a bank's total RWAs, resulting from the application of the output floor, at 25% during the phase-in period. Any such cap will be removed on 1 January 2027.

These Basel proposals need to be transposed into European law. Europe will start this process in 2019 and the proposals could be adjusted to better reflect the European situation. The ultimate impact of the reform of Basel III remains uncertain for the next coming years given the inclusion of national discretions in the proposals and the potential European changes.

It is not yet clear whether the Basel reforms will lead to adjustments on the pillar 2 requirement, the pillar 2 guidance and the Combined Buffer requirements. Obviously, the Basel III reforms have a significant impact on Rabobank's capital ratios itself and the management actions (on either the asset or liability side of the balance sheet) that will be taken to respond to the new rules.

Rabobank will continue to optimise its balance sheet in the coming years to enable the bank to meet the new capital requirements and to continue serving its clients. In July 2017, we reduced our risk-weighted assets by approximately EUR 1 billion by transferring the risk on a part of our corporate loan portfolio (involving approximately EUR 3 billion loans to business clients in Europe and North America) to pension fund Pensioenfond's Zorg en Welzijn. In September Rabobank sold its remaining shares in Van Lanschot (9.8%) and in October 2017 we sold a share of our mortgage portfolio worth around EUR 0.6 billion to La Banque Postale. In December 2017 we sold our Roparco mortgage loan business of around EUR 0.5 billion to RNHB, a former label of Rabobank subsidiary FGH Bank. In that month we also sold our share in Orix (2%) to several institutional investors. Despite this divestment Orix/Robeco will remain an important financial partner of Rabobank.

Credit ratings hold firm

Rabobank's credit ratings remained unchanged in 2017. We maintained our credit ratings from S&P ('A+'), Moody's ('Aa2'), Fitch ('AA-') and DBRS ('AA'). The Outlook remained 'stable' with Fitch and DBRS and 'negative' with Moody's. S&P upgraded its outlook from 'stable' to 'positive' in September 2017 on the back of the broad-based economic expansion in the Netherlands and further recovery of the housing market.

All the rating agencies view Rabobank's leading position in the Dutch banking sector and the international Food & Agri sector as important rating drivers. Our large buffer of equity and subordinated debt, which offers protection to non-subordinated bondholders, also plays an important role in our ratings.

Rabobank remains one of the highest rated commercial banks worldwide. Read more on Rabobank's credit ratings [here](#).

Sustainability ratings

As a bank at the heart of society, we believe we should contribute to sustainable development. Rabobank strives for continuous improvement in sustainability performance. We value our top position in the ratings of key agencies highly, which validates our impact on sustainable development. Through our Sustainably Successful Together Programme, we are integrating sustainability in all our relevant policies, processes, products and services. Two independent agencies rate our sustainability efforts: RobecoSAM (Dow Jones Sustainability Index) and Sustainalytics. Last year our RobecoSAM ranking changed to the 11th position (2016: 7) and our Sustainalytics ranking changed to the 7th position (2016: 2). For a more complete overview of our ratings, please refer to Appendix 3.

Our progress on capital ratios

Capital strategy

Rabobank has set the following capital ambition as per the end of 2020:

- Minimum CET1 ratio of 14% plus an additional tier 1 layer of roughly 2%;
- Minimum total capital ratio of 25%.

With strong capital and liquidity buffers, Rabobank differentiates itself as a bank that is financially robust. These buffers are indispensable to maintain our high credit ratings to ensure good access to professional funding in the capital markets and to reduce the risk of losses for our senior creditors in the (unlikely) event of a bail-in.

Our capital strategy is designed to achieve high capital ratios in anticipation of the consequences of the Basel III reform (applicable as from 2022) and the future Minimum Requirement for own funds and Eligible Liabilities (MREL) obligations. In 2018 more regulatory guidance is expected on Rabobank's MREL requirement. Once the recently adopted EU credit hierarchy directive is implemented in the Netherlands, Rabobank will opt to issue Senior Non Preferred bonds to optimise its buffers and prepare for future MREL requirements. Current MREL Eligible Capital buffer related to the risk-weighted assets amounts to 26.8%.

Our capital buffer consists of retained earnings, Rabobank Certificates (together the lion's share of CET1 capital), additional tier 1 capital and tier 2 capital. Although Rabobank does not seek to maximise profit, healthy profit growth is important for ensuring continuity and financial soundness. The retention of net profit after the deduction of payments on Rabobank Certificates and hybrid capital instruments, and appropriation to other non-controlling interests increases our retained earnings.

Minimum capital requirements

Rabobank must comply with the minimum capital ratios as stipulated under law. Effective 1 January 2014, the minimum required percentages are determined on the basis of CRD IV/CRR. The legal buffers below are applicable as from 2016. These buffers will gradually increase until the year 2019. Rabobank is already allowing for these changes in its capital planning. The table below shows the minimum legal buffers under CRD IV/CRR.

Minimum CET1 buffer			
	2017	2018	2019
Pillar 1 requirement	4.5%	4.5%	4.5%
Pillar 2 requirement	1.75%	1.75%	1.75%
Capital conservation buffer	1.25%	1.875%	2.5%
Systemic risk buffer	1.5%	2.25%	3.0%
Total required CET1 ratio	9.0%	10.375%	11.75%
Actual	15.8%		

The total required (end state) CET1 ratio therefore amounts to 11.75%, excluding the pillar 2 guidance. The required (end state) total capital amounts to 15.25%. This is the required (end state) CET1 ratio plus 35% pillar 1 requirement for additional Tier 1 and Tier 2. In addition to these ratios, there will be a countercyclical buffer of up to 2.5% which may be imposed by the supervisor. Almost all supervisors have set their countercyclical buffer at 0% as per 1 January 2018. The actual capital ratios of Rabobank exceeds these minimum capital ratios.

Development capital ratios

When we refer to our fully loaded CET1 ratio, we mean the CET1 ratio that would result if the CRR/CRD IV rules were already fully in effect. Although our fully loaded CET1 ratio was 15.5% (2016: 13.5%) on 31 December 2017, our actual or transitional CET1 ratio was 15.8% (2016: 14.0%). The increase of both ratios was mainly due to the issue of Rabobank Certificates in January 2017 and retained earnings from 2017. The increase of the transitional ratio was tempered, however, by the phasing-in of the CRR/CRD IV rules, which require various adjustments to be made to CET1 capital, additional tier 1 capital and tier 2 capital on 1 January of each year during the transition period.

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. As at 31 December 2017, our fully loaded leverage ratio was 5.4% (2016: 4.6%), while our actual or transitional leverage ratio was 6.0% (2016: 5.5%). Our actual leverage ratio is well above the minimum leverage ratio of 3% required by the Basel III guidelines.

Capital ratios

Amounts in millions of euros	31-12-2017	1-1-2017	31-12-2016
Retained earnings	26,777	25,709	25,709
Expected dividends	(54)	(60)	(60)
Rabobank Certificates	7,440	5,948	5,948
Part of non-controlling interests treated as qualifying capital	26	25	25
Reserves	(1,401)	112	112
Deductions	(2,050)	(3,302)	(3,302)
Transition guidance	525	605	1,186
Common equity tier 1 capital	31,263	29,037	29,618
Capital securities	2,728	2,728	2,728
Grandfathered instruments	3,590	4,552	5,462
Non-controlling interests	6	5	5
Deductions	(88)	(91)	(91)
Transition guidance	(295)	(321)	(643)
Additional tier 1 capital	5,941	6,873	7,461
Tier 1 capital	37,204	35,910	37,079
Part of subordinated debt treated as qualifying capital	14,896	16,094	16,094
Non-controlling interests	7	7	7
Deductions	(89)	(99)	(99)
Transition guidance	(95)	(104)	(208)
Tier 2 capital	14,719	15,898	15,794
Qualifying capital	51,923	51,808	52,873
Risk-weighted assets	198,269	211,226	211,226
Common equity tier 1 ratio (transitional)	15.8%	13.7%	14.0%
Common equity tier 1 ratio (fully loaded)	15.5%	13.5%	13.5%
Tier 1 ratio	18.8%	17.0%	17.6%
Total capital ratio	26.2%	24.5%	25.0%
Equity capital ratio	17.3%	15.0%	15.0%
Common equity tier 1 ratio of Coöperatieve Rabobank U.A. solo (issuer level)	15.5%	-	16.4%

Rabobank changed the risk weighting of its equity exposures in group entities by applying the more common IRB simple risk weight approach of article 155 CRR as a result of which its solo CET1 ratio decreased to 15.5% (2016: 16.4%).

CRR constraints

The CRR contains several CET1-deductible items, such as deferred tax assets and the internal ratings-based (IRB) shortfall (the difference between the IRB expected credit losses and the actual level of credit provisions). The deductibility of these items is gradually being phased in over the 2014-2018 period.

The additional tier 1 instruments issued by Rabobank prior to 2014 do not meet the CRR conditions. As such, these instruments will gradually cease to qualify as regulatory capital. In 2017, according to the CRR/CRDIV transition rules, the regulatory treatment of these grandfathered instruments was capped at 50% of the outstanding amount as per the end of 2012 (EUR 9.1 billion), being EUR 4.6 billion. In June 2017,

Rabobank redeemed USD 2 billion and in August another NZD 0.9 billion of such additional tier 1 capital securities resulting in a remaining outstanding grandfathered position as per 31 December 2017 of EUR 3.6 billion. As the latter is lower than the cap, the full amount is included in the transitional tier 1 capital.

In April 2017 we issued a tier 2 capital instrument of USD 0.5 billion. All in all, our total capital ratio rose by 1.2 percentage points to 26.2% (2016: 25.0%) as a result. Our current capital ratios already exceed our capital targets set for 2020.

IFRS 9 impact on capital

The total negative impact of the introduction of IFRS 9 on the fully loaded CET1 ratio will be approximately 15 basis points.

IFRS 9 impairment calculations will lead to higher loan loss allowances as from January 1, 2018. Instead of incurred loss, expected loss will be recognised. IBNR (incurred but not reported) losses will be replaced by expected one year loss for Stage 1 assets and expected lifetime loss for Stage 2 assets. The impact on loan loss allowances is estimated to be EUR 0.2 billion (net of tax). Within the regulatory capital ratio calculations the higher loan loss allowance will be compensated by the shortfall.

Under classification and measurement IFRS 9 prescribes a strict application of modification accounting. This will alter the way Rabobank has accounted for prepayment penalties and interest rate averaging in profit and loss. Another change in classification and measurement relates to some legacy, non-core credit portfolios that will probably be sold and therefore will receive the classification 'Other' and will be measured at fair value through profit or loss. On the liability side Rabobank has elected to reclassify the callable notes included in the structured funding portfolio to amortised cost. This reclassification will result in the bifurcation of the embedded derivatives whilst at the same time the funding host contract will be measured at amortised cost.

CET1 ratio boosted by issue of new Rabobank Certificates

Rabobank Certificates are deeply subordinated instruments which qualify as common equity tier 1 capital. In January 2017, Rabobank announced an offering of 60 million new Rabobank Certificates, each priced at 108% of the nominal value of EUR 25, making a total nominal issued amount of EUR 1.5 billion. This issue meant we met our target CET1 ratio of at least 14% ahead of schedule, in anticipation of an expected increase in capital requirements. After the issue, a total nominal amount of approximately EUR 7.4 billion in Rabobank Certificates was outstanding.

The benefit of our MREL eligible capital buffer

Rabobank wants to mitigate the MREL eligible capital risk for our creditors and depositors as much as possible. We therefore hold a large buffer of equity and subordinated debt that will absorb losses first in the event of a bail-in. Only after this buffer has been used senior creditors, whose claims are not covered by collateral, will need to contribute in the unlikely event of a bail-in.

We define our MREL eligible capital buffer as qualifying capital plus the non-qualifying part of the grandfathered additional tier 1 instruments and the amortised part of tier 2 with a remaining maturity of at least one year. In 2017, FX effects had a limited negative impact on our MREL eligible capital buffer. The buffer decreased from EUR 53.7 billion to EUR 53.2 billion. This decrease corresponds to 26.8% (2016: 25.4%) of risk-weighted assets.

MREL eligible capital buffer

Amounts in billions of euros	31-12-2017	31-12-2016
Qualifying capital	51.9	52.9
Amortised tier 2 > 1 year remaining maturity	1.3	0.8
MREL eligible capital buffer	53.2	53.7
Risk-weighted assets	198.3	211.2
MREL eligible capital buffer / risk-weighted assets	26.8%	25.4%

Regulatory capital

Regulatory capital is our external capital requirement. It represents the minimum amount of capital which the CRR and CRD IV require Rabobank to hold. The regulatory capital of Rabobank amounted to EUR 15.9 billion (2016: EUR 16.9 billion) at end-2017, of which 85% related to credit and transfer risk, 13% to operational risk and 2% to market risk.

The decrease in regulatory capital was mainly due to a reduction in the capital required for credit risk. The reduction in Rabobank's credit risk was mainly due to reduced exposures and increased asset quality. The appreciation of the euro also contributed to a lower regulatory capital.

Rabobank calculates its regulatory capital for credit risk for almost the entire loan portfolio using the advanced IRB approach approved by our supervisory authority. In consultation with DNB, Rabobank applies the standardised approach to portfolios with relatively limited exposure and to some smaller portfolios outside the Netherlands that are unsuitable for the advanced IRB approach.

We measure operational risk using an internal model, approved by DNB, that is based on the advanced measurement approach. For market risk exposure, DNB has given Rabobank permission

to calculate our general and specific position risk using our own internal value-at-risk (VaR) models, based on the CRR.

Regulatory capital by business segments

Amounts in billions of euros	31-12-2017	31-12-2016
Domestic retail banking	6.3	6.4
Wholesale, rural and retail	6.0	6.3
Leasing	1.4	1.7
Real estate	0.8	1.2
Other	1.4	1.3
Rabobank	15.9	16.9

Renewed pillar 2 capital framework

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

Pillar II, the focus of this section, describes the mandatory processes for both banks and regulators to fulfill the capital adequacy requirements. The main areas that fall under this Pillar are: risks considered under Pillar I that are not 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 external factors to the bank (e.g. market conditions).

In order to adequately assess the capital resources needed to cover the risks inherent in its current activities, Rabobank renewed its Pillar II modelling landscape. The renewed Pillar II capital framework entered into effect as of 1 January 2017 and covers all those areas where Rabobank is of the opinion that the regulatory framework does not address the risk, or does not adequately address the risk. Rabobank 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 Rabobank's strategic planning. The renewed Pillar II modelling landscape reflects the changing regulatory environment and similar developments in the industry.

The outputs of the renewed Pillar II 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 capitalisation as one of their key instruments to supervise Rabobank. Therefore, the renewed Pillar II capital framework promotes a sound and effective risk management culture within Rabobank, ensuring adequate capital levels to support business growth, maintain depositor and creditor confidence and comply with regulatory requirements.

Qualifying capital decreased

Our sizeable buffer underlines the financial solidity of Rabobank. The available qualifying capital of EUR 51.9 (52.9) billion that the bank retains to absorb potential losses was well above the level of the total external (regulatory) and internal capital requirements.

Pillar II capital by business segment at year-end 2017



Domestic retail banking	37%
Wholesale, Rural & Retail	32%
Leasing	7%
Real estate	4%
Other	19%

Pillar II capital by risk type at year-end 2017



Credit and transfer risk	64%
Interest rate and market risk	18%
Operational risk	10%
Other risks	8%

Our financial performance

Performance Rabobank

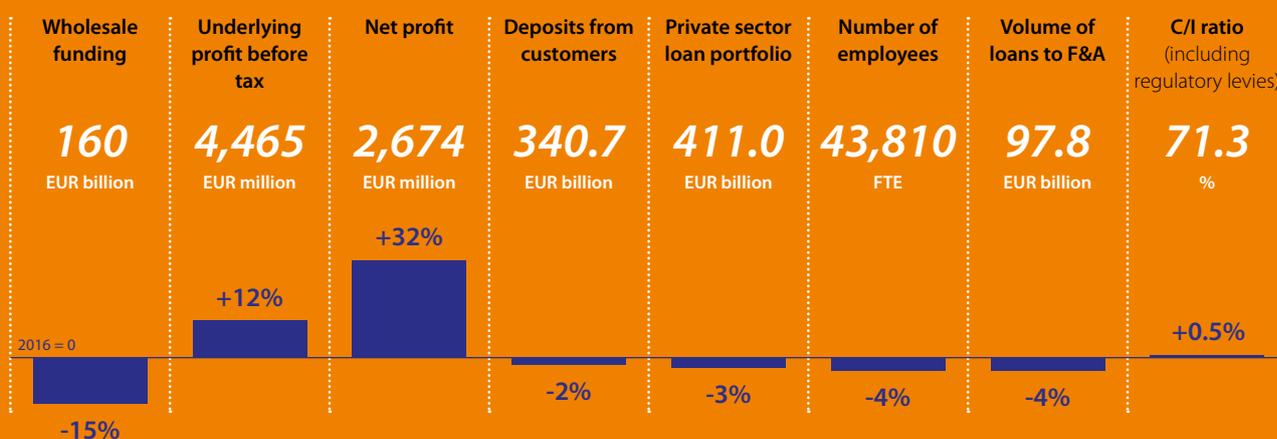
“Rabobank’s Strategic Framework 2016-2020 provides meaningful targets and gives us direction for the next few years. This framework will ensure we remain a rock-solid bank and that we stay on track as we prepare for forthcoming regulations.”

Bas Brouwers



More results
on page 75

Rabobank results highlights



Our financial performance

Rabobank booked net profit of EUR 2,674 million

The strong and broad-based recovery of the Dutch economy intensified in 2017, reaching a growth of more than 3%, the highest economic growth in ten years. The continued increase in exports, investments and consumption have all been major contributors to this economic upturn. These favourable economic developments also benefited Rabobank. Loan impairment charges decreased further in the Netherlands as well as in most other countries where Rabobank is active, falling by EUR 500 million to minus EUR 190 million, or minus 5 basis points of the average loan portfolio (the long-term average is 36 basis points). Reduced loan impairment charges had a positive impact on Rabobank's net profit, which increased by EUR 650 million to EUR 2,674 million.

Rabobank's private sector loan portfolio decreased by EUR 13.6 billion to EUR 411.0 billion. This reduction can largely be explained by currency impacts (around EUR 11 billion). Also the further reduction in non-strategic commercial real estate lending contributed to this decrease. Deposits from customers landed at EUR 340.7 billion. Private savings were stable at EUR 142.1 billion.

Rabobank's underlying operating profit before tax was EUR 4,465 (2016: 3,979) million, an increase of EUR 486 million compared to 2016. In calculating the underlying profit, corrections were made for fair value items¹, restructuring costs, the provision taken for the interest rate derivatives framework, the provision taken by Rabobank National Association (RNA) in December 2017, the impairment on our equity stake in Achmea (taken in 2016) and the book profit on the sale of Athlon in December 2016 and the subsequent deconsolidation of this subsidiary. The decrease in staff cost had a positive impact on the cost/income ratio. However, the underlying cost/income ratio, including regulatory levies landed at 65.3% (2016: 64.8%). The return on invested capital (ROIC) amounted to 6.9% (2016: 5.2%).

Decrease in private sector loan portfolio largely caused by currency effects

The weakening of the US dollar was the main driver behind currency effects' downward impact on the lending book expressed in euros (negative impact around EUR 11 billion). At Domestic Retail Banking the mortgage portfolio decreased due to a relative high level of repayments and the sale of some small parts of the portfolio. In October 2017 a share of our mortgage portfolio (around EUR 0.6 billion) was sold to La Banque Postale and in December Rabobank sold its Roparco mortgage loan business (around EUR 0.5 billion) to RNHB, a

former label of Rabobank subsidiary FGH Bank. The commercial real estate loan exposure of Rabobank is actively managed down and amounted to EUR 22.9 billion (EUR 23.8 billion). Excluding currency effects, WRR's loan portfolio and the portfolio of Rabobank's leasing subsidiary DLL saw modest growth.

Loan portfolio

<i>in billions of euros</i>	31-12-2017	31-12-2016
Total loans and advances to customers	432.6	452.8
Of which to government clients	2.3	3.3
Reserve repurchase transactions and securities borrowings	12.9	16.3
Interest rate hedges (hedge accounting)	6.4	8.6
Private sector loan portfolio	411.0	424.6

The geographical breakdown of the loan portfolio as at 31 December 2017 was as follows: 73% in the Netherlands, 10% in North America, 7% in Europe (outside the Netherlands), 5% in Australia and New Zealand, 3% in Latin America, and 2% in Asia.

Loan portfolio by sector

<i>in billions of euros</i>	31-12-2017	31-12-2016
Volume of loans to private individuals	198.0	201.2
Volume of loans to TIS	115.2	121.3
of which in the Netherlands	81.2	84.6
of which in other countries	34.0	36.7
Volume of loans to Food & Agri	97.8	102.0
of which in the Netherlands	36.9	37.5
of which in other countries	60.9	64.5
Private sector loan portfolio	411.0	424.6

¹ Results on the fair value of debt instruments (structured notes) and hedge accounting.

Loan portfolio TIS by industry at year-end 2017



Lessors of real estate	13%
Wholesale	10%
Finance and insurance, except banks	10%
Manufacturing	8%
Professional, scientific and technical services	8%
Activities related to real estate	8%
Transport and warehousing	5%
Healthcare and social assistance	5%
Construction	4%
Retail (except food & beverages)	4%
Utilities	2%
Information and communication	1%
Art, entertainment and recreation	1%
Other services	22%

48% of the loan portfolio was lent to private individuals, 28% to Trade, industry & services (TIS), and 24% to Food & Agri. The following graphs represent the breakdown of the TIS and Food & Agri portfolios by industry.

Changes in business segments

As part of the ongoing change of the bank following the update of our strategic objectives Rabobank changed the set-up and internal reporting of the business segments. In 2017 the portfolio of DLL's Financial Solutions was transferred to the business segment domestic retail banking, and a large part of the loan portfolio of FGH Bank which was previously in the real estate segment was integrated in the domestic retail banking segment and wholesale (part of the WRR segment). For comparison purposes, the segment information for 2016 is also represented in the new structure and the figures have been adjusted accordingly.

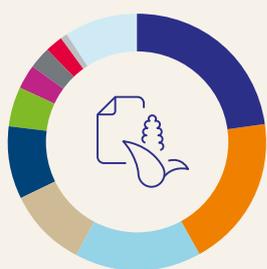
Financial Solutions

In April 2017, DLL transferred its Financial Solutions activities to Rabobank. Financial Solutions includes leasing and consumer finance products offered to Rabobank customers in the Netherlands. Migrating DLL's non-vendor finance activities to Rabobank brings about synergies that can deliver more value to the customers that make use of these products. Additionally, it allows DLL to focus all of its resources on its vendor finance business.

Rabo Real Estate Finance

Rabo Real Estate Finance has been introduced in 2016 as the real estate finance organisation within Rabobank. In line with the Rabobank real estate strategy it ensures that the expertise of commercial real estate financier FGH Bank's expertise will remain within the bank. Rabo Real Estate Finance is a centre of expertise in the area of commercial real estate financing. They advise local Rabobanks about commercial real estate lending. For more information on Rabo Real Estate Finance [click here](#).

Loan portfolio F&A by industry at year-end 2017



Dairy	23%
Grain and oilseeds	19%
Animal protein	16%
Fruit and vegetables	10%
Farm inputs	9%
Food retail and food service	5%
Beverages	3%
Sugar	3%
Flowers	2%
Miscellaneous crop farming	1%
Other F&A	9%

Decrease in private savings

Total deposits from customers decreased by 2% to EUR 340.7 (2016: 347.7) billion. This was mainly due to balances from corporate customers, which are inherently more volatile than private savings. Deposits from customers in domestic retail banking increased to EUR 228.8 (2016: 223.3) billion. Deposits from customers at other segments decreased by EUR 12.5 billion to EUR 111.9 (2016: 124.4) billion. This decrease was for around EUR 5 billion due to currency effects. Nevertheless, private savings at Domestic retail banking increased by EUR 0.8 billion to EUR 117.0 (2016: 116.2) billion, while total private savings decreased by EUR 0.1 billion to EUR 142.1 (2016: 142.2) billion.

Deposits from customers

<i>in billions of euros</i>	31-12-2017	31-12-2016
Private savings	142.1	142.2
Domestic retail banking	117.0	116.2
Other segments	25.1	26.0
Other deposits from customers	198.1	205.5
Domestic retail banking	111.8	107.1
Other segments	86.8	98.4
Total deposits from customers	340.7	347.7

Provision Rabobank National Association (RNA)

On 2 January 2018 Rabobank announced that its California-based subsidiary has taken a provision of EUR 310 million in 2017. This decision anticipated on an expected settlement connected to previously disclosed investigations. RNA has been under investigation since 2013 by the U.S. Department of Justice and other U.S. authorities for possible violations of the U.S. Bank Secrecy Act and other regulations and statutes in relation to its historical AML compliance programme, and the Office of the Comptroller of the Currency's ('OCC') examination of that programme in the past. RNA has been cooperating with the authorities during their investigations, and in February 2018 these discussions have been settled for an amount in line with the provision taken.

Financial results of Rabobank

Results			
<i>in millions of euros</i>	31-12-2017	31-12-2016	Change
Net interest income	8,843	8,835	0%
Net fee and commission income	1,915	1,826	5%
Other income	1,243	2,144	-42%
Income	12,001	12,805	-6%
Staff costs	4,472	4,680	-4%
Other administrative expenses	3,176	3,476	-9%
Depreciation	406	438	-7%
Operating expenses	8,054	8,594	-6%
Gross result	3,947	4,211	-6%
Impairment losses on goodwill and investments in associates	0	700	-100%
Loan impairment charges	(190)	310	-161%
Regulatory levies	505	483	5%
Operating profit before tax	3,632	2,718	34%
Taxation	958	694	38%
Net profit	2,674	2,024	32%
Loan impairment charges (in basis points)	(5)	7	-171%
Ratios			
Cost/income ratio exclusive regulatory levies	67.1%	67.1%	
Cost/income ratio including regulatory levies	71.3%	70.9%	
Return on tier 1 capital	7.2%	5.8%	
ROIC	6.9%	5.2%	
Balance sheet (in EUR billion)			
	31-12-2017	31-12-2016	
Total assets	603.0	662.6	-9%
Private sector loan portfolio	411.0	424.6	-3%
Deposits from customers	340.7	347.7	-2%
Number of internal employees (in FTEs)	37,170	40,029	-7%
Number of external employees (in FTEs)	6,640	5,538	20%
Total number of employees (in FTEs)	43,810	45,567	-4%

Notes to the financial results of Rabobank

Net profit landed at EUR 2,674 million

The decrease in the number of employees and lower restructuring costs had a positive impact on the result, whereas in 2016 the gross result was negatively impacted by the impairment on our stake in Achmea and the provision for the interest rate derivatives recovery framework. The add-on provision of EUR 51 million taken in 2017 was needed to cover for the latest insights and statutory interest. Gross profit in the reporting year was affected by the EUR 310 million provision taken by RNA. The loan impairment charges decreased to minus EUR 190 (2016: 310) million in 2017, positively influencing net profit, which amounted to EUR 2,674 (2016: 2,024) million in 2017.

Underlying performance further improved

Our underlying performance improved in 2017 as illustrated by the development of the underlying operating profit before tax, which increased by EUR 486 million to EUR 4,465 million. In calculating this underlying profit, we made corrections for fair value items, restructuring costs, the provision for the interest rate derivatives framework for both comparable years, for the impairment on our stake in Achmea taken in 2016, for the provision taken by RNA in 2017 and for the book profit on the sale of Athlon in December 2016 and the ensuing deconsolidation of this subsidiary. In 2017, the underlying cost/income ratio, including regulatory levies, stood at 65.3% (2016: 64.8%).

Development of underlying operating profit before tax

<i>Amounts in millions of euros</i>		2017	2016
Income		12,001	12,805
Adjustments on income	Fair value items	313	(106)
	Regular income Athlon	0	(271)
	Book profit on sale Athlon	0	(251)
Underlying income		12,314	12,177
Operating expenses		8,054	8,594
Adjustments on expenses	Restructuring	159	515
	Derivatives framework	51	514
	Provision RNA	310	0
	Regular expenses Athlon	0	160
Underlying expenses		7,534	7,405
Regulatory levies		505	483
Loan impairment charges		(190)	310
Impairment losses on investments in associates	Impairment Achmea	0	(700)
Operating profit before tax		3,632	2,718
Total adjustments		833	1,261
Underlying profit before tax		4,465	3,979

Rabobank retained EUR 1,509 (2016: 749) million of its net profit to bolster capital in 2017. Tax amounted to EUR 958 (2016: 694) million, an effective tax rate of 26% (2016: 26%).

Income decreased by 6%

Net interest income resilient

Net interest income totaled EUR 8,843 (2016: 8,835) million. As in 2016, repricing of the loan book had a positive effect on the net interest margin. Extra mortgage repayments at the local Rabobanks moderately lowered the outstanding lending volumes. An increased volume of early interest rate revisions in our mortgage books has a downward effect on net interest income going forward. At the same time, higher lending volumes augmented net interest in 2017 for both WRR and DLL. The low interest rate environment still negatively impacted the income from treasury activities related to maintaining the liquidity buffers. The average net interest margin, calculated by dividing net interest income by the average balance sheet total in the year, increased from 1.30% in 2016 to 1.39% in 2017. This was the result of stable net interest income combined with a lower balance sheet total. The balance sheet decreased due to the lower value of the derivatives as a result of changes in fx and interest rates, along with a somewhat lower lending book and lower liquid assets.

Net fee and commission income stable

In 2017, net fee and commission income increased to EUR 1,915 (2016: 1,826) million in 2017. At the local Rabobanks, net fee and commission income on payment accounts increased. At WRR, net fee and commission income decreased. In 2017, WRR Markets division's net fee and commission income reflected somewhat lower activity levels after a relatively high number of significant transactions in 2016. Net fee and commission income at DLL remained stable (corrected for the deconsolidation of Athlon). Net fee and commission income in the real estate segment increased due to higher performance fees at Bouwfonds IM.

Other results down 42%

The decrease in other results to EUR 1,243 (2016: 2,144) million can be partly attributed to the de-consolidation of Athlon. Income from Athlon's operational lease contracts added to other results during 2016 as did the book profit on the sale of Athlon. The negative result on hedge accounting and structured notes affected other results significantly. On balance, the gross result on structured notes and hedge accounting decreased from a profit of EUR 106 million in 2016 to a loss of EUR 313 million in 2017. WRR's markets division's trading results improved due to better market conditions than in 2016, which partly levelled out the decrease. The increase in the number of houses sold at the real estate segment had an upward effect on other results. Furthermore, other results got a boost from higher (regular) results on our investment in Achmea (EUR 43 million), The sale of our share in Van Lanschot (EUR 44 million) and the sale of our share in Orix (EUR 42 million). Despite this divestment, Orix/Robeco will remain an important financial partner of Rabobank.

Operating expenses decreased 6%

Staff costs down 4%

In 2017, the total number of employees (including external hires) at Rabobank decreased by 1,757 FTEs to 43,810 (2016: 45,567) FTEs mainly because of the large restructuring programme currently underway in the Netherlands. The largest reduction in staff in 2017 was at the local Rabobanks. Overall staff costs decreased to EUR 4,472 (2016: 4,680) million. The decrease in staff costs was moderated by the release of a provision connected to the sobering of fringe benefits in 2016. The costs associated with the 2% pension accrual guarantee given to the pension fund covering the 2014-2020 period increased to EUR 160 (2016: 30) million in 2017. The maximum guaranteed amount was almost reached in 2017.

Other administrative expenses decreased by 9%

The other administrative expenses were negatively impacted by the provision taken by RNA (EUR 310 million). Nonetheless, total other administrative expenses decreased to EUR 3,176 (2016: 3,476) million in 2017. Total other administrative expenses were relatively high in 2016 as a result of the provision for adopting the SME interest rate derivative framework (EUR 514 million), which was significantly higher than the addition of EUR 50 million to the provision in 2017. Higher restructuring costs in 2016 (EUR 515 million versus EUR 159 million in 2017) also helped reducing other administrative expenses. Overall, this decrease was somewhat tempered by the release of a provision for legal claims at WRR in 2016.

Depreciation down 7%

As a result of the closing down of offices in the Netherlands as part of the execution of Performance Now, depreciation decreased to EUR 406 (2016: 438) million.

Loan impairment charges at minus 5 basis points

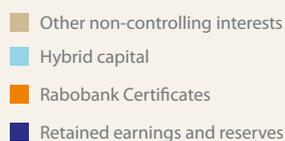
At minus EUR 190 million, loan impairment charges actually contributed to operating profit, which is atypical. In 2016 an amount of EUR 310 million was charged to the income statement, which was already a year with very low loan impairment charges. We saw improvements in nearly all business segments. This is mainly due to the ongoing favourable economic conditions in our domestic market, leading to limited additions and high releases of existing loan loss allowances, particularly in the domestic retail banking business and in real estate. Relative to the average private sector loan portfolio, loan impairment charges amounted to minus 5 (2016: +7) basis points, which is exceptionally low and substantially below the long-term average (period 2007-2016) of 36 basis points.

On 31 December 2017, non-performing loans (using the EBA definition) decreased to EUR 18,315 (2016: 18,873) million. Increasingly strict credit risk management attention has led to more write-offs and to more non-performing loans, especially for files with low or zero provisioning levels. As a result the level of non-performing loans did not fully show the improved quality of the underlying loan portfolio due to the favourable economic climate. On 31 December 2017 the NPL-ratio (non-performing loans as a percentage of the loan portfolio) increased slightly to 3.5% (2016: 3.4%).

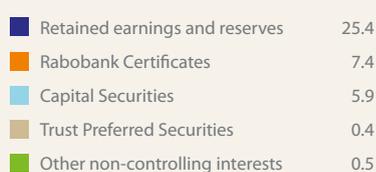
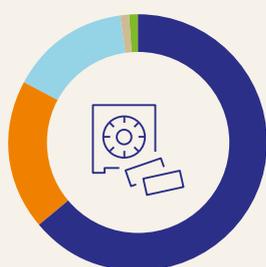
Due to more non-performing loans with relatively low provisioning levels, more write-offs and the appreciation of collateral value the related coverage ratio decreased to 30.0% (2016: 40.0%).

Developments in the balance sheet

Equity in billions of euros



Breakdown of equity at year-end 2017, in billions of euros



Balance sheet

In billions of euros	31-12-2017	31-12-2016
Cash and cash equivalents	66.9	84.4
Loans and advances to customers	432.6	452.8
Financial assets	31.6	38.5
Loans and advances to banks	27.3	25.4
Derivatives	25.5	42.4
Other assets	19.1	19.1
Total assets	603.0	662.6
Deposits from customers	340.7	347.7
Debt securities in issue	134.4	159.3
Deposits from banks	18.9	22.0
Derivatives	28.1	48.0
Financial liabilities	14.4	17.3
Other liabilities	26.9	27.7
Equity	39.6	40.5
Total liabilities and equity	603.0	662.6

Assets

In 2017, the balance sheet total decreased by EUR 59.6 billion. This decrease is largely the result of a decrease in derivatives (EUR 16.9 billion) as a result of interest and fx rate developments, a decrease in cash and cash equivalents (EUR 17.5 billion), and a decrease in loans to customers (EUR 20.2 billion). We actively managed down our cash and cash equivalents position whilst maintaining our strong liquidity ratios.

The decrease in the loan portfolio was caused in part by foreign exchange rate movements (around EUR 11 billion).

Liabilities

On the liabilities side Rabobank reduced its position in debt securities in issue in order to reduce its reliance on wholesale funding. Combined with a lower fair value of derivatives and other trade liabilities, linked to interest and fx rate developments, this resulted in a decrease in total liabilities.

Equity

In 2017, Rabobank's equity decreased marginally to EUR 39.6 (2016: 40.5) billion. The redemption of Capital Securities and the appreciation of the euro both had a negative effect on equity. This was partly compensated by the EUR 1.6 billion proceeds from the January 2017 issuance of Rabobank Certificates. Also, retained earnings of EUR 1.5 billion boosted equity.

In order to limit the impact of foreign currency fluctuations, Rabobank has chosen to hedge its capital ratios instead of its absolute amount of equity. Rabobank's capital ratios were as a result of this hedge only limited affected by the appreciation of the euro. However, this hedge did result in a decrease of equity of EUR 1.2 billion. Rabobank Group's 2017 equity consisted of 64% (2016: 64%) retained earnings and reserves, 19% (2016: 15%) Rabobank Certificates, 16% (2016: 20%) hybrid capital and subordinated capital instruments, and 1% (2016: 1%) other non-controlling interests.

Development of equity

in millions of euros

Equity at the end of December 2016	40,524
Comprehensive income	1,130
Issue of Rabobank Certificates	1,620
Payments on Rabobank Certificates and hybrid capital	(1,113)
Redemption of Capital Securities	(2,333)
Other	(218)
Equity at the end of December 2017	39,610

Wholesale funding

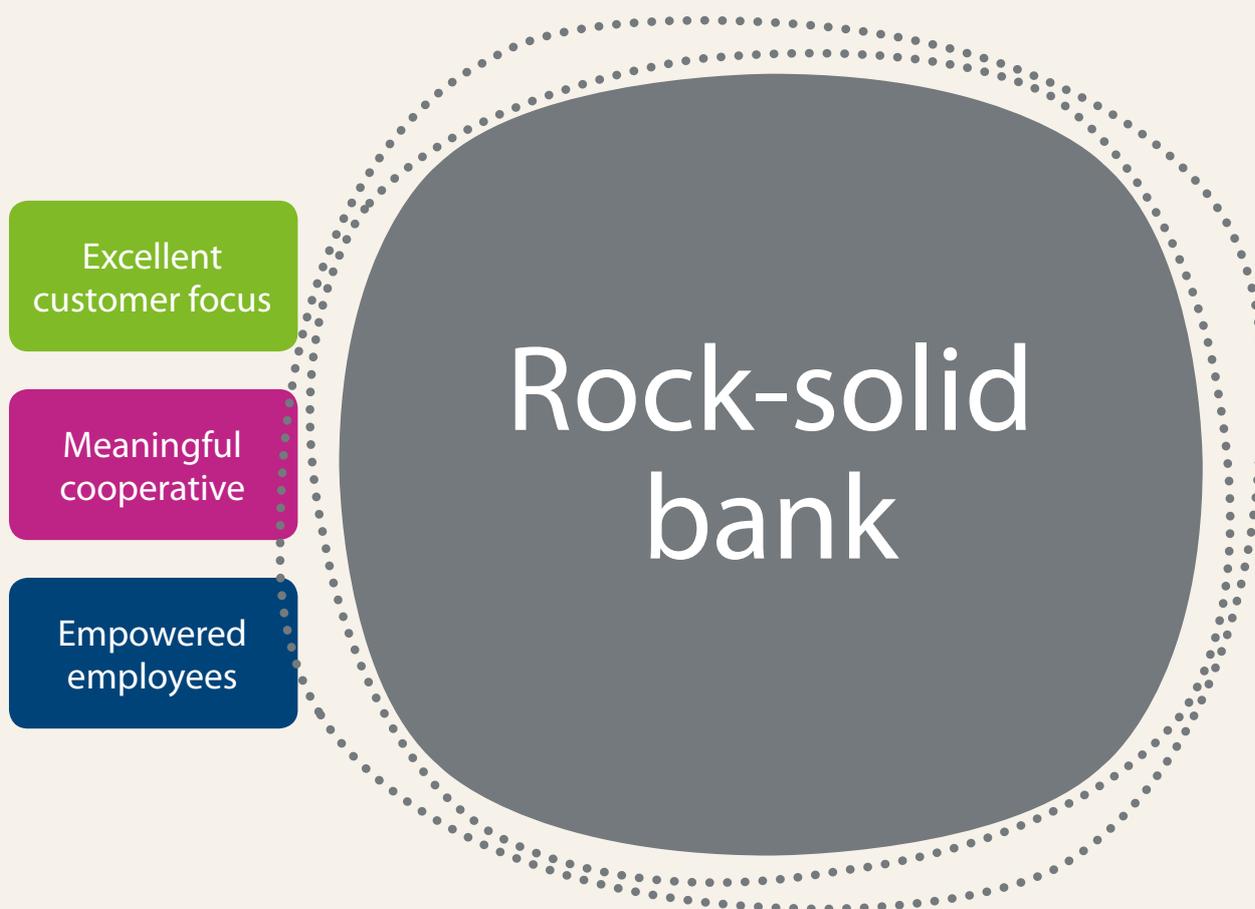
Rabobank is actively reducing its wholesale funding usage. Doing so will make the bank less sensitive to potential future financial market instability. In 2017, the amount of wholesale funding decreased by EUR 28.5 billion to EUR 160.4 billion, partly as a result of fx rate developments. Issued debt securities, both short- and long-term, are the main source of wholesale funding. For more information, see the Pillar 3 report. We intend to further reduce the amount of wholesale funding for the group going forward.

Risk Management and Compliance

Rabobank continues to strengthen its overall risk management framework front to back. We realise this is an ongoing process with a changing bank and demanding external environment. Risk management is inherent and integral to running a business but we look ahead to anticipate developments which could impact our risk profile and business in the future.

Our ambition

The **Risk Management** activities contribute to the realisation of the ambitions of the organisation, clients and stakeholders alike and are an integral part of strategy design and execution.



The size and quality of the **liquidity buffer** is aligned with the risk Rabobank is exposed to resulting from its balance sheet.



Rabobank

Growing a better world together.

Treating customers fairly is at the very heart of our mission statement. It is Rabobank's ambition to provide customers with the best possible service, while exercising due care.

Pillars Liquidity Risk



Limits
outgoing cash



Buffer
liquid assets



Solid
credit rating

Goals risk strategy

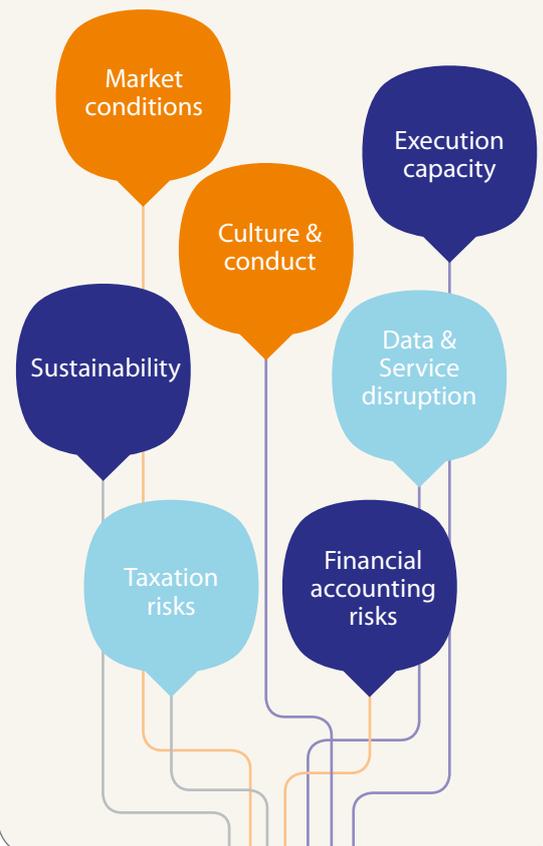
- **Support** the business in delivering excellent and appropriate client focus
- **Protect** profit and profit growth
- **Maintain** a solid balance sheet
- **Protect** Rabobank's identity and reputation
- **Make** healthy risk-return decisions

"We adhere to the highest professional standards in our work and can be held accountable for what we do. We always take the interests of our stakeholders into consideration."

Taking ownership
at the
dealingroom



Significant risks



Our risk management goals can only be achieved by maintaining sound governance and a **strong risk culture** throughout the organisation.



You are key

Employees are expected to be aware of risks and dilemma's in their day to day work, to carefully consider the interests of all stakeholders, to always be honest and reliable, and to take responsibility for their actions.



Rock-solid
bank

Petra van Hoeken

*Member of the Managing Board
and Chief Risk Officer*

Last year we put a lot of effort into improving our risk management skills, behaviour and culture across the bank. I am very proud of my teams worldwide – some 3,600 professionals in total – for their focus and their dedication during Rabobank's transformation towards becoming One Bank. We operate in a complex, regulated world with multiple stakeholders and, at times, conflicting interests. By challenging and balancing, we support new business and growth, manage risk in our existing portfolios and deal with non-strategic legacy matters. We also develop new risk models, innovative tooling and risk processes, as well as our understanding of newer risks (e.g. digitisation, data privacy) and how to manage them. Change is a constant in today's world, and our risk teams globally have demonstrated their agile, adequate responsiveness.

We made progress in Risk Governance. Chief Risk Officers have now taken their seats at the table in the group's key management teams, where they can foster better understanding of – and cooperation on – risk and business, and enhanced informed decision making. We have reviewed the composition and mandates of the many risk committees, and where feasible, have rationalised with a view to making roles & responsibilities very clear and improving the efficiency and effectiveness of risk decision making. We are holding more frequent In Control meetings – for each Managing Board member domain – where senior management can regularly discuss its own risk and control self-assessments on the basis of adequate and honest risk reporting. We dedicated extra resources on data and reporting infrastructure. Becoming more directly involved in and challenging the budgets, business yearplans and Medium Term Plans of Risk in terms of risk appetite and management is another example of how we are promoting risk awareness and a proactive culture.

We also made progress in Credit Risk. The rationalisation of our credit model landscape, which is also in line with the Europe-wide Targeted Review of Internal Models (TRIM) exercise, moved ahead with the delivery of three models (the counterparty credit risk model, the mortgage model and the SME corporate model) which are awaiting regulatory approvals. Additionally, we devoted a great deal of effort in IFRS 9, AnaCredit and EBA guidelines. The size of our credit (loan) portfolios is stable and the quality has improved, evidenced by historic low provisioning and declining NPLs.

Apart from business as usual, our risk teams have supported the organisation with issuance of the covered bonds (first time) and Rabo certificates, Mifid II regulatory compliance, and with strengthening ALM. New developments and improvements were made in stress-testing, including the interest rate risk in the banking book and the ECB stress test during the summer.

The roll-out of the renewed, multiyear-One Bank project, Risk & Control Framework (RCF), will near completion by the end of 2018. Understandably, there is still work to be done as we shift from working as separate risk and compliance teams to a much more global collaborative professional customer focused organisation. Once firmly embedded, with its systemic, consistent and global approach to managing and controlling operational risk and compliance with simple policies, standards and a single tool (Archer), RCF will drastically improve the way businesses run and control their activities. The CLR teams have also been working to proactively managing risks through various remedial efforts, legacy files and new business developments.

Compliance made strides in revitalising the compliance function globally. Thousands of Rabobank employees received training

and education in fundamental compliance risks. A systemic integrity risk assessment (SIRA) was conducted to re-assess the bank's core compliance risks and the 2018 plans were defined for each major unit. For 2018, specific focus points will be CDD and AML, from front-to-back management of these risks to monitoring and oversight.

We developed our team and organisation further by centralising credit and financial restructuring teams in the Netherlands. We welcomed many newcomers to the Compliance and ALM teams, and we created flatter, less layered and more diverse management teams. Our Young Professional Programme attracts young quants and other talent. Required performance and professional standards are high, while workload, careers and engagement have our continued attention. Teamwork is what counts.

We at Compliance, Legal and Risk welcome the mission of 'Growing a better world together' with open arms. Further focusing the Banking for Food and Banking for the Netherlands strategies provides a clear framework for assessing the risks we take together as a global financial institution in terms of how they affect our business and our stakeholders: our customers, employees, members, regulators, investors, suppliers, government and the general public. In short, society at large.

Finally, the expansion of the Managing Board now puts all four client franchises firmly at the helm. Given the people we have on board and the course we've plotted for optimum digitalisation, my teams and I look ahead with confidence.



Rock-solid
bank

Risk Management and Compliance

Risk management goals

The Banking for Food and Banking for the Netherlands strategies bring specific concentration risks and exposes the bank both in the domestic and international markets to macro-economic, political, regulatory and social developments. We are intimately aware of those specific risks and the balance we strike with our strategic choices.

Our risk management and control framework is designed to mitigate the current risks we are facing. Each time business opportunities are discussed and decisions are taken, risks are assessed against expected returns and risk appetite. Without taking risks, profitable banking activities are impossible, and therefore it is also necessary to accept a certain degree of risk.

Every day Rabobank takes informed risk decisions on engaging with (new) customers, granting credit, entering into interest rate contracts and providing other services to customers. In the customers' interest risk and control processes are designed to manage the material risks. They ensure that the risks incurred remain within the bank's risk appetite and that risks and returns appropriately match our strategy.

Risk Management in this way contributes in the realisation of the ambitions of the organisation, customers and stakeholders alike.

Strengthening Risk Management

In 2017 Rabobank continued to strengthen its overall risk management framework front to back, including its global risk teams. We realise this is an ongoing process with a changing bank and demanding external environment.

One such development is information technology in cloud computing and services, which has prompted Rabobank to improve the governance and risk framework of cloud applications. This includes further analysis of IT architecture and making strategic choices for Rabobank. The risk assessment process in the cloud computing business also entails careful consideration of regulatory and legal requirements and restrictions.

Since the UK vote to leave the EU (Brexit) on 23 June 2016 and the British government's subsequent invocation of Article 50 of the Lisbon Treaty (to formally exit the EU), Rabobank has been analysing and monitoring the group-wide consequences of Brexit through a Group Brexit Committee. We have analysed

multiple scenarios regarding business and processes, and certain precautionary measures have already been taken, and are subject to regular monitoring.

In 2017 we further strengthened the Risk Control Framework (RCF) and the accompanying tooling in the standing organisation. The RCF is about execution of organisation-wide risk and control activities supported by uniform working methods, tooling, learning programmes and taxonomy for all operational risk expertise areas. Implementation of a consistent working method has already begun; enhancing and further aligning the operating model to the process will maximise operational effectiveness.

Rabobank is cooperating in the Targeted Review of Internal Models (TRIM) that was launched by the ECB in 2016. Four TRIM investigations have been started and two are finished. The objective of TRIM is to 'restore credibility, adequacy and appropriateness of approved Pillar I internal models'; to allow appropriate risk assessment and following capital adequacy calculation. In the TRIM scope are models for credit risk, market and counterparty credit risk. Operational Risk models are out of scope. Rabobank has allocated appropriate resources on this project that will run well into 2018 and creates the stepping stone to further improve the model landscape.

Appropriate efforts to enhance our risk reporting are also being taken in line with the principles of the Basel Committee on Banking Supervision for effective risk data aggregation and risk reporting (BCBS 239). These initiatives, based on a principle of 'first-time-right', focus on improving the overall quality of data, aggregation and the timeliness of risk-reporting. The increased transparency and consistency of data of this reporting format would enable Rabobank to make more thoroughly informed decisions faster. In addition, real-time risk reporting would help banks identify and respond to potential risks even sooner. Rabobank expects to be compliant by 1 January 2019.

Significant risks and uncertainties

Rabobank's 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. Rabobank keeps track of external developments and closely monitors how (future) risks might impact the realisation of our strategic objectives. Regular, structural top-down and bottom-up risk assessments are performed to identify various types of risks, and specific stress tests are conducted 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:

- **Market conditions:** The sustained low interest rate environment despite gradual winding down of extraordinary monetary policy. Customer behaviour is rapidly changing and digital innovation is increasing competition from new entrants.
- **Execution capacity:** To achieve the desired results in a complex environment with legacy systems and challenging change-management of projects requires different competences. This puts considerable pressure on scarce resources as we overhaul our IT landscape and improve data quality.
- **Culture & conduct:** There is a fragile balance in public trust which is quickly disturbed. Our employees are expected to adhere to our values and act according to regulations. But strict adherence to legislation is no longer sufficient: facts from the past are judged by the standards of today. Therefore we need to anticipate on developments and be aware of what it means to be market leader in specific portfolios. Rational / financial approaches should be accompanied by regular attention to 'softer', more intuitive signals received and a culture to act on those signals. Because of the rapidly changing environment, we always need to be aware of the risks of misconduct. That's why we have implemented several measures to mitigate the conduct risks we have experienced in the last couple of years. While we will do everything we can to mitigate the risks, we can never mitigate all misconduct risks, because of the size of our organisation, the complexity of the rules and regulations and the moving targets within society.
- **Geopolitics:** Geopolitical developments can drastically change global dynamics. Negative impacts from regulatory developments such as the reform of Basel III and other emerging regulatory requirements put a strain on resources. Interpretation and execution on new regulation is extremely important and to a certain extent drive strategic choices and cost.

- **Data & Service disruption:** Cyber threats are increasingly sophisticated and attacks are more frequent, which requires increased legislation and attention to security risks, vendor management and continuity. A new hybrid IT bank landscape with expanding cloud initiatives is changing the role of the IT department and posing challenges to the governance.
- **Sustainability:** Climate change, including its effect on the food chain, can influence financial stability through insurance liabilities and the value of financial assets and real estate. New financial risks emerge from the energy transition towards a lower carbon economy. Given our Food & Agri focus these elements will more likely than not impact our customers and with that Rabobank.
- **Financial accounting risks:** In preparing the financial statements management applied judgement with respect to estimates and assumptions that affect the amounts reported for assets and liabilities, the reporting of contingent assets and liabilities on the date of the financial statements, and the amounts reported for income and expenses during the reporting period. Our accounting principles also 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, there is always a risk that the actual results may deviate from these estimates, beyond what was anticipated or provide for in our financial statements.
- **Taxation risk:** Tax treatment of transactions is not always clear or certain and, in a number of countries, prior year tax returns often remain open and subject to tax authority approval for lengthy periods. The tax assets and liabilities reported are based on the best available information, and where applicable, on external advice. We also are subject to changing regulations, because of changing of domestic and international tax developments. Because of this there is a risk that we could suffer losses due to additional tax charges or other financial costs. Differences between the final outcome and the estimates originally made are accounted for in the current and deferred tax assets and liabilities in the period in which reasonable certainty is obtained.

Governance

To ensure effectiveness of risk management across the group, Rabobank works with the 'Three Lines of Defence' model. First line functions that own and manage risk within the bank, the second line functions (Risk Management and Compliance) that oversee risk, and an independent third line function (Audit) that provides assurance on the effectiveness of the first and second lines of defence.



The risk management framework covers the regular banking risk types: credit risk, market risk, interest rate risk in the banking book, liquidity risk, compliance risk, operational risk (including tax risk and legal risk) and business risk. Risk classification provides clear definitions and promotes a common understanding of risk management throughout the organisation. In addition to the main risk types, the risk management framework also uses a more granular classification that includes risks such as FX-translation risk and model risk.

The risk appetite is determined per risk type to manage how the risk profile aligns with the Strategic Framework 2016-2020. In general terms the risk teams are now firmly at the table in the key management teams of the group to foster better understanding and cooperation of risk and business, and enhanced informed decisioning. We have reviewed and updated for 2018 the composition and mandates of the many risk committees and rationalised where feasible, with a view to have roles & responsibilities very clear and risk decisioning efficient and (more) effective.

Managing risks: Risk strategy

Rabobank's mission 'Growing a better world together' underlines our cooperative roots and dedication to enable our customers in achieving their ambitions. In its strategy Rabobank defines priorities, objectives and targets including a capital strategy. Rabobank's risk strategy supports management in the realisation of the business strategy by defining boundaries within which the business must operate. Rabobank's risk strategy is focused on the following goals:

- Support the business in delivering excellent and appropriate customer focus. We do this by conducting our business nearby our customers, meeting high standards, and keeping process and system errors to a minimum. We assess the integrity of our customers and our business objectively, provide suitable products to our customers and do not engage in non-sustainable business activities.
- Protect profit and profit growth: Rabobank's business strategy is strongly related to its cooperative roots. We aim to generate healthy profits while also realising the highest standards for our members, customers and for society.
- Maintain a solid balance sheet: Sound balance sheet ratios are essential to ensuring continuity in servicing our customers under sustainable and favourable conditions.

- Protect Rabobank's identity and reputation: A solid reputation is essential to maintaining stakeholders' fundamental trust in the bank.
- Make healthy risk-return decisions in line with the strategic objectives: Make transparent choices on the basis of where capital and resources can be used most efficiently or appropriately with respect to sectors or concentrations.

These goals are strongly connected, and they can only be achieved by maintaining sound governance and a strong risk culture throughout the organisation. Long-term customer value requires a solid balance sheet, minimised funding costs and benefits the bank's profitability and reputation. Conversely, maintaining a solid balance sheet requires a healthy profitability and a sound reputation.

Risk appetite

Rabobank's risk strategy is embedded in a set of strategic risk statements directly linked to the Strategic Framework 2016-2020 along the four strategic themes of complete client focus, rock-solid bank, meaningful cooperative and empowered employees. These statements define the high-level boundaries of the risk appetite within which we must operate. The Risk Appetite Statement (RAS) further specifies the Strategic Risk Statements and defines the levels and types of risk Rabobank is willing to accept to achieve its business objectives. The RAS articulates Rabobank's overall desired 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.

The risk appetite at Rabobank group level is an integral part of the bank's strategy and is incorporated in the organisation'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 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.

Risk culture

Rabobank adopts the of three lines of defence model, which ensures risk management activities are an integral part of business steering and our culture. Rabobank expects all employees to focus on long-term relationships with our clients, and to always act in their best interest. Employees are expected

to be aware of risks and dilemma's in their day to day work, to carefully consider the interests of all stakeholders, to always be honest and reliable, and to take responsibility for their actions. Desirable behaviour is encouraged and undesirable behaviour is corrected. Rabobank creates an environment in which risks and dilemmas can be openly discussed and tunnel vision or group thinking is avoided in daily decision processes. Learning from mistakes is part of our approach to risk management. This is complemented with risk awareness and compliance training programmes for all employees. Risk awareness and our corporate culture is assessed by management teams and follow-up actions are taken and monitored as part of regular steering.

Credit Risk Management

The size of our credit (loan) portfolios is stable and supported by local and global economies the quality has much improved, evidenced by historic low provisioning and reducing non-performing loans (NPL). The improved quality has taken place while we at the same time in our credit risk management process further tightened the standards that reflect the quality of our portfolio (Loan Quality Classification). Prudent credit acceptance policy is typified by careful assessment of clients and their ability to repay the loan that was granted. As a result, the risk profile of the loan portfolio is acceptable even in less-than-favourable economic circumstances. Rabobank aims to form long-term relationships that benefit both the client and the bank. An important starting point in the acceptance policy for business loans is the principle that we know our client well. We have insight in our clients' sector, business, management, goals, financials, opportunities and challenges which helps us manage this risk in the best possible way.

In addition, Rabobank closely monitors developments in the business sectors in which its clients operate so it can properly assess their financial performance. Corporate sustainability also means sustainable financing. Sustainability guidelines have been established for the credit process next to the use of standard credit risk management models to estimate PD, LGD and EAD parameters. To further strengthen our credit management framework there has been a rationalisation of our credit model landscape, also in line with the Europe wide TRIM exercise, which moved ahead with the delivery of 3 models - counterparty credit risk, mortgage model and the SME model. Rabobank also uses a wide range of credit mitigation techniques to reduce specific counterparty credit risk or country risk. Different modelling 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.

Rabobank applies concentration risk mitigation, for example for certain asset classes and at the sector and country level. The risk appetite determined for Rabobank's asset classes is expressed in exposure, percentage of defaults and loan impairment charges. Furthermore, exposure limits apply at the sector and country level. Single-name concentrations are limited on exposure and loss at default (LAD) and are monitored closely.

Rabobank uses the Basel II default definitions to identify a loan impairment allowance.

Operational Risk

Operational risk is defined as the risk of financial losses or reputational damage resulting from inadequate or failed internal processes, people and systems (and includes tax and law-related risks), or from external events. Operational risk is integral to doing business. Our Operational Risk Management (ORM) is aimed at achieving a healthy balance between risk exposure and risk management tools. ORM identifies, measures, mitigates and monitors operational risk, while promoting risk awareness and a healthy risk culture within the bank. Risk quantification and awareness helps management to set clear priorities in their actions and allocation of people and resources.

The primary responsibility for the management of operational risk (including IT Risk and Business Continuity) lies within the business, where attention to managing it must be integrated in their strategic and day-to-day decision-making. Risk management committees have an important role in identifying and monitoring the operational risks for each entity. The Risk Management teams support entity-level committees with oversight, tools, expertise and challenge to the group entities and transparency throughout the group and towards senior management.

The earlier mentioned Risk Control Framework (RCF) is the most relevant development in the Operational Risk framework to enhance organisation-wide risk and control activities. This multiyear project is nearing its completion by the end of 2018. There are still some teething problems, as is understandable going from a decentralised to a much more globally managed organisation. Once firmly embedded, this systemic, consistent approach, globally, to manage and control operational risk and compliance with simple policies and standards and one tool (Archer), RCF will drastically improve businesses' running and controlling their activities.

Compliance

All our activities must be carried out with honesty, sincerity, care and reliability, and comply with relevant laws, regulations and Rabobank's Code of Conduct. It is essential that we act with integrity. All our stakeholders count on this.

The compliance teams across the globe are catalysts, supporting all entities within Rabobank Group to live and breathe the desired culture and showing the right behaviour. Acting with integrity and adherence to relevant laws and regulations is a responsibility of all employees of Rabobank. Compliance amongst others provides oversight, policy support, expertise and countervailing power to senior management and employees, throughout all group entities.

We focus on the following compliance themes: treating customers fairly, market abuse, data privacy, conflicts of interest, anti-fraud & -corruption, anti-money laundering (AML)/ counter terrorist financing (CTF) and economic sanctions. By managing these themes, we also focus on conduct (behaviour) risk.

In 2017, Rabobank re-organised its Compliance function, to better align with the bank's organisational structure and prepare for (future) changes stemming from the bank's digital transformation programme.

Integrity & Trust

Treating customers fairly is at the very heart of our mission statement. It is Rabobank's ambition to provide customers with the best possible service, while exercising due care. The ongoing assessment of suitability of products and services provided to our clients is pivotal for long term client value creation and in the end to the performance of our bank.

Compliance function

Compliance, as part of the second line of defence, has an important role to play in achieving and maintaining integrity and trust. Compliance helps the organisation effectively managing the compliance risks by setting policies and standards, advising the business, sharing knowledge, monitoring adherence and being the centre of expertise for the above mentioned compliance themes. Compliance has a responsibility with regard to risk awareness and education on the compliance topics, either as part of the Rabobank wide training programme (RaboRight) or through specialised training programmes.

The new Compliance organisation includes three advisory teams, each focussing on a specific part of our business. In addition, a specialised team was formed to ensure global oversight on AML/CTF and adherence to international economic sanctions.

Compliance risks

In 2017, Rabobank conducted a Systematic Integrity Risk Analysis (SIRA), enabling an integrated view on the level of compliance risks pertaining to the organisation as well as the level of effectiveness of the risk control framework.

The outcome of the SIRA and ongoing monitoring activities provide further direction to the organisation to manage its compliance risks on a day-to-day basis. In light of recent & upcoming (regulatory) developments and our obligations towards our stakeholders, Rabobank commits to adequate controls for managing the privacy of client data and protecting against disturbance of banking services as a result of cybercrime.

Ensuring that our clients receive the most appropriate advice and products has our ongoing attention. In 2017, much emphasis was placed on the execution of the sector-wide uniform recovery framework for possible miss-selling of interest rate derivatives to non-professional SME clients. The project continues in 2018.

Rabobank does not want to do business with, or facilitate transactions for, persons or organisations engaged in criminal activities. Measures are taken on different levels to make sure this does not happen, including customer due diligence, transaction monitoring and screening against applicable sanctions lists. Rabobank continues to increase its level of scrutiny to meet these standards. During 2018, we will further strengthen the framework and ensure a consistent approach across the globe.

Being an international financial institution, Rabobank faces risks in relation to bribery and corruption from both inside and outside the organisation. As stated in Rabobank's Code of Conduct; 'Any action that evokes the suggestion of a conflict between private and professional interests must be avoided.' The control framework to effectively mitigate these risks contains several elements including our Global Policy on Anti-Corruption. This policy also covers bribery. All situations for potential conflicts of interest by employees must be registered and are monitored.

The outcome of the SIRA 2017 evidences that the key risks for Rabobank in relation to bribery and corruption relate to our relations with business partners. Rabobank has a detailed standard with regard to the due diligence of business partners before the start of the relationship. In 2018 we will further enhance the framework, including global registration of business partners.

Ongoing monitoring

Rabobank assesses the level of compliance through first and second line monitoring, for key risks and controls. In addition, deep dive (thematic) reviews are executed by a dedicated compliance monitoring team. Furthermore and as part of

our ongoing surveillance activities, Compliance monitors the transactions of clients against cybercrime, money laundering and fraud.

Market risk/Interest Rate risk

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

Within the trading environment, the most significant types of market risk are: interest rate risk (including basis risk), credit spread risk and currency risk. Risk positions acquired from clients can either be redistributed to other clients or managed through risk transformation (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 managed and monitored on a daily basis within the trading market risk framework. A prudent limit and control framework is in place. Within the banking environment the most significant type of market risk is interest rate risk. Rabobank is 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 Rabobank is also subject to currency risk, which is mainly translation risk on capital invested in foreign activities.

The internal VaR model forms a key part of Rabobank's market risk framework. Rabobank has opted to apply a VaR model based on a historical simulation that uses one year of historical data. Rabobank recognises that VaR, due to its underlying statistical assumptions, must be complemented by stress testing for more comprehensive risk assessment, so we use this to measure events that are not captured by the VaR model.

Apart from the regular 'business as usual' risk management, new developments and improvements were made in stress testing, including the interest rate risk in banking book ECB stress test during the summer, supporting Treasury with covered bond and rabo certificates issuance, Mifid II regulatory compliance, and kick off with regard to strengthening Asses and Liability Management. Finally, the Managing Board, under the supervision of the Supervisory Board, determines the interest rate risk appetite and the corresponding limits on an annual basis.

Liquidity risk

Liquidity risk is defined as a major risk type at Rabobank. It must be managed carefully. Rabobank's policy is to finance client assets using stable funding, that is, funds entrusted by clients and long-term wholesale funding. The Treasury department is responsible for managing the day-to-day liquidity position, the generation of professional funding on the money and capital markets, and the structural position.

Liquidity risk management rests on three pillars. The first sets strict limits for the maximum outgoing cash flows for different maturities within the wholesale banking business. On a daily basis, Rabobank measures and reports the incoming and outgoing cash flows expected during the next twelve months. Limits govern these outgoing cash flows, including limits and controls per currency. Detailed contingency funding plans are in place to ensure the bank is prepared for potential crisis situations. These plans are subject to periodic operational tests, most recently at the end of 2016.

The second pillar of liquidity risk management is our substantial high-quality buffer of liquid assets. Besides cash balances held at central banks, liquid securities can also be pledged to central banks, used in repo transactions or be sold directly in the market to generate cash immediately. The size and quality of the liquidity buffer is aligned with the risk Rabobank is exposed to resulting from its balance sheet. In addition, a portion of the mortgage loan portfolio has been securitised internally. By pledging the notes to the central bank, this retained securitisation serves as an additional liquidity buffer, but it is not reflected on the consolidated balance sheet.

The third pillar in managing liquidity risk is maintaining a solid credit rating, high capital levels and a prudent funding policy. Rabobank takes various measures to create a balanced source of funding. These measures include the balanced diversification of funding sources with respect to 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.

Outlook on 2018

Strategic priorities for 2018

The Managing Board has set ten strategic priorities for 2018 and beyond. Growth and top line transformation are high on the list of priorities, together with digitalisation and virtualisation of the bank as a whole coupled with wide-scale innovation and operational excellence and efficiency. Our new positioning and clear direction will act as a source of guiding principle for our employees and our clients and represent the basis for the choices we make in the future. Rediscovering local community banking with specific propositions for the future and more active involvement of clients, members and stakeholders will be part of this. For our employees we will create a share culture, one Rabobank in which we take more responsibility for the performance of the group as a whole. Making us an agile learning organisation will be key to achieving the adaptivity we need to take us forward. Continued performance improvements and implementing complex IT improvement processes will equip us 'under the bonnet' to provide the services our clients demand.

Financial outlook

Political calm has apparently returned in Europe, but the geopolitical tensions between North Korea, the US and China continue. This situation gives caution in 2018, but is not expected to impact the global economy much, even though a potential trade war between the US and China remains a concern.

The positive economic developments of recent years are expected to continue in 2018. The global economy is forecast to see between 3% and 4% growth. RaboResearch expects the Dutch economy to return to full capacity in 2018, growing somewhat below 3% after a record year of growth in 2017, the

highest in ten years at more than 3%. Rabobank will continue to focus on its clients, balance sheet optimisation and further performance improvement.

Dutch household disposable incomes will continue to rise, further increasing consumption. House prices are expected to continue climbing in 2018, but the rate of growth may slow down. High consumer confidence, a shortage in supply, and high mortgage repayments due to low interest rates on savings will shape this development. Continuing low mortgage interest rates may increase slightly in 2018 and further slow down the rate of price rises in the housing market.

As in 2017, Rabobank will have to remain prepared in 2018 for what is expected to remain a low interest rate environment. Improving our income is challenging in such conditions, when investing liabilities with zero or very low interest rates (such as current account balances) and equity is less profitable. Low interest rate environments are often accompanied by a flattening of the interest rate curve, making it harder for banks to make a profit on transforming short-term liabilities into longer term assets.

Further execution of restructuring measures will reduce the workforce more, lowering operating expenses in 2018. Loan impairment charges are expected to remain below the long-term average. Higher capital requirements are lowering returns on equity in the banking sector. Long-term measures are being taken to manage operating costs and improve net profit, but efficiency and effectiveness must undergo further improvement to support the performance in 2018.

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

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

Members of the Managing and Supervisory Board

Members of the Managing Board^{1/2}

- Wiebe Draijer*, *Chairman*
- Bas Brouwers*, *Chief Financial Officer (CFO)*
- Petra van Hoeken*, *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 & Retail International, Sustainability, Leasing and Banking for Food Inspiration Centre*
- Jan van Nieuwenhuizen*, *Dutch and International Wholesale Banking and Commercial Real Estate*
- Ieko Sevinga, *Chief Information & Operating Officer (CIOO)*
- Janine Vos, *Chief Human Resources Officer (CHRO)*

Dirk Duijzer, *Company Secretary*

1 Based on the composition of the Managing Board as of 31 December 2017

2 The Managing Board (groepsdirectie) consists of statutory members (marked with *) and non-statutory members. The statutory members also form Rabobank's Executive Board (raad van bestuur). Where we refer to the Managing Board and its duties and responsibilities, this will include the Executive Board and its duties and responsibilities.

More information about the members of the Managing Board is given below.

Wiebe Draijer (W.) (Male, 1965, Dutch nationality)

Appointed with effect from 1 October 2014, current appointment term runs until 1 October 2018

Chairman, portfolio:

- Communication & Corporate Affairs
- Audit Rabobank
- RaboResearch
- Corporate Secretariat & Cooperative
- Organisation development & Performance

Bas Brouwers (B.C.) (Male, 1972, Dutch nationality)

Appointed with effect from 1 January 2016, current appointment term runs until 1 January 2020

Chief Financial Officer (CFO), portfolio:

- Control
- Finance
- Portfolio Management
- Treasury
- Investor Relations & Rating Agencies
- Group Tax



Petra van Hoeken (P.C.) (Female, 1961, Dutch nationality)

Appointed with effect from 1 April 2016, current appointment term runs until 1 April 2020

Chief Risk Officer (CRO), portfolio:

- Risk, including a.o. Credit, Operational and Integrated Risk
- ALM & Analytics
- Compliance
- Legal
- Financial Restructuring & Recovery

Kirsten Konst (C.M.) (Female, 1974, Dutch nationality)

Appointed with effect from 1 September 2017, current appointment term runs until 1 September 2021

Portfolio:

- Commercial Banking in the Netherlands including:
 - Regional directors
 - Customer & Distribution
 - Corporate Clients
 - Food & Agri NL
 - Rabo Real Estate Finance
 - Product Management Payments, Financing, Insurance & Pensions
 - Financial Solutions DLL

Bart Leurs (B.) (Male, 1971, Dutch nationality)

Appointed with effect from 1 September 2017, current appointment term runs until 1 September 2021

Digital Transformation Officer (DTO), portfolio:

- Digital Transformation Office
- Fintech & Innovation
- Digital Bank

Mariëlle Lichtenberg (M.P.J.) (Female, 1967, Dutch nationality)

Appointed with effect from 1 September 2017, current appointment term runs until 1 September 2021

Portfolio:

- Retail & Private Banking in the Netherlands including:
 - Rabo Schretlen Wealth Management
 - Sales & Distribution
 - Mortgages & Insurance
 - Savings & Investments
 - Marketing

Berry Marttin (B.J.) (Male, 1965, Dutch and Brazilian nationalities)

Appointed with effect from 1 July 2009, current appointment term runs until 1 July 2021

Portfolio:

- Rural & Retail International including:
 - Global Rural and Retail Clients
 - Region Australia/New Zealand
 - Region South America
 - Region North America
- Sustainability
- Banking for Food Inspiration Center
- Leasing

Jan van Nieuwenhuizen (J.L.) (Male, 1961, Dutch nationality)

Appointed with effect from 24 March 2014, current appointment term runs until 24 March 2018

Portfolio:

- Wholesale Netherlands/International, including:
 - Global Wholesale Products Clients
 - Global Corporate Clients
 - Region Netherlands & Africa
 - Region Europe
 - Region Asia
- Commercial Real Estate

Ieko Sevinga (I.A.) (Male, 1966, Dutch nationality)

Appointed with effect from 1 September 2017, current appointment term runs until 1 September 2021

Chief Information & Operating Officer (CIOO), portfolio a.o.:

- IT Systems
- IT Infrastructure
- IT Strategy, Data & Architecture
- IT Risk, Reporting & Security
- Operations

Janine Vos (B.J.) (Female, 1972, Dutch nationality)

Appointed with effect from 1 September 2017, current appointment term runs until 1 September 2021

Chief Human Resource Officer (CHRO) portfolio:

- Center of Expertise
- Talent Management
- Organisation Development
- HR Strategic Business Partners
- HR Support

Until 1 September 2017 Rien Nagel held the following portfolio: Cooperative & Governance, including 'kringing' directors

- Business, including:
 - Large corporates
 - SME's
 - Food & Agri in the Netherlands
 - Public & Health sector
 - Expertise Centre Real Estate Finance
- Retail & Private Banking, including:
 - Wealth management
 - Mortgages/Real Estate
- Digital Banking
- Marketing
- Insurance

Until 1 September 2017 Ralf Dekker, Chief Operating Officer (COO), held the following portfolio:

- Fintech & Innovation
- IT Systems
- IT Infrastructure
- IT Strategy, Data & Architecture
- IT Risk, Reporting & Security
- Operations
- COO WRR

During 2017 the Supervisory Board redesigned the structure of Rabobank at Board level, transforming the Executive Board of seven people into a Managing Board of ten people. Rien Nagel and Ralf Dekker resigned from their positions as members of the Executive Board. The portfolios of Rien Nagel and Ralf Dekker were rearranged. The new structure embodies a stronger focus on business areas and customers, digital transformation and innovation as well as on Human Resources and operations. As per 1 September 2017 Kirsten Konst, Bart Leurs, Mariëlle Lichtenberg, Ieko Sevinga and Janine Vos were appointed as members of the new Managing Board. More information on this process can be found in the Report of the Supervisory Board.

- 1 The Supervisory Board in its current composition meets principle 2.1.7. of the Dutch Corporate Governance Code.
- 2 You can find information about the profession, the main position and the additional positions of the Members of the Supervisory Board at www.rabobank.com/en/about-rabobank/profile/organisation/board/supervisory-board-members.html

Members of the Supervisory Board of Rabobank (as of 31 December 2017) ^{1/2}

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	Chairman since 14 September 2016	2013	2021	<ul style="list-style-type: none"> • Member • Supervisory Board Takeaway.com
Marjan Trompetter (M.)	Female	1963	Dutch	Vice-chair	2015	2019	<ul style="list-style-type: none"> • Vice-chair Supervisory Board Rijnstate Hospital, Arnhem • Member supervisory boards Salvation Army Welfare & Health Care Foundation and Salvation Army Youth Care & Rehabilitation Foundation
Irene Asscher-Vonk (I.P.)	Female	1944	Dutch	Member	2009	2019	<ul style="list-style-type: none"> • Member Supervisory Board Philip Morris Holland B.V.
Leo Degle (L.N.)	Male	1948	German	Member	2012	2020	<ul style="list-style-type: none"> • Member Supervisory Board Berlage B.V. • Member Supervisory Board Ten Kate B.V.
Leo Graafsma (S.L.J.)	Male	1949	Dutch	Member	2010	2018	-
Petri Hofsté (P.H.M.)	Female	1961	Dutch	Member	2016	2020	<ul style="list-style-type: none"> • Member Supervisory Board of Fugro N.V. • Member Supervisory Board Achmea B.V. • Member Supervisory Board Achmea's Pensions and Life Insurance business • Member of the Supervisory Board of Achmea Investment Management • Member of the Supervisory Board of Kasbank N.V.
Arian Kamp (A.A.J.M.)	Male	1963	Dutch	Member	2014	2018	<ul style="list-style-type: none"> • Vice-chairman Supervisory Board Koninklijke Coöperatie Agrifirm UA
Jan Nooitgedagt (J.J.)	Male	1953	Dutch	Member	2016	2020	<ul style="list-style-type: none"> • Chairman Supervisory Board Telegraaf Media Group • Vice-chairman Supervisory Board BNG Bank • Member Supervisory Board Robeco
Pascal Visée (P.H.J.M.)	Male	1961	Dutch	Member	2016	2020	<ul style="list-style-type: none"> • Member Supervisory Board of Mediq BV • Member Supervisory Board of PLUS Retail BV • Member Supervisory Board of Royal Flora Holland

On 21 June 2017 Irene Asscher-Vonk was reappointed by the General Members' Council for a period of two years, after being in the Supervisory Board for eight years. The Supervisory Board was of the opinion that given the transition of Rabobank is in and the increasing importance of a restrained and sustainable remuneration policy, her knowledge of HR and Compliance remains of high value. In addition, her reappointment would contribute strongly to diversity within the Supervisory Board. On 13 December 2017 Ron Teerlink was reappointed by the General Members' Council for a period of four years.

The members of the Supervisory Board committees are listed in the report of the Rabobank Supervisory Board.

Management board responsibility statement

The Managing Board of Coöperatieve 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 at a going concern basis;
- the management report gives a true and fair view of the internal risk and control systems and its shortcomings.
- Additional information about internal control over financial reporting see [note 54](#) in the consolidated financial statements.
- the management report gives a true and fair view of the state of affairs as at the reporting date, and of the course of affairs during the financial year at Rabobank and its affiliated entities whose information is included in its financial statements;
- the management report describes the principal (future) risks and uncertainties that Rabobank faces which may impact Rabobank going concern for the coming 12 months.

Appendices



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Appendix 1 About this report

The Rabobank Annual Report 2017 has been prepared in accordance with the legal requirements of section 2:391 of the Dutch civil code and the Dutch legal guidelines for management board reports, RJ 400 and the Global Reporting Initiative (GRI) Standards: Comprehensive option. This report also meets the requirements of the EU directive (see [appendix 5](#)). The GRI Content Index is presented in [appendix 6](#). Financial information in the report has been derived from the financial statements. The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). The Integrated Reporting Framework of the IIRC (International Integrated Reporting Council) served as a foundation in the preparation of the content and outline of our management report. In addition, specific guidelines are followed for certain performance indicators such as the Greenhouse Gas protocol for CO₂ emissions. If specific guidelines are used, this is explained in [appendix 2](#).

Scope and boundaries

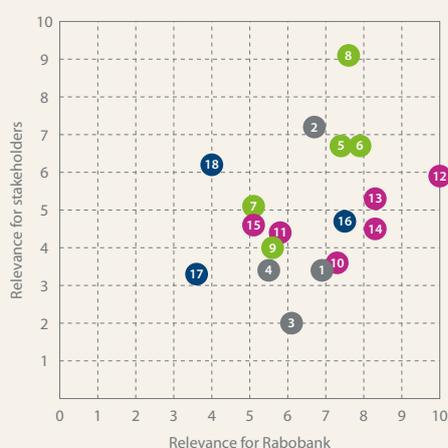
The 2017 Rabobank Annual Report relates to the reporting period 1 January 2017 to 31 December 2017 and was published on 15 March 2018 on Rabobank's corporate website. The materiality analysis ensures that we cover all material economic, social and environmental topics within our Annual Report. The information in this report relates to Rabobank Group as a whole; we consolidated data for all Rabobank's entities and divisions. For more information on our value chain visions, please refer to the chapter [Our impact on society](#)

- knowledge and partnerships. All operating information relates to the reporting period except for the climate footprint information, the climate footprint report is based on the period from 1 October 2016 to 30 September 2017.

Rabobank includes the data of newly acquired businesses as of the year following the acquisition. Rabobank no longer reports on divested units for the whole reporting year. The Rabobank Annual Report 2017 aims to provide a complete, concise and accurate view of our performance. When the reporting is

Rabobank materiality analysis

Situation on 31 December 2017



● Rock-solid bank ● Meaningful cooperative
● Excellent customer focus ● Empowered employees

Topic

- 1 Strong capital position
- 2 Improving performance
- 3 Flexible balance sheet
- 4 Conscious and careful risk return trade off
- 5 Increasing customer satisfaction
- 6 Restoring trust
- 7 Stimulating transparency
- 8 Digitizing and innovating services
- 9 Big data & Privacy
- 10 Strengthen stakeholder engagement
- 11 Supporting clients in sustainable development
- 12 Stimulating sustainable food and agriculture
- 13 Supporting vital communities
- 14 Encouraging entrepreneurship
- 15 Facilitate transition to a more sustainable and circular economy
- 16 Developing human capital and talent management
- 17 Stimulating diversity and equality
- 18 Fair remuneration and education

limited to a selection of the group divisions within or outside of the Netherlands, or when a less comprehensive view is being presented, this is indicated explicitly in the relevant report topic.

Materiality

Determining the topics for this year's report began with an analysis of the material themes identified in 2016. We defined a list of 18 topics on the basis of this evaluation. A materiality matrix was used to determine the relevance of topics for both Rabobank and our stakeholders. As such, the impact of each topic on Rabobank was determined based on Rabobank's strategic documents and validated by the Executive Board. The impact of each topic on stakeholders was validated by a thorough process of desk research and a big data analysis, including minutes from our stakeholder dialogue on 28 September 2017.

The table below provides insight into how each topic is tied to the four strategic cornerstones. It also includes references to the chapter where we describe 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 we had during the year 2017 with the following stakeholder groups: clients, members, employees, non-governmental organisations, government agencies, politicians and supervisory bodies. We thus have a clear view of what our stakeholders believe is important.

<i>Strategic pillar</i>	<i>No</i>	<i>Material topic</i>	<i>Reference</i>
Rock-solid bank	1	Strong capital position	Checking in on our financial targets Our progress on capital ratios
Rock-solid bank	2	Improving performance	Our financial performance
Rock-solid bank	3	Flexible balance sheet	Developments in the balance sheet
Rock-solid bank	4	Conscious and careful risk return trade off	Risk Management and Compliance
Complete customer focus	5	Increasing customer satisfaction	Our impact on customers (throughout the chapter)
Complete customer focus	6	Restoring trust	Our impact on customers (earning client trust)
Complete customer focus	7	Stimulating transparency	Our impact on customers (stimulating transparency)
Complete customer focus	8	Digitizing and innovating services	Our impact on customers (throughout the chapter)
Complete customer focus	9	Big data & privacy	Our impact on customers (Ethics)
Complete customer focus	10	Strengthen stakeholder engagement	About Rabobank (Stakeholder engagement)
Meaningfull cooperative	11	Supporting clients in sustainable development	Our impact on customers (Sustainable impact for our customers)
Meaningfull cooperative	12	Stimulating sustainable Food & Agri	Our impact on society (Promoting sustainable food supply)
Meaningfull cooperative	13	Supporting vital communities	Our impact on society (Supporting community vitality)
Meaningfull cooperative	14	Encouraging entrepreneurship	Our impact on customers (throughout the chapter)
Meaningfull cooperative	15	Facilitate transition to a more sustainable and circular economy	Our impact on customers (Promoting the circular economy)
Empowered employees	16	Developing human capital and talent management	Empowered employees (Craftsmanship / Talent)
Empowered employees	17	Stimulating diversity and equality	Empowered employees (Culture)
Empowered employees	18	Fair remuneration and education	Empowered employees (Remuneration)

Material topics and its boundaries

The table below shows insight in the material topics, if the influence by Rabobank is direct or indirect, and where the impact occurs.

#	Material topics 2017	Definitions 2017	Topic boundaries				
			Direct' or 'Indirect' influenced by Rabobank activities	Effect 'Inside' or 'Outside' own company	Netherlands / International (including Netherlands)	Service lines (Domestic retail banking, WRR, Leasing, Real estate) for which the topic is most relevant	Related stakeholder groups
1	Strong capital position	The development of the capital ratios compared with the targets in the strategic framework.	Direct	Inside	International	All service lines	Board, Members
2	Improving performance	Describes how Rabobank performed financially compared with target.	Direct	Inside	International	All service lines	Board, Members
3	Flexible balance sheet	Activities Rabobank did in order to make its balance sheet more flexible.	Direct	Inside	International	All service lines	Board, Members
4	Conscious and careful risk return trade off	How Rabobank created opportunities to realise value by assessing risks against an expected return.	Direct	Inside	International	All service lines	Board, Members
5	Increasing customer satisfaction	Satisfied clients are our highest priority. Rabobank focusses on meeting or surpassing client expectations.	Direct	Outside	International	All service lines	Clients
6	Restoring trust	Activities developed by Rabobank in order to restore trust at stakeholders. Refers to a fair, transparent and moral code of conduct to the strategic and operational management of business.	Direct	Inside	International	All service lines	Clients, Business partners, Society
7	Stimulating transparency	Activities Rabobank did to be more transparent toward clients. Rabobank supports and educates clients in making optimum and confident financial choices. In addition Rabobank gives stakeholders insight in the way of working of Rabobank and how Rabobank deals with dilemmas and sensitive subjects.	Direct	Outside	International	All service lines	Clients, Society
8	Digitizing and innovating services	Developing innovative products and services targeted at the changing client preferences (i. e. financial-technological innovations to respond to the exponential increase in the use of mobile equipment).	Direct	Inside & Outside	International	All service lines	Clients
9	Big data & Privacy	Activities Rabobank develops to prevent abuse or loss of client data, by Rabobank or third parties. In addition to how Rabobank uses big data and Rabobank's ethical standpoint on the use of big data.	Direct	Outside	International	All service lines	Clients
10	Strengthen stakeholder engagement	Rabobank understands that its cooperative nature implies close collaboration and consultation with all sorts of stakeholders and it is therefore pursuing a constructive dialogue with stakeholders.	Direct	Inside & Outside	International	All service lines	All stakeholder groups
11	Supporting clients in sustainable development	Rabobank's clients face a variety of sustainability risks and issues. As a cooperative bank Rabobank aims to be a facilitator in the process towards a more sustainable world by helping clients to identify and assess ESG opportunities and risks.	Direct	Outside	International	All service lines	Clients, Society
12	Stimulating sustainable food and agriculture	In order to feed the world's population in a sustainable way, Rabobank focusses on improving Food & Agri value chains. This encompasses focus on increase food availability, improving access to food, promoting healthy food and increase stability.	Direct & Indirect impacts through business relationships / Clients/ Investments.	Outside	International	Domestic Retail Banking, WRR & Leasing	Society
13	Supporting vital communities	As a cooperative bank, Rabobank aims to increase the vitality of local communities, from an economic, social and environmental perspective, both within the Netherlands and abroad.	Direct	Outside	International	All service lines	Society
14	Encouraging entrepreneurship	Activities Rabobank develops to support and stimulate entrepreneurs. Rabobank focusses on increasing the earning power, well-being and prosperity of the Netherlands.	Direct	Outside	Netherlands	Domestic retail banking	Clients, Society

#	Material topics 2017	Definitions 2017	Topic boundaries					Related stakeholder groups
			Direct' or 'Indirect' influenced by Rabobank activities	Effect 'Inside' or 'Outside' own company	Netherlands / International (including Netherlands)	Service lines (Domestic retail banking, WRR, Leasing, Real estate) for which the topic is most relevant		
15	Facilitate transition to a more sustainable and circular economy	The activities Rabobank does to facilitate developments towards a more circular and sustainable economy, including initiatives such as the Circular Economy Challenge and the activities related to impact investments and sustainable bonds.	Direct & Indirect impacts through business relationships / Clients/ Investments.	Outside	International	WRR, Leasing & Real estate	Society	
16	Developing human capital and talent management	Rabobank's employees are given every opportunity within an inspiring work environment and use their talents and develop.	Direct	Inside	International	All service lines	Employees	
17	Stimulating diversity and equality	Progression, expansion and internationalisation of diversity and equality within Rabobank (proportion of women in top 50, widening towards cultural diversity, diversity is broadened to international policy).	Direct	Inside	International	All service lines	Employees	
18	Fair remuneration and education	The level of rewards for Rabobank' employees based on socially responsible and relatively moderate course within the framework of laws and regulations.	Direct	Inside	International	All service lines	Employees, Board	

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 Rabobank's automated central management information system. Data which is not recorded in the central system is collected via qualitative and quantitative questionnaires (which are based on internal business principles, policies and external guidelines which 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 appropriate actions are taken in order to optimise the data quality.

The data with regard to Rabobank's internal business operations is mostly based on Rabobank's automated central management information system and on invoices from our providers. Reliable sources and established protocols are used for conversion factors. The climate footprint is calculated according to the most recent directives of the Greenhouse Gas Protocol (GHG) and the associated CO₂ conversion factors originate from, among others, DEFRA, and the IEA.

Most data is gathered on a regular basis in the central management information system. Some information is gathered only once a year as part of the annual reporting process.

Preparation of the Annual Report

Rabobank has organised the process for producing its Annual Report and Interim Report as follows: at the behest of the Managing Board an Annual Report Steering Group was set up, from which an Annual Report Working Group was created. The following disciplines are represented in both the Steering Group and the Working Group: Executive 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 work started on gathering information and writing the Annual Report, the chair of the Annual Report Steering Group and the Managing Board decided on the structure and key messages of the report. The Working Group then translated these guidelines into drafts, which were subsequently reviewed by a committee of members from the Working Group, 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 the Audit Committee.

Assurance

We believe that reliability of the information included in this report is crucial for us and for our stakeholders. For that reason, assurance is provided for the Rabobank Annual Report 2017 by PwC (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 Non-Financial KPI's results, methodology & definitions

Our commitment

The table below shows each of the KPIs. Progress on these KPIs is measured with information obtained from both inside and outside the organisation. A number of KPIs have an absolute target. Others, especially the results of client and employee surveys, are relative targets.

1 The 2016 NPS Advisor and CES figures have been restated due to a clarification regarding the scope. In addition, the NPS and CES figures have been measured for a 12 month period instead of solely measuring the fourth quarter, as was conducted in 2016.

Complete customer Focus

KPI 1: Increasing Customer satisfaction

	2017	2016	2015
Net Promotor Score private customers in the Netherlands	53	36	33
Customer Effort Score Retail customers in the Netherlands	66	67	64
Net Promotor Score Private Banking customers in the Netherlands	50	41	37
Customer Effort Score Private Banking customers in the Netherlands	65	68	64
Net Promotor Score Corporate customers in the Netherlands	43	30	21
Customer Effort Score Corporate customers in the Netherlands	49	51	43

KPI 2: Close to customers in our digital world

	2017	2016	2015
Number of users mobile banking (x 1,000)	3,518	3,079	2,469

KPI 3: Priority financing to sustainable front-runners and doubling the size of front-runners

Sustainable products and services (in millions of euros)	2017	2016	2015	2020 target
Total sustainable financing	18,610	18,791	19,240	Doubling of services (base year: 2013)
Total sustainable assets under management and assets held in custody	4,030	3,835	2,843	-
Total sustainable funding	3,501	2,485	2,122	-
Total financial transactions supervised by Rabobank	6,236	5,750	6,313	-

KPI 4: Clients with a sustainability client photo

	2017	2016	2015	2020 target
Local Rabobanks (number of assessed clients)	14,192	14,502	-	-
Local Rabobanks (% of assessed clients)	98.4%	99%	-	100%
Wholesale offices (number of assessed clients)	1,413	1,533	-	-
Wholesale offices (% of assessed clients)	72.5%	85%	-	100%

Empowered employees

KPI 5: Stimulating diversity and equality

		2017	2016	2015
Genderdiversity Supervisory Board	Male	6	6	7
	Female	3	3	2
Genderdiversity Managing Board	Male	6	6	6
	Female	4	1	0
Genderdiversity Managing Board -1	Male	59	42	31
	Female	24	14	5
Genderdiversity Managing Board -2	Male	294	277	-
	Female	101	90	-

KPI 6: Developing human capital and talent Management

	2017	2016	2015
Organisational Health Index	61	56	-

KPI 7: Increase reputation

	2017	2016	2015
Reprakscore (pulse)	69.5	66.1	-

Meaningful cooperative

KPI 8: Community not-for-profit investments

	2017	2016	2015	2020 target
We support social initiatives in the communities in which we operate with manpower, knowledge, networks and facilities and we invest the equivalent of 3% of our annual profit in social initiatives on a not-for-profit basis through the Rabobank Group and the Rabobank Foundation	2.5%	2.9%	2.8%	3%
By 2020, we will be supporting 500 new local collective community-based initiatives achieving business success in the Netherlands (cumulative)	175	103	-	500

KPI 9: Stimulate and enhance sustainable food and agriculture

	2017	2016	2015	2020 target
We define our vision of how to improve the sustainability of the agricultural value chain for soy, palm oil, sugarcane, forestry, beef, dairy, fish, coffee, cocoa and bio-materials. We share our vision and actively participate in roundtables or similar initiatives to accelerate the process of making these agricultural value chains more sustainable and work together with our clients to integrate the outcomes of these dialogues into their business operations and achieve commercial success at the same time.				
Number of published value chain visions (cumulative)	2	2	0	10
Number of value chains for which we participate in a roundtable or similar initiative	9	9	9	10
Number of supported small-scale farmer organisations in developing countries in the year	260	278	230	500

KPI 10: Reduce CO₂ emissions

	2017	2016	2015	2020 target
Total CO ₂ emissions in tonnes	174,374	181,465	182,067	-
Total CO ₂ emissions per FTE	4.0	3.8	3.5	3.2

The table below serves to clarify the methodology and definitions used to measure and report the progress on each KPI.

KPI 1 Increasing customer satisfaction	<p>The Net Promotor Score (NPS) indicates the level of client satisfaction.</p> <p>The Customer Effort Score (CES) indicates the level of effort required by clients to do business with us.</p>
Methodology	<p>The NPS score is an outcome of an online client satisfaction survey which 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 based.</p> <p>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 those scores that are 9 or 10 are classified as 'promoters'. The result is calculated by the percentage of promoters minus the percentage of detractors, giving the NPS. The NPS can range from 100% to -100%.</p> <p>The CES score is outcome of an online client satisfaction survey which clients in the Netherlands (private customers and private banking and corporate customers with a net revenue under EUR 30 million) receive after having purchased a product and having contact with Rabobank (a. o. local offices, call center). The measurement is therefore transactional based.</p> <p>We measure and report CES by inquiring the level of effort on a five-point scale (very low effort, low effort, neutral, high effort, very high effort). The score is calculated by subtracting the percentage of clients who answered very low effort and low effort with the percentage of clients who answered high effort and very high effort. The CES can therefore range from 100% to -100%.</p> <p>Both NPS and CES are measured over a 12 month period, from the 1st January to the 31st December each year. Each respondent weighs the same in the score. A client can only fill in the NPS survey once every six months. The CES survey can be filled in once every three months. The 2016 figures have been restated for NPS and CES. The 2016 NPS Advisor and CES figures have been restated due to a clarification regarding the scope. In addition, the NPS and CES figures have been measured for a 12 month period instead of solely measuring the fourth quarter, as was conducted in 2016.</p>
Terminology	One of our four cornerstones of our strategy is excellent customer focus, therefore increasing client satisfaction is important for Rabobank.
KPI 2: Close to customers in our digital world	<p>The number of users that make use of mobile banking who log on at least once every three months with TIN code (access code for Rabo mobile banking).</p>
Methodology	We report and measure the number of users of mobile banking devices by means of our information system recording online banking activities. In this report the number is measured as per 31-12-17 (users in the period October - December).
Terminology	Moving from a local branch-based business to doing business well in the digital space not only improves customer satisfaction but also helps reduce our operating costs meeting two Rabobank strategic objectives at once. The numbers of customers using mobile banking indicates the level of digitalisation we have reached.

Support and stimulate corporate clients to make their businesses more sustainable

KPI 3: Priority financing to sustainable front-runners and doubling the size of front-runners	<p>Rabobank gives priority to sustainability leaders in financing and will double the volume of the services provided to them.</p>
Methodology	We measure and report the total of sustainable finance, sustainable funding and other sustainable services and sustainable assets under management and assets held in custody. Giving priority to sustainability leaders is a rule of conduct which is not measured in a reporting value. We aim to double the volume of sustainable financing..
Terminology	Total Sustainable financing is based on sustainable sectors, asset classes or certified companies. Sustainable funding includes Rabo and Obvion Green Bonds, Rabo Green Savings and Rabo Green Deposits and Rabo Socially Responsible Deposits. Transaction volume of other services include financial transactions supervised by Rabobank (Including Green Bonds, IPOs and M&A transactions). Sustainable assets under management and assets held in custody include Private Banking
KPI 4: Clients with a sustainability client photo	<p>By 2020, all our corporate clients will have maximum access to the sustainability expertise they require, and the sustainability performance of all our larger corporate clients will be recorded in a client photo.</p>
Methodology	We first implemented the client photo in 2015 in the Netherlands and expanded the client photo to our international wholesale clients in 2016. We monitor clients with an exposure > EUR 1 million. In the Annual Report we include a table 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). In the Netherlands we assess clients always on group level, at our wholesale offices it is also possible that clients are assessed on a subsidiary level when due to local regulation or specific local circumstances.
Terminology	The client photo measures the sustainability performance of our clients. We have defined 5 performance level categories (A, B, C, D+ and D). In the Annual Report a definition of the categories is included.

Empowered employees

KPI 5: Stimulating diversity and equality	Gender diversity is the percentage of women in the Supervisory Board, the Managing Board, Managing Board -1 and Managing Board -2.
Methodology	We report and measure the number of males and females based upon headcount as reported from Rabobank's human resources information management system at the end of the year. Gender diversity is measured among the Supervisory Board, the Managing Board and the two tiers below the Managing Board
Terminology	Diversity is a vital and integral part of our strategic objectives. To enhance career opportunities for women, Rabobank offers diverse internal and external activities. These include sponsorship of talented women by senior executives, cross-mentoring and coaching programmes. Our Diversity Board meets each quarter to monitor policy compliance and progress on our targets.
KPI 6: Developing human capital and talent Management	OHI measures health by surveying on agreement and alignment across large, decentralised organisations to determine how different employees, business functions, geographies, engage with their company's strategic priorities
Methodology	We measure and report OHI by means of an online survey performed by a third party. In 2017 the survey was held amongst a statistical sample of 30% of our employees, a percentage which has been validated as representative. In 2016 a survey was held amongst all our employees. OHI is measured as the percentage of employees who answer 'favourable' and 'very favourable' to questions.
Terminology	Rabobank aims to be a more inventive, decisive and outward-looking organisation. To gauge where we stand in this strategic and cultural transition, we regularly measure employee culture and engagement.

Reputation

KPI 7: Increase reputation	Reptrak® measures the overall reputation across seven key dimensions, based on four questions: esteem, admire, trust, feeling.
Methodology	We measure and report RepTrak® by the RepTrak® Monitor, which is a tool of the Reputation Institute. In 2017 Rabobank participated in the RepTrak® reputation study that tracks 23 attributes of reputation grouped around seven reputation dimensions that appear to be most effective in getting stakeholders to support the company. The reputation was measured through an online survey among a representative sample of the general public in the Netherlands.
Terminology	A solid and sound reputation is essential to increasing and maintaining stakeholders' fundamental trust in the bank. RepTrak® is a standard for reputation measurement. Their annual rankings are based on each company's 'Pulse' – the emotional connection consumers have to a brand. The results are further broken down into seven dimensions of rationality, which define why consumers feel the way they do. The dimensions are Products/Services, Innovation, Workplace, Governance, Citizenship, Leadership, and Performance.

Supporting vital communities

KPI 8: Community not-for-profit investments	We invest the equivalent of 3% of our annual profit in social initiatives on a not-for-profit basis through the Rabobank Group and the Rabobank Foundation. The Rabobank Foundation is a separate entity.
Methodology	We measure and report the granted financial donations by Rabobank Group and on the granted donation and loans by Rabobank Foundation (this includes the re-use of past contributions by Rabobank Group). The Foundation is mostly active abroad. The total of our financial investments is reported as a percentage of net profit on group level. The main component of the total amount is the amount of donations by our local Rabobanks. Manpower and knowledge invested in local communities are measured and monitored as well, but not included in the KPI report.
Terminology	Cooperative dividend – the part of the profit that is reinvested back into the community. Investments consists of both granted donations as well as granted loans. Community funds are created by Rabobank Group for funding activities that create a positive social contribution to society
KPI 8: New local collective community-based initiatives achieving business success	By 2020, we will be supporting 500 new local collective community-based initiatives achieving business success in the Netherlands (cumulative)
Methodology	Currently we measure and report the number of new collective local community initiatives that have been supported by financing, time investment or knowledge by local Rabobanks in the Netherlands. The data is reported on an annual basis, evaluated and aggregated to group level.
Terminology	Collective local community initiatives are measured and reported based on five criteria: a) the initiative is supported by Rabobank with networking knowledge or financial solutions; b) the initiative is founded by citizens and/or companies to achieve a local impact; c) the initiative is dedicated to achieving a positive social and/or environmental impact; d) the initiative has a solid economic base e) the initiative is founded on a formal legal structure (or is in its start-up phase), such as (but not restricted to) a cooperative structure.

Sustainable agriculture and food supply

KPI 9: Our vision of agribusiness value chains	We define our vision of how to improve the sustainability of the agricultural value chain for soy, palm oil, sugarcane, forestry, beef, dairy, seafood, coffee, cocoa and bio-materials. We share our vision and actively participate in roundtables or similar initiatives to accelerate the process of making these agricultural value chains more sustainable and work together with our clients to integrate the outcomes of these dialogues into their business operations and achieve commercial success at the same time.
Methodology	We measure and report the number of supply chain visions for each selected value chain. We publish these papers on our corporate website and share this knowledge with our clients.
Terminology	Our visions on agricultural chains which we define contain Rabobank's forward looking perspectives and criteria, how to improve and accelerate sustainability with clear steps on the most important sustainability themes in a specific value chain. Further it contains how Rabobank seeks to contribute to these ambitions. Visions are being developed since 2016 as part of our Sustainably Successful Together. Previously Rabobank had published positioning papers on agricultural supply chains. These positioning papers contain our policies and expectations on specific value chains. These have been incorporated in our Sustainability Policy Framework, available on rabobank.com .
KPI 9: Supporting farmers in developing countries	Number of supported small-scale farmer organisations in developing countries in the year
Methodology	Currently we measure and report the number of collective local community initiatives that have been supported by financing, time investment or knowledge through the independent Rabobank Foundation during the year. The data is reported on an annual basis, evaluated and aggregated to group level.
Terminology	5 instruments with which Rabobank can contribute to small-scale farmers: <ol style="list-style-type: none"> 1. Micro loan 2. Trade financing short term 3. Guarantee for loan 4. Donations (for training) 5. Technical assistance
KPI 10: Reduce CO₂ emissions	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	The climate footprint is calculated according to the most recent directives of the Greenhouse Gas Protocol (GHG) and the associated CO ₂ conversion factors originate from, amongst others, DEFRA and the IEA. The operating information for the climate footprint report is based on the period from 1 October 2016 to 30 September 2017.
Terminology	Increasing energy efficiency means 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. Rabobank is also as sustainable as possible in its purchasing policies, attempting to use renewable raw materials and contracts based on circular economic principles wherever we can.

Appendix 3 Sustainability facts & figures

Finance Overview with a societal character or a positive societal impact.

<i>in millions of euros</i>	2017	2016	2015	2014	2013
Corporate Clients					
Sustainable finance					
Green loans	1,424	1,613	1,509	1,574	1,826
Sustainable project finance (excluding green loans) ¹	3,408	3,301	3,374	2,444	2,621
Loan with agriculture guarantee fund BF/BF+	282	261	255	294	300
DLL Clean tech financing ²	383	303	243		
Financing for sustainable technology and energy companies	315	349	278	192	166
Financing for environmental and recycling companies	583	623	517	533	574
Financing for companies with a sustainability label ³	7,640	7,589	8,867	9,831	9,454
Subtotal	14,035	14,039	15,044	14,868	14,941
Access to finance					
Rabo Stimulus Capital	136	176	222	280	328
Loans with a State guarantee (under BMKB)	1,240	1,176	1,069	1,075	1,126
Loans with Go facility	230	269	251	268	330
Growth Facility Scheme (Rabo Capital Injection Loan)	11	21	31	36	35
Subtotal	1,617	1,642	1,573	1,659	1,820
Community services					
Financing for businesses in the education sector and research and development	554	577	658	617	644
Financing for social and ethical organisations	492	573	516	663	593
Financing for cultural organisations	84	130	114	117	179
Financing for organisations caring for vulnerable groups and sheltered employment	1,828	1,830	1,335	1,575	738
Subtotal	2,958	3,110	2,623	2,973	2,155
Total sustainable finance	18,610	18,791	19,240	19,510	18,926
In % of total credit and loanportfolio private clients	4.53%	4.43%	4.52%	5.09%	4.90%

1 Sustainable project finance relates to renewable energy projects of EUR 25 million and more.

2 This figure is part of the total DLL portfolio and reflects the minimal allocation to the clean tech portfolio.

3 An overview of the labels can be found on the corporate website.

Overview total sustainable assets under management for clients, sustainable funding and other transaction volumes

Total sustainable assets under management for clients and sustainable funding

in millions of euros

	2017	2016	2015	2014	2013
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Sustainable assets under management and assets in custody and sustainable funding

Sustainable assets under management and assets in custody

Private Banking ¹	4,030	3,073	1,915	1,258	735
Real Estate	0 ²	370	410	381	286
International ³	0 ²	392	518	462	718
Total sustainable assets under management and assets in custody	4,030	3,835	2,843	2,101	1,739

Sustainable Funding

Rabo Green Bonds	500	500	23	24	258
Obvion Green Bonds	1,050	500 ⁴			
Rabo Green Savings	1,791	1,867	1,957	2,093	2,140
Rabo Green Deposits	60	18	31	31	32
Rabo Socially Responsible Deposits	100	100	111	216	100
Total Sustainable Funding	3,501	2,985⁴	2,122	2,364	2,870

Total Sustainable assets under management and assets in custody including sustainable funding	7,531	6,820⁴	4,965	4,465	4,609
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Transaction volume of other sustainable services

in millions of euros

Financial transactions supervised by Rabobank (Including Green Bonds, IPOs and M&A transactions) ⁵	6,236	5,750 ⁴	6,313	2,383	883
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Fund management

Public Fund Management Netherlands assets	0	0	0	3,117	3,018
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Equator Principles

The Equator Principles (EP) is a framework for risk management by financial institutions for determining, assessing and managing social and environmental risks in projects and project financing. Rabobank was one of the first banks to subscribe to the EP when they were adopted in 2003. In addition to our sustainability policy and for the financial products falling within the scope of the EP, we ask our clients to bring into focus and address relevant environmental and social risks in accordance with the relevant standards as stated in the EP.

Within Rabobank the relationship managers together with the central sustainability department are responsible for the correct implementation of the EP. As part of our sustainability assessment of the client, all transactions are checked for applicability of the EP. When the client applies for a new transaction, a checklist is completed to ensure the correct application of the principles. This checklist should 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 to categorise the projects is based on the International Finance Corporation's categorisation process, and classifies projects into high, medium and low, in terms of 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 potential limited adverse social or environmental impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures;
- Category C – Projects with minimal or no social or environmental impacts.

- 1 The funds in this category have been selected on the basis of ESG (Environmental, Social and Governance) criteria as used by Morningstar.
- 2 Figures for 2017 are zero due to sale of underlying fund(s).
- 3 This figure refers to funds from Asset Managers who are signatory to the UN PRI
- 4 The 2016-figures have been adjusted to reflect the same measuring method as used for 2017.
- 5 These transactions include the supervision of the Rabo and Obvion Green Bonds 2017: 1,550, 2016: 1,000.

The total number of project loans granted in 2017 was 34. The distribution is as follows:

	Category A	Category B	Category C	Project names	Project names
Sector					
Mining				Growkind	Hecate Energy
Infrastructure				Sirocco A	California Flats
Oil & Gas				Sirocco B	SoCore A
Power		34		Sirocco C	SoCore B
Others				Krammer	SoCore C
Region				ECW	SoCore D
Americas		19		Trias Westland	SoCore E
Europe, Middle East & Africa		15		RaceBank	SoCore F
Asia Pacific				TWB II	SoCore G
Country Designation				GeoPower Oudcamp	SoCore H
Designated		34		Meenwaun	SoCore I
Non-Designated				Deutsche Bucht	SoCore J
Independent Review				Lehtirova	SoCore K
Yes		31		Sunstroom 1	SoCore L
No		3		Sunstroom 2	Starwood Northwest Ohio
Totals		34		Solaire Direct	Bishop Hill 3
				Willow Springs	Gestamp Persimmon Creek

Overview of 10 agribusiness value chains and the role of Rabobank in 2017

Rabobank's Banking for Food vision shows we want to play a prominent role in the public debate on the broad issue of food. Our networks allow us to connect producers with consumers. Our knowledge allows us to actively participate in roundtables on sustainability within select agribusiness value chains worldwide. And our ability to offer access to financing allows us to help our customers integrate solutions into their operations.

In cooperating with innovative customers and social partners on ambitious sustainability projects, our hope is they will work to inspire others to increase sustainability in their own value chains. We aspire to combine added value for the client with an acceleration of sustainability measures in global agribusiness and food. In the following table we list a selection of the most relevant memberships of roundtables/initiatives, as well as a selection of highlights in these value chains.

Value chain	Roundtable / Initiative	Rabobank Highlights 2017
Beef	<ul style="list-style-type: none"> Member Brazil Livestock Roundtable http://gtps.org.br/governanca/ Member Global Roundtable Sustainable Beef http://grsbeef.org/2017-Communicators-Summit-Agenda 	<ul style="list-style-type: none"> Rabobank holds the vice president position in the Brazilian Livestock Roundtable Rabobank joined the Communicators Summit hosted by GRSB
Biomaterials	<ul style="list-style-type: none"> Member of the Biobased Circular Business Platform 	<ul style="list-style-type: none"> Rabobank joined the Dutch Biorefinery Cluster event
Cocoa	<ul style="list-style-type: none"> Currently Rabobank does not attend a Roundtable or initiative regarding Cocoa 	<ul style="list-style-type: none"> Rabobank offers an integrated financing solution to the slave-free and fully traceable cocoa value chain of Tony's Chocolonely (from local cooperations, to repayment for cocoa supply, from processing to Tony's sales activities)
Coffee	<ul style="list-style-type: none"> Member of the Global Coffee Platform http://www.globalcoffeeplatform.org/membership/our-membership 	<ul style="list-style-type: none"> Rabobank sponsored and gave a contentional contribution at Global Coffee Sustainability Conference 2017 in Geneva
Dairy	<ul style="list-style-type: none"> Member of the Dairy Sustainability Framework 	<ul style="list-style-type: none"> Rabobank is in the advisory council of the DSF Rabobank presented a concept version of its vision on sustainable dairy at DSF members meeting during IDF World Dairy Summit in Belfast
Forestry	<ul style="list-style-type: none"> Banking Environment Initiative https://www.cisl.cam.ac.uk/business-action/sustainable-finance/banking-environment-initiative/images/members-logos/rabobank.png/view 	<ul style="list-style-type: none"> Rabobank joined the Soft Commodities Compact data workshop of the BEI
Palm oil	<ul style="list-style-type: none"> Member Roundtable Sustainable Palm Oil http://www.rspo.org/members?keywords=Rabobank&member_type=&member_category=&member_country= 	<ul style="list-style-type: none"> Rabobank plays an active role as a Board member of RSPO and makes an effort to be involved in encouraging more FI's to join RSPO. Rabobank assisted a 'think tank' in Singapore in planning their 'green financing' forum by providing them further insights into green financing (standards, impacts, challenges). Rabobank joined the European Roundtable and the meeting of the board of Governors in London
Seafood	<ul style="list-style-type: none"> Global Salmon Initiative 	<ul style="list-style-type: none"> Rabobank joined the CEO led Global Salmon Initiative (GSI) events
Soy	<ul style="list-style-type: none"> Member Roundtable Responsible Soy http://www.responsiblesoy.org/about-rtrs/members/?nombre=Rabobank&busca=busca&pais&categoria&lang=en 	<ul style="list-style-type: none"> Rabobank plays an active role as a Board Member of the Executive Board and is actively involved in any decision making
Sugarcane	<ul style="list-style-type: none"> Member of Bonsucro https://www.bonsucro.com/en/bonsucro-members/ 	<ul style="list-style-type: none"> Rabobank is working with WWF in India together with EID Parry to empower sugar producers to adapt more sustainable sugar production by financing a Decision Support Tool. The new tool has been presented to all members of WBCSD

Rabobank Carbon Footprint

Greenhouse gas emissions and climate footprint (in tons of CO₂)

Emission source	2017	2016 ¹	2015	2014	2013
Scope 1					
Use of natural gas	12,747	12,269	13,998	18,398	11,696
Use of other fuels	76	48	62	91	76
Use of air conditioning	2,006	2,218	2,419	1,743	1,845
Lease mileage driven	25,527	33,944	36,484	39,679	43,888
Scope 2					
Use of electricity	110,540	108,679	102,128	110,582	121,926
Use of heat	1,401	1,951	1,803	2,042	2,987
Scope 3					
Business car mileage driven	4,726	5,092	5,378	5,918	6,496
Business air mileage	16,645	16,425	18,873	18,725	18,193
Use of paper	706	837	922	1,097	1,344
Climate footprint, total CO ₂ emissions:	174,374	181,465	182,067	198,275	208,451
Climate footprint per fulltime equivalent: CO ₂ emissions per fulltime equivalent:	4.0	3.8	3.5	3.6	3.5
Use of electricity in accordance with market-based calculation method	38,729	29,072	26,066	29,611	32,428
Climate footprint in accordance with market-based calculation method	102,563	101,857	106,004	117,304	118,953
Climate footprint per fulltime equivalent in accordance with market-based calculation method	2.3	2.1	2.0	2.1	2.0

1 The 2016-figures have been adjusted to reflect the same measuring method as used for 2017.

Rabobank's goal is to reduce our emissions per FTE by 10% between 2013 and 2020. This year, Rabobank has moved away from target which is caused by the quick decline in employees in the course of 2017. Therefore despite the further reduction in CO₂ emissions, the emissions per FTE have increased. Rabobank compensates its remaining footprint. The target remains ambitious.

In the coming years, it is Rabobank's ambition to get closer to its clients, physically as well as virtually. At the same time, we expect the number of Rabobank branches to decline in the coming time. Together with increased digitalisation, the potential

increase in the physical distance between the bank and its clients may result in a larger demand of electricity and mobility (per FTE). Therefore we implemented an energy management system which provides management and control information to ensure compliance with EEP 2017-2020 and gives rapid insights into savings made in terms of energy use and CO₂ emissions. Another trend that we signal is the increasing ambition and social dialogue regarding the integration and calculation of the emission footprint of our clients in the balance sheet. Supervisors are discussing this topic in a more structural manner and Rabobank is an active participant in the relevant working group.

Energy usage Rabobank Group by source and activity

	Change in % compared to 2016	2017	2016	2015	2014	Unit
Energy	-2%	1,082	1,100	1,134	1,264	Terajoules
Total electricity	2%	834	820	823	892	Terajoules
- Green electricity	-9%	571	629	652	694	Terajoules
- Grey electricity	38%	263	190	171	198	Terajoules
Total gas	3%	248	240	274	330	Terajoules
- Green gas	38%	51	37	29	14	Terajoules
- Grey gas	-3%	197	203	244	316	Terajoules
District heating	-28%	29	40	37	42	Terajoules
Electricity per fulltime equivalent	12%	5,306	4,717	4,343	4,456	kWh/FTE
Green electricity inside in the Netherlands	-11%	78%	88%	95%	93%	Percentage
Green electricity outside the Netherlands	-38%	26%	42%	29%	30%	Percentage
Water in the Netherlands	0%	312	312	301	272	x 1,000 m ³
Water in the Netherlands (m ³ /fulltime equivalent)	11%	10	9	8	5	m ³ /FTE
Lease kilometers	-25%	136	181	224	238	x 1 million km
A4 paper	-6%	17	18	19	21	kg/FTE
Paper and cardboard waste in the Netherlands ²	29%	45	35	35	44	kg/FTE
Residual waste ²	-29%	30	42	25	35	kg/FTE

2 This figure does not include local Rabobank consumption.

Sustainability ratings

RobecoSAM

	2017	2016	2015	2014
Ranking	11	7	5	12
Overall score	89	91	87	83
Economic Dimension	90	94	88	90
Environmental Dimension	88	93	90	78
Social Dimension	88	87	85	77

Sustainalytics

	2017	2016	2015	2014
Relative position	7 out of 342	2 out of 396	11 out of 422	40 out of 382
Overall ESG score	86 (Industry Leader)	85 (Industry Leader)	80 (Industry Leader)	70 (Outperformer)
Environment	91	92	84	70
Social	87	86	81	80
Governance	80	78	76	60

Transparency Benchmark

	2017	2016	2015	2014
Total score	191	188	169	168
Position	13	11	34	22
Company and business model	33	33	26	27
Policy and results	30	30	27	24
Management Approach	32	31	32	31
Relevance	20	17	15	15
Clarity	20	19	15	19
Reliability	14	18	18	18
Responsiveness	22	21	20	16
Coherence	20	18	16	18

VBDO Tax Transparency Benchmark

	2017	2016	2015
Position	3 out of 76	20 out of 68	18 out of 64
Overall score	24	20	18

Fair Finance Guide*

	2016	2015	2014
Arms	7	8	8
Human rights	8	8	8
Climate change	3	5	3
Labour rights	9	9	9
Remuneration	5	4	2
Animal welfare	6	4	4
Health	6	6	1
Taxes and corruption (until 2015)		5	2
Taxes	5		
Corruption	8		
Nature	6	7	3
Manufacturing	6	6	1
Mining	6	6	4
Power generation	5	5	1
Forestry	5	6	4
Food	6	7	5
Oil and Gas	7	7	4
Fisheries	6	7	6
Financial Sector	3	3	1
Transparency and accountability	5	6	5
Housing & Real Estate	3		
Gender Equality	4		

* In 2017 no research has been conducted by the Fair Finance Guide.

Social Indicators

Number of employees*

GRI Standard 102-8	male	female	Total
Permanent	12,683	13,700	26,383
Temporary	589	593	1,182
Full-time	12,591	6,266	18,857
Part-time	681	8,027	8,708
Internal	13,272	14,293	27,565
External	4,631	2,438	7,069

* Data from other regions than the Netherlands are not available.

New hires and personnel turnover in numbers and ratio*

GRI Standard 401-1		Numbers	
	Age	Region	The Netherlands
New personnel	<35	male	567
		female	553
	35-54	male	430
		female	266
	>54	male	52
		female	28
Turnover	<35	male	595
		female	729
	35-54	male	1,195
		female	1,725
	>54	male	436
		female	270

* Data from other regions than the Netherlands are not available. The totals for the reported figures for new personnel and turnover show differences due to incorrect registered internal transfers within Rabobank Group.

GRI Standard 401-1*		Ratio	
	Age	Region	The Netherlands
New personnel	<35	male	1.48
		female	1.44
	35-54	male	1.12
		female	0.69
	>54	male	0.14
		female	0.07
Turnover	<35	male	1.55
		female	1.90
	35-54	male	3.12
		female	4.50
	>54	male	1.14
		female	0.70

* Data from other regions than the Netherlands are not available.

Training*

GRI Standard 404-1		hours		
	Salary Scale**	male	female	Total
Average number of training hours	1-7	27	21	23
	8-11	14	16	15
	SK	9	8	9
	EK	5	4	5
	Total		18	20

* Only training hours of centrally registered trainings of internal employees are reported.

** Excluding Vastgoedgroep and international branches because the hours per salary scale are not available.

Periodic performance discussions*

GRI Standard 404-3		%		
	Salary Scale	male	female	Total
% of personnel with periodic performance & career development	1-7	99.2	99.6	99.5
	8-11	99.6	99.4	99.6
	SK	99.8	99.4	99.7
	EK	99.5	97.8	99.2
Total		99.5	99.6	99.5

* Excluding all international branches because the % per salary scale are not available.

Salary ratio*

GRI Standard 405-2		female/male	
	Salary Scale	Dutch	International
salary ratio female/male	EK	87.2	n/a
	SK	89.5	n/a
	8-11	91.3	n/a
	1-7	92.0	n/a

* Excluding international branches because the salary scales are not available.

$$\text{Salary ratio} = 100 \times \frac{\text{Average salary female}}{\text{Average salary male}}$$

Other information

GRI Standard 102-41	% employees under Collective Labour Agreement*	100%
GRI Standard 102-38, 102-39	ratio salary highest/median Netherlands	19:1
	ratio % increase salary highest/median Netherlands	-2.87%
	ratio salary highest/median international	n/a
	ratio % increase salary highest/median international	n/a

* Percentage refers only to the Netherlands.

Appendix 4 Dialogue with social welfare organisations and dialogue with clients

Dialogue with social welfare organisations

This table provides a list of examples of dialogues that the sustainability department of Rabobank is engaged in with environmental organisations, and/or social welfare organisations. For each organisation, the topics covered and the outcomes are given.

<i>Dialogues with organisations in 2017</i>			
<i>Organisations</i>	<i>Topic</i>	<i>Action</i>	
1	Milieudefensie	Agro commodities and deforestation	Shared and discussed views in context of Rabobank Sustainability Framework
2	Oxfam Novib	Climate change/ Tax policy/ Sustainability of Supply Chains	Shared and discussed views in context of Rabobank Sustainability Framework and current practices
3	Landdialoog/ Interlaken group	Embedding of Land Rights	Active participation in Landdialoog (e.g. member organizing committee of the Dutch Land Dialogue, contribution to workshop on 'free prior and informed consent (FPIC)', contribution to a panel during collective meeting of the Landdialoog and the Interlaken Group, participation in the Interlaken group)
4	Fair Finance Guide International/ Eerlijke Bankwijzer	Research on Human Rights	Discussion of research methodology of research on extractive industries
5	IMVO Convenant/ Dutch Banking Agreement	Human Rights adherence	Active participation in IMVO
6	VBDO	Tax transparency	Provided information for annual tax TB. Rabobank's tax policy was benchmarked a shared 6th rank
7	Banktrack	Human Rights impact briefing	Filled out questionnaire
8	Environmental Paper Network/ Banktrack	Policies for financing pulp and paper	Policies for financing pulp and paper
9	EIA/Greenpeace	Palm oil practices in Indonesia	Discussion on the workings of the RSPO and the Rabobank Sustainability Framework
10	FNV/ Fair Finance Guide International/ Eerlijke Bankwijzer	Granite Sector Report	Shared and discussed views in context of Rabobank Sustainability Framework
11	Amnesty International	Human Rights	Shared and discussed views in context of the update of the Rabobank Sustainability Framework
12	FAIRR	Animal Welfare/ Antibiotics	Shared and discussed views in context of Rabobank Sustainability Framework
13	Oxfam Novib	Land Governance, Tax transparency	Shared and discussed views in context of the update of the Rabobank Sustainability Framework
14	WAP	Animal Welfare/ Fur Trade	Shared and discussed views in context of the update of the Rabobank Sustainability Framework
15	The Humane Society	Animal Welfare	Shared and discussed views in context of the update of the Rabobank Sustainability Framework
16	Global March	Child labor	Shared and discussed views in context of the update of the Rabobank Sustainability Framework
17	Rainforest Action Network/ Banktrack	Tar Sands	Provided information on views and implementation of policy on Tar Sands; Rabobank shared 2nd rank in report on Banks contribution to the Paris Agreement
18	Amnesty International/ FNV mondiaal/ TuKIndonesia/ Elsam	Palm Oil Business in Indonesia	Discussed the current situation in the palm oil industry/ provided information on views on and implementation of palm oil policy
19	Tobacco Free Portfolios	Tobacco	Clarified position, policy and exposure to tobacco manufacturing
20	Banktrack	Developments in corporate transparency, accountability and dialogue	Provided information, answers and feedback to study on follow-ups on previous research and consultations
21	WAP/Fair Finance Guide International	Animal Welfare	Provided reaction for briefing on barn fires, shared and discussed views on barn fires
22	Facing Finance	Human Rights in Extractive industries	Provided information for annual report on human rights

Dialogue with clients

Rabobank engages with clients on material sustainability controversies and alleged issues regarding the environment, human rights, labour rights and governance. In 2017, the sustainability department had 56 such engagements under management. The table below provides a short description of the topic of discussion and the industry and region in which the issues arose. Colleagues of local Rabobank offices closer to the respective clients play an important role in conducting these dialogues. The sustainability department decides which engagements should be held, tracked and monitored, and they will contact the colleagues responsible for the client relationship to discuss a course of action. Progress and

interim results of the engagements are agreed, monitored and aggregated by the sustainability department. Some engagements can take several years before they are concluded and 43 of the dialogues listed below have been carried over from last year. During 2017 we added 13 new engagements. We closed a total of 13 engagements, as indicated in the table. Details on the nature of the allegations' 'issue type', the current status of the issue and the status of the engagement complete this overview. Furthermore, the Rabobank Issue Table 2017 shows the classes of issues we use and provides the number of engagements in which the respective issue plays a role. One engagement can encompass more than one issue. The table Status Category provides a description of the categories we use.

Dialogues with clients in 2017

<i>industry</i>	<i>region</i>	<i>issue type</i>	<i>short issue description</i>	<i>issue status</i>	<i>status category</i>
animal protein	Asia	G - G1	licences missing	open	client relationship terminated
animal protein	Asia	S - L1	client allegedly linked to slave labour in supply chain	closed	client is taking action
animal protein	Europe	G - P1	client active in restricted activity, agreed to change to alternative	open	client is taking action
animal protein	South America	E - E2	illegal clearing - reforestation underway and fine paid	open	client is taking action
beverages	Asia	S - H1 S - L5	welfare, health and working conditions on plantation insufficient; improvement progress on track	open	client is taking action
beverages	South America	S - L4	fatalities during maintenance work	open	authorities involved
cocoa	Africa	S - L2	child labour vs poverty reduction dilemma	open	client is taking action
cotton	Europe	S - L1 S - L2	child labour vs poverty reduction dilemma	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	Africa	E - E4	allegations of negative impacts to environment in supply chain	open	client is taking action
energy / metals	Europe	G - P1	suspected non-compliance with policy	open	investigation
energy / metals	South America	S - H1	allegations of abusing public security forces to remove protestors	open	client has resolved issue
energy / metals	South America	G - P1	suspected non-compliance with policy	open	investigation
farm inputs	North America	E - E2 S - H2	alleged negative impacts to people and environment	open	authorities involved
farming	South America	E - E2	damage to HCV	closed	client relationship terminated
farming	South America	E - E2 G - P1	damage to HCV	closed	client relationship terminated
farming	South America	E - E2 S - L5	quality employee facilities and environmental issues	closed	client has resolved issue
farming	South America	E - E2	damage to HCV	open	client is taking action
farming	South America	E - E2 S - L5	quality employee facilities and environmental issues	open	client is taking action
farming	South America	E - E2	environmental issues - establishing reserve area	closed	client has improved policy/behaviour
farming	South America	E - E2	handling of chemical products and packaging	open	client is taking action
farming	South America	E - E2 S - L5	quality employee facilities and environmental issues	open	client is taking action
farming	South America	E - E2	mapping of reserve and protection areas	open	client is taking action
food	Europe	G - G1	tax avoidance	open	client is taking action
food	North America	S - L3	allegation of treating pro-union staff unfairly	closed	client has resolved issue
food	South America	S - L3	allegations of hindering unionisation	open	client is taking action
grains	Asia	E - E2	allegations of burning to clear land	open	authorities involved
palm oil	Africa	S - H2	alleged negative impact on community	closed	insufficient evidence
palm oil	Africa	S - H2	alleged insufficient information/ compensation to communities	open	authorities involved

industry	region	issue type	short issue description	issue status	status category
palm oil	Africa	S - H2	issues due to insufficient agreement regarding FPIC procedure	closed	client has resolved issue
palm oil	Asia	S - H3	conflicting claims of communities on land. Dispute on sharing the agreed compensation sum with new claimants	open	client has resolved issue
palm oil	Asia	S - H2	FPIC and settlement issues in part-owned plantation	open	client is taking action
palm oil	Asia	S - L5	labour conditions not in breach of policy or applicable law, but room for improvement	open	client is taking action
palm oil	Asia	S - H2 S - H3 E - E2	several accusations regarding insufficient FPIC, compensation and ESIA	closed	client has resolved issue
palm oil	Asia	S - H2	allegations of primary forest destruction and no FPIC applied	open	client is taking action
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	S - H3	issues with land rights and legal requirements to operate that mutually exclude	open	client is taking action
palm oil	Asia	E - E2	allegations of destruction of HCV	open	client has resolved issue
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	open	client has improved policy/behavior
palm oil	Asia	E - E2	measures to protect environment in supply chain insufficient	closed	engagement stopped
palm oil	Asia	E - E3	insufficient traceability	open	client is taking action
palm oil	Asia	E - E3	insufficient traceability	closed	client has resolved issue
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	open	client has improved policy/behavior
palm oil	Asia	E - E3	allegations of deforestation of primary forest	open	client has improved policy/behavior
palm oil	Asia	E - E4 S - H2	environmental and social issues in supply chain	open	client has improved policy/behavior
palm oil	Asia	S - L2 S - L4 S - L5 S - L6	allegations of illegal and abusive labour practices	open	client has improved policy/behavior
palm oil	Asia	E - E2 S - H2	allegations of peat clearance and land conflicts	open	Investigation
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	controversy regarding compensation of relocated people	closed	client has resolved issue
sugar	South America	E - E2	damage to HCV	closed	client has resolved issue
wholesale	Asia	S - L2 S - L5	allegations of worker exploitation	open	Investigation
wholesale	Asia	S - L2 S - L5	allegations of worker exploitation	open	Investigation

Rabobank Issue Table 2017

Environment		Society		Governance			
		Human rights		Labour rights			
E1. cruelty to animals	# 0	H1. human rights abuses	# 2	L1. forced labour	# 2	G1. integrity (corruption, bribery, money laundering, fraud, tax evasion, anti-competitive practices)	# 2
E2. impacts on ecosystems and landscapes	# 20	H2. impacts on communities and indigenous peoples	# 14	L2. child labour	# 6	G2. lack of transparency	# 0
E3. overuse of natural capital resources or waste of resources	# 5	H3. participation issues	# 4	L3. freedom of association and collective bargaining	# 3	G3. misleading communication and 'greenwashing'	# 0
E4. pollution	# 5	H4. social discrimination	# 0	L4. health and safety of employees	# 3	G4. products or services that pose health and safety risks to consumers	# 0
# = number of engagements in which issue is discussed				L5. poor employment conditions	# 8	P1. non-compliance Rabobank policy	# 4
				L6. employee discrimination	# 1		

<i>Status category:</i>	<i>Description:</i>
investigation	investigation is required to better understand the nature and extent of the problem and to gain more insight into the necessary or desired improvement
client acknowledges issue	there is agreement on the facts of the issue
insufficient evidence	there is insufficient certainty that the client is causing the problem or can contribute to reducing or resolving it
client willing to improve policy/behavior	there is agreement on how an improvement can be achieved
client is taking action	-
client has resolved issue	-
client has improved policy/behaviour	-
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
engagement stopped	in case of prospective clients: the prospect is unwilling to act in accordance with our policies; in case of a client relationship: the link between Rabobank and the client or the issue no longer exists

Appendix 5 EU directive

Topic	Subtopic	Chapter / Section
Business model	N/A	<ul style="list-style-type: none"> Chapter: About Rabobank
Relevant social and personnel matters (e.g. HR, safety etc.)	A description of the policies pursued, including due diligence.	<ul style="list-style-type: none"> Section: Supporting vulnerable clients Chapter: Empowered Employees Section: Supporting community vitality Section: Investing in self reliance Section: Rabobank Foundation
	The outcome of those policies.	<ul style="list-style-type: none"> Section: Supporting vulnerable clients Chapter: Empowered Employees Section: Supporting community vitality Section: Investing in self reliance Section: Rabobank Foundation
	Principle risks in own operations and within value chain.	<ul style="list-style-type: none"> Section: Key trends and developments Chapter: Risk Management and compliance
	How risks are managed.	<ul style="list-style-type: none"> Chapter: Empowered Employees Section: Supporting community vitality Section: Investing in self reliance Section: Rabobank Foundation Chapter: Risk Management and compliance
	Non-financial key performance indicators.	<ul style="list-style-type: none"> Section: Performance indicators Chapter: Empowered Employees Section: Rabobank Foundation
Relevant Environmental matters (e.g. climate-related impacts)	A description of the policies pursued, including due diligence.	<ul style="list-style-type: none"> Section: Sustainability programme - Sustainability successful Together Section: Sustainable impact for our customers Section: Promoting circular economy Section: Sustainable real estate opportunities for retail and corporates Section: Promoting sustainable food supply Section: Banking for Food Inspiration Centre
	The outcome of those policies.	<ul style="list-style-type: none"> Section: Sustainable impact for our customers Section: Promoting circular economy Section: Sustainable real estate opportunities for retail and corporates Section: Promoting sustainable food supply Section: Banking for Food Inspiration Centre
	Principle risks in own operations and within value chain.	<ul style="list-style-type: none"> Section: Key trends and developments Chapter: Risk Management and compliance
	How risks are managed.	<ul style="list-style-type: none"> Chapter: Risk Management and compliance
	Non-financial key performance indicators.	<ul style="list-style-type: none"> Section: Performance indicators Section: Sustainable impact for our customers Section: Sustainable real estate opportunities for retail and corporates
Relevant matters with respect for human rights (e.g. labour protection)	A description of the policies pursued, including due diligence.	<ul style="list-style-type: none"> Section: Sustainability programme - Sustainability successful Together Section: Sustainable impact for our customers (See specifically 'Expert Opinion and Engagement' & 'Promoting responsible investing on capital markets')
	The outcome of those policies.	<ul style="list-style-type: none"> Section: Sustainability programme - Sustainability successful Together Section: Sustainable impact for our customers (See specifically 'Expert Opinion and Engagement' & 'Promoting responsible investing on capital markets')
	Principle risks in own operations and within value chain.	<ul style="list-style-type: none"> Section: Sustainable impact for our customers (including information referenced to in Appendix 4 - the Rabobank issue table 2017) Chapter: Risk Management and compliance
	How risks are managed.	<ul style="list-style-type: none"> Section: Sustainability programme - Sustainability successful Together Section: Sustainable impact for our customers.
	Non-financial key performance indicators.	<ul style="list-style-type: none"> Section: Appendix 3 Human rights is part of the Fair Finance Guide.
Relevant matters with respect to anti-corruption and bribery	A description of the policies pursued, including due diligence.	<ul style="list-style-type: none"> Section: Sustainable impact for our customers (See specifically 'Promoting responsible investing on capital markets') Section: Ethics Section: Compliance
	The outcome of those policies.	<ul style="list-style-type: none"> Section: Sustainable impact for our customers (See specifically 'Promoting responsible investing on capital markets') Section: Ethics Section: Compliance
	Principle risks in own operations and within value chain.	<ul style="list-style-type: none"> Section: Compliance
	How risks are managed.	<ul style="list-style-type: none"> Chapter: Risk Management and Compliance
	Non-financial key performance indicators.	<ul style="list-style-type: none"> Section: Appendix 3 Corruption and bribery is part of the Fair Finance Guide.
Insight into the diversity (Executive Board and the Supervisory Board)	A description of the policies pursued.	<ul style="list-style-type: none"> Section: Diversity and inclusion
	Diversity targets	<ul style="list-style-type: none"> Section: Diversity and inclusion (policy en targets)
	Description of how the policy is implemented	<ul style="list-style-type: none"> Section: Diversity and inclusion
	Results of the diversity policy	<ul style="list-style-type: none"> Section: Diversity and inclusion

Appendix 6 Global Reporting Initiative

GRI Content Index Rabobank – Comprehensive

SRS	Disclosure	Reference	Omission (if applicable)
General disclosures			
1. Organisational profile			
102-1	Name of the organisation	Rabobank Group	
102-2	Activities, brands, products, and services	Value creation Our impact on our clients About Rabobank Consolidated Financial Statements Products and services per region and country: https://www.rabobank.com/en/home/index.html#worldmap Sustainability Policy Framework: https://www.rabobank.com/en/about-rabobank/in-society/sustainability/vision-and-policy/vision-sustainably-successful-together.html We do not offer products or services that are banned in certain markets	
102-3	Location of the organisation's headquarters	Utrecht, Netherlands	
102-4	Number of countries operating	About Rabobank Consolidated Financial Statements Appendix 1: Scope and boundaries	
102-5	Nature of ownership and legal form	Chairman's foreword Cooperative: https://www.rabobank.com/en/about-rabobank/cooperative/index.html https://www.rabobank.com/en/about-rabobank/profile/organisation/index.html	
102-6	Markets served	About Rabobank Our financial performance Consolidated Financial Statements	
102-7	Scale of the reporting organisation	Key figures About Rabobank Consolidated financial statements	
102-8	Information on employees and other workers	Key figures Social indicators Financial results of Rabobank Notes to the financial results of Rabobank	
102-9	Supply chain	Value creation Our impact on our clients About Rabobank	
102-10	Significant changes to the organisation and its supply chain	Appendix 1: Scope and boundaries Notes to the financial results of Rabobank	
102-11	Precautionary Principle or approach	The precautionary principle is implemented via the Sustainability Policy Framework: https://www.rabobank.com/en/about-rabobank/in-society/sustainability/vision-and-policy/vision-sustainably-successful-together.html	
102-12	External initiatives	Rabobank embraces: <ul style="list-style-type: none"> • United Nations Global Compact • Natural Capital Declaration • UNEP FI • Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy • Principles for multinational enterprises and social policy (ILO) • Equator Principles • OECD Guidelines for multinational enterprises Sustainability policy framework: https://www.rabobank.com/en/about-rabobank/in-society/sustainability/vision-and-policy/vision-sustainably-successful-together.html	
102-13	Memberships of associations	Banking: <ul style="list-style-type: none"> • European Association of Cooperative Banks (EACB) • Euro Banking Association (EBA) • Nederlandse Vereniging van Banken [Netherlands Association of Banks (NVB)] • Member of RSPO, Member of the Board of Governors of RSPO 	

SRS	Disclosure	Reference	Omission (if applicable)
2. Strategy			
102-14	Statement from senior decision-maker	Chairman's foreword	
102-15	Key impacts, risks, and opportunities	<p>The material topics are the most relevant economic, environmental and social topics for Rabobank. We describe each material topic extensively in our Annual Report (incl. identified risks and opportunities).</p> <p>Key impacts:</p> <ul style="list-style-type: none"> • Value creation - Contributing to Sustainable Development Goals • Our impact on society • Our impact on our clients <p>Risks:</p> <ul style="list-style-type: none"> • Managing risks: Risk strategy, Risk appetite and Risk culture • Appendix 2: Non-Financial KPI's results, methodology & definitions - Key trends and developments <p>Opportunities:</p> <ul style="list-style-type: none"> - Key trends and developments • Sustainable real estate opportunities for retail and corporates • Protecting personal data 	
3. Ethics and integrity			
102-16	Values, principles, standards, and norms of behavior	<p>Ethics</p> <p>https://www.rabobank.com/en/images/code-of-conduct-rabobank-en.pdf</p>	
102-17	Mechanisms for advice and concerns about ethics	<p>Ethics</p> <p>Speaking up</p> <p>https://www.rabobank.com/en/about-rabobank/in-society/ethics/index.html https://www.rabobank.nl/particulieren/klacht/ https://www.rabobank.com/nl/images/klokkenluidderregeling-19-05-2016-nl.pdf</p>	
4. Governance			
102-18	Governance structure	<p>Members of the managing and Supervisory board</p> <p>Corporate governance</p> <p>https://www.rabobank.com/en/about-rabobank/profile/organisation/index.html</p>	
102-19	Delegation of authority	<p>Corporate governance</p> <p>https://www.rabobank.com/nl/images/rules-of-procedure-managing-board-def-20170901.pdf</p>	
102-20	Executive-level responsibility for economic, environmental and social topics	<p>Bas Rüter, Director Sustainability reports directly to Berry Marttin, member of the Managing Board (highest governance body).</p> <p>Corporate governance</p> <p>Appendix 2 Non-Financial KPI's results, methodology & definitions</p> <p>https://www.rabobank.com/nl/images/rules-of-procedure-managing-board-def-20170901.pdf</p>	
102-21	Consulting stakeholders on economic, environmental, and social topics	<p>Continuous stakeholder dialogue</p> <p>Stakeholder engagement</p> <p>Appendix 4 - Dialogue with social welfare organisations and dialogue with clients</p>	
102-22	Composition of the highest governance body and its committees	<p>Members of the managing and Supervisory board</p> <p>Corporate governance</p>	
102-23	Chair of the highest governance body	<p>Members of the managing and Supervisory board</p> <p>Corporate governance</p> <p>Due to the two-tier model, the Chairman of the Management Board is always non-executive and independent.</p>	
102-24	Nomination and selection the highest governance body	<p>The appointment of members of the Management Board are provisionally put forward to the regulatory authorities for their opinion, and for information purposes to the works council.</p> <p>All selection criteria for new member of the Supervisory Board can be found in: https://www.rabobank.com/nl/images/rules-of-procedure-appointments-committee-def-20170901.pdf</p>	
102-25	Conflicts of interest	<p>Article 18 (and article 14 and 15 for relation with key stakeholder)</p> <p>https://www.rabobank.com/nl/images/rules-of-procedure-managing-board-def-20170901.pdf</p> <p>Conflicts of Interest statement (header Disclosures)</p> <p>https://www.rabobank.com/en/images/coi-statement-rabobankcom-en-26-10-2016.pdf.pdf</p>	
102-26	Role of highest governance body in setting purpose, values, and strategy	<p>Members of the Managing and Supervisory board</p> <p>Article 6. https://www.rabobank.com/nl/images/rules-of-procedure-managing-board-def-20170901.pdf</p> <p>Article 7. https://www.rabobank.com/nl/images/rules-of-procedure-supervisory-board-def-20170901.pdf</p>	

SRS	Disclosure	Reference	Omission (if applicable)
102-27	Collective knowledge of highest governance body	Sustainability is a regular topic on the agenda of the Supervisory Board, the Executive Board as well as General Members Council, to make sure they are updated regularly regarding economic, environmental, and social topics. Article 17.2 https://www.rabobank.com/nl/images/rules-of-procedure-managing-board-def-20170901.pdf	
102-28	Evaluating the highest governance body's performance	Article 17.1: https://www.rabobank.com/nl/images/rules-of-procedure-managing-board-def-20170901.pdf Article 13.1. https://www.rabobank.com/nl/images/rules-of-procedure-supervisory-board-def-20170901.pdf	
102-29	Identifying and managing economic, environmental, and social impacts	Data collection of non-financial information Appendix 2 Non-Financial KPI's results, methodology & definitions Report of the supervisory board of Rabobank	
102-30	Effectiveness of risk management processes	Report of the supervisory board of Rabobank	
102-31	Review of economic, environmental, and social impacts	Report of the supervisory board of Rabobank - Cooperative Affairs Committee of the Supervisory Board	
102-32	Highest governance body's role in sustainability reporting	Report of the supervisory board of Rabobank Appendix 1: About this report	
102-33	Communicating critical concerns	Report of the supervisory board of Rabobank Corporate governance https://www.rabobank.com/en/images/coi-statement-rabobankcom-en-26-10-2016.pdf.pdf	
102-34	Nature and total number of critical concerns	Report of the supervisory board of Rabobank Corporate governance	
102-35	Remuneration policies	Remuneration https://www.rabobank.com/nl/images/2014-01-23%20-Vision_on_remuneration.pdf	
102-36	Process for determining remuneration	Remuneration https://www.rabobank.com/nl/images/2014-01-23%20-Vision_on_remuneration.pdf No remuneration consultants were involved in 2017	
102-37	Stakeholders' involvement in remuneration	Remuneration https://www.rabobank.com/nl/images/2014-01-23%20-Vision_on_remuneration.pdf Report of the Supervisory Board of Rabobank	
102-38	Annual total compensation ratio	Appendix 3: Social indicators Remuneration Supervisory board Remuneration Managing board	Our most significant country in which we operate is the Netherlands. Compensation ratio for other countries are not available.
102-39	Percentage increase in annual total compensation ratio	Appendix 3: Social indicators	Our most significant country in which we operate is the Netherlands. Compensation ratio for other countries are not available.
5. Stakeholder Engagement			
102-40	List of stakeholder groups	Continuous stakeholder dialogue Stakeholder engagement Appendix 4: Dialogue with social welfare organisations and dialogue with clients	
102-41	Collective bargaining agreements	Appendix 3: Social indicators	
102-42	Identifying and selecting stakeholders	Continuous stakeholder dialogue We engage with our stakeholders who directly and indirectly affect our organisation	
102-43	Approach to stakeholder engagement	Continuous stakeholder dialogue Stakeholder engagement Appendix 4: Dialogue with social welfare organisations and dialogue with clients	
102-44	Key topics and concerns raised	Continuous stakeholder dialogue Stakeholder engagement Appendix 1: About this report Appendix 4: Dialogue with social welfare organisations and dialogue with clients	
6. Reporting practice			
102-45	Entities included in the consolidated financial statements	Consolidated Financial Statements	

SRS	Disclosure	Reference	Omission (if applicable)
102-46	Defining report content and topic Boundaries	Continuous stakeholder dialogue Our own efforts Materiality Appendix 1: About this report	
102-47	List of material topics	Appendix 1: About this report	
102-48	Restatements of information	Where applicable reasons for restatements have been included in the report.	
102-49	Changes in reporting	Appendix 1: About this report Materiality analysis has been updated based on stakeholder consultation. Three material topics were included: Increasing customer satisfaction / big data & privacy / encouraging entrepreneurship. Definitions and topic boundaries: Appendix 1: About this report	
102-50	Reporting Period	Appendix 1: About this report	
102-51	Date of most recent report	Rabobank Group Annual Report 2016 (publication: March 2017)	
102-52	Reporting cycle	Annual	
102-53	Contact point for questions regarding the report	Colophon	
102-54	Claims of reporting in accordance with the GRI Standards	About this report Appendix 6: Global Reporting Initiative	
102-55	GRI content index	Appendix 6: Global Reporting Initiative All material topics are linked to GRI where possible. The material topic Supporting clients in sustainable development is linked to Rabobank-specific indicators (as a link with GRI is not possible)	
102-56	External assurance	Appendix 1: About this report: Assurance Assurance report of the independent auditor	

Topic specific disclosures

GRI 201: Economic

GRI 201: Economic performance

201	Management approach disclosures	103-1: Legislation & regulation Rock-solid bank & Important strides on our capital ambitions 103-2: Important strides on our capital position The Basel III reform 103-3: Key figures (KPIs related to financial position and solvency) Important strides on our capital ambitions Operating expenses decreased by 16%	
201-1	Direct economic value generated or distributed	Key figures Consolidated financial statements	
201-2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	Our own efforts Appendix 3: Equator principles Rabobank Climate Strategy	More detailed information on financial implications and cost estimates of risks and opportunities will become available. In 2017 Rabobank has initiated further research and we expect to disclose more information in 2018.
201-3	Coverage of the organisation's defined benefit plan obligations	Consolidated financial statements - Pension plans https://www.rabobankpensioenfond.nl/	
201-4	Financial assistance received from government	No financial support received	
GRI 203: Indirect economic impacts			
203	Management approach disclosures	103-1: Rock-solid bank Risk Management 103-2 & 103-3: Risk Management	
203-1	Infrastructure investments and services supported	Supporting vital communities Promoting responsible investing on capital markets Banking for Food Inspiration Centre Sustainable impact for our clients Appendix 3: Equator Principles	

SRS	Disclosure	Reference	Omission (if applicable)
202-2	Significant indirect economic impacts, including the extent of impacts	Contributing to Sustainable Development Goals Financial Inclusion & Rural Development Report: https://www.rabobank.com/nl/images/rabo-development-impact-report-2016-v2.pdf Social Impact Report: https://www.rabobank.com/nl/images/ri-social-impact-2017-definitief.pdf Appendix 3: Equator Principles	
GRI 301: Environmental Series			
GRI 302: Energy			
302	Management approach disclosures	103-1: Vision: Banking for Food Promoting sustainable food supply 103-2: Sustainably successful together Kickstart food World business council for sustainable development 103-3: Sustainably successful together	
302-1	Energy consumption within the organisation	Appendix 1: About this report - Scope and boundaries Appendix 3: Greenhouse gas emissions and climate footprint Appendix 3: Energy usage Rabobank group by source and activity	
302-2	Energy consumption outside of the organisation	Appendix 1: About this report - Scope and boundaries Appendix 3: Greenhouse gas emissions and climate footprint	We do report the emissions of relevant Scope 3 sources for a financial services provider. We do not report the consumption outside the organisation in energy parameters as we do not consider this relevant for a financial services provider.
302-3	Energy intensity	Appendix 1: About this report - Scope and boundaries Appendix 3: Greenhouse gas emissions and climate footprint	We do report the CO ₂ per FTE as we consider this a relevant metric of a financial services provider. As such, we do not report an energy intensity ratio.
302-4	Reduction of energy consumption	Appendix 1: About this report - Scope and boundaries Appendix 3: Greenhouse gas emissions and climate footprint Appendix 3: Energy usage Rabobank group by source and activity Appendix 3: Equator principles	We do report on our greenhouse gas emissions and the continuous efforts to reduce them. We do not report in detail the reductions due to specific initiatives as we do not consider it relevant to report that for a financial services provider.
302-5	Reductions in energy requirements of products and services		As a financial service provider, this is not material to our company
GRI 305: Emissions			
305	Management approach disclosures	103-1: Vision: Banking for Food Promoting sustainable food supply 103-2: Sustainably successful together Kickstart food World business council for sustainable development 103-3: Sustainably successful together	
305-1	Direct greenhouse gas (GHG) emissions (Scope 1)	Appendix 1: About this report - Scope and boundaries Appendix 3: Greenhouse gas emissions and climate footprint. We do report our calculated emissions in CO ₂ as this is the most relevant indicator for a financial services provider (not in CH ₄ , N ₂ O or other gases), we mostly use conversion factors from DEFRA and the IEA (as explained in appendix 1) who use GWP factors from the Intergovernmental Panel on Climate Change (IPCC) 5th assessment report.	We do not specify fossil versus biogenic emissions as this is not relevant for a financial services provider.

SRS	Disclosure	Reference	Omission (if applicable)
305-2	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	Appendix 1: About this report - Scope and boundaries Appendix 3: Greenhouse gas emissions and climate footprint. We do report our emissions in CO ₂ as this is the most relevant indicator for a financial services provider, we mostly use conversion factors from DEFRA and the IEA (as explained in appendix 1) who use GWP factors from the Intergovernmental Panel on Climate Change (IPCC) 5th assessment report.	
305-3	Other indirect greenhouse gas (GHG) emissions (Scope 3)	Appendix 1: About this report - Scope and boundaries Appendix 3: Greenhouse gas emissions and climate footprint. We do report our emissions in CO ₂ as this is the most relevant indicator for a financial services provider, we mostly use conversion factors from DEFRA and the IEA (as explained in appendix 1) who use GWP factors from the Intergovernmental Panel on Climate Change (IPCC) 5th assessment report.	Rabobank does not produce estimates related to the emissions of the financing portfolio. We expect to disclose this information in 2018.
305-4	Greenhouse gas (GHG) emissions intensity	Appendix 3: Greenhouse gas emissions and climate footprint	
305-5	Reduction of GHG emissions	Appendix 3: Greenhouse gas emissions and climate footprint	We do report on our greenhouse gas emissions and the continuous efforts to reduce them. We do not report in detail the reductions due to specific initiatives as we do not consider it relevant to report that for a financial services provider.
305-6	Emissions of ozone-depleting substances (ODS)		As a financial service provider, this is not material to our company
305-7	NOX, SOX, and other significant air emissions		As a financial service provider, this is not material to our company
GRI 401: Social series			
GRI 401: Employment			
401	Management approach disclosures	103-1: Empowered Employees 103-2 & 103-3: Empowered Employees Targets and policies	
401-1	New employee hires and employee turnover	Appendix 3: Social indicators	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	<ul style="list-style-type: none"> There is no difference in the fringe benefits between full-time and part-time employees or between employees with a fixed-term/indefinite contract. The rules for some fringe benefits do depend on the number of working days or hours worked. Taking parental leave as an example, you are allowed to take 26 times your working hours as leave. The fixed commuting expense allowance is based on the number of days worked. Some fringe benefits are paid pro rata to the number of hours defined in the contract of employment. The benefits for employees are included in our collective labouring agreement (eligible for most of our employees - the Netherlands). Please refer to: https://www.rabobank.com/nl/images/rabobank-cao-2017-2020.pdf 	The most significant part of employees is located in the Netherlands. Benefits for entities located outside the Netherlands are partly based on local legislation and regulations, as well as market conditions, but always based on the same vision on reward and remuneration. These are not always publicly available per country.
401-3	Parental leave	Please see omission	We have no accurate information available to report on this indicator.
GRI 402: Labor/management relations			
402	Management approach disclosures	103-1: Stakeholder engagement 103-2 & 103-3: Stakeholder engagement	
402-1	Minimum notice periods regarding operational changes	Appendix 3: Social indicators https://www.rabobank.com/nl/images/rabobank-cao-2017-2020.pdf	

SRS	Disclosure	Reference	Omission (if applicable)
GRI 404: Training and education			
404	Management approach disclosures	103-1: Human and social capital Employees most important asset 103-2 & 103-3: Nurturing employee growth Taking ownership of development Inspiring leaders	
404-1	Average hours of training per year per employee	Appendix 3: Social indicators	
404-2	Programmes for upgrading employee skills and transition assistance programmes	Empowered employees Mobility Centre SamenWerk Adaptability - The Future of Work Craftsmanship Talent Management	
404-3	Percentage of employees receiving regular performance and career development reviews.	Appendix 3: Social indicators	
GRI 405: Diversity and equal opportunity			
405	Management approach disclosures	103-1: Stimulating diversity and equality 103-2 & 103-3: Stimulating diversity and equality Targets and policies	
405-1	Diversity of governance bodies and employees	Executive Board: https://www.rabobank.com/nl/about-rabobank/profile/organisation/board/executive-board-members.html Supervisory board: https://www.rabobank.com/nl/about-rabobank/profile/organisation/board/supervisory-board-members.html https://www.rabobank.nl/particulieren/leden/ Appendix 3: Social indicators	A breakdown per minority group is not relevant because there are no minority groups represented in the central governance bodies of Rabobank. Minority groups are represented in the member councils of local Rabobanks, but no breakdown is available. Also, the age group clusters for the governance bodies as requested by GRI are not available. We only report age groups for all personnel (in NL).
405-2	Ratio of basic salary and remuneration of women to men	Appendix 3: Social indicators	These ratios are only available for our most substantial operations (the Netherlands).
GRI 413: Local communities			
413	Management approach disclosures	103-1: Our impact on society 103-2: Sustainably successful together Supporting vital communities Social investing our cooperative dividend Investing in self reliance 103-3: Key figures Sustainably successful together	
413-1	Operations with local community engagement, impact assessments, and development programmes	Supporting vital communities With the community for the community Financial Inclusion & Rural Development Report: https://www.rabobank.com/nl/images/rabo-development-impact-report-2016-v2.pdf Social Impact Report: https://www.rabobank.com/nl/images/rf-social-impact-2017-definitief.pdf	We do report on the most significant local impacts. We do not report the percentage of operations with implemented local community engagement as this is not material for our company.
413-2	Operations with significant actual and potential negative impacts on local communities		Rabobank, as a service provider does not have operations with direct significant and potential negative impacts on local communities.

SRS	Disclosure	Reference	Omission (if applicable)
GRI 417: Marketing and labeling			
417	Management approach disclosures	103-1: Our impact on our clients, Bart Leurs, Digital Transformation Officer, More impact thanks to innovation and digitalisation 103-2 & 103-3: Our impact on our clients, Bart Leurs, Digital Transformation Officer, More impact thanks to innovation and digitalisation	
417-1	Requirements for product and service information and labeling	Our general conditions can be found here: www.rabobank.nl/particulieren/voorwaarden/ Please refer for alignment with rules and regulations to: https://www.rabobank.com/en/products-and-solutions/regulations/index.html	
417-2	Incidents of non-compliance concerning product and service information and labeling		No data reported as no complete overview of incidents is available.
417-3	Incidents of non-compliance concerning marketing communications		No data available yet as this indicator is newly added by transitioning towards the GRI Standards. For 2018 we will investigate the possibilities to report on incidents of non-compliance concerning marketing communications. Identified by, amongst others, advertising bodies.
GRI 418: Customer privacy			
418	Management approach disclosures	103-1: Increasing customer satisfaction About Rabobank Our customers and our services Big data & privacy Technology and innovation Protecting personal data 103-2: Increasing customer satisfaction Excellent customer focus Big data & privacy Protecting personal data 103-3: Increasing customer satisfaction Customer satisfaction up in all businesses	
418-1	Substantiated complaints regarding breaches of customer privacy and losses of customer data	The figures reported below are consolidated on group level (to the best of our knowledge): <ul style="list-style-type: none"> • Number of complaints received concerning breaches of customer privacy from outside parties and substantiated by the organisation (number) 8 • Number of complaints received concerning breaches of customer privacy from regulatory bodies (number) 4 • Number of identified leaks, thefts or losses of customer data (number) 5169 	
GRI 419: Socioeconomic compliance			
419	Management approach disclosures	103-1: Risk Management, compliance 103-2 & 103-3: Risk Management, compliance	
419-1	Non-compliance with laws and regulations in the social and economic area		No data reported as no reliable/complete overview of fines, sanctions and cases is available. For 2018 we will investigate the possibilities to report these figures.

SRS	Disclosure	Reference	Omission (if applicable)
G4-F56-8: Product portfolio			
G4-DMA	Generic Disclosures on Management Approach	Our impact on clients Digitalisation Innovating for customers Helping our customers innovate Promoting the circular economy	
G4-F56	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector.	About Rabobank Our financial performance	
G4-F57	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose.	Appendix 3: Finance Overview with a societal character or a positive societal impact	
G4-F58	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose.	Appendix 3: Finance Overview with a societal character or a positive societal impact	

Rabo1: Supporting clients in sustainable development

Rabo1	Management approach disclosures	103-1: Sustainable impact for our clients Contributing to Sustainable Development Goals 103-2: Sustainably successful together Sustainable impact for our clients 103-3: Sustainably successful together Sustainable impact for our clients	
Rabo1-1	Total sustainable finance	Appendix 3: Finance Overview with a societal character or a positive societal impact	
Rabo1-2	Number of cliens assessed (client photo)	Clients as sustainable leaders	

Rabo2: Restoring trust & stimulating transparency

Rabo2	Management approach disclosures	103-1,2,3: Appendix 2: Definition Reputation Earning Client trust	
Rabo2-1	RepTrak	Earning Client trust	

Appendix 7 Our financial performance – segment reporting

Domestic retail banking

Underlying profit benefited from positive economic sentiment

Net profit of the domestic retail banking division increased strongly in 2017 to EUR 2,028 million compared to EUR 1,269 million in 2016. This increase was mainly the result of lower operating expenses and a further decrease of loan impairment charges. Corrected for restructuring costs and the addition to the provision for the SME interest rate derivatives recovery framework, the domestic retail banking division's underlying operating profit before tax increased by EUR 280 million to EUR 2,834 million in 2017.

The growth of the Dutch economy amounted to more than 3% in 2017. This trend is expected to continue, but growth is expected to slow down slightly in 2018. The economy benefited mostly from continued growth in household consumption and investments in housing. Rabobank's domestic loan portfolio shrank 2% to EUR 280.0 billion, mainly due to continued high levels of extra repayments on clients' existing mortgages. Furthermore, the mortgage portfolio shows a slow and gradual decline as the share for new mortgages is lower than the existing overall market share. Deposits from customers increased by EUR 5.5 billion to EUR 228.8 billion in 2017.

The favourable economic developments and low interest rates caused the strongest increase in house prices in more than 10 years and a high number of housing transactions. The combined market share of Rabobank and Obvion in the Dutch residential mortgage market increased from 20.6% to 22.0%. The market share in the private savings market amounted to 33.6% (2016: 33.5%).

In 2017, staff costs at domestic retail banking decreased compared to last year from EUR 1,820 million to EUR 1,430 million. This decrease was caused by a further staff reduction of 4,009 internal FTEs resulting from Performance Now, a restructuring programme that supports our ambition to further increase our clients focus by enhancing effectiveness and efficiency. Part of this decrease is the result of employees moving from local Rabobanks to the central organisation to create economies of scale. Other administrative expenses also decreased, as these were inflated in 2016 by a higher addition to the provision for the SME interest rate derivatives recovery framework and higher restructuring costs.

The positive economic climate saw loan impairment charges decrease from EUR 32 million to minus EUR 259 million. Allowances previously taken for defaulted loans proved more than sufficient and newly defaulted loans were limited. The loan impairment charges represent minus 9 basis points of average lending, which is far below the long-term average of 23 basis points.

Profile of the domestic retail banking segment

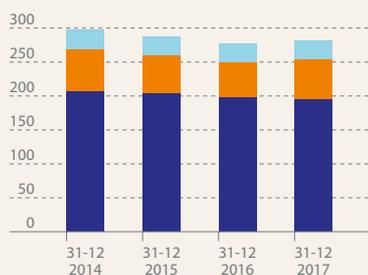
In the Netherlands, Rabobank is a leading player in providing loans in the residential mortgage market, and has considerable stature in the savings, payments, investment and insurance markets. The bank is also an important financial services provider for the SME segment, the Food & Agri sector, and the corporate segment. At 31 December 2017 the 102 (2016: 103) local Rabobanks had 446 (2016: 475) offices. They offer a comprehensive range of financial services to approximately 6.4 (2016: 6.5) million private clients and approximately 755,000 (2016: 762,000) commercial clients in the Netherlands.

The domestic retail banking business employs 13,635 (2016: 17,877) people (in total FTEs – including mortgage lender Obvion, a Rabobank subsidiary), of which 12,466 are internal employees and 1,169 are external employees. Obvion employs 492 (2016: 559) people in FTEs.

Loan portfolio decreased by 2%

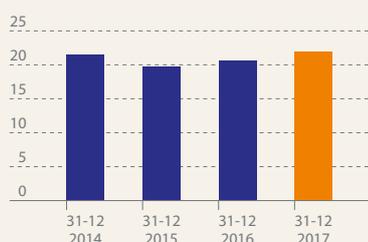
In 2017, the housing market continued to flourish due to low interest rates, a high consumer confidence and favourable economic conditions. This resulted in a higher volume of new mortgage loans granted as well as a high volume of repayments on existing loans. The persisting low interest rate on savings

Loan portfolio by sector in billions of euros



Food and agri
TIS
Private individuals

Share of mortgage market in %



continued to encourage clients to make extra repayments on their loans. In 2017, clients' extra mortgage repayments – all those on top of the mandatory repayments – at local Rabobanks and Obvion totalled approximately EUR 19.8 (2016: 17.3) billion. Of this amount EUR 3.6 (3.9) billion is related to low interest rates and EUR 16.2 (2016: 13.4) billion comprised of repayments of the full mortgage, which is mainly the result of moving house. On 31 December 2017, the total volume of Rabobank's residential mortgage loan portfolio was EUR 193.1 (2016: 195.9) billion. The volume includes Obvion's loan portfolio, valued at EUR 28.5 (2016: 28.0) billion. The total domestic retail banking loan portfolio (including business lending) fell by EUR 5.2 billion to EUR 280.0 (2016: 285.2) billion.

Loan portfolio by sector

in billions of euros	31-12-2017	31-12-2016
Volume of loans to private individuals	195.4	198.3
Volume of loans to TIS	57.7	58.6
Volume of loans to Food & Agri	27.0	28.2
Total private sector loan portfolio	280.0	285.2

The integration of FGH Bank within Rabobank started in November 2016. In 2017, a large part of the commercial real estate loan portfolio of FGH Bank was integrated into the domestic retail banking segment. Also, Financial Solutions was transferred from DLL to the domestic retail banking segment. At 31 December 2016 Financial Solutions' loan portfolio totalled EUR 4.1 billion. For a like-for-like comparison we have restated the private sector loan portfolio of the domestic retail banking segment at 31 December 2016 (reflecting these two transfers) from EUR 275.8 billion to EUR 285.2 billion.

Housing market characterised by high confidence and low interest rates

The housing market

Growth in the Dutch housing market continued unabated in 2017. Both the House Price Index and the number of residential property transactions rose compared to 2016. High consumer confidence, low interest rates and favourable economic conditions contributed to these developments. Mortgage interest rates are expected to remain low for the time being.

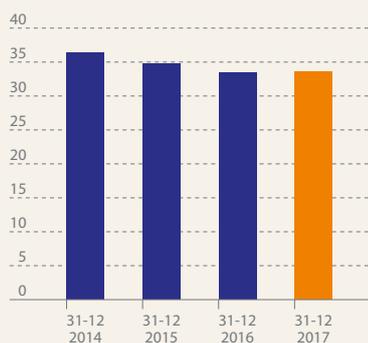
Market share

Rabobank's share of the Dutch mortgage market increased to 22.0% (2016: 20.5%) of new mortgage production in 2017 (source: Dutch Land Registry Office (Kadaster)). The local Rabobanks' market share rose to 18.0% (2016: 17.3%) and Obvion's increased to 4.0% (2016: 3.2%).

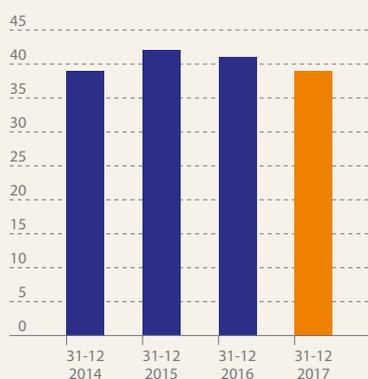
Mortgage loan portfolio

The quality of Rabobank's residential mortgage loan portfolio remained very high thanks to the recovery of the Dutch economy and the strong Dutch housing market. In 2017, financing backed by the National Mortgage Guarantee (Nationale Hypotheek Garantie, (NHG)) remained relatively stable at 20.0% of the mortgage loan portfolio. The weighted average indexed loan-to-value (LTV) of the mortgage loan portfolio is 69% per 31 December 2017.

Market share savings in %



Market share TIS in %



Loan impairment charges and write-offs mortgage loan portfolio

Loan impairment charges relating to residential mortgage loans amounted to minus EUR 0.1 million (0 basis points) in 2017, which is lower than in 2016. Improved asset quality helped keep loan impairment charges low, as shown by the positive development of the non-performing loans ratio.

Residential mortgage loans

Amounts in millions of euros	31-12-2017	31-12-2016
Mortgage portfolio	193,110	195,909
Weighted-average LTV	69%	69% ¹
Non-performing loans (amount)	1,112	1,526
Non-performing loans (in % of total mortgage loan portfolio)	0.58%	0.78%
More-than-90-days arrears	0.34%	0.48%
Share NHG portfolio	20.0%	20.6%
Loan impairment allowances	169	227
Coverage ratio based on non-performing loans	15%	15%
Loan impairment charges	0	9
Loan impairment charges (in basis points, including non-recurring effects)	0.0	0.5
Write-offs	77	119

Trade, industry and services

Rabobank's market share of lending to the Trade, industry & services (TIS) sector amounted to 39% (41%) in 2017 (measured by Rabobank's own surveys). Domestic retail banking loans to the TIS sector decreased to EUR 57.7 (2016: 58.6) billion in 2017.

Food & Agri

Domestic retail banking loans to the Food & Agri sector amounted to EUR 27.0 (2016: 28.2) billion at 31 December 2017. This sector accounts for 10% (2016: 10%) of the total loan portfolio of the domestic retail banking business. Rabobank has had a stable market share in the Dutch Food & Agri sector for decades. With a share of 85.7% (2016: 84.2%) in 2017, Rabobank is the most important financier in this sector. We have acquired this position as a result of our agricultural roots and years of accumulated sector knowledge.

Deposits from customers increased by EUR 5.5 billion

The private savings market in the Netherlands grew 1% to EUR 339.4 (2016: 337.1) billion in 2017. Rabobank's market share was 33.6% (33.5%)². Deposits from customers rose 2% to EUR 228.8 (2016: 223.3) billion. Private savings for domestic retail banking increased EUR 0.8 billion to EUR 117.0 (2016: 116.2) billion, notwithstanding the fact that low saving rates on private saving triggered extra repayments on mortgage loans. Other deposits from customers rose due to an increase in current accounts.

Increase in total insurance income

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. Interpolis is Rabobank's preferred supplier for the retail market and offers a wide range of non-life, healthcare and life insurance policies for both private clients and businesses. In 2017, total insurance income increased by 8.1 million or 3% to EUR 267.4 (2016: 259.3) million.

1 As a result of a change in the method for determining the current indexed LTV, the current LTV is not comparable to the LTV at year-end 2016.

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

Strong increase in assets under management

In 2017, assets under management increased by EUR 4.4 billion to EUR 43.8 billion. A third of this positive development is the result of high cash inflows, mainly from Private Banking clients, and the other two-thirds comes from positive investment returns. On the back of global economic growth, most stock markets had a good year: on average, shares brought positive returns for clients.

Financial results of domestic retail banking

Results			
<i>in millions of euros</i>	<i>31-12-2017</i>	<i>31-12-2016</i>	<i>Change</i>
Net interest income	5,581	5,730	-3%
Net fee and commission income	1,398	1,343	4%
Other results	74	58	28%
Income	7,053	7,131	-1%
Staff costs	1,430	1,820	-21%
Other administrative expenses	2,783	3,165	-12%
Depreciation	98	117	-16%
Operating expenses	4,311	5,102	-16%
Gross result	2,742	2,029	35%
Loan impairment charges	(259)	32	-909%
Regulatory levies	270	282	-4%
Operating profit before tax	2,731	1,715	59%
Taxation	703	446	58%
Net profit	2,028	1,269	60%
Loan impairment charges (in basis points)	(9)	1	-
Ratios			
Cost/income ratio exclusive regulatory levies	61.1%	71.5%	
Cost/income ratio inclusive regulatory levies	65.0%	75.5%	
Balance sheet (in EUR billion)			
External assets	285.9	291.9	-2%
Private sector loan portfolio	280.0	285.2	-2%
Deposits from customers	228.8	223.3	2%
Number of internal employees (in FTEs)	12,466	16,475	-24%
Number of external employees (in FTEs)	1,169	1,402	-17%
Total number of employees (in FTEs)	13,635	17,877	-24%

Notes to financial results

Underlying profit before tax increased by 11%

Development of underlying operating profit before tax			
<i>Amounts in millions of euros</i>		<i>2017</i>	<i>2016</i>
Income		7,053	7,131
Operating expenses		4,311	5,102
<i>Adjustments on expenses</i>	<i>Restructuring</i>	(52)	(325)
	<i>Derivatives Framework</i>	(51)	(514)
Underlying expenses		4,208	4,263
Regulatory levies		270	282
Loan impairment charges		(259)	32
Operating profit before tax		2,731	1,715
Total adjustments		103	839
Underlying profit before tax		2,834	2,554

Underlying performance improved

The underlying performance of domestic retail banking improved in 2017, as illustrated by the development of the underlying operating profit before tax, which increased by EUR 280 million to EUR 2,834 million. In calculating this underlying profit before tax, corrections were made for restructuring costs and the addition to the provision for the SME interest rate derivatives recovery framework. The lower salary costs and a decrease in loan impairment charges contributed to the net profit improvement.

Income decreased 1%

The total income of Rabobank's domestic retail banking business decreased to EUR 7,053 (2016: 7,131) million in 2017. As in 2016, we observed a positive impact from loan repricing. At the same time, the volume of early interest rate revisions in our mortgage book remained high. Combined with the decrease in lending volumes due to early repayments, net interest income was pressured and decreased to EUR 5,581 (2016: 5,730) million. Higher commissions on payment accounts contributed to an increase in net fee and commission income to EUR 1,398 (2016: 1,343) million. In 2016 as well as in 2017, the sale of mortgages to institutional investors had an upward effect on other results. On balance, other results landed at EUR 74 (2016: 58) million in 2017.

Operating expenses decreased by 16%

Total operating expenses for domestic retail banking decreased to EUR 4,311 (2016: 5,102) million. Staff costs fell to EUR 1,430 (2016: 1,820) million as the virtualisation and centralisation of services impacted the size of the workforce. The number of internal and external employees in the segment decreased to 13,635 (2016: 17,877) FTEs in 2017. Part of this decrease is the result of employees moving from local Rabobanks to the central

organisation to create economies of scale. Other administrative expenses decreased to EUR 2,783 (2016: 3,165) million, mainly because they were inflated in 2016 by the provision for adopting the SME interest rate derivatives recovery framework which was significantly higher than the addition to this provision in 2017 of EUR 51 million. Lower restructuring costs also contributed to a decrease in other administrative expenses. Due to lower occupancy rates, the negative revaluation of property for own use was somewhat lower than in 2016 and amounted to EUR 49 (2016: 112) million. As a result of the closing down of offices following our restructuring activities, depreciation decreased to EUR 98 (2016: 117) million.

Loan impairment historically low

The limited number of newly defaulted loans and high releases on the loan impairment allowances are mainly the result of the favourable conditions of the Dutch economy. Loan impairment charges decreased to minus EUR 259 (2016: 32) million during 2017. This translates to minus 9 (2016: 1) basis points of the average loan portfolio – far below the long-term average of 23 basis points. Releases are mainly in the sectors that have previously experienced a downturn, like transport (sea and coastal shipping), glass horticulture and commercial real estate. The loan impairment charges on mortgages amounted to EUR 0 million.

Appendix 7 Our financial performance – segment reporting

Wholesale, Rural & Retail

Underlying performance improved substantially

An increase in commercial interest margins, lower loan impairment charges and higher results from the Markets and Private Equity division's activities had an upward effect on the net profit in the Wholesale, Rural & Retail (WRR) segment.

The results of the WRR segment were pressured by a provision of EUR 310 million, which was taken by Rabobank's California-based subsidiary Rabobank National Association (RNA) in December 2017. WRR's net profit reached EUR 599 million at the end of the year compared to EUR 766 million realised in 2016. Corrected for the RNA provision and restructuring costs the underlying profit before tax of WRR increased by 15% to EUR 1,323 (2016: 1,149) million.

Mainly due to fx effects, WRR's loan portfolio decreased to EUR 101.5 (2016: 108.6) billion at 31 December 2017. In line with our Banking for Food strategy, the share of lending to the Food & Agri in the total loan portfolio of the WRR segment increased to 60% (59%).

Loan impairment charges remained low in most regions. The continued upturn of the global economy resulted in a decline in the loan impairment charges from EUR 255 million to EUR 95 million. This corresponds to 9 basis point of the average loan portfolio and is well below the long-term average of 57 basis points.

WRR activities

WRR has an international network of branches, offices and subsidiaries in various countries. For a complete overview of our business banking services, [click here](#).

The wholesale banking division serves the largest domestic and international companies (corporates, financial institutions, traders and private equity). We help sustain the 'Banking for the Netherlands' strategy by servicing all domestic sectors. Outside the Netherlands, we focus on the Food & Agri sector and trade-related sectors.

Rural and retail banking is focused on offering financial solutions for the specific needs of leading farmers and their communities in a selected number of key Food & Agri countries. Rabobank also operates RaboDirect internet savings banks.

Internationally, Rabobank services Food & Agri clients, ranging from growers to the industrial sector, through its branches, offices and subsidiaries in various countries. The combination of in-depth knowledge and a worldwide network positions us as a leading Food & Agri bank in the world. We service the entire food value chain, with dedicated specialists for each sector. We advise our clients and prospects in these sectors by offering them banking products, knowledge and our network. Rabobank is active in the main food-producing countries, such as the United States, Australia, New Zealand, Brazil and Chile, and the main food-consuming countries in Asia and Europe, as well as others. Our vision on global food security and Rabobank's role in helping to establish it are described in our 'Banking for Food' strategy, which can be found [here](#).

The wholesale banking division also facilitates the international activities of mid-corporate Dutch clients in cooperation with the local Rabobanks. Rabobank's International Business Network desks – spread over five continents – specifically focus on providing these services. Our International Business Network gives clients access to a worldwide network of potential partners and clients. For more information about the International Business Network, [click here](#).

Excluding currency effects, WRR loan portfolio saw modest growth

In 2017, WRR's total loan portfolio decreased by 7% to EUR 101.5 (2016: 108.6) billion, largely linked to the depreciation of the US dollar. Currency effects had a downward effect on the loan portfolio of approximately EUR 9 billion. The volume of lending provided to the Food & Agri sector decreased to EUR 60.9 (2016:

63.9) billion and accounted for 60% (2016: 59%) of WRR's total loan portfolio. Loans to the Trade, industry and services (TIS) sectors declined to EUR 38.4 (2016: 42.3) billion. Lending to private individuals landed at EUR 2.2 (2016: 2.4) billion.

The integration of FGH Bank within Rabobank started in November 2016. In 2017, part of the commercial real estate loan portfolio of FGH Bank was integrated into the WRR segment. For a like-for-like comparison we have restated the private sector loan portfolio at 31 December 2016 by EUR 3.4 billion to EUR 108.6 billion from EUR 105.2 billion.

Dutch and international wholesale

WRR's wholesale portfolio totalled EUR 64.5 (68.5) billion. Currency effects had a negative impact of approximately EUR 5 billion on the wholesale portfolio. Lending to the largest Dutch companies remained stable in 2017 at EUR 17.1 (2016: 17.2) billion, supporting our Banking for the Netherlands strategy. Of WRR's loan portfolio, EUR 47.4 (2016: 51.3) billion was granted to wholesale clients outside of the Netherlands.

International rural and retail banking

The loan portfolio to rural and retail clients amounted to EUR 36.9 (2016: 39.6) billion on 31 December 2017. Currency effects had a negative impact of approximately EUR 4 billion on the rural

and retail loan portfolio. In the main markets for rural banking, the loan portfolio totalled EUR 10.2 (2016: 10.3) billion in Australia, EUR 6.1 (2016: 6.5) billion in New Zealand, EUR 7.1 (2016: 7.5) billion in the United States, EUR 2.9 (2016: 2.9) billion in Brazil, and EUR 0.9 (2016: 1.0) billion in Chile on 31 December 2017.

Rabobank operates international retail banking activities through subsidiaries in two countries: in the United States, Rabobank is active through Rabobank National Association (RNA) and in Indonesia, through Rabobank International Indonesia (RII). RNA's portfolio decreased to EUR 8.3 (2016: 9.6) billion.

Private saving at RaboDirect decreased by 9%

RaboDirect is Rabobank's online bank that operates in Belgium, Germany, Ireland, Australia and New Zealand. Private savings entrusted by clients to RaboDirect are used for funding the international rural and retail banking business and other divisions of Rabobank Group. The savings balances of RaboDirect showed a modest decrease (partly due to fx effects) to EUR 28.3 (2016: 31.1) billion in 2017 and represented 20% (2016: 22%) of the total private savings held at Rabobank. The number of internet savings bank clients grew to approximately 934,000 (2016: 923,000). In Ireland RaboDirect off-boarded the savings book gathered through third parties.

Loan portfolio by region
at year-end 2017



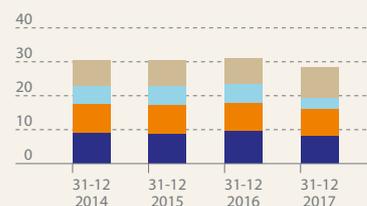
North America	30%
Australia and New Zealand	19%
Netherlands	17%
Europe (excluding the Netherlands)	15%
Latin America	11%
Asia	8%

Loan portfolio by sector
in billions of euros



Food and agri
TIS
Private individuals

Distribution of private savings of Rabo Direct
in billions of euros



Germany
Ireland
Belgium
Australia and New Zealand

Financial results of Wholesale, Rural and Retail

Results

<i>in millions of euros</i>	31-12-2017	31-12-2016	Change
Net interest income	2,367	2,355	1%
Net fee and commission income	432	491	-12%
Other results	861	812	6%
Income	3,660	3,658	0%
Staff costs	1,011	1,103	-8%
Other administrative expenses	1,312	919	43%
Depreciation	56	94	-40%
Operating expenses	2,379	2,116	12%
Gross result	1,281	1,542	-17%
Loan impairment charges	95	255	-63%
Regulatory levies	171	152	13%
Operating profit before tax	1,015	1,135	-11%
Taxation	416	369	13%
Net profit	599	766	-22%

Loan impairment charges (in basis points)	9	25
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Ratios

Cost/income ratio exclusive regulatory levies	65.0%	57.8%
Cost/income ratio inclusive regulatory levies	69.7%	62.0%

Balance sheet (in EUR billion)

External assets	131.9	156.3	-16%
Private sector loan portfolio	101.5	108.6	-7%
Deposits from customers	111.4	123.7	-10%
Number of internal employees (in FTEs)	7,441	7,474	0%
Number of external employees (in FTEs)	468	348	34%
Total number of employees (in FTEs)	7,909	7,822	1%

Notes to the financial results

Underlying profit before tax increased by 12%

Development of underlying operating profit before tax

<i>Amounts in millions of euros</i>	2017	2016
Income	3,660	3,658
Operating expenses	2,379	2,116
Adjustments on expenses		
Restructuring	2	(14)
Provision RNA	(310)	0
Underlying expenses	2,071	2,102
Regulatory levies	171	152
Loan impairment charges	95	255
Operating profit before tax	1,015	1,135
Total adjustments	308	14
Underlying profit before tax	1,323	1,149

Increase in income tax

Income tax at WRR increased by 13% to minus EUR 416 million, while the operating profit before tax decreased. This is the result of the change in tax rates in the United States, which are unfavorable for WRR.

Underlying performance improved

The underlying performance of WRR improved in 2017, as illustrated by the development of the underlying operating profit before tax, which increased to EUR 1,323 million. This is an increase of EUR 174 million compared to 2016. In calculating this underlying profit before tax, corrections were made for restructuring costs and the provision of EUR 310 million taken by RNA in December 2017.

Income remained stable

WRR total income increased to EUR 3,660 (2016: 3,658) million in 2017. At WRR, underlying commercial interest margins stabilised and net interest income rose to EUR 2,367 (2016: 2,355) million. Net fee and commission income decreased to EUR 432 (2016: 491) million. In 2016, the Markets division's net fee and commission income reflected the higher levels of activity in that period, with more transactions than in 2017. The Markets division's trading results improved due to better market conditions than in 2016. Consequently, other results increased to EUR 861 (2016: 812) million.

Operating expenses increased by 12%

Operating expenses at WRR went up to EUR 2,379 (2016: 2,116) million in 2017. Due to the centralisation of IT services in 2016, WRR staff was relocated to the central organisation, reducing staff costs but increasing recharges from the central organisation, and consequently raising other operating expenses. Staff costs fell to EUR 1,011 (2016: 1,103) million, a 8% decrease compared to last year. Other administrative expenses increased to EUR 1,312 (2016: 919) million, mainly due to the previously mentioned provision of EUR 310 million taken by RNA. Also the release of a provision for legal issues lowered other administrative expenses in 2016. Depreciation was down to EUR 56 (2016: 94) million.

Loan impairment charges down by 63%

WRR loan impairment charges decreased to EUR 95 (2016: 255) million in 2017. Decrease of loan impairment charges can be largely assigned to the overall improvement of weather circumstances and sector developments. Despite the overall decrease, loan impairment charges remained relatively high in Asia and increased in the Netherlands. However, the portfolio in Asia stabilised and Dutch loan impairment charges remained below the long-term average on the back of positive economic developments. Total loan impairment charges went down to 9 (2016: 25) basis points of the average loan portfolio, well below the long-term average of 57 basis points.

Appendix 7 Our financial performance – segment reporting

Leasing

Leasing segment reaps rewards of ongoing economic growth

Rabobank's leasing arm DLL realised a strong performance in 2017. The leasing segment booked a net profit of EUR 491 million, a decrease of EUR 166 million compared to last year. This is primarily the result of the sale of Athlon Car Lease International B.V. at the end of 2016. In 2016, the mobility solutions entity still contributed to the overall results of the leasing segment. If we exclude the Athlon results from the 2016 figures, DLL's net interest income and operating profit before tax increased in 2017 and staff costs increased only slightly.

Continuous worldwide economic growth had a positive impact on the results of DLL in 2017. Loan impairment charges remained at a low level and were in line with 2016. At EUR 106 million or 36 basis points of the average portfolio, loan impairment charges are well below the long-term average of 60 basis points.

In 2017, the lease portfolio increased to EUR 30.8 billion. Fx fluctuations negatively impacted portfolio growth, pushing balances down by approximately EUR 2 billion. The share of Food & Agri business in the lease portfolio remained stable and totaled 38%.

As part of the long-term growth strategy to diversify the funding base and liquidity risk, DLL closed its first securitisation in the United States for approximately USD 500 million. This was the first step in DLL's ambition to raise more structured funding.

DLL's profile

DLL is a global vendor finance company with more than EUR 34 billion in assets. DLL provides asset-based financial solutions in the Agriculture, Food, Healthcare, Clean technology, Construction, Transportation, Industrial and Office technology industries. DLL partners with equipment manufacturers, dealers and distributors in more than 30 countries to support their distribution channels and help grow their businesses. DLL combines client focus with deep industry knowledge to deliver sustainable solutions for the complete asset life cycle, including commercial finance, retail finance and used equipment finance. DLL is a wholly owned subsidiary of Rabobank. At 31 December 2017, DLL employed 4,637 FTEs (including external staff).

As implied by DLL's brand promise 'See what counts', the global vendor finance company believes in establishing genuine partnerships built on personal trust, not just on numbers. DLL

looks beyond quick fixes to deliver sustainable solutions and seeks to become an integral part of the overall business strategy and financial plans of its partners. DLL strives to manage multi-year relationships and develop a strategy that will help partners grow their market share and profitability over the long term, efficiently and sustainably.

DLL is fully dedicated to vendor finance. This means the company provides asset-based financing programmes to manufacturers, distributors, dealers and resellers at their respective points of sale. The largest industry markets for vendor finance within DLL are food and agriculture, followed by construction, transportation & industrial, and office technology. More information about DLL's industry expertise can be found here.

Customer satisfaction and loyalty

DLL's vendor partners once again voiced their satisfaction with DLL products and services, which can be seen in our Global Net Promotor Score (NPS)[®] of +38, and is a marked improvements from the +34 recorded in 2016. The vast majority of customers surveyed indicated that they were 'satisfied' or 'very satisfied' with DLL's products and services.

DLL's forward-looking approach

DLL is committed to providing comprehensive solutions that help its vendor partners successfully navigate their challenging markets. DLL believes three trends will likely alter the way vendor partners do business and change their expectations of financial solutions providers: servitisation, the Internet of Things (IoT) and the circular economy. The company feels it is its responsibility to dive into these new worlds, adapt its business model where needed, and share knowledge with partners and the industry to make sure it consolidates its value proposition.

The digital transformation continues

DLL is committed to delivering the best experience to its vendor partners, increasing the ease, speed and quality of doing business through innovative solutions. In close collaboration with its partners, DLL is developing mobile applications, portals and partner integration through APIs (Application Programming Interface) that enable them to collaborate and transact with DLL at the point of sale any time using any device. DLL's market-leading solutions create a competitive advantage in new business development, and are an early indicator of innovation leadership.

This progress was not only recognised by DLL vendor partners, but also by industry peers. In November 2017, DLL received the Digital Innovation award from Leasing Life, one of the top leasing industry journals in Europe, as selected by a highly qualified jury of experts with longstanding experience in both the European asset finance industry and technology sector.

Lease portfolio increased slightly

The lease portfolio increased slightly to EUR 30.8 (2016: 30.5) billion. Currency effects negatively impacted portfolio growth by approximately EUR 2 billion. DLL promotes Rabobank's Banking for Food and Banking for the Netherlands strategies by supporting manufacturers, distributors and end-user clients within the Food & Agri sector, both internationally and within the Netherlands. In 2017, DLL's Food and Agriculture share of the portfolio remained stable at EUR 11.8 (2016: 11.8) billion and now represents 38% (2016: 39%) of the DLL portfolio.

As of April 2017, the portfolio of DLL's Financial Solutions division (leasing and consumer finance products offered to Rabobank customers in the Netherlands) was transferred to

Rabobank's domestic retail banking business segment. For a like-for-like comparison, the lease portfolio at 31 December 2016 was adjusted by EUR 4.4 billion and restated to EUR 30.5 billion from EUR 34.9 billion.

Financial results of leasing

Results			
<i>in millions of euros</i>	31-12-2017	31-12-2016	Change
Net interest income	1,008	917	10%
Net fee and commission income	75	82	-9%
Other results	207	816	-75%
Income	1,290	1,815	-29%
Staff costs	487	606	-20%
Other administrative expenses	227	235	-3%
Depreciation	28	31	-10%
Operating expenses	742	872	-15%
Gross result	548	943	-42%
Loan impairment charges	106	94	13%
Regulatory levies	22	22	0%
Operating profit before tax	420	827	-49%
Taxation	(71)	170	-142%
Net profit	491	657	-25%

Loan impairment charges (in basis points)	36	32
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Ratios		
Cost/income ratio exclusive regulatory levies	57.5%	48.0%
Cost/income ratio inclusive regulatory levies	59.2%	49.3%

Balance sheet (in EUR billion)			
Lease portfolio	30.8	30.5	-1%
Number of internal employees (in FTEs)	4,302	4,062	6%
Number of external employees (in FTEs)	335	305	10%
Total number of employees (in FTEs)	4,637	4,367	6%

Lease portfolio by division at year-end 2017



Food and agri	38%
Construction, transportation and industrial	25%
Office technology	19%
Healthcare and clean technology	10%
Other	8%

Lease portfolio by region at year-end 2017



America	46%
Europe	45%
Asia/Pacific	9%

Notes to financial results

Development of underlying operating profit before tax

Amounts in millions of euros		2017	2016
Income		1,290	1,815
Adjustments on income	Regular income Athlon	0	(271)
	Book profit on sale Athlon	0	(251)
Underlying income		1,290	1,293
Operating expenses		742	872
Adjustments on expenses	Restructuring	1	(10)
	Regular expenses Athlon	0	(160)
Underlying expenses		743	702
Regulatory levies		22	22
Loan impairment charges		106	94
Operating profit before tax		420	827
Total adjustments		(1)	(352)
Underlying profit before tax		419	475

Negative income tax

Income tax at the leasing segment decreased from EUR 170 million to minus EUR 71 million. This negative income tax line is the result of the change in tax rates in the United States, which are favorable for DLL.

Income stable

Total income from the leasing segment decreased by 29% to EUR 1,290 (2016: 1,815) million in 2017. However, this decrease can be attributed to the December 2016 sale of Athlon, DLL's mobility solutions entity, including all its subsidiaries. Athlon was still contributing to the income of the leasing segment in 2016. On a like-for-like basis, excluding Athlon results from the 2016 figures, total income was stable at EUR 1,290 (2016: 1,293) million. Net fee and commission income decreased to EUR 75 (2016: 82) million. Other results mainly consisted of sales results on end-of-lease assets. In 2016, the income from operational lease contracts from Athlon was accounted for in other results, which resulted, together with an impairment for one of the foreign businesses, in a decrease in other results to EUR 207 (2016: 816) million in 2017.

Operating expenses up slightly

Total operating expenses in the leasing segment decreased to EUR 742 (2016: 872) million. However, excluding Athlon results and related restructuring expenses from the 2016 figures, operating expenses increased by 6% to EUR 742 million. Staff costs increased in line with the higher number of employees. Other administrative expenses increased in line with the administrative completion of the Athlon sale and the transfer of Financial Solutions to Rabobank. Depreciation amounted to EUR 28 (2016: 31) million.

Loan impairment charges increased slightly

Loan impairment charges for the leasing segment increased to EUR 106 (2016: 94) million in 2017, corresponding with 36 (2016: 32) basis points of the average loan portfolio, well below the long-term average of 60 basis points. As DLL's lease portfolio is spread over more than 30 countries and 8 industries, the credit risk associated with this portfolio is geographically diverse and well balanced across all industry sectors. In 2017, there were no new significant individual default cases.

Appendix 7 Our financial performance – segment reporting

Real estate

Strong results and continuous changes within real estate segment

The real estate segment within Rabobank currently comprises of Bouwfonds Property Development (BPD), Rabo Real Estate Group (Bouwfonds Investment Management (Bouwfonds IM) and a financial holding) and FGH Bank. As per 1 July 2017 BPD is positioned as a direct subsidiary of Rabobank and a large part of the FGH Bank clients were transferred from the real estate segment to the domestic retail banking segment and wholesale (part of the WRR segment). Rabo Real Estate group changed significantly over the last few years and currently consists of the real asset investment management division Bouwfonds Investment Management and a small financial holding.

Income increased, mainly as a result of higher other income due to an increase in the number of transactions by BPD. Loan impairment charges decreased by EUR 41 million to minus EUR 116 million and remain therefore on a historically low level. This corresponds with minus 521 basis points of the average loan portfolio and is well below the long-term average of 80 basis points.

Net profit of the real estate segment increased by EUR 93 million to EUR 293 million in 2017. BPD contributed EUR 151 million to the real estate segment's profits, Rabo Real Estate Group contributed EUR 71 million and FGH Bank net profit amounted to EUR 135 million in 2017. In line with the transfer of assets, part of the result of FGH Bank was transferred to the domestic retail banking segment and wholesale (part of the WRR segment).

Bouwfonds IM worked on several first, second closings and new funds in 2017, but due to the sale of a number of significant portfolios and the reduction of non-strategic activities the assets under management decreased by EUR 1.9 billion to EUR 4.0 billion at year-end 2017.

Real estate segment

The real estate segment results comprise the results of BPD, Rabo Real Estate Group (Bouwfonds IM and a financial holding) and FGH Bank.

BPD

Responsible for developing residential real estate areas, BPD focuses on integral residential areas, multifunctional projects and public facilities. With a local presence in the Netherlands, France and Germany, BPD strives for managed growth in economically strong regions. BPD is market leader in the

Netherlands and Germany and is a top-10 player in France. BPD has been positioned as a direct subsidiary of Rabobank since 1 July 2017, a development which ensures even closer alignment with the bank's commitment to residential development activities and a continuous stable platform to build its future business on.

Bouwfonds IM

As real asset investment management division Bouwfonds IM delivers sustainable value by investing capital raised from its clients through investment funds and by actively managing these portfolios.

FGH Bank

In 2017, a large part of the FGH Bank clients were transferred from the real estate segment to the domestic retail banking segment and wholesale (part of the WRR segment). In line with the Rabobank real estate strategy, real estate financier FGH Bank's expertise will remain within the bank, in the real estate finance organisation. Rabo Real Estate Finance is a centre of expertise in the area of commercial real estate financing. They advise local Rabobanks about commercial real estate lending. For more information on Rabo Real Estate Finance [click here](#).

Residential real estate developments

In 2017, house prices rose approximately 8% in the Netherlands, driven by the limited supply, household growth in the larger cities, the economic recovery and persistently low interest rates. The number of transactions remained high but after a record number of sales, the growth rate stagnated in the second half of the year. There are likely to be fewer transactions next year because the number of homes for sale has also fallen significantly. Significant regional differences include a shortage of owner-occupied homes for sale in certain parts of the

Netherlands (mainly the most densely populated conurbation, the Randstad) while in other parts of the country, the upturn has just begun.

BPD continues to conduct high number of transactions

In 2017, BPD again achieved a high number in transactions of new residential units, in line with last year's performance. In the Netherlands, the number of residential unit transactions at BPD increased by 5% to 5,657 (2016: 5,363). The French housing market is responding to the economic upturn with more transactions: the number rose to 3,688 (2016: 2,978). In Germany, the number of transactions remained stable at 1,546 (2016: 1,546). Including 6 transactions in Belgium, total number of transactions realised by BPD in 2017 increased to 10,897 (2016: 9,905).

Assets under management decreased strongly

In line with the strategy to reduce non-strategic activities, Bouwfonds IM has successfully sold and transferred a number of significant portfolios. To adapt to these developments, the Bouwfonds IM organisation was adjusted accordingly. Total assets under management fell to EUR 4.0 (2016: 5.9) billion. Bouwfonds IM will continue to exploit market opportunities in their remaining portfolio.

Loan portfolio decreased by 33%

The loan portfolio of the real estate segment, especially that of FGH Bank, decreased by EUR 0.9 to EUR 1.8 (2016: 2.7) billion. In 2017, a large part of the FGH Bank clients were transferred from the real estate segment to the domestic retail banking segment and wholesale (part of the WRR segment). The comparative 31 December 2016 figure has been adjusted for these transfers.

Financial results of real estate

Results

<i>in millions of euros</i>	31-12-2017	31-12-2016	Change
Net interest income	57	143	-60%
Net fee and commission income	59	16	269%
Other results	479	379	26%
Income	595	538	11%
Staff costs	180	200	-10%
Other administrative expenses	154	135	14%
Depreciation	7	4	75%
Operating expenses	341	339	1%
Gross result	254	199	28%
Loan impairment charges	(116)	(75)	55%
Regulatory levies	4	4	0%
Operating profit before tax	366	270	36%
Taxation	73	70	4%
Net profit	293	200	47%
<i>BPD</i>	151	106	42%
<i>Rabo Real Estate Group</i>	71	27	163%
<i>FGH Bank</i>	135	165	-18%
<i>Other (includes changes in segment reporting*)</i>	(64)	(98)	-35%

Loan impairment charges (in basis points)	(521)	(141)
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Ratios

Cost/income ratio exclusive regulatory levies	57.3%	63.0%
Cost/income ratio inclusive regulatory levies	58.0%	63.8%

Balance sheet (in EUR billion)

Loan portfolio	1.8	2.7	-33%
Assets under management	4.0	5.9	-32%
Number of houses sold	10,897	9,905	10%
Number of internal employees (in FTEs)	1,091	1,065	2%
Number of external employees (in FTEs)	88	300	-71%
Total number of employees (in FTEs)	1,197	1,365	-14%

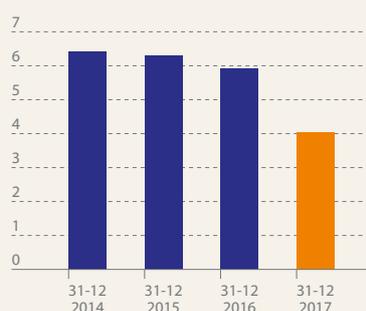
* Due to changes in segment reporting part of the result of FGH Bank was transferred to the segments domestic retail banking and WRR.

Residential property transactions by country at year-end 2017



The Netherlands	52%
France	34%
Germany	14%

Assets under management Bouwfonds IM in billions of euros



Loan portfolio segment real estate in billions of euros



Development of underlying operating profit before tax

Amounts in millions of euros		2017	2016
Income		595	538
Operating expenses		341	339
Adjustment on expenses	Restructuring	(29)	(15)
Underlying expenses		312	324
Regulatory levies		4	4
Loan impairment charges		(116)	(75)
Operating profit before tax		366	270
Total adjustments		29	15
Underlying profit before tax		395	285

Notes to financial results

Income increased by 11%

In 2017, the total income of the real estate segment increased to EUR 595 (2016: 538) million. Corrected for integration of parts of the loan portfolio of FGH Bank within Rabobank, FGH Bank's average loan portfolio was smaller. Consequently, net interest income fell to EUR 57 (2016: 143) million. Net fee and commission income increased to EUR 59 (2016: 16) million due to higher performance fees at Bouwfonds IM, which are related to the reduction of non-strategic activities. The increase in the number of houses sold had an upward effect on other results at the real estate segment which increased by EUR 100 million to EUR 479 (2016: 379) million.

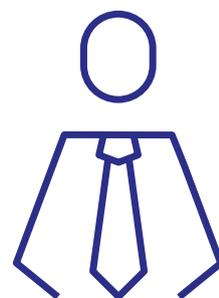
Operating expenses remained stable

Total operating expenses in the real estate segment remained stable at EUR 341 (2016: 339) million in 2017. Staff costs decreased by EUR 20 million to EUR 180 (2016: 200) million. The increased commercial activity led to a small increase in the number of employees at BPD and the number of employees at FGH Bank decreased as part of the integration into Rabobank. The number of employees at Bouwfonds IM decreased as a result of the sale of several significant portfolios. The other administrative expenses increased to EUR 154 (2016: 135) million in 2017 due to higher expenses at all divisions. Depreciation landed at EUR 7 (2016: 4) million.

Loan impairment charges remain negative

Just like in 2016, favourable economic developments in the Netherlands had a positive impact on the loan impairment charges in the real estate segment. Over 2017, the loan impairment charges amounted to minus EUR 116 (2016: minus 75) million, which entails a release of loan impairment allowances. Loan impairment charges amounted to minus 521 (2016: minus 141) basis points of average lending. The long-term average is 80 basis points.

Corporate governance



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Corporate Governance

In January 2016, Rabobank switched to a new governance structure. All local cooperative Rabobanks and Rabobank Nederland now operate as one cooperative bank with one banking licence and one set of financial statements. All participants in local and collective governance bodies had to get used to the new constellation. Members of these governance organs have indicated in questionnaires taken over the past two years that, overall, they are satisfied with the way the new regime is functioning. In the past two years, the new structure has proven its value, strength and flexibility. The unique features of the member-based governance have never changed, though. These include the bottom-up decision-making process, the associated focus on retail banking with its relatively stable income streams and retained earnings as the primary source of capital building. These features have safeguarded Rabobank's special position in the financial sector, its long-standing focus on servicing the real economy and, last but not least, its ambition to contribute to the sustainable development of local communities.

The governance bodies in short

The governance of Rabobank has never been static, but has changed continuously in response to strategic considerations, trends in society, as well as developments in banking and regulation since the establishment of the first credit cooperative in the Netherlands in 1895. Like previous governance regimes, the new governance structure is founded on a balanced system of closely interrelated and interacting bodies. This new structure was designed by an internal Governance Committee which was created at the beginning of 2014. The Committee consisted of representatives of local supervisory bodies and chairmen of local management teams, as well as Managing Board members of Rabobank Nederland. Its ultimate proposals had to satisfy a number of shared principles and rectify various shortcomings in the previous framework. The governance review process took about two years.

A defining feature of the new Rabobank governance is that the cooperative part remains inextricably linked with the tactical and operational banking business. The Figure below shows the cooperative governance bodies (LHS) and the banking business (RHS). 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 two sides of the new 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. Their representatives in governance bodies exert an important influence on the course of the local Rabobank as well as the entire organisation. 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 other ownership structures.

Members are divided into about 100 member departments at the local level. Each department is assigned to one or more delegates' election assemblies which appoint, suspend or dismiss the members of the Local Members' Councils (LMCs), consisting of 30 to 50 members. are the 'eyes and ears' of the management teams of the local Rabobanks. 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 also act as a sparring partner for the management teams of the local Rabobanks, and have formal duties and responsibilities, such as the right to approve the merger or demerger of a local Rabobank or to advise the chairman 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 chairmen 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. An LSB does not derive its authority from law. The Managing Board has instead delegated the LSBs specific local governance powers under the Articles of Association of Rabobank.

LSB chairmen are key players in the collective governance as they represent local members in the General Members' Council (GMC). At the local level, the LSB supervises the execution of the strategy. In this light, the general state of affairs and (social) 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 are also compiled in the new governance structure to enable LSBs to perform their roles accurately and adequately. Furthermore, this body is authorised to supervise the degree to which the local Rabobank complies with external laws and regulations and the Articles of Association.

Local supervisors are supposed 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 chairman satisfies his or her local responsibility to focus on clients' long-term interests and to contribute to the sustainable development of the local community and strengthen ties with it. The functional employer's role of the local management team chairman has been mandated to the LSB, too. This responsibility encompasses appointing, assessing and suspending the chairman. The LSB is also authorised to approve a number of important local decisions. It must ensure that the local management team chairman duly notes its advice in local policy making. Furthermore, the LSB has an advisory role with regard to the management of the local Rabobank and fulfils a liaison role between local society and the local Rabobank and has a role to contribute to the sustainable development of the local community and strengthen ties with it.

To facilitate LSBs in performing their tasks effectively, various regional meetings on specific topics were organised throughout the reporting year. For instance, workshops on the formal roles of local supervisory bodies, financial accounting and HR issues were held. Next to regional meetings, a national supervisors' conference is organised annually. This conference is a meeting of supervisors of all local Rabobanks, members of the Supervisory Board and of the Managing Board. In 2017, it was dedicated to the theme 'Meaningful Cooperative Bank'. During the conference, participants discussed concrete propositions

of Rabobank's social agenda, community banking and ways to operationalise important cooperative dimensions, such as involved membership and cooperative dividend. The follow-up of the recommendations from this conference is monitored by the Meaningful Cooperative Bank Committee, which has also been charged with formulating a cooperative key performance indicator. The national supervisors' conference also presents a great opportunity to network and share experiences, knowledge and information.

The GMC is the highest decision-making body in the Rabobank governance. It consists of chairmen of all local supervisory bodies, who represent the members of their local Rabobanks in the GMC. The GMC has around 100 members and meets at least twice a year. It focuses on the strategic framework and 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 on the basis of commonly agreed strategic principles. It appoints members of the Supervisory Board of Rabobank on the recommendation of the Supervisory Board, who appoint the statutory members of the Managing Board. The Supervisory Board supervises the Managing Board and 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 the legal status of Rabobank. It adopts the annual accounts and has advisory and approval rights for major decisions taken by the Managing Board. For instance, the GMC determines the basic premises of Rabobank's identity and strategic frameworks and the main points of the annual plan and budget.

The agenda of the GMC covered a wide range of topics. For instance, the process update and governance evaluation were discussed, as were proposals to promote diversity in all governance bodies. The governance transformation has reinforced our awareness that member engagement and involvement are essential to a cooperative bank. These aspects are what set us apart from other players. The regime shift has also triggered new initiatives to solidify cooperative aspects, for example, our new 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. The GMC devoted a considerable amount of time to the theme 'Banking in the future'.

Since the new governance became effective, the management teams at the local Rabobanks are entrusted with the important task of acting in harmony with the cooperative spirit, and offering financial services to match. They have important local responsibilities as laid down in the internal local Rabobank rules. In fact, the local management team chairmen have a mandate from the Managing Board to safeguard their local orientation and firmly anchor their local Rabobanks in these communities. Local management team chairmen can exercise their authority and responsibility to deliver high quality local banking services. They can also turn the concept of cooperative identity into reality at the local level. In this respect, local staff participate actively in social and virtual networks in order to maintain close connections with local communities.

Banking business

Tactical, operational and policy-related banking are addressed in the Directors' Conference. This body is composed of local management team chairmen, the Managing Board and the directors of divisions which support local Rabobanks. The Directors' Conference is a meaningful and influential platform with a preparatory, informative and advisory role for proposals and policies concerning local Rabobanks. The Conference also fulfils a liaison role between the highest echelons of the bank. In view of safeguarding clients' interests and needs. Every meeting of the Conference is devoted to a specific theme of the strategic agenda. In 2017, the Conference addressed the current transformation of the bank following the governance change and actual and anticipated trends in banking, regulation, society and technology. Other topics included 'new leadership' as well as Rabobank's contribution to socio-economic developments.

Monitoring and evaluation of the new governance

The Governance Committee has also been assigned with the task of monitoring the practical functioning of the new structure. Since the new governance came into effect, two evaluations were carried out by an independent institution to determine whether all bodies are operating according to their objectives and which aspects could be strengthened. The first edition of the questionnaire in 2016 investigated the importance the participants attach to the specific functions of the governance bodies and whether they expect the underlying objectives to be achieved. The results from this baseline survey indicated that the set-up and purpose of all governance organs are generally well understood.

A second survey was held among all players in the governance in May 2017. The response rate was very high, with around 1,100 people completing the questionnaire. This alone demonstrates the great interest in safeguarding cooperative values and the resulting strategic orientation. The findings of the second questionnaire were broadly in line with those of the first. The participants' feedback was mostly positive. Where faithfulness to the mission was concerned, the results even exceeded expectations. Even more pronounced was the appreciation respondents expressed for the effects of the governance on establishing connections with society through the organisation's distinctive role as a cooperative bank. The survey also yielded useful recommendations for fine-tuning and further improving some elements of the governance. Respondents indicated that they saw no need to adjust the Articles of Association, but believed the governance could function better with some behavioural changes of participants in all governance bodies. For instance, they recommended a more open attitude to the input of members.

Dutch Corporate Governance Code

The Dutch Corporate Governance Code 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, but has committed itself to comply to the code as much as possible. Rabobank only departs from the code on a few points, partly due to its cooperative structure. Please refer to www.rabobank.com for an overview.

Future-oriented banking: The Dutch Banking Code

In 2009 the Dutch Banking Association adopted the Banking Code for Dutch banks in order to regain 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 1 January 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 want to play in society.

Following this recommendation, the Dutch Banking Association introduced a Social Charter, including an updated Banking Code, and implemented a bankers' oath (with the associated rules of conduct and disciplinary system). With 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'. Rabobank has endorsed the package. For further information about Rabobank's compliance with the Banking Code 2015, please refer to www.rabobank.com.

Remuneration

Rabobank and its vision on reward and remuneration

Focus on cooperative objectives and core values of Rabobank are part of Rabobank's Vision on Remuneration. Our background as a cooperative means we allow employees to make a real difference both in the local communities where they work and internationally by contributing to our goal of providing a solution to the global food issue.

Rabobank has a conscientious, socially responsible and sustainable remuneration strategy within the bounds of legislation and regulations. The financial part of reward is targeted at market median.

Rabobank aims to be an attractive employer to hire and retain talent, and focuses on empowering its employees in all their diversity. This is done not only by offering fair remuneration packages, but also by providing a valuable set of secondary conditions, such as an attractive working environment, a good pension structure and focus on the development of employees. The new performance management system GROW! (national and international) and the introduction of the Development Budget in the Netherlands for the Collective Labour Agreement (CLA) population and executives, contribute to employees' professional and personal development.

Remuneration policies

Rabobank's remuneration policy is captured in several documents. For most Rabobank employees, the CLA is applicable. A separate remuneration policy applies to the Managing Board and other executives. DLL and Rabo Real Estate Group have each adopted remuneration policies of their own within the framework. Remuneration policies for Wholesale, Rural & Retail (WRR), DLL and Rabo Real Estate Group entities located outside the Netherlands are partly based on local legislation and regulations, as well as market conditions, but always based on the same vision on reward and remuneration.

The principles and guidelines of the Vision on Remuneration are detailed in the Group Remuneration Policy (GRP). The GRP is annually updated and complies with (external) regulation, with Rabobank Group's business strategy, customer focus, core values and desired risk profile. The policy supports solid and effective risk-management processes designed to protect Rabobank's long-term results and support its robust capital position, for example in the application of the cycle of risk alignment, while also raising employees' awareness of risks and discouraging taking undesirable risks (e.g. irresponsible sales

practices). It encourages employees to aim for lasting results in line with the long-term interests of Rabobank Group, its clients and other stakeholders.

General outlines of the policy

In general, fixed pay is based on job evaluation leading to a function scale for each position. Each function scale is accompanied by a salary scale, to set a remuneration ratio between levels. This is done in the Netherlands as well as with entities outside the Netherlands. The salary scales are set around the median of the market for comparable work, to fit Rabobank's conscientious vision on remuneration.

In countries outside the Netherlands, this is done by local benchmarks as well. Within Rabobank Group, only a specified population is eligible to variable pay. These are employees in the Wholesale, Rural & Retail domain, Treasury or employed by one of Rabobank's subsidiaries. Variable pay is never guaranteed and does not reward for failure or misconduct. The link between performance and pay is demonstrated within performance management documents, in which the contribution to Rabobank and the employee's personal growth are assessed. Rabobank complies with Dutch and European legislation, maximizing variable pay to an average of 20% of fixed pay for employees working in the Netherlands, and a maximum of 100% for employees outside the Netherlands. In 2017, Rabobank did not use the possibility provided in Dutch law to award variable pay up to 200% in countries outside the EEA. In 2017, the variable remuneration for Rabobank Group worldwide was EUR 216.9 million (2016: EUR 210 million), this is approximately 5% of the total amount for remuneration.

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 claw back. For those employees eligible to variable pay, a risk target should be part of their individual GROW!Notes. The group of employees (potentially) having a material impact on the risk profile of the bank were assigned as Identified Staff. The selection is done annually and apart

from the specific performance management requirements, for Identified Staff receiving variable pay specific risk mitigating measures are in place. This includes the division of the variable pay in a cash part and an instruments part and the deferral policy of three years. For those employees qualified as 'Senior management', the deferral policy stretches to five years. Also for employees receiving variable pay above a certain amount, but not being Identified Staff, a deferral policy applies in order to allow the ex post test to be performed.

Supervisory Board

Reimbursement packages of the members of the supervisory board were revised in 2016 to be in line with the vision on reward and remuneration and cross-industry benchmark data for similar positions. In 2017 no changes were made, so the reimbursement packages were as follows:

As of 1 October 2016 the fee structure

<i>in euros</i>	<i>Fee</i>
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

Individual reimbursements

The individual reimbursements in 2017 for members of the supervisory boards are shown below:

<i>In thousands of euros</i>	<i>Remuneration</i>
Irene Asscher-Vonk	90
Leo Degle	90
Leo Graafsma	110
Ron Teerlink	220
Arian Kamp	110
Marjan Trompetter	140
Pascal Visée	90
Petri Hofsté	90
Jan Nooitgedagt	110
Total 2017	1,050
Total 2016	975

Individual loans and certificates

The outstanding loans of the members of the Supervisory Board in office on 31 December 2017 and the average interest rates were as follows:

<i>in millions of euros</i>	<i>Outstanding loans</i>	<i>Average interest rate (in %)</i>
On 31 December 2017		
Arian Kamp	1.4	2.0
Marjan Trompetter	0.4	2.1

<i>in millions of euros</i>	<i>Outstanding loans</i>	<i>Average interest rate (in %)</i>
On 31 December 2016		
Arian Kamp	0.9	2.6
Marjan Trompetter	0.4	4.0

At year-end 2017, the members of the Supervisory Board not listed in the table had not received any loans, advances or guarantees.

Several members of the Supervisory Board have invested in Rabobank Certificates in person and/or through their own pension B.V.. On 31 December 2017, the number of Rabobank Certificates per individual member were as follows:

Certificates of members of the Supervisory Board

	<i>Number of Rabobank Certificates</i>	<i>Remarks</i>
On 31 December 2017		
Irene Asscher-Vonk	6,894	
Leo Degle	4,836	in pension B.V.
Leo Graafsma	4,050	in pension B.V.

Managing Board

With the change from the Executive Board of seven members to the Managing Board of ten members, the remuneration policy, including individual remuneration packages, were reviewed and supported by an external benchmark (with a cross-industry and financial peer group). The remuneration policy for the Managing Board was approved by the General Members Council.

The Managing Board Remuneration Policy adds to the HR mission by focusing on contribution and leadership, by putting emphasis on offering a remuneration proposal within the salary range that matches with the market based position reference point of their role and also matches their personal leadership profile to the desired leadership profile. Managing Board members are appointed for a period of four years, and for that same period, the individual remuneration is determined. There is no entitlement to variable pay for Managing Board members.

Regularly, the positions within the Managing Board will be benchmarked and salary ranges might be adjusted based on the outcomes. For the installation of the Managing Board, this benchmark was done in the first half of 2017. This benchmark was done with approximately the same peer group as the previous benchmark for the Executive Board, consisting of a cross-industry and a financial peer group. Outcome was that the remuneration packages of the former Executive Board members were already below the median of the market, and the new salary ranges are in line with that, again set no higher than the median of the market. For the former Executive Board members no indexation of the salaries was executed. For deciding upon

the function level, the Hay job evaluation process was used. This resulted in two clusters of functions, namely the Chairman Managing Board, and Member of the Managing Board. Based on the performed benchmark, salary ranges were set to those two function levels. The remuneration structure and salary ranges of the Managing Board were as follows:

<i>Salary ranges</i>	<i>Minimum</i>	<i>Maximum</i>
<i>in euros</i>		
Chairman of the Managing Board	884,000	1,154,400
Member of the Managing Board	477,000	884,000

In 2017, with the installation of the Managing Board, reference points per function were defined. The external value, or contribution, of the function (based on the benchmark) along with personal capabilities and the match with the leadership profile, led to individual proposals for the new Managing Board members. The remuneration packages reflect the values of Rabobank's remuneration policy.

Apart from the salary, the members of the Managing Board receive secondary employment conditions such as the pension scheme, including an individual pension contribution. There is no entitlement to a car lease arrangement, but a company car policy is in place for all members of the Managing Board for commuting and business travels.

Individual remuneration

The individual remuneration in 2017 of the members of the Managing Board were as follows:

<i>In thousands of euros</i>	<i>Short-term employee benefits</i>	<i>Pension scheme</i>	<i>Individual pension contribution</i>	<i>Other</i>	<i>Total</i>
Wiebe Draijer	980	26	212	-	1,218
Bas Brouwers	884	26	189	5	1,104
Petra van Hoeken	884	26	189	-	1,099
Kirsten Konst (in office from 1-9-2017)	267	9	56	1	333
Bart Leurs (in office from 1-9-2017)	217	9	44	-	270
Mariëlle Lichtenberg (in office from 1-9-2017)	250	9	52	4	315
Berry Marttin	884	26	189	4	1,103
Jan van Nieuwenhuizen	884	26	189	-	1,099
Ieko Sevinga (in office from 1-9-2017)	250	9	52	-	311
Janine Vos (in office from 1-9-2017)	217	9	44	-	270
Ralf Dekker (in office until 1-9-2017)	589	17	126	5	737
Rien Nagel (in office until 1-9-2017)	589	17	126	3	735
Total 2017*	6,895	209	1,468	22	8,594
Total 2016	6,063	169	1,299	24	7,555

Ralf Dekker (COO) and Rien Nagel, both members of the Executive Board, resigned from the Executive Board effective September 1st 2017. Their employment relationship with Rabobank terminated as of 1 March 2018. Both will receive a severance pay equivalent to one year's salary of EUR 884,000 and their regular individual pension contribution.

Individual loans

The outstanding loans of the members of the Managing Board in office and the average interest rates on 31 December 2017 were as follows:

<i>in millions of euros</i>	<i>Outstanding loans</i>	<i>Average interest rate (in %)</i>
On 31 December 2017		
Bas Brouwers	0.5	2.6
Kirsten Konst	0.2	4.0
Bart Leurs	0.9	2.1
Mariëlle Lichtenberg	1.8	4.3
Berry Marttin	0.2	5.8
Jan van Nieuwenhuizen	1.2	2.0
Janine Vos	0.9	2.3

<i>in millions of euros</i>	<i>Outstanding loans</i>	<i>Average interest rate (in %)</i>
On 31 December 2016		
Bas Brouwers	0.5	2.6
Berry Marttin	0.4	5.8
Jan van Nieuwenhuizen	1.2	2.0

* It should be noted that in 2017 the Managing Board consists of ten members, while in 2016, the Executive Board consisted of 7 members.

Individual certificates

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

<i>Certificates of members of the Managing Board</i>	
	<i>Number of Rabobank Certificates</i>
On 31 December 2017	
Kirsten Konst	800
Mariëlle Lichtenberg	1,770

Domestic Banking

Executive positions

The levels below the Managing Board are referred to as 'executive positions'. At year-end 2017 228 employees were in an executive position, of which approximately 8% were classed as expats working abroad on a Dutch contract. This number is slightly lower than in 2016.

Similar to 2016, the fixed pay remuneration packages for executives in 2017 were based on job grades, based on Hay points and accompanying salary ranges, ranging from executive position scale one to five. We are looking at the potential to change the (higher) executive remuneration structure. For instance, we would like to align it more closely with the new Managing Board remuneration structure, to ensure it reflects the market value of the position and the contribution to Rabobank.

Only a select number of the executive positions are eligible for variable remuneration, dependent on the type of work and the business they operate in, for example in specific commercial roles. The majority only receives a fixed salary. Rabobank also offers an attractive package of secondary employment conditions, such as the car lease arrangement and opportunities for learning and development. In 2017 the new GROW! System was introduced to replace the performance management system and any corresponding pay increases will come into effect in 2018.

The Rabobank pension scheme, a collective defined contribution plan, applies to the executive positions. The maximum income for pension accrual was EUR 97,736 as of 1 January 2017. Executives receive an individual pension contribution according to the level of their position. In 2017 another executive benefit was the option to take paid sabbatical leave of up to three months. From 2018 onwards the maximum paid sabbatical period will be two months.

CL employees

At year-end 2017 26442 employees were employed under the terms of the CLA of Rabobank, 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 position scales in the Rabobank CLA are based on the Hay Group's system for evaluating jobs. In 2017 there was no collective salary adjustment. Salary progression is based only on the PM results over the previous year, based on the individuals contribution, behaviour and personal development. In 2017 the new GROW! System was introduced to replace the performance management system and any corresponding pay increases will come into effect in 2018. The CLA does not include eligibility for variable pay since 2013. In October 2017 all employees received a one-time payment of 1% of fixed annual compensation as agreed in the CLA.

The median remuneration for Rabobank employees in the Netherlands end-of-year 2017 was EUR 52,342, which gives a ratio of 1:18.73 between the median remuneration and the CEO. In 2016, the median remuneration was EUR 50.837,63 and the ratio was 1:19.29.

The Rabobank CLA pension scheme is a collective defined contribution scheme. The maximum income for pension accrual for full-time employees as of 1 January 2017 was EUR 97,736. 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 gives flexibility and choice of employment terms including options to buy extra leave, purchase a bicycle in a tax-efficient way or pay union fees.

DLL

Remuneration policy

DLL has its own remuneration policy based on the Rabobank Group Remuneration policy. This is a uniform global policy in which remuneration levels are in line with the local labour market. The starting point is that the total remuneration package is approximately at the median of comparable financial services institutions.

DLL uses a remuneration package that consists of fixed salary and variable remuneration components for most positions. Variable remuneration is based on results at individual and company level and is in line with legal and regulatory requirements. In 2017 DLL took further steps to moderate variable remuneration. For instance, from 2017 senior management was no longer eligible for variable remuneration and all variable remuneration amounts were capped at

100% of the fixed salary. DLL had one employee whose total remuneration exceeded EUR 1 million.

Alongside fixed salary we offer employees a broad package of various fringe benefits which are in line with local market practice, such as pension schemes and health insurance packages.

Performance management

DLL uses its own PM system. It focuses on achieving results, bringing the DLL core values into practice and the personal development of employees. Our incentive targets are a mix of qualitative and quantitative results. There is a lot of focus on customer satisfaction (NPS), innovation and process improvements. Most of our members have predominantly qualitative targets, some being individual, some being team targets.

Identified Staff

In 2017 DLL implemented a sub-consolidation based on the EBA guidelines in which Identified Staff positions are accounted for as if DLL were an independent company. Alongside the positions identified at Rabobank Group level this resulted in a total of 41 extra Identified Staff positions.

Rabo Real Estate Group, BPD and FGH Bank

Organisational developments

In 2016 FGH Bank was positioned as an independent organisation within Rabobank Group.

The agreements with the unions were set out in an addendum to Rabo Real Estate Group's 2013-15 Social Plan – a part of Rabo Real Estate Group's CLA. The first wave of employees migrating to Rabobank started on 1 October 2016 and was completed one year later.

BPD's shares were transferred to Rabobank in July 2017, at which time the employees officially left the employment of Rabo Real Estate Group and received new employment contracts with BPD.

Remuneration policy

Remuneration of employees of Rabo Real Estate Group (BIM and Financial Holding), BPD and FGH Bank is subject to the (terminated) Rabo Real Estate Collective Labour Agreement 2013-2015, as the terms in this CLA keep their validation until a new CLA is agreed upon. This specific remuneration policy meets the requirements of the Rabobank Group remuneration policy. The Collective Labour Agreement includes a remuneration package consisting of fixed and variable components and a pension scheme in line with that of Rabobank Pension Fund. In the Netherlands, Rabo Real Estate Group distinguishes three groups of employees: CEOs, executives and employees subject to the CLA. Each group has its own conditions of employment package. The Rabo Real Estate CLA includes a Performance & Competence Management system (PCM) to steer results and employee development.

BPD and Bouwfonds IM also employ staff outside the Netherlands. Each of the entities outside the Netherlands has a specific remuneration policy and Performance & Competence Management (PCM).

CLA Rabo Real Estate Group

The CLA of Rabo Real Estate Group is negotiated with the trade unions CNV, FNV and De Unie. The Rabo Real Estate Group CLA 2013-2015 expired on 1 January 2017 after an extension period, but the terms in this CLA keep their validation until a new CLA is agreed upon. In light of the organisational developments, Rabo Real Estate Group has decided not to enter into a new CLA.

CLA BPD

BPD has initiated the process to draw up a new CLA for BPD before 1 March 2018. Consultations are underway with the trade unions De Unie and FNV (which also represents CNV).

Supplementary remuneration policy for Bouwfonds Investment Management

Legislation under the Alternative Investment Fund Managers Directive (AIFMD) applies to Bouwfonds IM. This investment management division is not subject to the Dutch law Wbfo*. Therefore, Rabo Real Estate Group has implemented a remuneration policy specific to Bouwfonds IM (to supplement the CLA and terms of employment that apply to Rabo Real Estate Group as a whole). This supplementary policy complies with AIFMD legislation.

* Wbfo; 20% bonus cap; Wbfo is an amendment and an addition to the Dutch law Wet op het Financieel Toezicht, Wft

Report of the Supervisory Board of Rabobank

2017, time to accelerate

Rabobank is a client-focused cooperative bank. We are here to help our clients to achieve their ambitions. In doing so, we contribute to welfare and prosperity in the Netherlands and to solving the global food issue. In 2017 Rabobank emphasised this in its new mission statement 'Growing a better world together'. To fulfil our mission, we must keep moving the current transition forward. Although we are making progress, we concluded it was time to accelerate the transformation of Rabobank. Change and innovation are key to reach our strategic goals. In our view, the formation of a Managing Board with a flatter structure, increased focus on the digitalisation, innovation and representation of more client segments at the highest executive management level can help fast forward Rabobank's digital transition. We also decided to include representation of the Human Resources role at the Managing Board level to further boost the development of culture, leadership and talent. On 1 September 2017 responsibility for the day-to-day management of Rabobank was transferred from the former Executive Board to a Managing Board of ten members led by Wiebe Draijer.

In view of the changes to their domains, Ralf Dekker and Rien Nagel took the opportunity to seek new career challenges outside Rabobank. We are very grateful for Ralf and Rien's long-term dedication to Rabobank. We very much admire Ralf's extensive experience and knowledge, not only on matters of IT and Operations, but on a broad spectrum of subjects that are relevant to Rabobank and the banking sector. Rien is a warm advocate of the cooperative model, the local Rabobanks and their (SME and agricultural) clients and played a leading role in the historical reform which saw the local Rabobanks and Rabobank Nederland join forces to become one stronger, more future-proof Cooperative Rabobank (CRUA).

For a detailed outline of the portfolios of the current Managing Board members, please refer to the [relevant chapter](#) in the Board Report.

The Supervisory Board supervises, challenges and advises the Managing Board on a broad variety of financial, risk, regulatory, compliance, IT/operations and HR themes. In addition to the supervisory and advisory roles, the Supervisory Board acts as employer to Managing Board members and as liaison to Rabobank's stakeholders and society at large.

This review of the activities of the Supervisory Board in 2017 focuses on the four cornerstones on which Rabobank's strategy is founded ([see Board Report](#)) and which the Managing Board

uses to manage all aspects of the current transition process: excellent client focus, meaningful cooperative, rock-solid bank and empowered employees. We then reflect on the overall performance of the Supervisory Board, its committees and its members.

Supervisory Board: Supervisory and advisory roles *Excellent client focus*

Given our independent role and participation in various networks outside Rabobank, the Supervisory Board can process stakeholder input, share it with the Managing Board and continually apply it in its supervisory and advisory role. In 2017 we tried to obtain better insight into current and future developments that could impact our clients, such as the low interest rate environment, new business propositions, innovations and upcoming regulations like PSD2. We also monitored issues in client sectors facing difficulties and took note of client satisfaction scores and client feedback reports. During our Supervisory Board meetings and our visit with the Managing Board to the US (see below) we explicitly reserved time for business updates and client visits.

In 2017, the Supervisory Board was regularly updated on progress in customer due diligence (CDD) and transaction monitoring in the Netherlands and abroad. We continued to monitor the mitigating actions of the Managing Board to ensure Rabobank's structural compliance with the CDD rules and

regulations. In May 2017, the Risk Committee, joined by several other Supervisory Board members, visited the project team that handles client cases on SME derivatives.

Rock-solid bank

The financial and risk targets outlined in the Strategic Framework 2016-2020 include strengthening capital and liquidity buffers, balance sheet composition, consciously weighing risk and return, and improving performance. In 2017, the Supervisory Board was regularly informed on financial markets developments and the development of Rabobank's ratings and key financial indicators, including capital ratios and funding position. Rabobank's financial position was compared to that of its peers in the Netherlands and Europe as well as its strategic goals. We periodically reviewed the development of the balance sheet, the return on invested capital (ROIC) and the capital ratios, and also monitored whether Rabobank was operating within the limits of the Balance Sheet Management Mandate 2017.

In 2017, the Supervisory Board was informed at least quarterly on the status of Rabobank's ongoing transition towards enhanced through increasing income and reducing costs and FTE in order to realise Rabobank's strategic targets. The Supervisory Board (either as a whole or represented in the Audit or Risk Committee) also received regular updates on the status of projects and important themes contributing to remaining a rock-solid bank, such as the Risk Control Framework, Data Quality / BCBS #239 compliance, CDD, the Core Banking Transformation, the Credit model Landscape, IFRS9 and the Basel III reform.

The Supervisory Board was informed on ongoing business cases and new initiatives for digitalisation and innovation. We monitored the progress and actions of the Managing Board in mitigating potential transition risks.

In 2017 the Risk Committee and the Supervisory Board deliberated extensively with the Managing Board on Rabobank's risk appetite as a whole and that of the commercial entities within Rabobank Group. The Supervisory Board monitors whether Rabobank is operating within set limits and following the right procedures in case a limit is breached. Risk updates are frequently discussed in both Risk Committee and Supervisory Board meetings.

Keeping Rabobank healthy also entails non-financial aspects, such as strong leadership, capable employees, reliable IT-systems and close monitoring and mitigation of a broad spectrum of non-financial risks. In view of this, during the past year, the Supervisory Board (in full or in one of the committees)

regularly assessed matters concerning succession planning, talent development and education, employee participation, the safety and availability of IT systems, compliance with (upcoming) rules and regulations, operational incidents, and the follow-up of In Control and audit and regulatory findings. The Audit Committee and Supervisory Board emphasised the need to adequately and punctually address audit and regulatory findings, and satisfied themselves that the respective business owners were fully committed to resolving any issues arising from the findings.

Meaningful cooperative

The Supervisory Board (either as a whole or through the Cooperative Affairs Committee (CAC)) deliberated with the Managing Board on Rabobank's mission of 'Growing a better world together'. We regularly monitored the progress on the dual strategy Banking for Food and Banking for the Netherlands, through which Rabobank endeavours to become a more successful and meaningful cooperative bank and to add long-term value for its clients and society. On several occasions (e. g. with PwC) we devoted attention to non-financial KPIs, including sustainability KPIs. We also spoke with the Managing Board on the preparations for the meetings of the Regional Members' Council and the General Members' Council and the general sentiment at them.

Supervisory Board members also show their commitment to Rabobank by operating as liaison officers both internally and externally. Individually and as a group we invest in constructive relationships with both internal and external stakeholders, such as members (GMC), employees of local Rabobanks, regulators, the external accountant, internal experts and Rabobank's Works Council. Some facts and figures on several of these relationships are given below.

Empowered employees

In 2017 Rabobank launched the Rabo Story and associated values and behaviour during SJEV- events ('Stel je eens voor' / 'Envision' meetings) for employees worldwide. A new four-dimensional leadership profile was launched, based on 'personal leadership', 'vitality', 'craftsmanship' and 'adaptability'. Additionally, in 2017 the Remuneration and HR committee and the Supervisory Board paid regular attention to other performance and health themes and initiatives such as Rabobank's organisational culture (based on the outcome of frequent pulse surveys, a Groupwide Organisational Health Index (OHI) survey and the JST Deep Dive on Culture). Topics discussed in this framework included the impact of Rabobank's transition on redundant and remaining employees, the outcome of the Rabobank health monitor (absenteeism and vitality of employees),

the implementation of the new performance management system GROW!, periodic performance dialogues in the top of the organisation, employability / continuous development, educational efforts, new ways of working (FOCUS), talent and management development, employee participation, the KPIs and compensation-related issues of key executives and Identified Staff, as well as the outcome of various efforts to make Rabobank a more diverse and inclusive company.

The Supervisory Board as an employer

The Supervisory Board's decision to change the top management structure last year came about after an in-depth assessment of the challenges Rabobank faces: low-interest rates, margins under pressure, increased regulatory pressure, fast-changing client behaviour and new competition. The new top management structure effectively addresses these challenges: for example, the DTO enabled the digital bank transformation to take off. The creation of two client positions for the Netherlands in the Managing Board puts client focus top of mind. The COO's focus on IT performance lets Rabobank concentrate on simplifying the bank's infrastructure and improving data management. Finally, as our employees are critical to our success, the CHRO role has been added to the Managing Board.

The decision to change the top management structure led to a swift but thorough search-and-selection procedure for new Managing Board candidates as well as the departure of two respected Executive Board members, Ralf Dekker and Rien Nagel, and to some personnel changes at higher management levels. We would like to convey our appreciation to the Appointments Committee, the Works Council, HR professionals and all other parties involved in this delicate process. We are very happy to have Kirsten Konst, Bart Leurs, Marielle Lichtenberg, Ieko Sevinga and Janine Vos on the Managing Board.

In addition to appointing the new Managing Board members, we also approved various new appointments at higher senior management levels in the new structure of Rabobank.

The Supervisory Board follows a systematic approach to target setting and to evaluating members of the Managing Board. The Supervisory Board evaluates the performance of the Managing Board and its individual members at least once a year. The chair and deputy-chair of the Supervisory Board regularly confer with the individual Managing Board members about the evaluation of their performance. At the beginning of each year, the Supervisory Board sets the individual and team key performance indicators (KPIs) for the Managing Board.

In 2017, the Supervisory Board followed the advice of the Remuneration & HR Committee to approve a limited number of material exceptions to the Group Remuneration Policy. None of these exceptions related to the Managing Board and they were approved based on divergent local legislation and regulations and/or market practice. The Supervisory Board also considered the highest remuneration levels in the past year via a group-wide report on remuneration and the annual summary of variable remuneration for Identified Staff.

Composition of the Supervisory Board: Finding the proper fit

We make use of an outline profile for the Supervisory Board when deciding on both appointments and reappointments. This profile is also published on the [website](#) of Rabobank. Based on a succession plan and competence matrix, the Supervisory Board (in full and following the advice of the Appointments Committee) carries out an annual assessment of the outline profile and regularly reviews how the required competences match with current and future tasks and developments.

In spring 2017, the Supervisory Board advocated the reappointment of Irene Asscher, who was first recommended by the Works Council as a candidate for the Supervisory Board in 2009. Irene's extensive knowledge of labour law and employee participation is invaluable during the current transformation of Rabobank. In June, the GMC decided to reappoint Irene for two years, as proposed by the Supervisory Board and in accordance with article 2.2.2. of the Dutch Corporate Governance Code. In December 2017, the GMC reappointed Ron Teerlink for a second term. He will remain chair of the Supervisory Board. At the end of 2017, the Appointments Committee of the Supervisory Board started preparations to find at least one new Supervisory Board member when Leo Graafsma steps down in April 2018 after completing his second term. Function profiles have been drawn up to streamline the search, based on the Supervisory Board's outline profile, succession matrix and competence matrix.

With four female Managing Board members and three female Supervisory Board members, we now meet our internal targets on gender diversity. Since we are convinced of the added value of diversity and inclusion, we continue our search for potential candidates from a variety of (cultural) backgrounds.

The Supervisory Board persuaded itself it has complied with the requirements of independence as described in the Dutch Corporate Governance Code.

The composition of the Supervisory Board as of 31 December 2017 is shown in the table in the [Management section](#) of this Annual Report. Please refer to www.rabobank.com for the [profile](#) of the Supervisory Board and the [CV's](#) of its members.

Reflections on our own performance in 2017

In October and November 2017, the Company Secretariat conducted in-depth interviews with members of the Supervisory Board, members of the Managing Board, external accountants and several direct reports of Managing Board members who are in frequent contact with the Supervisory Board. Questions were asked about, among other things, behavioural and cultural aspects, each member's contribution, the effectiveness of each member, the committee and the whole team, as well as the relationship between the Supervisory Board and the various stakeholders inside and outside Rabobank. The Supervisory Board members exchanged views in a private session on their collective activities in the past year and their ambitions, taking in mind the main conclusions of the in-depth interviews.

Looking back on 2017, one of the main activities of the (Appointments Committee of the) Supervisory Board was determining the revised structure and formation of the new Managing Board. Now that the new Managing Board members have had some time to settle into their new roles and responsibilities, the Supervisory Board intends to challenge the new Managing Board more. The (Remuneration and HR Committee of the) Supervisory Board was actively involved in formulating the collective and individual KPIs for the Managing Board members for 2018. Since the Managing Board deals with many subjects, most of them complex, subjects, the Supervisory Board aims to expand the advisory role it plays for the Managing Board and to keep a close eye on regulatory issues and internal control matters. The Supervisory Board would also like to reserve more time for discussions on strategy, the business, and IT and innovation in a rapidly changing environment. A more structured and forward-looking approach to agenda setting is needed to achieve this.

Below is an overview of some facts and figures regarding the activities of the Supervisory Board and its committees in 2017.

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 'liaison officers' for Rabobank by engaging with members, clients and other stakeholders.

Facts & figures

Members on 31 December 2017

- Ron Teerlink, chair (100%)
- Marjan Trompetter, deputy chair (100%)
- Irene Asscher-Vonk (100%)
- Leo Graafsma (92%)
- Petri Hofsté (92%)
- Leo Degle (92%)
- Arian Kamp (92%)
- Jan Nooitgedagt (92%)
- Pascal Visée (92%)

Other attendees throughout the year

- Regular attendees:
- Managing Board members

During the discussions on the half year and full-year figures Jan Bos, head of Group Control; Rudi Kleijwegt, Chief Audit Executive, and the Deputy Chief Audit Executive, Dick Duit, were present, as were the external auditors of PwC, Peter van Mierlo and Rogier van Adrichem and/or Jeroen de Jonge.

Meetings

13 meetings in total, with 95% attendance. These meetings were attended by the full Managing Board. In addition to this the Supervisory Board held several private meetings. For other types of meetings with involvement of Supervisory Board members, see below.

Topics

Regular topics of discussion

- Article 25 of the Articles of Association of the Coöperatieve Rabobank U. A. states the responsibilities of the Supervisory Board, including the decisions that need approval of the Supervisory Board.
- Last year the Supervisory Board was frequently updated about Rabobank's financial performance, the status of Rabobank's transition process, compliance issues (CDD, transaction monitoring and SME-derivatives) and regulatory developments (PSD2, IFRS9 and the reform of Basel III). We also stayed up-to-date as to the outcome and follow-up of letters, on-site visits and deep dives of external regulators, in addition to some special topics and committee subjects mentioned in the tables below. Committee discussions are more in-depth. In cases where approval of the Supervisory Board was needed, the relevant committee prepared its advice for the full Supervisory Board.

Special topics

- In 2017 the Supervisory Board took the initiative to shift from an Executive Board of seven members to a Managing Board of ten members, combined with a restructuring of the portfolios. More information on this process was given earlier in this report.
- In fall 2017, the Supervisory Board and the Managing Board visited the US to speak with local management of Rabobank and DLL, clients and third parties about innovation and commercial developments in the Food & Agri sector, and to discuss US compliance and regulatory topics with US regulators. In California, the boards were updated on the most recent developments in fintech, FoodTech and Digitalisation. This trip enhanced our knowledge of business opportunities in the US and has improved mutual understanding.

All Supervisory Board members participate in committees. Below is a list of facts and figures, general responsibilities and duties, and topics typically discussed by the Supervisory Board committees.

Audit Committee of the Supervisory Board

General responsibilities and duties

The audit committee assists the Supervisory Board in its oversight of the activities of the Managing Board primarily relating to financial reporting, internal control, compliance and audit, including the following:

- the system of internal controls,
- the financial reporting system and processes,
- external reporting and the provision of financial information to regulators,
- compliance with internal codes, relevant legislation and regulations,
- the scope and activities of internal and external auditors,
- the follow-up of audit findings and recommendations, and
- the functioning of the compliance organisation, internal auditors and external auditors.

Facts & figures

Members on 31 December 2017

- Leo Graafsma, chair (100%)
- Petri Hofsté (100%)
- Arian Kamp (100%)
- Jan Nootgedagt (86%)
- Marjan Trompeter (100%)

Other members of the Supervisory Board frequently attended the meeting as observers

Other attendees throughout the year

Regular attendees:

- Wiebe Draijer, Bas Brouwers, Petra van Hoeken
- Chief Audit Executive, Rudi Kleijwegt
- Deputy Chief Audit Executive, Dick Duit
- External auditors of PwC,
- Peter van Mierlo and Rogier van Adrichem

Other frequent attendees on relevant topics:

- Chief Compliance Officer, Angelique Keijsers
- Head of Group Control, Jan Bos

Meetings

- During 2017 the Audit Committee convened eight times, including two extra meetings. The attendance was over 95%.
- In the beginning of November, the Audit Committee held a special meeting with CFO Bas Brouwers and some finance specialists to acquire in depth information on the budget process and the proposed budget allocation for 2018. In the regular budget meeting in November, members of the Managing Board were requested to present the 2018 Year Plans for their businesses and departments to the Audit Committee.
- The items that are regularly scheduled for the mid-November Audit Committee meeting were discussed during an extra meeting in early December.
- Three sessions on continuing professional education were held with the members of the Risk Committee (see overview below on educational efforts)

Topics

Regular topics of discussion

- Annual Report and financial statements for 2016 and Interim report for 2017
- Board Report and Auditors Report of PwC 2017;
- Loan Impairment Report;
- Legal claims and provisions (litigation, regulatory oversight and client care are also addressed in the risk committee);
- Report in the context of article 26 CRR;
- Pillar 3 report;
- COREP/FINREP;
- Situation on the financial markets and the potential impact thereof on Rabobank;
- The development of Rabobank's ratings;
- Quarterly Performance report;
- Mid-term Planning (MTP) and Budget Rabobank Group for the upcoming year;
- High-level benchmark comparing Rabobank to its peers;
- Tax policy and developments;
- Quarterly Compliance report (focus on compliance function);
- Compliance Charter;
- Year Plan Compliance;
- Integrated report on integrity incidents within Rabobank;
- Frequent (verbal or in writing) updates on client integrity, privacy, various specific compliance themes, on-site inspections and supervisory files;
- Report on audit findings and Quarterly progress reports on audit and regulatory findings;
- Rabobank 'In Control' and Management Letter (In Control Statement);
- Quarterly report Audit Rabobank;
- Audit Charter;
- Year Plans internal and external auditor, and
- Independence and costs external audit.

Special topics

- In May 2017 the Audit Committee – and other members of the Supervisory and Managing Board – visited the Rabobank project team that handles SME-derivatives cases in accordance with AFM recovery framework guidelines.
- Compliance's strategic goals for 2017 are: Forward looking, Make the business better, Clear 3 lines of defence, Global oversight and Consistency.
- On 1 July 2017 the compliance function was redesigned in order to build a global, forward-looking compliance organisation at Rabobank Group level, working along the lines of the Target Operating Model (TOM) and incorporating the recommendations of the ECB Compliance on-site held in autumn 2016. The function redesign was discussed with the Audit Committee, which monitored the restructuring process, noting that the staffing of key functions had been a point of concern in some functions.
- The ECB Compliance on-site also addressed some points of improvement for the functioning of the Supervisory Board Audit Committee. The ECB stressed that the Audit Committee must review the compliance function in a more structured way at least once a year. In September 2017 the Audit Committee reviewed the operational effectiveness of the compliance function based on a self-assessment of the compliance function and the positioning thereof within the CRO-domain, an Audit Report on the compliance function and an additional report by Audit Rabobank on first-line issue management.
- In November 2017, the Audit Committee also addressed the self-assessment of the audit function. The Audit Committee regularly monitored the progress on the IFRS 9 project, managed by the Head of Group Control, Jan Bos.
- The (chair of the) Audit Committee was involved in the evaluation of the performance and reward of the Chief Compliance Officer, the Chief Audit Executive and the Deputy Head of Audit Rabobank.

Additional comments

- On 9 February 2017, delegates of the JST/ECB attended a meeting of the Audit Committee as observers in the context of the second Thematic review on risk governance and risk appetite (RIGA II).
- The Supervisory Board believes that the internal audit function – Audit Rabobank – had sufficient resources at its disposal to adequately perform its core duties in 2017. After reorganisation and some voluntary staff departures caused some resourcing concerns in 2016, the Audit Committee and the Supervisory Board kept a close eye on staffing in 2017. The Chief Audit Executive and head of Audit Rabobank, Rudi Kleijwegt, assured the Audit Committee that staffing is tight but sufficient to realise the Audit Year Plan with only a slight delay due to extra audits during the year. The Audit Committee supports the conclusions of the self-assessment of Audit Rabobank and is satisfied with the performance of Audit Rabobank in 2017.

Risk Committee of the Supervisory Board

General responsibilities and duties

The responsibilities and duties of the Risk Committee are described in the Rules of Procedure of the Risk Committee of the Supervisory Board of Rabobank on [rabobank.com](#). The Risk Committee prepares the Supervisory Board's decision-making regarding the supervision of the integrity and quality of Rabobank's development and implementation of the risk governance framework, risk control system and risk appetite. This entails, among others, reviewing and effectively challenging Rabobank's risk analysis scenarios and promoting risk awareness within a strong risk culture.

The Risk Committee discusses the financing structure and the policy regarding the adequacy and allocation of capital, liquidity and the short-term and long-term funding in the light of the business strategy and the risk governance framework adopted. Furthermore, the Risk Committee monitors the working of the product approval process, studies the process and outcome of the annual Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP), reviews stress-test programme results and examines the risks associated with Rabobank Group's remuneration policy.

Facts & figures

Members on 31 December 2017

- Jan Nooitgedagt, chair (86%)
- Leo Degle (100%)
- Leo Graafsma (100%)
- Ron Teerlink (100%)
- Pascal Visée (100%)

Other members of the Supervisory Board frequently attended the meeting as observers

Other attendees throughout the year

Regular attendees:

- Wiebe Draijer, Petra van Hoeken, Bas Brouwers
- Chief Audit Executive, Rudi Kleijwegt
- Deputy Chief Audit Executive, Dick Duit
- External auditors of PwC, Peter van Mierlo and
- Jeroen de Jonge

Other frequent attendees (on relevant topics):

- Other members of the Managing Board
- Chief Compliance Officer, Angélique Keijzers

Meetings

- During 2017 the Risk Committee convened seven times, with over 95% attendance. In the months April and May, Leo Degle temporarily took over the position as chair of the Risk Committee while Jan Nooitgedagt's availability was limited for some time.
- Three sessions on continuing professional education were held with the members of the Supervisory Board's audit committee (see overview below on educational efforts).

Topics

Regular topics of discussion

- Pillar 3 report;
- Capital plan / the Capital Management Framework;
- Internal Capital Adequacy Assessment Process (ICAAP);
- Internal Liquidity Adequacy Assessment Process (ILAAP);
- Balance Sheet Management Mandate;
- Group Risk Policy (update);
- Risk Governance / Risk Committee Structure;
- Group Integrated Risk Assessment (top risk analysis and mitigating factors);
- Group Risk Appetite / Risk Appetite Statements for the upcoming year;
- Risk Charter;
- Integrated Risk Report (Quarterly);
- Group Risk appetite statement;
- Quarterly reports on Credit, Operational Risk, Legal and Compliance;
- CLR performance report (Quarterly).
- Global Policies (IRRBB, Capital Management, Volcker Rule, Swap Dealer, Capital Stress Test, Model Risk, Credit Risk)
- Global Compliance Policies (Market abuse, Col, Anti-Corruption, Client integrity (CDD/AML/Sanctions).
- Reports on specific types of risk, such as credit risk, market risk, model risk, operational risk and interest rate scenarios;
- Semi-annual risk disclosure;
- Risk Culture, and
- Risk Oversight Committee – Regulatory Heatmap and
- Recovery and Resolution Planning.

Special topics

At the request of the Risk Committee, special attention was paid to several markets and sectors in 2017 (e. g. Commercial Real Estate). The risk committee intensively discussed the status and actual developments regarding some files (e. g. interest rate derivatives, and the development of legal risk) and studied periodical reports on data management and data quality. The Risk Committee monitored the introduction of the new Risk Control Framework (RCF), and the strengthening of the three lines of defence model. The risk committee also discussed the result of various risk-related on-site assessments conducted by ECB/DNB, the SREP risk assessment, Pillar 3 and the outcome of Risk Management's self-evaluation of the risk management function (including an operational audit performed by Internal Audit on the risk management function).

Additional comment

On 17 January 2017, the JST attended a meeting of the risk committee as an observer in the context of the second Thematic review on risk governance and risk appetite (RIGA II).

Cooperative Affairs Committee of the Supervisory Board

General responsibilities and duties

The Cooperative Affairs Committee advises the Supervisory Board on all matters regarding Rabobank's cooperative structure, organisation and identity. The Committee uses the sustainability targets formulated by the business units to assess the Managing Board's reports on sustainability in Rabobank Group and its sustainability ambitions, vision and strategy.

Facts & figures

Members on 31 December 2017

- Arian Kamp, chair (100%)
- Irene Asscher-Vonk (100%)
- Petri Hofsté (75%)
- Ron Teerlink (100%)
- Marjan Trompetter (100%)

Other attendees throughout the year

Regular attendees:

- Wiebe Draijer
- Berry Marttin
- Head of the Cooperative & Governance department, Dirk Duijzer
- Head of Sustainability, Bas Rüter

On occasion:

- Other members of the Supervisory Board
- Other members of the Managing Board
- Erik Saris (on non-financial KPIs)

Meetings

During 2017 the CAC had three regular meetings and one extra meeting. The attendance was 95%.

Topics

The CAC deliberated with the Managing Board on the Mission of Rabobank ('Growing a better world together'), elements of the dual strategy Banking for Food and Banking for the Netherlands (e. g. developments in the Dutch Food & Agri market), the evaluation of the governance structure, local banking in the future, and the positioning of Rabobank as a meaningful cooperative. The CAC also discussed sustainability and other non-financial KPIs (with PwC).

Appointments Committee of the Supervisory Board

General responsibilities and duties

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

Facts & figures

Members on 31 December 2017

- Marjan Trompetter, chair (100%)
- Irene Asscher-Vonk (100%)
- Leo Degle (80%)
- Ron Teerlink (80%)
- Pascal Visée (100%)

Other attendees throughout the year

Regular attendees:

- Wiebe Draijer
- Janine Vos

On occasion:

- HR professionals involved with specific topics on the agenda.

Meetings

There were five regular meetings and two extra meetings with over 90% attendance.

Topics

Regular topics of discussion

- In general, the Appointments Committee extends advice on personnel changes in the Supervisory Board and the Managing Board based on the respective boards' succession plans and outline profiles. The Committee also advises the Supervisory Board on the approval of different (Rabobank and affiliate) senior management appointments.
- The onboarding from a learning perspective of the new Managing Board members, has been addressed by the Appointments Committee and it paid attention to the additional positions and roles of the Managing Board members inside and outside Rabobank.
- 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 explicitly addressed the subject of (gender) diversity.

Special topics

- During 2017, the activities of the Appointments Committee were largely driven by two items: changes in the structure and composition of the Managing Board (see above) and the implications of the EBA Guidelines on Suitability (outline profiles, succession matrix, continuous education, etc.).
- The Appointments Committee also prepared the re-appointment of Berry Marttin and the proposed reappointment of Jan van Nieuwenhuizen (2018) as Managing Board members, and of Irene Asscher-Vonk and Ron Teerlink as Supervisory Board members.
- Leo Graafsma's current term in the Supervisory Board will end in April 2018. He does not aspire to reappointment and will therefore end his membership after eight years and two terms. This decision has led the Appointments Committee to review the outline profile of the Supervisory Board and to draft specific profiles for the upcoming vacancy in the Supervisory Board. At the end of 2017 the Supervisory Board asked the Managing Board, the Works Council and the GMC to recommend potential candidates matching the profile(s).

Remuneration and HR Committee of the Supervisory Board

General responsibilities and duties

The Remuneration & HR Committee (R&HR) prepares the Supervisory Board's decision making on remuneration and general HR issues like organisational development, employee engagement and people issues from a human resources perspective. In addition, the R&HR Committee considers the consequences of these topics for Rabobank's risks and risk management, accounting for the long-term interests of Rabobank stakeholders and accepted social practice, as well as Rabobank's long-term business, risk appetite, performance and control environment. The R&HR Committee works closely with the Risk Committee in evaluating 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 remuneration policy and the other terms of employment of the directors of Rabobank. It 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 annually) the general principles governing the remuneration policy and its implementation. Rabobank pursues a prudent, restrained and sustainable remuneration policy.

Facts & figures

Members on 31 December 2017

- Marjan Trompetter, chair (100%)
- Irene Asscher-Vonk (88%)
- Leo Degle (88%)
- Ron Teerlink (88%)
- Pascal Visée (100%)

Other attendees throughout the year

Regular attendees:

- Wiebe Draijer
- Janine Vos

On occasion:

- HR professionals involved with specific topics on the agenda

Meetings

There were seven regular meetings and one extra meeting with over 90% attendance.

Topics

Regular topics of discussion

- The R&HR Committee addresses a wide range of topics. In 2017, these included talent development, employability, educational efforts, health, diversity and inclusion, Rabobank's transition, the impact of redundancy on employees, employee participation, 'Tone at the top'/leading by example, and various issues related to compensation.
- In 2017, the Supervisory Board took the R&HR Committee's advice 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.
- The R&HR Committee discussed the general performance targets for Identified Staff (please refer to 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.
- 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.

Special topics

In May and June 2017, the R&HR Committee formally advised the Supervisory Board on the remuneration of proposed and future members of Rabobank's new Managing Board. In preparing its advice, the R&HR studied the outcome of a benchmark assessment of the compensation & benefits packages of Managing Board members. This assessment was done by an independent third party and was based on an overview of a peer group of western European (cooperative) banks and a Dutch cross-industry peer group.

Appeals Committee of the Supervisory Board

General responsibilities and duties

The Appeals Committee carries out the preparations for the Supervisory Board's role as an appeals body or binding advisor if a dispute arises between a Local Members' Council, a Local Supervisory Body or a Management Team and the Managing Board.

Facts & figures

Members on 31-12-2017

- Irene Asscher-Vonk, chair
- Leo Graafsma
- Arian Kamp

Other attendees throughout the year

-

Meetings

No disputes were referred to the Appeals Committee in 2017.

Stakeholder relationships

As Supervisory Board members, we consider ourselves liaison officers for Rabobank. This overview provides insight into our stakeholder relationships.

Type of stakeholder	Specifics
<p>Contact with members Members – Next to being loyal clients, our members are our eyes and ears in the local community. They can act as our ambassadors, but also question and reflect on Rabobank's choices and actions.</p>	<ul style="list-style-type: none"> • All Supervisory Board members attend meetings of the GMC three to four times a year. • On several occasions members of Supervisory Board Committees confer with or attend GMC Committee meetings. In 2017, due to (re)appointments in the Managing and the Supervisory Board, the Appointment Committee had frequent contact with the GMC Committee on Confidential Matters. • The chair or deputy chair attends all eight Regional Member Council meetings per GMC, accompanied by another Supervisory Board member. • The chair of the Supervisory Board is technical chair of the GMC and the GMC Emergency Affairs Committee. The chair and deputy chair attends the meetings of the GMC's Coordination Committee and the Committee on Confidential Matters. • The members of the Supervisory Board also visit individual local Rabobanks, conferences and information sessions for local directors and/or members of the Supervisory Boards of the local Rabobanks and, on invitation, meetings of local Rabobank members.
<p>Contact with the external accountant PwC External accountant: formal and informal role.</p>	<ul style="list-style-type: none"> • The external accountant attends every meeting of the Audit Committee and the Risk committee. • At least once a year there is a private session between the Audit Committee and the external accountant. • There are regular informal contacts, especially with the chair of the Supervisory Board and the chair of the Audit Committee. The chair of the Supervisory Board, the chair of the Audit Committee, the external auditor and the internal auditor meet at least four times a year.
<p>Dutch and foreign regulators Regulators in the Netherlands/Europe and abroad. In the Netherlands, these include De Nederlandsche Bank (DNB), the Netherlands Authority for the Financial Markets (AFM) and the ECB/DNB Joint Supervisory Team.</p>	<ul style="list-style-type: none"> • The chair of the Supervisory Board, either independently or with the chair of the Managing Board, maintains contact with external regulators. • The vice chair and the chairs of all committees also meet with members of the JST on a regular basis. • On occasion, a delegation of Supervisory Board members is in contact with and/or meets with US regulators.
<p>Contact with Managing Board members and other Rabobank professionals</p>	
<ul style="list-style-type: none"> • The chair of the Supervisory Board is in close contact with the chair of the Managing Board and the Chief Financial Officer. 	Ongoing
<ul style="list-style-type: none"> • The chair of the Supervisory Board regularly consults with the Chief Audit Executive / internal auditor and the Chief Compliance Officer. 	Twelve times per year
<ul style="list-style-type: none"> • Informal audit meeting – Chair of the Supervisory Board, the chair of the Audit Committee, the external auditor and the Chief Audit Executive / internal auditor. 	At least four times per year
<ul style="list-style-type: none"> • Informal risk organisation meeting – the chair of the risk committee and the Chief Risk Officer. 	Regularly
<ul style="list-style-type: none"> • Informal meetings between chairs of Supervisory Board Committees and the responsible Managing Board Member(s) to discuss the agenda of the upcoming meeting. 	Before every Committee meeting
<ul style="list-style-type: none"> • Informal gatherings or formal meetings (continuous education) with directors, Rabobank specialists or external experts, focused on the exchange of information. 	Several times per year
<ul style="list-style-type: none"> • On a rotating basis, members of the Supervisory Board attend meetings of the Works Council as observers. 	Every meeting of the Works Council
<ul style="list-style-type: none"> • One of the members of the Supervisory Board has attended a meeting of the European Works Council (EWC) and will continue to do so in the future. In 2018, a meeting will be set up between delegates of the Rabobank Works Council, the Managing Board and the Supervisory Board ('Drieradenoverleg') 	New initiatives
<p>Local branches and Rabobank clients in the Netherlands and abroad</p>	<ul style="list-style-type: none"> • The Supervisory Board and the Managing Board organised a joint business visit and offsite meeting in the US in autumn 2017. During this trip, a delegation of Supervisory and Managing Board members visited some local branches and local clients in the US. The joint offsite was held at the DLL office in Wayne, Pennsylvania. • Individual members of the Supervisory Board have also paid informal visits to (clients of) local Rabobanks, affiliates and attended meetings of relevant networks to stay in touch with the company's core business and client groups.

Sessions for continuing professional education and other training initiatives

Sessions for the Supervisory Board (Committees):

- On 31 March 2017 all Supervisory Board members attended an in-depth presentation given by Rabobank professionals on (the impact of) IFRS 9 and High Priority Models.
- On 16 June 2017, almost all members of the Audit Committee and the Risk Committee attended an educational session with Rabobank specialists on Interest Rate Risk in the Banking Book (IRRBB) and (the risk management implications of) the WRR project Front-to-Back-to-Risk.
- On 10 August 2017 the Supervisory Board and the Managing Board held a joint session about Conflict of Interest and Information Handling.
- On 14 September 2017 CIOO Ieko Sevinga and several of his team members extensively informed the Supervisory Board on the items: 'Building tomorrow's bank today', Architecture, implementation of the CIOO Strategy and One Rabobank, One Infrastructure.
- On 7 November 2017 the Supervisory Board and the Managing Board held a joint session with external advisors and Rabobank specialists on Interest Rate Risk in the Banking Book (IRRBB).
- On 16 November 2017 most members of the Supervisory Board's Audit and Risk Committees received training on tax developments, tax primary risks and managing tax risks.

Miscellaneous

- Newly appointed Supervisory Board members receive an introduction programme consisting of talks with several Rabobank managers and professionals, and visits to several Rabobank locations and activities, including local Rabobanks. Jan Nooitgedagt, Pascal Visée and Petri Hofsté completed their introduction programme in early 2017.
- On 30 January 2017 they accompanied Marjan Trompetter to a Volcker Rule Training.
- On 28 February 2017 Ron Teerlink and Leo Graafsma, Petra van Hoeken and several delegates of Risk Management spoke with Peter van Mierlo and Rogier van Adrichem of PwC on Fraud Risk Management.
- On 2 June 2017 Petri Hofsté, Marjan Trompetter and Pascal Visée attended an educational session for the Executive Board with internal and external speakers on cybersecurity and privacy.
- On 7 December 2017 several Supervisory Board members attended an educational session of the Managing Board on compliance subjects such as anti-money laundering, counter-terrorism financing, sanctions, CDD and transaction monitoring.
- Tailor-made educational sessions with Rabobank professionals can be arranged on request for one or more Supervisory Board members. Throughout the year, HR, the Corporate Secretariat and the Supervisory Board members attend relevant lectures, workshops and so on, both within Rabobank and outside.

Transactions with conflict of interest

In 2017 there were no transactions with a conflict of interest between Rabobank and members of the Supervisory Board, members of the former Executive Board or members of the Managing Board.

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 2017 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 auditors (PwC) and took note of the unqualified external auditor's report that PwC issued on the annual accounts in 2017.

The Supervisory Board would like to ask the General Members' Council to adopt the 2017 annual accounts.

Rounding up: A word of appreciation

We would like to thank our clients in the Netherlands and worldwide for putting their trust in Rabobank.

Our gratitude also goes out to the employees of Rabobank for the commitment and resilience they have shown during the ongoing transition and for the results they achieved in 2017. We are confident that our sharpened mission statement, 'Growing a better world together', combined with empowered leaders and employees and a better, more adaptive and forward-looking organisation, will help Rabobank to remain the meaningful cooperative bank it aims to be, one that makes a significant contribution to welfare and prosperity in the Netherlands and to helping to solve the global food issue.

Utrecht, 8 March 2018

Supervisory Board Rabobank

Consolidated financial statements



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General information

Rabobank is an international financial services provider operating on the basis of cooperative principles. It offers retail banking, wholesale banking, private banking, leasing and real estate services. It serves approximately 8.5 million clients around the world. Rabobank Group is comprised of Coöperatieve Rabobank U.A. (Rabobank) and its consolidated subsidiaries in the Netherlands and abroad. It is committed to making a substantial contribution to welfare and prosperity in the Netherlands and to feeding the world sustainably.

Rabobank puts the interests and ambitions of its customers and members first. With nearly two million members, Rabobank is one of the largest cooperatives in the Netherlands. And our members are more than just customers. They have a voice in deciding the bank's strategic direction.

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Consolidated statement of financial position

Consolidated statement of financial position

Amounts in millions of euros	Note	31 December 2017	31 December 2016
Assets			
Cash and cash equivalents	6	66,861	84,405
Loans and advances to banks	7	27,254	25,444
Financial assets held for trading	8	1,760	2,585
Financial assets designated at fair value	9	1,194	1,321
Derivatives	10	25,505	42,372
Loans and advances to customers	11	432,564	452,807
Available-for-sale financial assets	12	28,689	34,580
Investments in associates and joint ventures	13	2,521	2,417
Goodwill and other intangible assets	14	1,002	1,089
Property and equipment	15	4,587	4,590
Investment properties	16	193	293
Current tax assets		175	171
Deferred tax assets	26	1,733	2,360
Other assets	17	7,961	7,878
Non-current assets held for sale	18	992	281
Total assets		602,991	662,593
Liabilities			
Deposits from banks	19	18,922	22,006
Deposits from customers	20	340,682	347,712
Debt securities in issue	21	134,423	159,342
Financial liabilities held for trading	22	581	739
Financial liabilities designated at fair value	23	13,792	16,520
Derivatives	10	28,103	48,024
Other liabilities	24	8,271	8,432
Provisions ¹	25	1,537	1,510
Current tax liabilities ²		248	305
Deferred tax liabilities	26	396	618
Subordinated liabilities	28	16,170	16,861
Liabilities held for sale		256	-
Total liabilities		563,381	622,069
Equity			
Reserves and retained earnings	30	25,376	25,821
<i>Equity instruments issued by Rabobank</i>			
Rabobank Certificates	31	7,440	5,948
Capital Securities	32	5,759	7,636
		13,199	13,584
<i>Non-controlling interests</i>			
<i>Equity instruments issued by subsidiaries</i>			
Capital Securities	32	166	185
Trust Preferred Securities III to IV	32	394	409
Other non-controlling interests	33	475	525
		1,035	1,119
Total equity		39,610	40,524
Total equity and liabilities		602,991	662,593

1 Presentation adjusted (see note 2.1).

2 Presentation adjusted (see note 2.1).

Consolidated statement of income

<i>Consolidated statement of income</i>			
		<i>For the year ended 31 December</i>	
<i>Amounts in millions of euros</i>	<i>Note</i>	<i>2017</i>	<i>2016¹</i>
Interest income	35	15,956	16,530
Interest expense	35	7,113	7,695
Net interest income	35	8,843	8,835
Fee and commission income	36	2,101	2,085
Fee and commission expense	36	186	259
Net fee and commission income	36	1,915	1,826
Income from other operating activities	37	2,347	3,034
Expenses from other operating activities	37	1,825	2,293
Net income from other operating activities²	37	522	741
Income from investments in associates and joint ventures	38	245	106
Gains/ (losses) on financial assets and liabilities at fair value through profit or loss	39	84	547
Gains/ (losses) on available-for-sale financial assets	12	158	87
Other income ³	40	234	663
Income		12,001	12,805
Staff costs	41	4,472	4,680
Other administrative expenses	42	3,176	3,476
Depreciation	43	406	438
Operating expenses		8,054	8,594
Impairment losses on goodwill and investments in associates	13,14	-	700
Loan impairment charges	44	(190)	310
Regulatory levies	45	505	483
Operating profit before tax		3,632	2,718
Income tax	46	958	694
Net profit for the year		2,674	2,024
Of which attributed to Rabobank		1,509	749
Of which attributed to holders of Rabobank Certificates		484	387
Of which attributed to Capital Securities issued by Rabobank		586	762
Of which attributed to Capital Securities issued by subsidiaries		15	15
Of which attributed to Trust Preferred Securities III to IV		22	47
Of which attributed to other non-controlling interests	33	58	64
Net profit for the year		2,674	2,024

1 Prior-year figures adjusted due to changes in presentation (see note 2.1).

2 Presentation adjusted (see note 2.1).

3 Presentation adjusted (see note 2.1).

Consolidated statement of comprehensive income

<i>Consolidated statement of comprehensive income</i>			
<i>For the year ended 31 December</i>			
<i>Amounts in millions of euros</i>	<i>Note</i>	<i>2017</i>	<i>2016</i>
Net profit for the year		2,674	2,024
<i>Other comprehensive income transferred to profit or loss if specific conditions are met, net of tax:</i>			
Exchange differences on translation of foreign operations	30	(1,161)	248
Changes in the fair value of available-for-sale financial assets	30	(129)	24
Cash flow hedges	30	28	(31)
Share of other comprehensive income of associates and joint ventures	30	11	18
Other	30	35	(2)
<i>Other comprehensive income not to be transferred to profit or loss, net of tax:</i>			
Remeasurements of post-employee benefit obligations	30	-	(53)
Share of other comprehensive income of associates and joint ventures	30	(6)	7
Fair value changes due to own credit risk on financial liabilities designated at fair value	30	(322)	(365)
Other comprehensive income		(1,544)	(154)
Total comprehensive income		1,130	1,870
Of which attributed to Rabobank		(4)	575
Of which attributed to holders of Rabobank Certificates		484	387
Of which attributed to Capital Securities issued by Rabobank		586	762
Of which attributed to Capital Securities issued by subsidiaries		15	15
Of which attributed to Trust Preferred Securities III to IV		22	47
Of which attributed to other non-controlling interests		27	84
Total comprehensive income		1,130	1,870

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		Total
				Equity instruments issued by subsidiaries	Other	
Balance on 1 January 2017		25,821	13,584	594	525	40,524
Net profit for the year		2,616	-	-	58	2,674
Other comprehensive income	30	(1,513)	-	-	(31)	(1,544)
Total comprehensive income		1,103	-	-	27	1,130
Payments on Rabobank Certificates		(484)	-	-	-	(484)
Payments on Trust Preferred Securities IV		(22)	-	-	-	(22)
Payments on Capital Securities issued by subsidiaries		(592)	-	-	-	(592)
Payments on Capital Securities issued by Rabobank		(15)	-	-	-	(15)
Redemption of Capital Securities	32	(439)	(1,894)	-	-	(2,333)
Issue of Rabobank Certificates	31	120	1,500	-	-	1,620
Cost of issue of Rabobank Certificates		(12)	-	-	-	(12)
Other		(104)	9	(34)	(77)	(206)
Balance on 31 December 2017		25,376	13,199	560	475	39,610
Balance on 1 January 2016		25,623	13,775	1,307	492	41,197
Net profit for the year		1,960	-	-	64	2,024
Other comprehensive income	30	(174)	-	-	20	(154)
Total comprehensive income		1,786	-	-	84	1,870
Payments on Rabobank Certificates		(387)	-	-	-	(387)
Payments on Trust Preferred Securities III to IV		(47)	-	-	-	(47)
Payments on Capital Securities issued by subsidiaries		(15)	-	-	-	(15)
Payments on Capital Securities issued by Rabobank		(829)	-	-	-	(829)
Redemption of Trust Preferred Securities III	32	-	-	(716)	-	(716)
Issue of Capital Securities	32	-	1,250	-	-	1,250
Cost of issue of Capital Securities		-	(9)	-	-	(9)
Redemption of Capital Securities	32	(316)	(1,437)	-	-	(1,753)
Change in Rabobank Certificates during the year		-	(1)	-	-	(1)
Other		6	6	3	(51)	(36)
Balance on 31 December 2016		25,821	13,584	594	525	40,524

Consolidated statement of cash flows

Consolidated statement of income

Amounts in millions of euros	For the year ended 31 December		
	Note	2017	2016 ¹
Cash flows from operating activities			
Operating profit before tax		3,632	2,718
Adjusted for:			
<i>Non-cash items recognised in operating profit before taxation</i>			
Depreciation	43	406	438
Depreciation of operating lease assets and investment properties	15,16	536	978
Loan impairment charges	44	(190)	310
Impairment on property and equipment	15	48	112
Impairment on other intangible assets	14	31	4
Result on disposal of property and equipment		40	(35)
Income from investments in associates and joint ventures	38	(245)	(106)
Income from disposal of subsidiaries		(3)	(242)
Impairment losses on goodwill and investments in associates	13	-	700
Gains/ (losses) on financial assets and liabilities at fair value through profit or loss	39	(84)	(547)
Gains/(losses) on available-for-sale financial assets	12	(158)	(87)
Provisions	25	688	1,034
Capitalised costs self-developed software and other assets		(130)	(102)
<i>Net change in operating assets</i>			
Loans to and deposits from banks	7, 19, 44	(4,426)	9,958
Financial assets held for trading	8, 39	952	1,175
Derivatives	10	16,867	5,740
Net change in financial assets and liabilities designated at fair value	9, 23	(2,644)	663
Loans and advances to customers	11, 44	9,042	12,712
Acquisition of available-for-sale financial assets	12	(3,687)	(5,371)
Proceeds from the sale and repayment of available-for-sale financial assets	12	7,707	8,768
Acquisition of operational lease assets	15	(1,087)	(2,041)
Proceeds from the disposal of operational lease assets	15	165	101
Dividends received from associates and financial assets	13	125	140
<i>Net change in liabilities relating to operating activities</i>			
Derivatives	10	(19,921)	(6,531)
Financial liabilities held for trading	22	(158)	166
Deposits from customers	20	(6,950)	1,829
Other liabilities	24	(115)	(1)
Income tax paid		(302)	(321)
Other changes		1,408	3,312
Net cash flow from operating activities		1,547	35,474
Cash flows from investing activities			
Acquisition of associates net of cash and cash equivalents acquired	13	(113)	(75)
Proceeds from disposal of associates net of cash and cash equivalents	13	214	238
Proceeds from disposal of subsidiaries net of cash and cash equivalents		-	1,100
Acquisition of property and equipment and investment properties	15, 16	(170)	(221)
Proceeds from the disposal of property and equipment and investment properties	15, 16	118	173
Net cash flow from investing activities		49	1,215

1 Prior-year figures adjusted due to changes in presentation (see note 2.1).

Cash flows from financing activities

Proceeds from debt securities in issue	21,34	71,398	89,983
Redemption of debt securities in issue	21,34	(88,121)	(105,632)
Proceeds from the issue of subordinated liabilities	34	413	1,417
Redemption of subordinated liabilities	34	(4)	(63)
Purchase of Rabobank Certificates	31	(913)	(357)
Sale of Rabobank Certificates	31	905	356
Issue of Capital Securities (including costs)		-	1,241
Redemption of Trust Preferred Securities III		-	(716)
Payments on Rabobank Certificates, Trust Preferred Securities III to IV and Capital Securities		(1,113)	(1,128)
Payments on Senior Contingent Notes		(86)	(86)
Redemption of Capital Securities	32	(1,894)	(1,437)
Issue of Rabobank Certificates (including costs)		1,608	-
Net cash flow from financing activities		(17,807)	(16,422)
Net change in cash and cash equivalents		(16,211)	20,267
Cash and cash equivalents at the beginning of the year		84,405	64,943
Exchange rate differences on cash and cash equivalents		(1,333)	(805)
Cash and cash equivalents at the end of the year		66,861	84,405
The cash flows from interest are included in the net cash flow from operating activities			
Interest received		16,095	16,679
Interest paid		7,537	7,697

Notes to the consolidated financial statements

1 Corporate information

The Consolidated financial statements of Rabobank include the financial information of Coöperative Rabobank U.A. and the group companies.

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. The consolidated financial statements have been prepared on the basis of the accounting policies set out in this section. Unless otherwise stated, assets and liabilities are accounted for on the historical cost basis and all amounts in these financial statements are in millions of euros.

New and amended 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

IFRS 9 Financial Instruments

In July 2014, the IASB published IFRS 9 Financial Instruments as the replacement for IAS 39 Financial Instruments: Recognition and Measurement. The new standard became effective on 1 January 2018 and was endorsed by the EU in 2016. Rabobank will apply the classification, measurement and impairment requirements retrospectively by adjusting the opening balance sheet and opening retained earnings as per 1 January 2018, with no restatement of comparative periods. IFRS 9, in particular the impairment requirements, will lead to changes in the accounting for financial instruments.

Status of the project:

In 2015 Rabobank established a central programme across the finance & risk functions and in close cooperation with the business units to implement IFRS 9 within Rabobank. The global IFRS 9 programme is divided into three work streams 'Classification and measurement, including hedge accounting (C&M)', 'Reporting' and 'Impairments'.

The programme had three phases for each work stream:

- 1) Assess & Define,
- 2) Design & Develop,
- 3) Implement.

In the Assess & Define phase the gaps that exist in current working methods, policies, processes and data & IT systems between the requirements of IFRS 9 and the requirements of IAS 39 (the preceding standard/regulation) has been assessed. As part of the Design & Develop phase, the IFRS 9 programme has designed the solutions to resolve these gaps across the several topical areas.

For 'Classification and Measurement' the implementation phase is almost completed. There might, however, be adjustments to the control framework based on the live operation in 2018. To implement the IFRS 9 micro hedge-accounting solution new procedures and IT solutions have come into force. For 'Reporting' the implementation is on track. Rabobank carried out two parallel runs which uncovered no issues in the reporting chain, except for the impairment calculations of the work stream 'Impairments'. The implementation phase of 'Impairments' is a major challenge for the bank because of the major adjustments to be made in processes, models and IT environment. The implementation work is not yet fully completed. In particular, we are still in the process of:

1. validating IFRS 9 models;
2. using the final envisaged data flow architecture;
3. effectively implementing and testing controls to ensure the completeness and accuracy of data flows to the models and to ensure the accuracy of specific impairments;
4. improving documentation of input data (including assumptions) of the calculations in specific impairment files;
5. concluding on the macro-economic scenarios.

Classification and measurement

Classification and measurement of financial assets is dependent on two criteria:

1. Business model assessment; Assessment how the business is managed and how the business is seen from a strategic point of view. Also the frequency and size of the sales are taken into account. This assessment results in a classification 'Hold to collect' or 'Hold to collect and sell' or 'Other'.
2. Type of contractual cash flows; Assessment of the financial assets whether the cash flows are solely payment of principal and interest.

Both criteria will be used to determine whether the financial assets are accounted for at amortised cost, at fair value with adjustments recognised in other comprehensive income (FVOCI), or through profit or loss (FVTPL). The combination of these two criteria (assessment of 37 separate business models and contractual cash flow characteristics) will result in some differences in the composition of financial assets measured at amortised cost and at fair value, as compared to IAS 39. The assessment on classification and measurement will not lead to any significant changes in measurement with the exception of the change in measurement of some legacy, non-core portfolios in the business segments WRR and Real estate which are currently undergoing a pre-sales process before exiting Rabobank and therefore will be classified as 'Other' and will be measured at fair value through profit or loss. Although the business model assessment indicates that these portfolios will be sold in the future, they do not meet the criteria for IFRS 5 as at 31 December 2017.

The classification and measurement of financial liabilities under IFRS 9 remains the same as under IAS 39 with the exception of financial liabilities designated at fair value through profit and loss. In 2016 Rabobank elected to early adopt section 7.1.2 of IFRS 9 which requires a reporting entity to present changes in the fair value of financial liabilities designated at fair value (which consists mainly of the structured funding portfolio) that are attributable to changes in credit risk in other comprehensive income ('OCI'). In doing so the fair value changes that are a direct result from changes in the own credit standing ('OCA') of Rabobank were eliminated from the consolidated statement of income. With the full implementation of IFRS 9 Rabobank has elected to reclassify the callable notes included in the structured funding portfolio measured under IAS 39 at fair value to amortised cost. The purpose of this is to further reduce the volatility due to own credit standing movements in total comprehensive income resulting from callable notes. The reclassification of the callable notes from fair value through profit or loss to amortised cost will result in the bifurcation of the embedded derivatives whilst at the same time the funding

host contract is measured at amortised cost. This accounting treatment creates a symmetric valuation and presentation of the embedded (and bifurcated) derivative and the external hedging derivative whilst at the same time the funding host contract is, in line with the assets for which the funding is attracted, not subject to any fair value changes that would previously have been accounted for in total comprehensive income. Rabobank has decided to do this for callable notes only and not for other notes included in the structured funding portfolio since the callable notes create the majority of the fair value movements in total comprehensive income.

IFRS 9 prescribes a strict application of modification accounting. This alters the way Rabobank will account for prepayment penalties and interest rate averaging in the consolidated statement of income.

Classification & measurement – Expected impact

The measurement changes of financial assets under IFRS 9 compared to IAS 39 will result in a negative impact of approximately EUR 0.1 billion in opening retained earnings as at 1 January 2018 (net of tax). The reclassification of callable notes from fair value through profit or loss to amortised cost will result in a net positive adjustment of approximately EUR 0.4 billion in opening retained earnings (net of tax) and the impact of modification accounting will be approximately EUR 0.2 billion negative (net of tax). The impact of classification and measurement will be in total positive EUR 0.1 billion.

Hedge accounting – Requirements

Hedge accounting is an option IFRS offers to mitigate profit or loss volatility caused by measurement and classification differences between granted loans and issued debt measured at amortised cost, assets measured at fair value through OCI (hedged items) and related hedging derivatives measured at fair value through profit or loss (hedging derivatives). The assets and liabilities measured at amortised cost are revalued for the fair value changes due to the hedged risk. For debt instruments measured at fair value through OCI the fair value changes due to the hedged risk on the assets recognised in OCI are reclassified to profit or loss. In a cash flow hedge the fair value changes of the derivative are recognised in the cash flow hedge reserve (effective part only).

One of the main differences between IAS 39 and IFRS 9 for non-portfolio hedge accounting is that IFRS 9 requires that there is an economic relationship between the hedged item and the hedging instrument. IFRS 9 does not permit voluntary de-designation of the hedge relationship, which is not in line with our current approach of applying hedge accounting to a net dynamic risk position which requires

frequent (de) designations. Furthermore IFRS 9 replaces some of the arbitrary rules (such as 80%-125% effectiveness testing) with more principle based requirements. Additionally IAS 39 lacks a specific accounting solution for hedge accounting with cross-currency swaps (currency basis) when used as hedging instruments, while IFRS 9 has this. Under IFRS 9 the currency basis spreads may be considered as costs of hedging and fair value changes caused by currency basis spread may be recognised in OCI.

Rabobank will implement IFRS 9 for non-portfolio hedge accounting to benefit from the specific treatment of currency basis in IFRS 9 per 1 January 2018. We expect to be able to designate more effective non-portfolio hedge accounting relationships with cross-currency swaps under IFRS 9 and reduce the profit or loss volatility caused by currency basis, which will then be recognised in OCI prospectively. IFRS 9 does not offer a solution for fair value hedge accounting for a portfolio hedge of interest rate risk portfolio so Rabobank will use the accounting policy choice IFRS 9 provides to continue to apply the IAS 39 EU carve-out for such portfolio hedge accounting.

Hedge accounting – Expected impact

Rabobank will implement the change prospectively and therefor opening retained earnings will not be impacted.

Impairments – Requirements

The rules governing impairments apply to financial assets at amortised cost and financial assets at fair value through OCI, as well as to lease receivables, certain loan commitments and financial guarantees. At initial recognition, an allowance will be formed for the amount of the expected credit losses from possible defaults in the coming 12 months ('12-months expected credit loss' (ECL)). 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 ('Lifetime ECL'). If the financial instrument becomes credit-impaired the allowance will remain at the Lifetime ECL. However, for these instruments the interest income will be recognised by applying the effective interest rate on the net carrying amount (including the allowance). Financial instruments become credit-impaired when one or more events have occurred that had a detrimental impact on estimated future cash flows.

The ECLs on an instrument should be based on an unbiased probability-weighted amount that is determined by evaluating a range of possible and reasonable outcomes and should reflect information available on current conditions and forecasts of future economic conditions, such as e.g. gross domestic product growth, unemployment rates, interest rates.

Impairments – Differences with current IAS 39 methodology

The IAS 39 impairment methodology is based on an 'incurred loss' model, meaning that an allowance is determined when an instrument is credit-impaired, that is, when a loss event has occurred that had a detrimental impact on estimated future cash flows. This will generally align with the Lifetime ECL – Credit-Impaired category of IFRS 9. However, within the expected credit loss framework of IFRS 9 the entire portfolio of financial instruments will be assigned an allowance through the additions of the 12-month ECL category and the Lifetime ECL category – Non-Credit-Impaired categories, generally leading to increases in overall allowances.

Impairments – Key concepts and their implementation at Rabobank

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 will utilise Probability of Default (PD) x Loss Given Default (LGD) x Exposure at Default (EAD) models for the majority of the portfolio in scope. The credit risk models in place for regulatory purposes, Advanced Internal Rating Based Approach (A-IRB) models, function as a basis for these ECL. However, as these models contain prudential elements, such as conservatism, downturn elements and through the cycle estimates an IFRS 9-overlay is constructed on top of these A-IRB model. Rabobank will utilise five IFRS 9 models that are aligned with the major asset classes and underlying A-IRB models such as Residential Mortgages, Small and Medium Enterprises, and Corporate loans. The IFRS 9 models are multi-year forward looking.

b) Stage determination criteria

In order to allocate financial instruments in scope between the categories 12-month ECL (stage 1), Lifetime ECL Non-Credit-Impaired (stage 2) and Lifetime ECL Credit-Impaired (stage 3) a framework of qualitative and quantitative factors has been developed. In order to allocate financial instruments between stages 1 and 2, we will use criteria that are currently applied in the credit process, such as days past due status and special asset management status. Also, the quantitative criteria that will be used are related to the probability of default (PD), where a financial instrument is allocated to stage 2 when an increase in the weighted average PD since origination exceeds a predefined threshold.

Impairments – Expected impact

With the introduction of IFRS 9 allowance levels will increase mainly due to the fact that not only incurred losses are to be reported but also expected losses (Stage 1 one year and Stage 2 lifetime). This subsequently also will lead to a decrease in equity (net of tax). The estimate of the increase will have a net negative effect on IFRS equity of EUR 0.2 billion (net of tax).

Expected impact on CET1 ratio

The total decrease in IFRS equity due to the introduction of IFRS 9 will be approximately EUR 0.1 billion and is the basis for defining the impact on CET1 ratio. The change in accounting for the callable notes will not have an impact on CET1 because of prudential filters. The impact on equity due to impairments will be compensated by the existing IRB-shortfall. The total impact on CET1 ratio will therefore be limited and is estimated as 15 basis points negative. This impact assessment has been estimated under an interim control environment. The implementation of the comprehensive end state control environment will continue as Rabobank introduces business as usual controls throughout 2018 which might change the impact materially.

In order to reduce the potential impact of IFRS 9 expected credit losses on capital and leverage ratios during the transition period (i.e. 1 January 2018 until 31 December 2022), the EU adopted on 12 December 2017, Article 473a CRR. Rabobank assessed the advantage to apply this transition arrangement and concluded that it has no significant benefits and that market participants will look through these transition measures. Therefore it has chosen not to apply for the transitional arrangement.

Amendments to IFRS 4

The amendments to IFRS 4 permit entities that predominantly undertake insurance activities the option to defer the effective date of IFRS 9 until 1 January 2021. The effect of such a deferral is that the entities concerned may continue to report under IAS 39 Financial Instruments: Recognition and Measurement. IAS 28 Investments in associates and Joint Ventures require an entity to apply uniform accounting policies when using the equity method. Nevertheless, for annual periods beginning before 1 January 2021, an entity is permitted, but not required, to retain the relevant accounting policies applied by the associate or joint venture as follows: (a) the entity applies IFRS 9 but the associate or joint venture applies the temporary exemption from IFRS 9; or (b) the entity applies the temporary exemption from IFRS 9 but the associate or joint venture applies IFRS 9. These amendments are effective for annual periods beginning on or after 1 January 2018.

Rabobank will apply IFRS 9 as of 1 January 2018. Achmea BV, an associate of Rabobank, undertakes insurance activities and uses the option to defer the effective date of IFRS 9. Rabobank uses the temporary exemption to not apply IFRS 9 when measuring Achmea BV according to the equity method.

IFRS 15 Revenue from Contracts with Customers

This standard is effective for annual periods beginning on or after 1 January 2018 with early application permitted. IFRS 15 provides a principles-based approach for revenue recognition, and introduces the concept of recognising revenue for obligations as they are satisfied. The standard should be applied retrospectively, with certain practical expedients. The standard does not apply to financial instruments, insurance contracts or lease contracts. The assessment of Rabobank is that this new standard only has a small impact on the revenue recognition of property developments in Germany where it is possible to recognise revenue during the term of the contract. This has no significant impact on profit or equity for Rabobank.

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 'Leases' with an effective date of annual periods beginning on or after 1 January 2019. IFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17 'Leases'. Lessees will recognise a 'right of use' asset and a corresponding financial liability on the balance sheet. The asset will be amortised over the length of the lease and the financial liability measured at amortised cost. Lessor accounting remains substantially the same as in IAS 17. Rabobank is in the process of assessing the impact of IFRS 16. As Rabobank is to a certain extent lessee of property and equipment the contingent liabilities relating to operational leases will lead to a right of use asset in the statement of financial position.

Amended standards issued by the IASB and adopted by the European Union which applies in the current financial year

Amendments IAS 7 and IAS 12

The amendments to IAS 7 Statement of Cash Flows are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. Information about changes in liabilities arising from financing activities are disclosed in section 34.

The amendments to IAS 12 Income Taxes aim to clarify how to account for deferred tax assets related to debt instruments measured at fair value. Both amendments have an effective date of annual periods beginning on or after 1 January 2017 and will not have an impact on profit or equity.

New standards issued by the 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 1 January 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 the entity's financial position, financial performance and cash flows. Rabobank is currently assessing the impact of this standard.

Other amendments to IFRS

There have been minor amendments to IFRS 2, IFRS 9, IAS 28, IAS 40, IFRIC 22, IFRIC 23 and the issue of the Annual improvements 2014-2016 cycle.

Although these new requirements are currently being analysed and their impact is not yet known, Rabobank does not expect the implementation of these other standards to have a significant impact on net profit or equity.

Other changes in accounting principles and presentation

Changes in presentation

The income from other operating activities and the corresponding expenses are disclosed separately in the consolidated statement of income to enhance transparency. This leads to the introduction of 'Net income from other operating activities' in the consolidated statement of income for an amount of 741 and a decrease with the same amount in 'Other income' as per 31 December 2016. Expenses for temporary staff in the local Rabobanks have been reclassified from 'Other administrative expenses' to 'Staff costs' for an amount of 159 as per 31 December 2016 because this better reflects the type of costs incurred. Some fee and commission income in the segment of WRR have an interest character and therefore have been reclassified to interest income for an amount of 92 as per 31 December 2016.

The provision for tax issues has been transferred from 'Provisions' to 'Current tax liabilities' for an amount of 32 (2016: 36) as these amounts are better presented as part of IAS 12 Income taxes than IAS 37 Provisions.

The presentation of cash flows relating to operating leases has been transferred from 'Cash flows from investing activities' to 'Cash flows from operating activities' and the cash flows relating to debt securities in issue have been transferred from 'Cash flows from operating activities' to 'Cash flows from

financing activities' as this better represents the operating and financing activities of Rabobank. This resulted in the following adjustments.

<i>in millions of euros</i>		<i>2016</i>
Cash flows from operating activities		
Acquisition of operational lease assets		(2,041)
Proceeds from the disposal of operational lease assets		101
Other		522
Debt securities in issue		15,649
Change in cash flows from operating activities		14,231
Cash flows from investing activities		
Acquisition of property and equipment and investment properties		2,041
Proceeds from the disposal of property and equipment and investment properties		(623)
Change in cash flows from investing activities		1,418
Cash flows from financing activities		
Proceeds from issue of debt securities in issue		89,983
Redemption of debt securities in issue		(105,632)
Change in cash flows from financing activities		(15,649)

The disclosure of credit related contingent liabilities has been adjusted to better align with supervisory reporting. The non-credit substitute guarantees have been reclassified from 'Financial guarantees' to 'Other commitments' for an amount of 7,045 as per 31 December 2016. The undrawn (non-loan) credit facilities have been reclassified from 'Loan commitments' to 'Other commitments' for an amount of 8,166 as per 31 December 2016.

Interest income on derivatives used for fair value hedge accounting has been disclosed separately in section 35 Net interest income to enhance transparency. This leads to the addition of 'Interest income on derivatives used for fair value hedge accounting' in section 35 Net interest income for an amount of -703 and a decrease with the same amount in 'Interest income on derivatives held as economic hedges' as per 31 December 2016.

The comparable figures in section 4.7 have been adjusted. The definition of remaining maturity On demand is sharpened and therefore maturity buckets On demand and Less than 3 months are reclassified accordingly.

Going concern

The Managing Board considers it appropriate to adopt the going concern basis of accounting in preparing these consolidated financial statements.

Judgements and estimates

In preparing the consolidated financial statements management applied judgement with respect to estimates and assumptions that affect the amounts reported for assets and liabilities, the reporting of contingent assets and liabilities

on the date of the consolidated financial statements, and the amounts reported for income and expenses during the reporting period.

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

Loan impairment allowance

Rabobank assesses at each reporting period whether an impairment loss should be recorded in the income statement. The impairment methodology for loans and advances results in the recognition of:

- Specific allowances for individual impaired loans;
- Collective allowances for:
 - Retail exposures if it is not economically justified to recognise the loss on an individual basis;
 - Incurred but not reported losses.

The detailed approach for each category is further explained in section 2.15 'Loans and advances to customers and banks'. Loan impairment allowances are recognised where there is objective evidence that not all amounts due under the original terms of the contract may be recoverable. Determining an allowance requires a significant degree of judgement, based on management's evaluation of the risks in the loan portfolio, the current economic circumstances, credit losses in previous years, and developments in financial credits, business sectors, business concentrations and geopolitical factors. Changes in management judgement formulation and further analyses may lead to changes in the magnitude of loan impairment allowances over time. Uncertainty is inherent in determining objective evidence of reduced creditworthiness and in determining the magnitude of the recoverable amounts and these involve assessing a variety of assumptions and factors regarding the creditworthiness of borrowers, the expected future cash flows and the value of collateral.

See section 7 'Loans and advances to banks' and section 11 'Loans and advances to customers' for an analysis of the loan impairment allowances on loans to customers and banks.

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 10 '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 14 and for investments in associates and joint ventures are set out in section 13.

Taxation

Estimates are used when determining the income tax charge and the related current and deferred tax assets and liabilities. Tax treatment of transactions is not always clear or certain and, in a number of countries, prior year tax returns often remain open and subject to tax authority approval for lengthy periods. The tax assets and liabilities reported are based on the best available information, and where applicable, on external advice. Differences between the final outcome and the estimates originally made are accounted for in the current and deferred tax assets and liabilities in the period in which reasonable certainty is obtained.

Other provisions

In applying IAS 37 judgement is involved in determining whether a present obligation exists and in estimating the probability, timing and amount of any outflows. More information on judgements regarding the provision for SME derivatives and the restructuring provision is included in section 25 'Provisions'.

The consolidation of structured entities is a critical estimate that requires judgement and is described in section 51 'Structured entities'.

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 unrealised gains and losses on transactions between and among Rabobank Group and its subsidiaries are eliminated on consolidation.

Internal liability (cross-guarantee system)

Various legal entities belonging to Rabobank Group are internally liable under an intragroup mutual keep well system. Under this system the participating entities are bound, in the event of a lack of funds of a participating entity to satisfy its creditors, to provide the funds necessary to allow the deficient participant to satisfy its creditors. The system is a remnant of Rabobank's previous cooperative structure that was in effect until 31 December 2015, when the Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. and the local member banks merged into a single legal entity: Coöperatieve Rabobank U.A. Therefore, it is intended that the system will be terminated in the course of 2018.

As on 31 December 2017, the remaining participants are:

- Coöperatieve Rabobank U.A
- Rabohypothekbank N.V.
- De Lage Landen International B.V.
- Rabo Factoring B.V. (previously named De Lage Landen Trade Finance B.V.)
- Rabo Lease B.V. (previously named De Lage Landen Financial Services B.V.)
- Rabo Direct Financiering B.V (previously named De Lage Landen Financiering B.V.)

2.2.2 Investments in associates and joint ventures

Investments in associates and joint ventures are initially recognised at cost and subsequently accounted for using the equity method of accounting. Its share of post-acquisition profits and losses are recognised in the income statement and its share of post-acquisition movements in reserves are recognised 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. Unrealised 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. Unrealised losses are also eliminated unless the transaction indicates that an impairment loss should be recognised on the asset(s) underlying the transaction.

Investments in associates include the goodwill acquired. Where the share of an associate's losses is equal to or exceeds its interest in the associate, losses are recognised only where Rabobank has given undertakings to, or made payments on behalf of, the associate.

2.3 Derivatives and hedging

General

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 recognised 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. If their risks and characteristics are not closely related to those of the underlying non-derivative host contract and the contract is not classified as at fair value, derivatives that are embedded in other financial instruments are bifurcated and measured separately with unrealised profits and losses being recognised in profit and loss in 'Gains/ (losses) on financial assets and liabilities at fair value through profit or loss'.

Instruments not used for hedging

Realised and unrealised gains and losses on derivatives for trading purposes are recognised at fair value in 'Gains/ (losses) on financial assets and liabilities at fair value through profit or loss'.

Hedging instruments

Derivatives are used for asset and liability management of interest rate risks, credit risks and foreign currency risks. Rabobank makes use of the IAS 39 EU carve-out options, which allow the application of fair value portfolio hedge accounting to certain positions.

At the time of inception, 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 and this must be in place before hedge accounting may be applied;
- The hedge must be expected to be effective, within 80% to 125%, in covering changes in the hedged item's fair value or the cash flows allocable to the hedged risks during the entire reporting period; and
- The hedge must be continuously effective from the moment of its inception.

Changes in the fair value of derivatives that are designated as fair value hedges and are effective in terms of the hedged risks are recognised 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 amortised through profit and loss over the relevant interest repricing period.

Hedges of net investments in foreign operations are measured at fair value, with changes in the fair value (to the extent that they are effective) being recognised in other comprehensive income. Changes in the hedged equity instrument resulting from exchange-rate fluctuations are also recognised 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.

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 recognised in the hedging reserve included in other comprehensive income (see section 10). Ineffective elements of the changes in the fair value of derivatives are recognised in the statement of income.

If a forecast transaction or a recognised 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 as income or expense in the periods in which the hedged recognised liability or the forecast transaction was recognised in the statement of income.

Although there are economic hedges under Rabobank's managed risk positions, certain derivative contracts do not qualify for hedge accounting under the specific IFRS rules and are therefore treated as derivatives held for trading purposes. Interest on derivatives held for economic hedging purposes are shown under interest income, both the receive and pay leg of the derivative. The fair value of derivatives held for trading and hedging purposes is disclosed in section 10.

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 characterised by patterns of short-term profit participation. Financial assets held for trading are recognised at fair value based on listed bid prices and all realised and unrealised results therefrom are recognised under 'Gains/ (losses) on financial assets and liabilities at fair value through profit or loss'. Interest earned on financial assets is recognised as interest income. Dividends received from financial assets held for trading are recognised 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 realise 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 recognised at fair value on the reporting date.

2.5 Other financial assets and liabilities designated at fair value

On initial recognition, certain financial assets (including direct and indirect investments in venture capital and excluding assets held for trading) and certain liabilities are included as 'Financial assets and liabilities designated at fair value' where any of the following criteria are met:

- This accounting eliminates or substantially 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;
- The assets and liabilities belong to a group of financial assets and/or financial liabilities that are managed and assessed on the basis of their fair value in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly affect the cash flows or if it is evident that separate recognition is not required.

Interest earned and due on such assets and liabilities is recognised as interest income and expense, respectively. Other realised and unrealised 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'.

2.6 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 (referred to as 'day 1 gain') 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 1 gain is deferred and accounted for as 'Other liabilities'. After initial recognition the deferred day 1 gain is recognised as a gain to the extent it results from a change in a factor (including time effects).

2.7 Available-for-sale financial assets

Financial assets are classified on the date of acquisition, with the classification dependent on the purpose for which the investments are acquired. Financial assets are classified as available for sale if they are intended to be held for an indefinite period of time and could be sold for liquidity purposes or in response to changes in interest rates, exchange rates or share prices.

Available-for-sale financial assets are initially recognised 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, adjusted to reflect the specific circumstances of the respective issuer. Any unrealised gains and losses from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income unless they relate to amortised interest or exchange rate differences on monetary assets, in which case they are taken through profit and loss. As and when such financial assets are disposed of, the adjustments to fair value are transferred to the statement of Income.

Debt instruments are impaired if there are objective indications that the fair value has fallen to such a degree that it is reasonable to assume that the value will not recover to the carrying amount in the foreseeable future. On each reporting date, management determines whether there are objective indications of impairment of available-for-sale assets. Examples of objective evidence of impairment are:

- Significant financial difficulties on the part of the issuer;
- Default in making interest or redemption payments;
- Disappearance of active markets for the financial asset due to financial difficulties.

In the event of impairment, the cumulative loss is determined as the difference between cost and current fair value, reduced by any previously recognised impairment. This is transferred from the revaluation reserves in other comprehensive income to the statement of income. If the impairment of a debt instrument subsequently reverses and the reversal can objectively be attributed to an event after the impairment, the impairment is reversed through the statement of income.

Equity instruments are impaired if the cost price (initial recognition) is unlikely to be recovered in the long term or if there is a significant or prolonged decline in the fair value below its cost. The recoverable amount and/or fair value of investments in unlisted equity instruments are determined using generally accepted valuation methods. The recoverable amount of listed financial assets is determined on the basis of market value. Impairment of equity instruments is never subsequently reversed through the statement of income.

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 'Available-for-sale

financial assets', as applicable. The liability to the counterparty is included under 'Deposits from banks' or 'Deposits from customers', as applicable.

Financial assets acquired under reverse sale and reverse repurchase agreements are recognised as 'Loans and advances to banks' or 'Loans and advances to customers', as applicable. The difference between the sales and repurchasing prices is recognised as interest income/expense over the term of the agreement using the effective interest method.

2.9 Securitisations 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 available-for-sale financial assets which are required to be delivered within a regulatory-prescribed period or in accordance with market conventions are recognised on the transaction date. Financial instruments carried at amortised cost are recognised on the settlement date.

Securitisations and derecognition of financial assets and liabilities

Rabobank securitises, 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 derecognised 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 commitment has been made to transfer the cash flows from the asset and a substantial portion of the risks and rewards have been transferred; or
- Not substantially all the risks and rewards are transferred but where control over the asset is not retained.

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

Where a transaction does not meet these conditions for derecognition, it is recognised 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 recognised 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 securitisations 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 recognised through profit and loss at the time of transfer. The fair value of the interests sold and retained is determined on the basis of listed market prices or as the present value of the future expected cash flows based on pricing models that involve a number of assumptions regarding, for instance, credit losses, discount rates, yield curves, payment frequency and 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 recognised amounts and it is intended to settle the expected future cash flows on a net basis or to realise the asset and settle the liability simultaneously, financial assets and liabilities are offset and the net amount is recognised in the statement of financial position. This relates predominantly to derivatives and reverse repurchase agreements. The offsetting of taxes is addressed in section 2.24.

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 recognised 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 recognised as the assets and liabilities of the foreign entity, and are translated at the rate prevailing 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 recognised in the statement of income and differences that qualify as net investment hedges are recognised in other comprehensive income. Translation differences on debt securities and other monetary financial assets carried at fair value are included under foreign exchange gains and losses. Translation differences on non-monetary items such as equity instruments held for trading are recognised as part of the fair value gains or losses. Translation differences on non-monetary available-for-sale items are included in the revaluation reserves for available-for-sale financial assets.

2.13 Interest

Interest income and expense arising on interest-bearing instruments are recognised in the statement of income on an accruals basis using the effective interest method. Interest income includes coupons relating to fixed interest financial assets and financial assets held for trading, as well as the cumulative premiums and discounts on government treasury securities and other cash equivalent instruments. Impaired loans are written down to their recoverable amounts, and interest income thereon is recognised, based on the discount rate used in the original calculation of the present value of future cash flows (excluding future credit losses) for determining the recoverable amounts. Interest on derivatives

held for economic hedging purposes are shown under interest income, both the receive and pay leg of the derivative. This amount is presented as negative interest income because the net interest-risk position of the banking book is a long receiver-position.

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 are generally recognised on an accrual basis. 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 recognised upon completion of the underlying transaction.

2.15 Loans and advances to customers and loans and advances to banks

Loans and advances to customers and banks are non-derivatives with fixed or definable payments and are not listed on an active market, except for assets that Rabobank classifies as held for trading or that were initially recognised at fair value and for which value adjustments are recognised in the statement of income or as available-for-sale financial assets. Loans and advances to customers and banks are initially recognised at fair value (including transaction costs) and thereafter at amortised cost (including transaction costs).

Loans are subject to either individual or collective impairment analyses. A loan impairment allowance is recognised if there is objective evidence that not all amounts due under the original terms of the contract will be recoverable. The amount of the allowance is the difference between the carrying amount and the recoverable amount (the present value of expected future cash flows), including any expected interest income and repayments and amounts recoverable under guarantees and securities discounted to present value at the original effective interest rate. For individual impaired loans a specific allowance is determined and for retail exposures a collective assessment is made if it is not economically justified to recognise the loss on an individual basis. In these cases the collective assessment is made based on homogenous groups of loans with a similar risk profile with the purpose of identifying the need to recognise an allowance for loan losses.

Examples of objective evidence for value adjustments are the following:

- Significant financial difficulties on the part of the borrower;
- Default in making interest and/or redemption payments on the part of the borrower;

- Loan renegotiations;
- Potential bankruptcy of, or financial reorganisation, within the borrower;
- Changes in the borrower's payment history;
- Changes in economic circumstances that could cause the borrower to default.

Losses are estimated on the basis of the borrowers' credit ratings and the value of the collateral provided and reflecting the economic environment in which the borrowers operate. The carrying amount of loans is reduced by allowances based on the most-likely-case scenarios, and losses are recognised in the statement of income. The assets and impairment allowances are eliminated as and when the foreclosure process has been completed, the security provided has been realised, virtually no other means of recovery are available and in the event of any formal cancellation of debt. Any amounts subsequently collected are included in 'Loan impairment charges' in the statement of income. Expected future cash flows on renegotiated loans are regularly monitored for ongoing validity.

Non-performing loans are loans that meet at least one of the following criteria:

- Loans that are past due by more than 90 days;
- It is likely that the borrower will default on all or part of the debt (including principal, interest and fees) if the bank were not to enforce its security interests, irrespective of the amount or period of the delay of payments.

As and when prospects for continuity recover and delays on payment have been cleared as previously agreed, the loan is no longer considered impaired and the impairment is reversed.

A general provision is made for impairment in the remaining element of the portfolio which has not been specifically identified as impaired within the bank's risk systems (IBNR; incurred but not reported). Basel II parameters, adjusted to the IFRS guidelines and to current developments, are used to determine the provision, together with what is known as the Loss Identification Period (LIP), the period between the occurrence of a loss event and the recording of the event in the bank's risk systems. The LIP is expressed in months and varies between portfolios.

Exposures classified as corporate exposures under Capital Requirements Directive CRD IV are measured in accordance with the 'one debtor' principle. This principle requires that the approved limit for a debtor applies to the sum of all exposures (including derivatives, guarantees and the like) of the debtor group into which the debtor has been classified. Debtor groups include all debtors that are part of the economic entity

with which the borrower is affiliated, including any majority shareholders of the economic entity. The 'one debtor' principle applies across all entities and group divisions.

2.16 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 recognised 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 that will likely provide economic benefits exceeding the costs for longer than one year are recognised 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 recognised as other intangible assets and amortised on a linear basis over a period not exceeding five years. Costs related to the maintenance of software are recognised as an expense at the time they are incurred.

Other intangible assets also include those identified through business combinations, and they are amortised 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 judgemental 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.

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 recognised if the carrying amount exceeds the recoverable amount. Impairment losses and impairment reversals are included in 'Other administrative expenses' in the statement of income.

Irrespective of whether there is 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.

2.17 Property and equipment

Property and equipment for own use

Property for own use consists mainly of office buildings and is recognised 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:

<i>Property</i>	
- Land	Not depreciated
- Buildings	25 - 40 years
<i>Equipment</i>	
- 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 recognised 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 capitalised and subsequently depreciated.

2.18 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 recognised 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 40 years.

2.19 Other assets

Structured inventory products

Rabobank offers several products that relate to financing commodities. Some of these products are recognised 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 and equalisation funds

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 realisable value. Interest is not recognised 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 downsides that depend on a 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 realisable value. The net realisable value of all building sites is reviewed at least once a year or earlier, in case of any indications of impairment. The net realisable value for building sites is the direct realisable value or, if higher, the indirect realisable value. The direct realisable value is the estimated value upon sale less the estimated costs for achieving the sale. The indirect realisable 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 realise the sale. The calculation of the indirect realisable 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 recognised if the carrying value exceeds the realisable value. The equalisation funds relate to building rights purchased from third parties recognised in the statement of financial position, as well as building rights which arose on the sale of building sites to municipal authorities or other parties, and these are stated as the balance of the cost of the sites and the sales proceeds. The equalisation funds, which are stated net of any necessary depreciations, should be recovered from future building projects.

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 realisable value. If the project qualifies as an agreement for the construction of real estate commissioned by a third party, the result is also recognised in work in progress according to the stage of completion. Expected losses on projects are immediately deducted from the work in progress. If the buyer has no or only limited influence, but the risk is gradually transferred to the buyer during construction, the result is also recognised in work in progress according to the stage of completion. If there is no such gradual transfer of risk, the result is recognised on the date of transfer to the customer. Progress instalments invoiced to buyers and principals are deducted from work in progress in case either the project qualifies as an agreement for the construction of real estate commissioned by a third party or, if the buyer has no or only limited influence, but the risk is gradually transferred to the buyer during construction. If the balance of a project is negative (progress instalments invoiced exceed the costs recognised in the statement of financial position), the balance of that project, including any provision for the project, is transferred to 'Other liabilities'.

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 realisable value of the work in progress is estimated; in most cases this is done by means of an internal or external appraisal. The indirect realisable 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 realise the sale. A downward value adjustment is recognised if the carrying value exceeds the expected indirect realisable 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 realisable value. The net realisable 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 realisable value is generally equal to the direct realisable value, which is mostly determined by means of an internal or external appraisal. A downward value adjustment is recognised if the carrying value exceeds the expected direct realisable value, to the extent that the difference must be borne by Rabobank.

2.20 Leasing

Rabobank as lessee

Rabobank primarily enters into operating leases under which a considerable portion of the risks and rewards of ownership are retained by the lessor. Operating lease payments (less any discounts granted by the lessor) are charged to the statement of income on a linear basis over the term of the lease.

Rabobank as lessor

Finance leases

A finance lease is recognised as a receivable under 'Loans and advances to banks' 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 recognised as unearned finance income. Lease income is recognised 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 recognised under 'Net income from other operating activities' on a linear basis over the term of the lease.

2.21 Provisions

Provisions are recognised 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 recognised 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 recognised in the statement of income under 'Other administrative expenses'.

Restructuring

Restructuring provisions comprise payments under redundancy schemes and other costs directly attributable to restructuring programmes. These costs are recognised 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 reorganisation 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, credit related contingent liabilities and obligations under the terms of the deposit guarantee scheme.

2.22 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 recognised 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 recognised 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 recognised 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 recognised in 'Other liabilities'. The accounting treatment of payments based on equity instruments is disclosed in section 2.23.

2.23 Variable remuneration

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 at the time. 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 recognised in 'Other liabilities'.

2.24 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 income tax assets and liabilities are measured at the tax rates that have been enacted or substantively enacted as at the reporting date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the losses can be utilised.

Deferred tax assets and liabilities are recognised on the revaluation of available-for-sale financial assets and cash flow hedges that are taken directly to other comprehensive income. When realised, they are recognised in the income statement at the same time as the respective deferred gain or loss is recognised.

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

2.25 Deposits from banks, deposits from customers and debt securities in issue

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

Own debt instruments that are repurchased are derecognised, with the difference between the carrying amount and the consideration paid being recognised in the income statement.

2.26 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 recognised in equity.

2.27 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 recognised as 'Equity' and dividends paid on these instruments are recognised directly in equity.

2.28 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 recognised at fair value and subsequently measured at the higher of the discounted best estimate of the obligation under the guarantee and the amount initially recognised less cumulative amortisation.

2.29 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. Rabobank uses the business segmentation as its primary management and reporting framework, with the geographic segmentation as its secondary framework.

2.30 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 plus any direct costs of acquisition. Goodwill represents the difference between the cost of the acquisition and acquirer's share of the fair value of the identifiable assets, liabilities and conditional assets and liabilities acquired. Goodwill is capitalised and recognised 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.

2.31 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 realised 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 recognised outside comprehensive income arising from continuing operations.

2.32 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 receivables, 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 solvency ratios are utilised. 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 legal buffers below are applicable as from 2016. These buffers will gradually increase until the year 2019. Rabobank is already allowing for these changes in its capital planning. The table below shows the minimum legal buffers based on the planned final situation under CRD IV/CRR.

<i>Minimum capital buffer</i>				
		<i>CET1</i>	<i>Tier 1</i>	<i>Total capital</i>
Pillar 1 requirement		4.5%	6.0%	8.0%
Pillar 2 requirement		1.75%	1.75%	1.75%
Capital conservation buffer	2016-2019	2.5%	2.5%	2.5%
Systemic risk buffer	2016-2019	3.0%	3.0%	3.0%
Total required (end-state)		11.75%	13.25%	15.25%

The total required (end state) CET1 capital therefore amounts to 11.75%, (i.e. a minimum Pillar 1 requirement of 4.5%, a pillar 2 requirement of 1.75%), a capital conservation buffer of 2.5% and a systemic risk buffer of 3%, excluding the pillar 2 guidance. The required (end state) total capital amounts to 15.25%, (i.e. a minimum Pillar 1 requirement of 8%, a pillar 2 requirement of 1.75%), a capital conservation buffer of 2.5% and a systemic risk buffer of 3%. In addition to these ratios, there would be a countercyclical buffer of up to 2.5% which may be imposed by the supervisor. Almost all supervisors have set their countercyclical buffer at 0% as per 1 January 2017. 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. In the market risk approach, the general market risk is hedged, as are the risks of open positions in foreign currencies, debt and equity instruments and commodities. The transitional CRR provisions have been reflected in the ratios set out on the next page.

Rabobank Group's ratios		
<i>in millions of euros</i>	2017	2016
Retained earnings	26,777	25,709
Expected dividends	(54)	(60)
Rabobank Certificates	7,440	5,948
Part of non-controlling interests treated as qualifying capital	26	25
Reserves	(1,401)	112
Deductions	(2,050)	(3,302)
Transition guidance	525	1,186
Common Equity Tier 1 capital	31,263	29,618
Capital Securities	2,728	2,728
Grandfathered instruments	3,590	5,462
Non-controlling interests	6	5
Deductions	(88)	(91)
Transition guidance	(295)	(643)
Tier 1 capital	37,204	37,079
Part of subordinated liabilities treated as qualifying capital	14,896	16,094
Non-controlling interests	7	7
Deductions	(89)	(99)
Transition guidance	(95)	(208)
Qualifying capital	51,923	52,873
Risk-weighted assets	198,269	211,226
Common Equity Tier 1 ratio	15.8%	14.0%
Tier 1 ratio	18.8%	17.6%
Total capital ratio	26.2%	25.0%
Equity capital ratio ¹	17.3%	15.0%

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. In accordance with CRR, a number of deductions are adjusted in the 'Transition guidance', as these adjustments are being phased in over the period 2014-2018. The 'Transition guidance' consists mainly of goodwill, other intangible non-current assets, deferred tax assets depending on future profits (i.e. non-temporary differences) and the IRB shortfall for credit-risk adjustments. The additional tier 1 instruments issued by Rabobank prior to 2015 do not comply with the new CRR requirements. They are being 'grandfathered'. This means that these instruments will be phased out of solvency ratios, in line with the regulatory requirements.

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

4 Risk exposure on financial instruments

4.1 Risk organisation

Rabobank Group manages risks at various levels within the organisation. 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 Group. The Chief Risk Officer, as Member of the Managing Board, is responsible for the risk management policy within Rabobank Group.

Risk appetite

Identifying and managing risks for its organisation 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 takes deposits from customers at varying terms and at both fixed and variable interest rates. Rabobank attempts to earn interest income by investing these funds in high-value assets as well as by making loans to commercial and retail borrowers. Rabobank also 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 in hand to meet obligations as they fall due. Rabobank improves its interest income by achieving interest margins after deduction of loan impairment allowances and by issuing loans with a variety of credit ratings and inherent risk profiles. Not only is Rabobank exposed to credit risk on the on-balance sheet loans, it is also exposed to credit risk 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 the risk that a counterparty is unable to meet a financial or other contractual obligation vis-à-vis the bank. Credit risk is inherent to granting loans. Positions in tradeable assets such as bonds are also subject to credit risk. Rabobank restricts its credit risk exposure by setting limits for loans to an individual counterparty, or a group of counterparties, as well as for loans to countries. The four-eyes principle is also a key factor when granting loans. A multi-level committee structure is put in place to make decisions on major credit applications. The competent committee is chosen on the basis of the size of the loan. Decisions on the largest loans are made by the highest level committee, the Central Credit Committee Rabobank Group (CCCRG).

The credit risk exposure relating to each individual borrower is further restricted by the use of sub-limits to hedge amounts at risk, not all of which are disclosed in the statement of financial position, and the use of daily delivery risk limits for trading items such as forward currency contracts. Most of the resulting items are tested against the limits every day.

Once a loan has been granted, it is continually subject to credit management as part of which new information, financial and other, is reviewed. The credit limits are adjusted where necessary. Rabobank obtains collateral or guarantees for the majority of loans.

4.3.1 Lending

Rabobank has a significant market share in lending to private individuals; these loans account for 48% of private sector lending. These loans have a low risk profile as evidenced by the losses actually incurred, of 1 basis points (excluding one-offs) in 2017. In 2017, the proportion of the private sector lending allocable to the food and agricultural sectors was 24% and the proportion of private sector lending allocable to trade, industry and services was 28%. 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.

<i>in millions of euros</i>	2017	2016
Total loans and advances to customers	432,564	452,807
Of which:		
Loans to government clients	2,319	3,329
Reverse repurchase transactions, securities borrowing agreements and settlement accounts	12,895	16,321
Hedge accounting adjustment	6,386	8,606
Loans to private sector clients	410,964	424,551

This can be broken down geographically as follows:

The Netherlands	298,583	73%	304,723	72%
Rest of Europe	28,493	7%	28,895	7%
North America	41,831	10%	45,985	11%
Latin America	12,467	3%	13,680	3%
Asia	8,076	2%	9,624	2%
Australia	21,191	5%	21,315	5%
Africa	323	0%	329	0%
Total	410,964	100%	424,551	100%

Breakdown of loans by business sector

Private individuals	197,990	48%	201,234	47%
Trade, industry and services (TIS)	115,192	28%	121,336	29%
Food & Agri	97,782	24%	101,981	24%
Total	410,964	100%	424,551	100%

Trade, industry and services loan portfolio analysed by industry

<i>in millions of euros</i>	2017	2016
Lessors of real estate	14,925	20,670
Finance and insurance (except banks)	11,618	12,291
Wholesale	11,102	12,747
Activities related to real estate	8,689	5,340
Manufacturing	8,852	9,180
Transport and warehousing	6,317	6,729
Construction	4,647	5,014
Healthcare and social assistance	5,378	6,069
Professional, scientific and technical services	9,188	10,065
Retail (non-food)	4,417	4,520
Utilities	2,428	2,896
Information and communication	1,190	981
Arts, entertainment and leisure	1,217	1,164
Other TIS	25,224	23,670
Total loans granted to TIS	115,192	121,336

Food & Agri loan portfolio analysed by sector

<i>in millions of euros</i>	2017	2016
Grain and oil seeds	18,767	19,540
Animal protein	15,376	15,728
Dairy	22,175	22,713
Fruit and vegetables	10,251	10,628
Farm inputs	9,243	10,061
Food retail	4,727	4,527
Beverages	2,915	3,852
Flowers	1,662	1,682
Sugar	2,539	2,811
Miscellaneous crop farming	1,231	1,194
Other Food & Agri	8,896	9,245
Total loans granted to Food & Agri	97,782	101,981

4.3.2 Derivatives and credit related contingent liabilities

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 authorise 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 recognises 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 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:

- Residential mortgage collateral;
- Mortgage collateral on immovable property, pledges on movable property, inventories and receivables, mainly for business 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 section 2.11. The 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 highly 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 consolidated balance sheet (Other offsetting). 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

<i>in millions of euros</i>	<i>Gross carrying amount</i>	<i>IAS 32 Offsetting</i>	<i>Net carrying amount included in balance sheet</i>	<i>Master netting agreements</i>	<i>Other offsetting</i>	<i>Net value after other offsetting</i>
On 31 December 2017						
Loans and advances to banks	27,845	(591)	27,254	-	(17,537)	9,717
Derivatives	87,237	(61,732)	25,505	(15,984)	-	9,521
Loans and advances to customers	439,587	(7,023)	432,564	-	(12,861)	419,703
Other assets	8,245	(284)	7,961	-	-	7,961
Total	562,914	(69,630)	493,284	(15,984)	(30,398)	446,902
Deposits from banks	20,496	(1,574)	18,922	-	(350)	18,572
Deposits from customers	343,958	(3,276)	340,682	-	(108)	340,574
Derivatives and financial liabilities held for trading	92,599	(64,496)	28,103	(15,984)	-	12,119
Other liabilities	8,555	(284)	8,271	-	-	8,271
Total	465,608	(69,630)	395,978	(15,984)	(458)	379,536
On 31 December 2016¹						
Loans and advances to banks	26,129	(685)	25,444	-	(13,817)	11,627
Derivatives	115,541	(73,169)	42,372	(29,950)	-	12,422
Loans and advances to customers	462,001	(9,194)	452,807	-	(16,114)	436,693
Other assets	8,253	(375)	7,878	-	-	7,878
Total	611,924	(83,423)	528,501	(29,950)	(29,931)	468,620
Deposits from banks	24,541	(2,535)	22,006	-	(401)	21,605
Deposits from customers	351,858	(4,146)	347,712	-	(215)	347,497
Derivatives	124,391	(76,367)	48,024	(29,950)	-	18,074
Other liabilities	8,807	(375)	8,432	-	-	8,432
Total	509,597	(83,423)	426,174	(29,950)	(616)	395,608

The next table sets out the maximum credit risk to which Rabobank is exposed on the reporting date in respect of the various categories of risk, 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 because the outstanding equity instruments are not included in the maximum credit risk.

<i>in millions of euros</i>	<i>Maximum gross credit risk</i>		<i>Credit risk reduction</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Cash and cash equivalents	66,861	84,405	0%	0%
Loans and advances to banks	27,254	25,444	57%	48%
Derivatives	25,505	42,372	87%	88%
Loans and advances to customers	432,564	452,807	77%	75%
Available-for-sale financial assets	28,122	33,745	1%	0%
Subtotal	580,306	638,773	64%	61%
Credit related contingent liabilities	54,525	62,760	17%	18%
Total	634,831	701,533	59%	57%

1 Prior year figures of Loans and advances to customers and Deposits from customers have been adjusted by reversing the netting because the cash-pooling arrangements qualified for unit of accounts accounting

4.3.4 Credit quality of financial assets

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 table below shows the loan quality of the loan-related balance sheet items after deduction of the impairment allowance. 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 90 days' past due (depending on local conditions this may be extended to more than 90 days); D2 indicates high probability that the debtor is unable to pay; D3 indicates that the debtor's assets will most likely need to be liquidated due to default; and D4 indicates bankruptcy status. The default ratings make up the total impaired exposure. The 'vulnerable' category consists of performance ratings which are not (yet) classified as impaired. The other financial assets with a counterparty risk (e.g. cash and cash equivalents and available-for-sale financial assets) are of good quality as the exposure is with central banks or the portfolio consists of quoted government bonds.

Credit quality of financial assets

<i>in millions of euros</i>	<i>(Virtually) no risk</i>	<i>Adequate to good</i>	<i>Vulnerable</i>	<i>Impaired</i>	<i>Total</i>
On 31 December 2017					
Loans and advances to banks	22,742	4,122	70	320	27,254
Loans and advances to customers					
Loans to government clients	1,462	770	57	15	2,304
Loans to private clients:					
- overdrafts	992	14,482	275	963	16,712
- mortgages	41,773	156,011	2,062	809	200,655
- leases	495	15,083	1,081	158	16,817
- reverse repurchase transactions and securities borrowing agreements	6,312	6,535	-	-	12,847
- corporate loans	5,929	153,828	5,311	9,897	174,965
- other	366	7,701	67	44	8,178
Total	80,071	358,532	8,923	12,206	459,732
On 31 December 2016					
Loans and advances to banks	18,257	6,798	73	316	25,444
Loans and advances to customers					
Loans to government clients	2,370	801	59	4	3,234
Loans to private clients:					
- overdrafts	1,229	18,150	514	762	20,655
- mortgages	40,257	162,491	2,319	1,056	206,123
- leases	518	14,727	1,223	204	16,672
- reverse repurchase transactions and securities borrowing agreements	7,605	8,463	-	-	16,068
- corporate loans	8,264	160,944	4,709	7,936	181,853
- other	299	7,427	58	-	7,784
Total	78,799	379,801	8,955	10,278	477,833

The table below gives an age analysis of past due but non-impaired financial assets.

Age analysis of past due exposures					
<i>in millions of euros</i>	< 30 days	30 to 60 days	61 to 90 days	> 90 days	Total
On 31 December 2017					
Loans and advances to banks	69	1	-	-	70
Loans and advances to customers					
Loans to government clients	46	5	1	5	57
Loans to private clients:					
- overdrafts	226	11	8	30	275
- mortgages	1,527	259	112	164	2,062
- leases	717	220	60	84	1,081
- reverse repurchase transactions and securities borrowing agreements	-	-	-	-	-
- corporate loans	4,483	240	147	441	5,311
- other	41	13	4	9	67
Total	7,109	749	332	733	8,923
On 31 December 2016					
Loans and advances to banks	54	19	-	-	73
Loans and advances to customers					
Loans to government clients	42	9	4	4	59
Loans to private clients:					
- overdrafts	477	20	11	6	514
- mortgages	1,644	327	158	190	2,319
- leases	811	220	48	144	1,223
- reverse repurchase transactions and securities borrowing agreements	-	-	-	-	-
- corporate loans	4,093	169	121	326	4,709
- other	36	10	2	10	58
Total	7,157	774	344	680	8,955

4.3.5 Forbearance

Rabobank has a policy for monitoring its forbearance portfolio every quarter. This portfolio consists of the customers of Rabobank for whom forbearance measures have been put in place. The measures under that name comprise concessions to debtors facing or about to face difficulties in meeting their financial commitments. A concession refers to either of the following actions:

- A modification of the previous terms and conditions of a contract the debtor is unable to comply with due to its financial difficulties ('bad debt') in order to allow for sufficient debt serviceability. A modification that would not have been granted had the debtor not been in financial difficulty.
- A total or partial refinancing of a bad debt contract, which would not have been granted had the debtor not been in financial difficulty.

Examples include postponements of repayments and extensions of the term of a facility. The rationale for the focus on this portfolio derives from the concerns of European regulators about the deterioration of the quality of the portfolio; it is feared that forbearance measures might camouflage this deterioration of the portfolio as debtors are able to meet their financial obligations for longer periods as a result of the concessions. The identification of forbearance measures for the corporate portfolio is based on the current Loan Quality Classification framework, with forbearance measures only applying to the classified portfolio. If forbearance measures are applied to a debtor, the debtor falls, by definition, under the supervision of the Special Asset Management department. Lastly, items in the forbearance category must be reported for up to two years after their recovery from 'non-performing' to 'performing'. This period of two years is referred to as 'Forborne under probation'. For the accounting policy regarding the derecognition of financial assets please refer to section 2.9 'Securitisations and (de)recognition of financial assets and liabilities'.

4.4 Currency risk in the banking environment

Currency risk is the risk that the bank's financial result and/or economic value could be negatively affected by changes in exchange rates. The bank distinguishes two types of non-trading currency risks: (i) Currency risk in the banking books and (ii) Foreign Exchange ('FX') translation risk.

Currency risk in the banking books

Currency risk in the banking books, is the risk where currency cash flow commitments and receivables in the banking books are unhedged. As a result, it could have an adverse impact on the financial results and/or financial position of the Group, due to movements in exchange rates. Banking Books should be fully hedged. Accordingly, FX risk in banking books is fully hedged.

FX Translation risk

Translation risk is the risk that foreign exchange rate fluctuations will adversely affect the translation of assets and liabilities of operations – denominated in foreign currency – into the functional currency of the parent company when consolidating financial statements. Translation risk reveals in Rabobank's equity position as well as in its capital ratios.

Rabobank manages its translation risk with regard to its CET1 ratio by deliberately taking positions including not or only partly closing positions. As a result of these (remaining) structural positions the impact of exchange rate fluctuations on Rabobank's CET1 ratio is limited.

FX Translation risk and currency risk in the Banking books are covered by the Foreign Exchange Risk Policy Global Standard on Foreign Exchange Rabobank Group ('Standard'). The policy Standard is designed in order to protect the Rabobank Group CET1 ratio against the effects of exchange rate movements. Potential future FX movements of structural positions including the FX Capital Securities are measured within the internal Pillar II capital.

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 as a result of repricing and maturity mismatches between loans and funding, and optionality in client products. Customer behaviour is an important determining factor with respect to interest rate risk in the banking environment. The modelling of customer behaviour is therefore one of the core elements of the interest rate risk framework. There are behavioural 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. Any such effects are 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 as a result 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 Rabobank Group chaired by the Chief Financial Officer. The Treasury is responsible for implementing the decisions of this committee, while Risk Management is responsible for measuring and reporting the interest rate risk position.

The definition 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 less 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 amortised cost (in IFRS terms) and (except from the inherent counterparty risk) is therefore not exposed to value changes, the effects of the value changes on IFRS capital will largely impact only interest income.

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 sensitivity of net interest income to gradual increases or decreases in interest rates during the coming 12 months; 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 deviation, in a negative sense, of the projected interest income over the next 12 months as a result of a scenario in which all money market and capital market interest rates gradually increase by 2 percentage points and of a scenario in which all money market and capital market interest rates gradually decrease by a maximum of 2 percentage points. The projected interest rate income is based on a scenario in which all interest rates and other rates remain equal.

Throughout 2017, Rabobank's interest income was vulnerable to a decrease in interest rates. On 31 December 2017, the Earnings at Risk amounted to EUR 148 million. Compared to the end of 2016, the Earnings at Risk was at a higher level. This is mainly caused by a larger assumed downward shock of the EUR yield curve (25bps in December 2017 vs 10bps in December 2016). The change of the size of the downward shock is largely the result of a change in the scenario methodology as of June 2017.

Earnings at Risk

<i>in millions of euros</i>	31 December 2017	31 December 2016
EUR interest rate	25 bp decline	10 bp decline
	148	82

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 a lower limit of 0% and 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) for equity.

Equity at Risk

	31 December 2017	31 December 2016
	2.0%	1.4%

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. These movements have an impact on the value of the trading portfolios and could lead to losses. Risk positions acquired from clients can

either be redistributed to other clients or managed through risk transformation (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. 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 transformation (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.

At consolidated level, the market risk appetite is represented by the Value at Risk (VaR), Interest Rate Delta and Event risk. 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. The VaR is divided into a number of components. A diversity advantage is achieved in this case by the opposing positions of various books which partially cancel each other out. In 2017, the VaR fluctuated between EUR 3.0 million and EUR 4.9 million, the average being EUR 3.8 million. The VaR amounted to EUR 3.1 million on 29 December 2017. VaR has moved little during the year with some fluctuations being driven by client related deals and volatility in the financial markets.

VaR (1 day, 97.5%)

<i>in millions of euros</i>	Interest	Credit	Currencies	Shares	Commodities	Diversification	Total
2017 – 29 December	2.9	0.8	0.2	0.0	0.1	-0.8	3.1
2017 – average	3.4	0.8	0.2	0.0	0.2	0.0	3.8
2017 – highest	4.7	1.3	1.2	0.1	2.4	0.0	4.9
2017 – lowest	2.6	0.6	0.0	0.0	0.1	0.0	3.0
2016 – 30 December	4.5	0.6	0.4	0.0	0.2	-1.5	4.3
2016 – average	4.1	1.1	0.2	0.2	0.2	0.0	4.4
2016 – highest	6.3	1.7	0.7	0.7	0.8	0.0	6.9
2016 – lowest	3.3	0.6	0.1	0.0	0.1	0.0	3.5

In addition to the VaR, there are several other key risk indicators. 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 below shows the sensitivity to changes in the yield curves for the major currencies. On 29 December 2017, the interest rate delta for trading books was EUR 0.7 million positive. The interest rate delta remained well within the set limit during the reporting period.

Interest Rate Delta

in millions of euros

EUR	0.5
USD	0.0
CHF	0.1
Other	0.1
Total	0.7

Rabobank uses stress testing to complement the VaR. It is instrumental in gauging the impact of extreme, yet plausible predefined moves in market risk factors on the P&L of individual trading and investment 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 at the same time.

The event risk, which is measured by performing sensitivity analyses and stress tests was EUR 111 million on 29 December 2017, well within the set limit. It fluctuated between EUR 86 million and EUR 116 million with an average of EUR 101 million. Rabobank's event risk is largely determined by the tenor basis swap position, which comes from non-client facing positions of a more strategic nature which are classified as permitted proprietary trading activities outside the USA under the Volcker Rule.

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 on the basis of 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. In addition to credit balances held at central banks, these assets can be used to 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 securitised 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 securitisations, 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 with respect to 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.

Furthermore, 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 analysed 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.

Contractual repayment date							
<i>in millions of euros</i>	<i>On demand</i>	<i>Less than 3 months</i>	<i>3 months to 1 year</i>	<i>1 - 5 years</i>	<i>Longer than 5 years</i>	<i>No maturity applicable</i>	<i>Total</i>
On 31 December 2017							
Liabilities							
Deposits from banks	5,005	996	1,748	4,410	1,340	5,683	19,182
Deposits from customers	262,286	25,585	11,258	16,810	21,770	8,267	345,976
Debt securities in issue	7,352	19,361	31,301	63,191	24,161	-	145,366
Other liabilities (excluding employee benefits)	2,730	2,651	1,202	657	35	402	7,677
Financial liabilities held for trading	-	581	-	-	-	-	581
Financial liabilities designated at fair value	73	196	849	4,258	19,382	-	24,758
Subordinated liabilities	-	86	620	6,813	15,831	-	23,350
Total financial liabilities	277,446	49,456	46,978	96,139	82,519	14,352	566,890
Financial guarantees	3,406	-	-	-	-	-	3,406
Loan commitments	32,965	-	-	-	-	-	32,965
On 31 December 2016							
Liabilities							
Deposits from banks	6,227	2,066	2,451	4,021	1,104	6,376	22,245
Deposits from customers	260,719	34,293	13,308	15,479	19,385	6,945	350,129
Debt securities in issue	9,824	23,546	38,687	68,561	32,012	-	172,630
Other liabilities (excluding employee benefits)	1,894	2,325	951	656	67	860	6,753
Financial liabilities held for trading	-	739	-	-	-	-	739
Financial liabilities designated at fair value	371	352	2,735	4,635	23,006	-	31,099
Subordinated liabilities	-	-	-	2,344	22,913	-	25,257
Total financial liabilities	279,035	63,321	58,132	95,696	98,487	14,181	608,852
Financial guarantees	4,550	-	-	-	-	-	4,550
Loan commitments	36,723	-	-	-	-	-	36,723

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 with the amounts included in the consolidated statement of financial position.

Current and non-current financial instruments

<i>in millions of euros</i>	<i>On demand</i>	<i>Less than 3 months</i>	<i>3 months to 1 year</i>	<i>1 - 5 years</i>	<i>Longer than 5 years</i>	<i>No maturity applicable</i>	<i>Total</i>
On 31 December 2017							
Financial assets							
Cash and cash equivalents	65,700	23	28	-	-	1,110	66,861
Loans and advances to banks	14,056	7,873	1,169	616	233	3,307	27,254
Financial assets held for trading	54	51	213	754	625	63	1,760
Financial assets designated at fair value	-	150	19	167	505	353	1,194
Derivatives	877	895	1,810	5,930	15,993	-	25,505
Loans and advances to customers	21,716	25,016	32,556	97,912	248,792	6,572	432,564
Available-for-sale financial assets	317	987	4,242	18,707	4,002	434	28,689
Other assets (excluding employee benefits)	602	2,633	2,297	770	258	1,395	7,955
Total financial assets	103,322	37,628	42,334	124,856	270,408	13,234	591,782
Financial liabilities							
Deposits from banks	4,991	991	1,716	4,262	1,279	5,683	18,922
Deposits from customers	262,247	25,538	10,707	16,036	17,887	8,267	340,682
Debt securities in issue	7,326	19,220	30,618	58,132	19,127	-	134,423
Derivatives	1,058	1,187	1,817	6,996	16,963	82	28,103
Financial liabilities held for trading	-	581	-	-	-	-	581
Other liabilities (excluding employee benefits)	2,743	2,799	1,351	636	48	402	7,979
Financial liabilities designated at fair value	72	181	791	3,794	8,954	-	13,792
Subordinated liabilities	-	-	21	4,248	11,901	-	16,170
Total financial liabilities	278,437	50,497	47,021	94,104	76,159	14,434	560,652
Net balance	(175,115)	(12,869)	(4,687)	30,752	194,249	(1,200)	31,130

<i>in millions of euros</i>	<i>On demand</i>	<i>Less than 3 months</i>	<i>3 months to 1 year</i>	<i>1 - 5 years</i>	<i>Longer than 5 years</i>	<i>No maturity applicable</i>	<i>Total</i>
On 31 December 2016							
Financial assets							
Cash and cash equivalents	83,032	36	11	-	-	1,326	84,405
Loans and advances to banks	9,905	8,805	1,295	556	269	4,614	25,444
Financial assets held for trading	58	314	128	818	680	587	2,585
Financial assets designated at fair value	-	5	89	290	601	336	1,321
Derivatives	1,999	2,509	3,033	9,798	25,033	-	42,372
Loans and advances to customers	21,969	33,484	32,560	100,241	257,150	7,403	452,807
Available-for-sale financial assets	1,119	1,518	3,313	18,456	9,407	767	34,580
Other assets (excluding employee benefits)	1,772	1,541	1,536	1,087	216	1,719	7,871
Total financial assets	119,854	48,212	41,965	131,246	293,356	16,752	651,385
Financial liabilities							
Deposits from banks	6,292	1,991	2,408	3,892	1,047	6,376	22,006
Deposits from customers	260,652	34,055	13,133	14,846	18,081	6,945	347,712
Debt securities in issue	9,788	23,499	37,817	61,587	26,651	-	159,342
Derivatives	2,065	3,346	3,646	9,786	29,124	57	48,024
Financial liabilities held for trading	-	739	-	-	-	-	739
Other liabilities (excluding employee benefits)	1,892	2,106	1,254	659	91	2,115	8,117
Financial liabilities designated at fair value	371	347	2,683	4,032	9,087	-	16,520
Subordinated liabilities	-	-	-	2,012	14,849	-	16,861
Total financial liabilities	281,060	66,083	60,941	96,814	98,930	15,493	619,321
Net balance	(161,206)	(17,871)	(18,976)	34,432	194,426	1,259	32,064

The overview presented on the previous page, has been composed on the basis of contractual information and does not represent the actual behaviour of these financial instruments. However, this is taken into account for the day-to-day management of the liquidity risk. Customer savings are an example. Under contract, these are payable on demand. Experience has shown that this is a very stable source of long-term financing that Rabobank has at its disposal. The regulations of the supervisory authority also factor this in. The European Commission Delegated Act 'Liquidity Coverage Ratio' (DA LCR) became a regulatory requirement as of October 1st 2015. With 123% as per 31 December 2017, 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

Rabobank defines operational risk as the risk of losses being incurred as a result of inadequate or dysfunctional internal processes, people and systems or as a result of external trends and developments, including legal and reputational risks. In measuring and managing operational risk, Rabobank operates within the parameters of the most advanced Basel II approach, the Advanced Measurement Approach, and follows the 'three lines of defence model' as prescribed by the EBA.

The bank's operational risk policy is based on the principle that the primary responsibility for managing operational risk lies with the first line and that this must be integrated into the strategic and day-to-day decision-making processes. The purpose of operational risk management is to identify, assess, mitigate and monitor the various types of operational risk. The operational risk measurement supports those responsible for operational risk prioritisation and deployment of people and resources. Within Rabobank Group, the departments involved in the primary processes of the bank form the 'first line of defence'. They are fully responsible for day-to-day risk acceptance and for integrated risk management and mitigation within the approved risk appetite. The Compliance, Legal and Risk (CLR) functions together constitute the 'second line of defence'. The second line functions have a monitoring role with regard to all types of operational risk and they monitor the way in which 'the first line of defence' manages these risks. In addition and independently from the first line, they report on the risk

profile and appetite breaches to senior management and the Managing Board. Internal Audit forms the 'third line of defence'. At group level, the Risk Management Committee (RMC) is responsible for formulating policy and setting parameters. Compliance, Legal and Risk also report quarterly to the RMC on changes in operational risks at group level. Delegated risk management committees have been established within the group's entities. Their responsibilities include monitoring all operational risks at entity level (amongst others: conduct risk, continuity risk, information security risk, fraud risk including the legal and reputational impact thereof).

The annual risk management cycle consists of a group-wide Scenario programme and Risk Self-Assessment that identifies the more material operational risks of Rabobank Group. After assessment, if and when risks fall outside the defined risk appetite, mitigating measures are taken by first line and monitored by second line.

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. Alternatively, in the most advantageous market if there is no principal market. Market prices are not available for a large number of the financial assets and liabilities that Rabobank holds or issues. For 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 as well as 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 banks

Loans and advances to banks also includes interbank placings and items to be collected. The fair values of floating rate placings, that are re-priced 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 on the basis of 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 on the basis of discounted cash flow models and option valuation models.

Derivatives are recognised at fair value 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.

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 is dependent 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 are the funding valuation adjustments (FVA). FVA concerns the valuation difference between transactions hedged by securities and transactions not hedged by securities. Collateralised transactions are valued by means of a discounting curve, based on the overnight index spread. Non-collateralised 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

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, taking into account 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 re-priced regularly and do not vary significantly in terms of credit risk, the fair value approximates the carrying amount.

Available-for-sale financial assets

Available-for-sale 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 on the basis of discounted cash flow models and option valuation models.

Deposits from banks

Loans and advances to banks also includes interbank placings, items to be collected and deposits. The fair values of floating rate placings, that are re-priced 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 on the basis of 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 on the basis of 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 amortised 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 as well as 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 on the basis of credit adjusted yield curves appropriate for the term to maturity.

The following table shows the fair value of financial instruments, recognised at amortised cost on the basis of the valuation methods and assumptions detailed below. This table is included because not all financial instruments are recognised at fair value in the balance sheet. Fair value represents the price that would have been received for the sale of an asset or that would have been paid in order to transfer a liability in a standard transaction conducted between market participants on the valuation date.

in millions of euros	2017		2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and cash equivalents	66,861	66,861	84,405	84,405
Loans and advances to banks	27,254	27,190	25,444	25,368
Loans and advances to customers	432,564	443,249	452,807	465,278
Liabilities				
Deposits from banks	18,922	18,929	22,006	22,042
Deposits from customers	340,682	344,783	347,712	353,227
Debt securities in issue	134,423	137,392	159,342	163,622
Subordinated liabilities	16,170	18,042	16,861	18,256

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

If no quoted prices on an active market are available for fixed-term securities, equity instruments, derivatives 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 as follows:

- 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 with 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 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.

<i>in millions of euros</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
On 31 December 2017				
Assets carried at amortised cost in the statement of financial position				
Cash and cash equivalents	66,861	-	-	66,861
Loans and advances to banks	10	26,409	771	27,190
Loans and advances to customers	38	116,467	326,744	443,249
Assets carried at fair value in the statement of financial position				
Financial assets held for trading	1,481	216	63	1,760
Financial assets designated at fair value	143	529	522	1,194
Derivatives	8	25,182	315	25,505
Available-for-sale financial assets	24,645	3,512	532	28,689
Non-current assets held for sale and discontinued operations	-	-	992	992
Liabilities carried at amortised cost in the statement of financial position				
Deposits from banks	-	18,861	68	18,929
Deposits from customers	25	101,318	243,440	344,783
Debt securities in issue	-	111,728	25,664	137,392
Subordinated liabilities	-	18,042	-	18,042
Liabilities carried at fair value in the statement of financial position				
Derivatives	12	27,832	259	28,103
Financial liabilities held for trading	581	-	-	581
Financial liabilities designated at fair value	-	13,742	50	13,792
On 31 December 2016				
Assets carried at amortised cost in the statement of financial position				
Cash and cash equivalents	84,379	26	-	84,405
Loans and advances to banks	-	24,554	814	25,368
Loans and advances to customers	263	121,231	343,784	465,278
Assets carried at fair value in the statement of financial position				
Financial assets held for trading	2,011	485	89	2,585
Financial assets designated at fair value	48	759	514	1,321
Derivatives	18	41,819	535	42,372
Available-for-sale financial assets	29,693	4,347	540	34,580
Non-current assets held for sale and discontinued operations	-	-	281	281
Liabilities carried at amortised cost in the statement of financial position¹				
Deposits from banks	-	21,672	370	22,042
Deposits from customers	6,487	99,826	246,914	353,227
Debt securities in issue	1,476	135,078	27,068	163,622
Subordinated liabilities	-	18,256	-	18,256
Liabilities carried at fair value in the statement of financial position				
Derivatives	21	47,479	524	48,024
Financial liabilities held for trading	739	-	-	739
Financial liabilities designated at fair value	9	16,498	13	16,520

The potential effect before taxation, if more positive reasonable assumptions are used for the valuation of the financial instruments in level 3 on the income statement, is 70 (2016: 70) and on other comprehensive income 16 (2016: 7). The potential

effect before taxation, if more negative reasonable assumptions are used for the valuation of financial instruments in level 3 on the income statement, is -64 (2016: -70) and on other comprehensive income -16 (2016: -7).

¹ Prior year figures of short term liabilities classified as Deposits from customers and Deposits from banks have been reclassified from level 3 to level 2 as this better reflects the used valuation techniques of these liabilities

Level 3 of the financial assets at fair value includes private equity interests. Private equity interests amount to 525 (2016: 488). A significant unobservable input for the valuation of these interests is the multiplier which is applied to the EBITDA. The average weighted multiplier is 6.3, with a bandwidth of -1 and +1 of the multiplier.

<i>in millions of euros</i>	<i>Balance on 1 January 2017</i>	<i>Fair value changes incorporated in profit or loss</i>	<i>Fair value changes incorporated in OCI</i>	<i>Purchases</i>	<i>Sales</i>	<i>Settlements</i>	<i>Transfers to held for sale assets</i>	<i>Transfers to or from level 3</i>	<i>Balance on 31 December 2017</i>
Assets									
Financial assets held for trading	89	(3)	-	-	(23)	-	-	-	63
Financial assets designated at fair value	514	42	-	138	(98)	-	(74)	-	522
Derivatives	535	50	-	-	-	(331)	-	61	315
Available-for-sale financial assets	540	(22)	31	13	(30)	-	-	-	532
Liabilities									
Derivatives	524	46	-	-	-	(318)	-	7	259
Financial liabilities designated at fair value	13	(1)	-	-	(3)	-	(3)	44	50

The table shows movements in the financial instruments which are stated at fair value in the statement of financial position and which are classified in Level 3. The fair value adjustments in Level 3 which are included in equity are accounted for in the revaluation reserves for available-for-sale financial assets.

In 2017 there were no significant transfers between level 1 and level 2.

<i>in millions of euros</i>	<i>Balance on 1 January 2016</i>	<i>Fair value changes incorporated in profit or loss</i>	<i>Fair value changes incorporated in OCI</i>	<i>Purchases</i>	<i>Sales</i>	<i>Settlements</i>	<i>Transfers to or from level 3</i>	<i>Balance on 31 December 2016</i>
Assets								
Financial assets held for trading	126	(11)	-	3	(34)	-	5	89
Financial assets designated at fair value	985	(20)	-	98	(575)	-	26	514
Derivatives	765	420	-	-	-	(650)	-	535
Available-for-sale financial assets	594	18	(51)	280	(299)	(2)	-	540
Liabilities								
Derivatives	688	527	-	-	(2)	(700)	11	524
Financial liabilities designated at fair value	24	(1)	-	-	(10)	-	-	13

The amount in total gains or losses recognised 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.

Fair value changes for financial instruments in level 3 recognised in profit or loss

<i>in millions of euros</i>	<i>Instruments held at the end of reporting period</i>	<i>Instruments not held any more at the end of reporting period</i>	<i>Total</i>
On 31 December 2017			
Assets			
Financial assets held for trading	(3)	-	(3)
Financial assets designated at fair value	37	5	42
Derivatives	61	(11)	50
Available-for-sale financial assets	(22)	-	(22)
Liabilities			
Derivatives	52	(6)	46
Financial liabilities designated at fair value	(1)	-	(1)
On 31 December 2016			
Assets			
Financial assets held for trading	(10)	(1)	(11)
Financial assets designated at fair value	(37)	17	(20)
Derivatives	229	191	420
Available-for-sale financial assets	(1)	19	18
Liabilities			
Derivatives	238	289	527
Financial liabilities designated at fair value	(1)	-	(1)

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 (referred to 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 recognised 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 31 December 2017.

4.10 Legal and arbitration proceedings

Rabobank Group is active in a legal and regulatory environment that exposes it to substantial risk of litigation. As a result, Rabobank Group is involved in legal cases, arbitrations and regulatory proceedings in the Netherlands and in other countries, including the United States. The most relevant legal and regulatory claims which could give rise to liability on the

part of Rabobank Group are described below. If it appears necessary on the basis of the applicable reporting criteria, provisions are made based on current information; similar types of cases are grouped together and some cases may also consist of a number of claims. The estimated loss for each individual case (for which it is possible to make a reliable estimate) is not reported because Rabobank Group feels that information of this type could be detrimental to the outcome of individual cases. When determining which of the claims is more likely than not (i.e. with a likelihood of over fifty percent) to lead to an outflow of funds, Rabobank Group takes several factors into account. These 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 Group's experience and that of third parties in similar cases (if known); previous settlement discussions, third-party settlements in similar cases (where known); available indemnities; and the advice and opinions of legal advisors and other experts.

The estimated potential losses and the existing provisions, are based on the information available at the time and are for the main part subject to judgements and a number of different assumptions, variables and known and unknown uncertainties. These uncertainties may include the inaccuracy or incompleteness of the information available to Rabobank Group (especially in the early stages of a case). In addition, assumptions made by Rabobank Group about the future rulings of legal or other instances or the likely actions or attitudes of supervisory bodies or the parties opposing Rabobank Group may turn out to be incorrect. Furthermore, estimates of potential losses relating to the legal disputes are often impossible to process using statistical or other quantitative analysis instruments that are generally used to make judgements and estimates. They are then subject to a still greater level of uncertainty than many other areas where the group needs to make judgements and estimates. The group of cases for which Rabobank Group determines that the risk of future outflows of funds is higher than fifty percent 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 Group 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 recognised. For those cases where (a) the possibility of an outflow of funds is not probable but also not remote or (b) the possibility of an outflow of funds is more likely than not but the potential loss cannot be estimated reliably, a contingent liability is shown.

Rabobank Group 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 at this level, (ii) to avoid other adverse business consequences and/or (iii) pre-empt the regulatory or reputational consequences of continuing with disputes relating to liability, even if Rabobank Group believes it has good arguments in its defense. Furthermore, Rabobank Group may, for the same reasons, compensate third parties for their losses, even in situations where Rabobank Group 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. Such an interest rate swap protects customers from rising variable interest rates and helps businesses to keep their interest payments at an acceptable level. In March 2016 the Dutch Minister of Finance appointed an independent committee which on 5 July 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 7 July 2016. The final version of the Recovery Framework was published by the independent committee on 19 December 2016. Implementation of the Recovery Framework is expected to be finalised in 2018.

Rabobank is involved in civil proceedings in the Netherlands relating to interest rate derivative instruments 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. These actions concern allegations relating to alleged misconduct in connection with Rabobank's Euribor submissions (as described below) and/or allegations of misinforming clients with respect to interest rate derivatives. 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 recognised a provision of 450 (2016: 664).

The scoping of clients is the most important parameter in the calculations to estimate the provision. Furthermore, the calculations regarding technical recovery are based on a portfolio approach instead of individual contract calculations.

Prospectus liability issues

In 2011, the Dutch Investors Association (VEB) issued a summons against the company formerly known as Fortis N.V. (currently trading as Ageas N.V.), the underwriters involved – including Rabobank – and the former directors of Fortis N.V. The VEB states in this summons that (i) investors were misled by the prospectus published by Fortis N.V. in connection with its rights issue in September 2007 and (ii) the impact and risks of the subprime crisis for Fortis and its liquidity position were misrepresented in the prospectus. The VEB has requested a declaratory judgement stating that the defendants acted illegitimately and must therefore be held liable for the loss allegedly suffered by investors in Fortis, which according to the VEB amounts to approximately EUR 18 billion. Rabobank maintains the view that the aforementioned loss has not been properly substantiated. The proceedings concern a settlement of collective loss, which means that the court will only rule on the question of whether the defendants (including Rabobank) are liable.

Rabobank has been defending itself against the claim.

A hearing was scheduled to start on 14 March 2016. That day, however, Ageas announced a settlement of EUR 1.2 billion with claimant organisations VEB, Deminor, Stichting FortisEffect and Stichting Investor Claims Against Fortis (SICAF) with respect to all disputes and claims relating to various events in 2007 and 2008 in respect of the former Fortis group (including the VEB claim described above).

On 23 May 2016, the parties to the settlement requested the Amsterdam Court of Appeal to declare the settlement binding for all eligible Fortis shareholders (in accordance with the Dutch Law on the Collective Resolvment of Mass Damages ('Wet Collectieve Afwikkeling Massaschade'). The class action has been suspended until this specific procedure is finalised.

On 16 June 2017, the Amsterdam Court of Appeal issued an interim judgement stating that the proposed settlement agreement cannot be declared binding. The court gave the parties the opportunity to amend the settlement agreement and file it for revaluation. The parties agreed upon an amended settlement agreement. Under the amended agreement the total amount of the compensation is increased by EUR 100 million to EUR 1.3 billion and certain key elements of the compensation mechanism have been amended. The amended settlement agreement has been filed on 12 December 2017 with the Amsterdam Court of Appeal with the same request to declare the settlement binding. Following this request, the Court of Appeal issued an interim judgement on 5 February 2018 stating that the amended proposed settlement agreement cannot be declared binding. The court asks the claimant organisations to provide more insight into their compensation and whether their compensation is reasonable in comparison to the total amount of the compensation available for all eligible

Fortis shareholders. A new hearing is scheduled for 16 March 2018.

The settlement process may have one of the two following outcomes:

(1) the Court of Appeal declares the settlement binding. Investors may choose to opt out of the settlement during an opt-out period of three to six months. After this period (and provided that the settlement is not annulled because the opt-out ratio exceeds a certain limit), distributions of payments will start. The release of Rabobank (and other underwriters) is subject to satisfaction of the compensation obligations towards the eligible Fortis shareholders. It is expected that it will take at least 18 months from the Court of Appeal judgement declaring the settlement agreement binding before the first payments will be made. Investors that choose to opt out of the settlement may still claim damages from Ageas and the defendants (including Rabobank) on an individual basis.

(2) the Court of Appeal does not declare the settlement binding for all eligible Fortis shareholders or Ageas exercises its right to annul the settlement in case the opt-out ratio exceeds a certain limit. If no settlement agreement will be binding, the proceedings against the VEB described above, in principle will resume as before the suspension. Rabobank Group considers the Fortis case to be a contingent liability. No provision has been made.

On 30 January 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.

Libor/Euribor

Rabobank has been involved for a number of years in several regulatory proceedings in relation to benchmark-related issues. Rabobank is cooperating, and will continue to cooperate, with the regulators and authorities involved in these investigations. On 29 October 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. Additional information is available on the bank's corporate website. All amounts payable under these settlement agreements were fully paid and accounted for by Rabobank in 2013.

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 the US 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. In 2014, an Argentinian consumer protection

organisation brought an alleged class action suit against Rabobank in Argentina in relation to USD Libor. Rabobank and/or its subsidiaries have also received complaints and writs of summons ordering Rabobank to appear before various Dutch, United Kingdom and Irish courts in civil proceedings relating to Euribor and other benchmarks. These by various individuals and entities (including five Dutch collective claim foundations, two of which have initiated legal proceedings in the Netherlands). Since the alleged class action suits and civil proceedings listed above are intrinsically subject to uncertainties, it is difficult to predict their outcomes. Rabobank takes the stance that it has substantive and convincing legal and factual defenses against these claims. Rabobank has the intention to continue to defend itself against these claims.

As no reliable estimate can be made, Rabobank Group considers the Libor/Euribor case to be a contingent liability. No provision has been made.

BSA/AML

Per year end 2017 Rabobank, National Association (RNA), a retail banking subsidiary of Rabobank in California, was under investigation by the US Department of Justice (DOJ), the US Office of the Comptroller of the Currency (OCC) and the Financial Crimes Enforcement Network (FinCEN) in connection with issues related to RNA's BSA/AML compliance programme and the manner in which certain former employees communicated with the OCC in 2013. In Q4 2017 RNA took a provision of USD 369.2 million in anticipation of a potential settlement as RNA had recently engaged in discussions to settle these matters. On 7 February 2018 the DOJ, the OCC and Rabobank and RNA announced that RNA has entered into agreements with the DOJ and the OCC to conclude the previously reported investigations. Recognizing the material improvements the bank has made to its BSA/AML compliance programme, the OCC has also terminated the Consent Order issued in December 2013. RNA has agreed to pay approximately USD 369.2 million in forfeiture and civil money penalties and fines. It has also agreed to plead guilty to one charge of conspiring to obstruct a regulatory examination. Under the plea agreement's terms with the DOJ, no further action will be taken against RNA with regard to its BSA/AML compliance programme and related conduct. Given the overlapping nature of the investigations and the bank's remediation, no additional penalties or measures will be sought by FinCEN, which has also concluded its examination. In February 2017 a criminal complaint was filed with the Dutch Public Prosecutor (DPP) against Rabobank, two group entities and the persons factually in charge of these entities asking for a criminal investigation in relation to the matters related to the DOJ investigation. Rabobank understands that the DPP has received the complaint

and awaits the DPP's response to it. Rabobank has insufficient information to determine if a provision should be recognised for DPP's possible response.

Other cases

Rabobank Group is subject to other legal proceedings for which a provision was recognised. These cases are individually less significant in size and are therefore not further described. The total provision for those cases combined amounts to 141. On top of the contingent liability cases described above for which an assessment regarding a possible outflow is not yet possible, Rabobank Group has identified a number of other, less relevant cases in terms of size as a contingent liability. Because these cases are less significant, Rabobank has chosen not to describe these in detail. The principal amount claimed for those contingent liability cases combined amounts to 91.

5 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 for the purpose of making business decisions with different risks and returns.

As part of the ongoing change of the bank following our strategic objectives Rabobank has changed the set-up and internal reporting of the business segments as of 1 April 2017. Treasury, which was formerly part of the WRR (Wholesale, Rural & Retail) segment, is now reported within other group functions under 'Other segments'. Furthermore, in 2017 the portfolio of DLL's Financial Solutions was transferred to the business segment domestic retail banking and a large part of the loan portfolio of FGH Bank which was previously in the real estate segment was integrated in the domestic retail banking and WRR segment. In line with IFRS 8 the following tables contain the segment information in the new structure. The previous period segment information is also represented in the new structure

and the figures have been adjusted accordingly. This reflects Rabobank group's organisational structure and forms the basis for internal management reporting.

Rabobank distinguishes five major business segments: domestic retail banking; WRR; leasing; real estate; and other segments. Domestic retail banking mainly encompasses the activities of the local Rabobanks, Obvion, Financial Solutions and Roparco. WRR supports the Rabobank Group in becoming the market leader in the Netherlands and focuses on the Food & Agri sectors at international level. This segment develops corporate banking activities on a regional basis and in addition controls globally operating divisions such as Markets, Acquisition Finance, Global Corporate Clients, Export Finance & Project Finance, Trade & Commodity Finance and Financial Institutions Group. The segment also actively involves International Direct Retail Banking and Private Equity. International Rural & Retail operations forms a part of the Rabobank label, with the exception of ACC Loan Management. 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 Bouwfonds Property Development, Bouwfonds Investment Management and FGH Bank. The core activities are the development of housing, financing and asset management. 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 associates (in particular Achmea B.V.), treasury and head office operations. There are no customers who represent more than a 10% share in the total revenues of Rabobank. 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.

Amounts in millions of euros	Domestic retail banking	WRR	Leasing	Real estate	Other segments	Consolidation effects	Total
For the year ended 31 December 2017							
Net interest income	5,581	2,367	1,008	57	(170)	-	8,843
Net fee and commission income	1,398	432	75	59	(10)	(39)	1,915
Other results	74	861	207	479	(230)	(148)	1,243
Income	7,053	3,660	1,290	595	(410)	(187)	12,001
Staff costs	1,430	1,011	487	180	101	1,263	4,472
Other administrative expenses	2,783	1,312	227	154	200	(1,500)	3,176
Depreciation	98	56	28	7	54	163	406
Operating expenses	4,311	2,379	742	341	355	(74)	8,054
Impairment losses on goodwill and investments in associates	-	-	-	-	-	-	-
Loan impairment charges	(259)	95	106	(116)	(16)	-	(190)
Regulatory levies	270	171	22	4	38	-	505
Operating profit before tax	2,731	1,015	420	366	(787)	(113)	3,632
Taxation	703	416	(71)	73	(135)	(28)	958
Net profit	2,028	599	491	293	(652)	(85)	2,674
Cost/income ratio excluding regulatory levies (in %) ¹	61.1	65.0	57.5	57.3	n/a	n/a	67.1
Cost/income ratio including regulatory levies (in %) ²	65.0	69.7	59.2	58.0	n/a	n/a	71.3
Loan impairment charges (in basis points of average private sector loan portfolio) ³	(9)	9	36	(521)	n/a	n/a	(5)
External assets	285,894	131,888	32,466	5,598	147,145	-	602,991
Goodwill	322	119	75	-	3	-	519
Private sector loan portfolio	280,028	101,506	27,159	1,807	464	-	410,964

Amounts in millions of euros	Domestic retail banking	WRR	Leasing	Real estate	Other segments	Consolidation effects	Total
Loan impairment allowances loans and advances to customers							
Balance on 1 January 2017	3,317	3,099	259	797	15	-	7,487
Loan impairment charges from loans and advances to customers	(172)	118	145	(114)	(15)	-	(38)
Write-off of defaulted loans during the year	(632)	(1,047)	(136)	(204)	-	-	(2,019)
Interest and other adjustments	31	(60)	(24)	69	-	-	16
Balance on 31 December 2017	2,544	2,110	244	548	-	-	5,446
Specific allowance	1,656	1,896	93	544	-	-	4,189
Collective allowance	559	19	67	-	-	-	645
IBNR	329	195	84	4	-	-	612
Total	2,544	2,110	244	548	-	-	5,446

1 Operating expenses divided by Total income

2 Operating expenses plus regulatory levies divided by Total income

3 Loan impairment charges 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
For the year ended 31 December 2016							
Net interest income	5,730	2,355	917	143	(310)	-	8,835
Net fee and commission income	1,343	491	82	16	(73)	(33)	1,826
Other results	58	812	816	379	356	(277)	2,144
Income	7,131	3,658	1,815	538	(27)	(310)	12,805
Staff costs	1,820	1,103	606	200	(38)	989	4,680
Other administrative expenses	3,165	919	235	135	353	(1,331)	3,476
Depreciation	117	94	31	4	50	142	438
Operating expenses	5,102	2,116	872	339	365	(200)	8,594
Impairment losses on goodwill and investments in associates	-	-	-	-	700	-	700
Loan impairment charges	32	255	94	(75)	4	-	310
Regulatory levies	282	152	22	4	23	-	483
Operating profit before tax	1,715	1,135	827	270	(1,119)	(110)	2,718
Taxation	446	369	170	70	(333)	(28)	694
Net profit	1,269	766	657	200	(786)	(82)	2,024
Cost/income ratio excluding regulatory levies (in %) ¹	71.5	57.8	48.0	63.0	n/a	n/a	67.1
Cost/income ratio including regulatory levies (in %) ²	75.5	62.0	49.3	63.8	n/a	n/a	70.9
Loan impairment charges (in basis points of average private sector loan portfolio) ³	1	25	32	(141)	n/a	n/a	7
External assets	291,859	156,286	31,797	6,332	176,319	-	662,593
Goodwill	322	136	77	-	2	-	537
Private sector loan portfolio	285,175	108,596	27,632	2,663	485	-	424,551

Amounts in millions of euros	Domestic retail banking	WRR	Leasing	Real estate	Other segments	Consolidation effects	Total
Loan impairment allowances loans and advances to customers							
Balance on 1 January 2016	4,051	2,961	251	1,095	33	-	8,391
Loan impairment charges from loans and advances to customers	107	311	125	(73)	4	-	474
Write-off of defaulted loans during the year	(966)	(203)	(132)	(240)	(7)	-	(1,548)
Interest and other adjustments	125	30	15	15	(15)	-	170
Balance on 31 December 2016	3,317	3,099	259	797	15	-	7,487
Specific allowance	2,204	2,741	107	794	-	-	5,846
Collective allowance	675	11	70	-	-	-	756
IBNR	438	347	82	3	15	-	885
Total	3,317	3,099	259	797	15	-	7,487

1 Operating expenses divided by Total income

2 Operating expenses plus regulatory levies divided by Total income

3 Loan impairment charges divided by 12-month average private sector loan portfolio

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 allocation is based on the location of the individual subsidiary from which the transactions are initiated. Revenue is defined as total income as presented in the statement of income plus interest expense and fee and commission expense. The following table contains the most important legal entities within the business segment through which itself or consolidated subsidiary(ies) are operating.

Per 31 December 2017

in millions of euros

Geographic location	Country	Name of subsidiary	Type of operations	Revenues	Average number of internal employees in FTE	Operating profit before tax	Income tax
The Netherlands	The Netherlands	Coöperatieve Rabobank U.A., DLL International B.V., Obvion N.V., Rabohypotheekbank N.V., Rabo Vastgoedgroep Holding N.V., BPD Europe B.V.	Domestic retail banking, Wholesale banking and international retail banking, Leasing, Real estate	22,798	27,787	2,297	510
Other Eurozone countries	France	DLL International B.V., Coöperatieve Rabobank U.A., Rabo Vastgoedgroep Holding N.V., BPD Europe B.V.	Leasing, Wholesale banking and international retail banking, Real estate	212	501	79	31
	Belgium	DLL International B.V., Coöperatieve Rabobank U.A., Rabo Vastgoedgroep Holding N.V., BPD Europe B.V.	Leasing, Wholesale banking and international retail banking, Real estate	113	106	27	8
	Germany	DLL International B.V., Coöperatieve Rabobank U.A., Rabo Vastgoedgroep Holding N.V., BPD Europe B.V.	Leasing, Wholesale banking and international retail banking, Real estate	300	631	81	25
	Italy	DLL International B.V., Coöperatieve Rabobank U.A.	Leasing, Wholesale banking and international retail banking	72	131	33	5
	Ireland	DLL International B.V., Coöperatieve Rabobank U.A.	Leasing, Wholesale banking and international retail banking	546	208	142	9
	Finland	DLL International B.V.	Leasing	6	8	2	-
	Austria	DLL International B.V.	Leasing	2	2	1	-
	Portugal	DLL International B.V.	Leasing	4	13	1	-
	Spain	DLL International B.V., Coöperatieve Rabobank U.A.	Leasing, Wholesale banking and international retail banking	42	122	12	4
Rest of Europe (non-Eurozone)	United Kingdom	DLL International B.V., Rabobank	Leasing, Wholesale banking and international retail banking	598	660	122	25
	Norway	DLL International B.V.	Leasing	24	34	6	1
	Sweden	DLL International B.V.	Leasing	41	126	4	1
	Denmark	DLL International B.V., Rabo Vastgoedgroep Holding N.V., BPD Europe B.V.	Leasing, Real estate	17	24	6	1
	Switzerland	DLL International B.V.	Leasing	4	6	2	-
	Russia	DLL International B.V.	Leasing	36	60	4	3
	Poland	DLL International B.V.	Leasing	24	87	10	-
	Hungary	DLL International B.V.	Leasing	7	38	2	-
	Romania	DLL International B.V.	Leasing	-	3	-	-
	Turkey	DLL International B.V., Coöperatieve Rabobank U.A.	Leasing, Wholesale banking and international retail banking	36	59	21	4
North America	United States	DLL International B.V., Coöperatieve Rabobank U.A., Rabo Vastgoedgroep Holding N.V., Rabobank NA, Utrecht America Holdings Inc.	Leasing, Wholesale banking and international retail banking, Real estate	2,716	3,970	121	121
	Canada	DLL International B.V., Coöperatieve Rabobank U.A.	Leasing, Wholesale banking and international retail banking	190	211	60	16

in millions of euros

Geographic location	Country	Name of subsidiary	Type of operations	Revenues	Average number of internal employees in FTE	Operating profit before tax	Income tax
Latin America	Mexico	DLL International B.V.	Leasing	19	64	5	2
	Cayman Islands	Coöperatieve Rabobank U.A.	Wholesale banking and international retail banking	-	-	-	-
	Brazil	DLL International B.V., Coöperatieve Rabobank U.A., Banco Rabobank International Brasil SA	Leasing, Wholesale banking and international retail banking	616	684	221	87
	Chile	DLL International B.V., Coöperatieve Rabobank U.A.	Leasing, Wholesale banking and international retail banking	64	172	8	-
	Argentina	DLL International B.V.	Leasing	4	13	1	-
Asia	India	DLL International B.V., Coöperatieve Rabobank U.A.	Leasing, Wholesale banking and international retail banking	57	268	(9)	-
	Singapore	DLL International B.V., Rabobank	Leasing, Wholesale banking and international retail banking	176	200	(17)	(3)
	Indonesia	Coöperatieve Rabobank U.A.	Wholesale banking and international retail banking	65	776	(2)	2
	Malaysia	Coöperatieve Rabobank U.A.	Wholesale banking and international retail banking	4	4	2	-
	China	DLL International B.V., Coöperatieve Rabobank U.A.	Leasing, Wholesale banking and international retail banking	90	164	6	1
	Hong Kong	DLL International B.V., Coöperatieve Rabobank U.A.	Leasing, Wholesale banking and international retail banking	292	188	32	3
	South Korea	DLL International B.V.	Leasing	9	24	2	-
Australia	Australia	DLL International B.V., Coöperatieve Rabobank U.A., Rabobank Australia Limited	Leasing, Wholesale banking and international retail banking	1,136	985	228	68
	New Zealand	DLL International B.V., Coöperatieve Rabobank U.A., Rabobank New Zealand Limited	Leasing, Wholesale banking and international retail banking	542	294	122	34
Other	Mauritius, Kenya	Coöperatieve Rabobank U.A.	Wholesale banking and international retail banking	3	1	-	-
		Consolidation effects		(11,565)	-	-	-
				19,300	38,624	3,632	958

Per 31 December 2016

in millions of euros

Geographic location	Country	Name of subsidiary	Type of operations	Revenues	Average number of internal employees in FTE	Operating profit before tax	Income tax
The Netherlands	The Netherlands	Coöperatieve Rabobank U.A., DLL International B.V., Obvion N.V., Rabohypothekbank N.V., Rabo Vastgoedgroep Holding N.V.	Domestic retail banking, Wholesale banking and international retail banking, Leasing, Real estate	24,601	31,627	1,128	187
Other Eurozone countries	France	DLL International B.V., Coöperatieve Rabobank U.A., Rabo Vastgoedgroep Holding N.V.	Leasing, Wholesale banking and international retail banking, Real estate	246	553	86	31
	Belgium	DLL International B.V., Coöperatieve Rabobank U.A., Rabo Real Estate Group	Leasing, Wholesale banking and international retail banking, Real estate	176	201	28	8
	Germany	DLL International B.V., Coöperatieve Rabobank U.A., Rabo Vastgoedgroep Holding N.V.	Leasing, Wholesale banking and international retail banking, Real estate	332	664	92	32
	Italy	DLL International B.V., Coöperatieve Rabobank U.A.	Leasing, Wholesale banking and international retail banking	81	146	33	6

in millions of euros

Geographic location	Country	Name of subsidiary	Type of operations	Revenues	Average number of internal employees in FTE	Operating profit before tax	Income tax
	Luxembourg	DLL International B.V., Rabo Vastgoedgroep Holding N.V.	Leasing, Real estate	2	-	-	-
	Ireland	DLL, Coöperatieve Rabobank U.A.	Leasing, Wholesale banking and international retail banking	812	319	265	26
	Finland	DLL International B.V.	Leasing	5	7	2	-
	Austria	DLL International B.V.	Leasing	2	2	1	-
	Portugal	DLL International B.V.	Leasing	6	13	1	-
	Spain	DLL International B.V., Coöperatieve Rabobank U.A.	Leasing, Wholesale banking and international retail banking	58	140	21	11
Rest of Europe (non-Eurozone)	United Kingdom	DLL International B.V., Coöperatieve Rabobank U.A.	Leasing, Wholesale banking and international retail banking	586	648	85	22
	Norway	DLL International B.V.	Leasing	22	31	7	2
	Sweden	DLL International B.V.	Leasing	48	127	7	3
	Denmark	DLL International B.V., Rabo Vastgoedgroep Holding N.V.	Leasing, Real estate	17	23	8	1
	Switzerland	DLL International B.V.	Leasing	4	6	1	-
	Russia	DLL International B.V.	Leasing	23	55	8	2
	Poland	DLL International B.V.	Leasing	28	100	10	2
	Czech Republic	Rabo Vastgoedgroep Holding N.V.	Real estate	-	1	-	-
	Hungary	DLL International B.V.	Leasing	7	35	3	-
	Romania	DLL International B.V.	Leasing	-	2	-	-
	Turkey	DLL International B.V., Coöperatieve Rabobank U.A.	Leasing, Wholesale banking and international retail banking	32	59	14	3
North America	United States	DLL International B.V., Coöperatieve Rabobank U.A., Rabo Vastgoedgroep Holding N.V., Rabobank NA, Utrecht America Holdings Inc.	Leasing, Wholesale banking and international retail banking, Real estate	2,849	4,002	431	183
	Canada	DLL International B.V., Rabobank	Leasing, Wholesale banking and international retail banking	183	213	53	14
Latin America	Mexico	DLL International B.V.	Leasing	16	60	3	1
	Cayman Islands	Coöperatieve Rabobank U.A.	Wholesale banking and international retail banking	-	-	-	-
	Curacao	Coöperatieve Rabobank U.A.	Wholesale banking and international retail banking	7	1	1	1
	Brazil	DLL International B.V., Coöperatieve Rabobank U.A., Banco Rabobank International Brasil SA	Leasing, Wholesale banking and international retail banking	607	679	153	58
	Chile	DLL International B.V., Coöperatieve Rabobank U.A.	Leasing, Wholesale banking and international retail banking	77	247	(12)	16
	Argentina	DLL International B.V.	Leasing	3	36	(4)	1
Asia	India	DLL International B.V., Coöperatieve Rabobank U.A.	Leasing, Wholesale banking and international retail banking	59	161	(20)	(9)
	Singapore	DLL International B.V., Coöperatieve Rabobank U.A.	Leasing, Wholesale banking and international retail banking	135	205	(15)	(2)
	Indonesia	Coöperatieve Rabobank U.A.	Wholesale banking and international retail banking	94	797	2	-
	Malaysia	Coöperatieve Rabobank U.A.	Wholesale banking and international retail banking	4	4	1	-
	China	DLL International B.V., Coöperatieve Rabobank U.A.	Leasing, Wholesale banking and international retail banking	311	356	27	9
	South Korea	DLL International B.V.	Leasing	8	25	(2)	-
	Japan	DLL International B.V.	Leasing	-	1	-	-

in millions of euros

Geographic location	Country	Name of subsidiary	Type of operations	Revenues	Average number of internal employees in FTE	Operating profit before tax	Income tax
Australia	Australia	DLL International B.V., Coöperatieve Rabobank U.A., Rabobank Australia Limited	Leasing, Wholesale banking and international retail banking	1,204	983	200	57
	New Zealand	DLL International B.V., Coöperatieve Rabobank U.A., Rabobank New Zealand Limited	Leasing, Wholesale banking and international retail banking	592	313	100	29
Other	Mauritius, Kenya	Coöperatieve Rabobank U.A.	Wholesale banking and international retail banking	-	1	-	-
			Consolidation effects	(12,478)	-	-	-
				20,759	42,843	2,718	694

Rabobank did not receive government subsidies in 2017 and 2016.

Geographic information non-current assets

in millions of euros	2017		2016	
	Domestic	Non-domestic	Domestic	Non-domestic
Goodwill and other intangible assets	765	237	817	272
Property and equipment and investment properties	2,221	2,559	2,543	2,340
Other assets	5,062	2,899	4,647	3,231
Non-current assets held for sale	282	710	267	14
Total	8,330	6,405	8,274	5,857

6 Cash and cash equivalents

in millions of euros	2017	2016
Cash	732	653
Deposits at central banks	66,129	83,752
Total cash and cash equivalents	66,861	84,405

The average minimum reserve to be held for the Netherlands for the month of December 2017 was 3,202 (December 2016: 3,135).

7 Loans and advances to banks

in millions of euros	2017	2016
Deposits with other banks	8,533	10,412
Reverse repurchase transactions and securities borrowing agreements	17,286	13,398
Loans	1,308	1,435
Other	144	169
Gross due from other banks	27,271	25,414
Less: loan impairment allowance loan and advances to banks	(17)	(18)
	27,254	25,396
Reclassified assets	-	48
Total loans and advances to banks	27,254	25,444

Loan impairment allowance loans and advances to banks

	2017	2016
Balance on 1 January	18	16
Loan impairment charges loans and advances to banks	1	-
Write-off of defaulted loans during the year	-	-
Other changes	(2)	2
Balance on 31 December	17	18

The loan impairment charges of the loans and advances to banks are included in the income statement under 'Loan impairment charges'. The gross carrying amount of 'Loans and advances to banks' whose value adjustments were established on an individual basis is 335 (2016: 333).

8 Financial assets held for trading

in millions of euros	2017	2016
Loans	193	272
Short-term government securities	2	-
Government bonds	496	603
Other debt securities	1,006	1,123
Equity instruments	63	587
Total	1,760	2,585

9 Financial assets designated at fair value

<i>in millions of euros</i>	2017	2016
Debt securities	126	32
Loans	700	854
Venture capital (equity instrument)	333	314
Other equity instruments	35	121
Total	1,194	1,321

The change in the current year in the fair value of the loans designated as being at fair value with adjustments in the income statement that is allocable to the changes in the credit risk amounts to 3 (2016: 1). The cumulative change is -25 (2016: -28). 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 purchased loans designated at fair value.

10 Derivatives

Derivatives are used at Rabobank for the purpose of mitigating 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. In addition to hedging purposes derivatives are also contracted with the bank's customers where Rabobank is the counterparty.

10.1 Types of derivative instruments 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 organised 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 of 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 materialisation 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.

10.2 Derivatives issued or 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.

10.3 Derivatives held as hedges

Rabobank contracts various financial derivatives that serve to hedge economic risks, including interest rate and currency risks, which qualify as a fair value hedge, cash flow hedge or net investment hedge.

Fair value hedges

The main components of the fair value hedge at Rabobank are interest rate swaps and cross-currency interest rate swaps which serve as protection against a potential change in the fair value of fixed-income financial assets and liabilities in both local and foreign currencies, such as mortgages, available-for-sale debt securities and issued debt securities.

Rabobank tests the hedge effectiveness on the basis of statistical regression analysis models, both prospectively and retrospectively. At year-end 2016, the hedge relations were highly effective within the range set by IAS 39.

The IFRS ineffectiveness for the year ended 31 December 2017 was 57 (2016: 118). The result on the hedging instrument amounted to -946 (2016: -850), with the result from the hedged position, allocable to the hedged risk, amounting to -889 (2016: 968).

Cash flow hedges

Rabobank's cash flow hedges consist mainly of cross-currency interest rate swaps which serve to protect against a potential change in cash flows from financial assets in foreign currencies with floating interest rates.

Rabobank tests the hedge effectiveness on the basis of statistical regression analysis models, both prospectively and retrospectively. At year-end 2017 and 2016, the hedge relations were highly effective within the range set by IAS 39.

In 2017, Rabobank accounted for an amount of -594 (2016: -87) after taxation in other comprehensive income as effective changes in the fair value of derivatives in cash flow hedges.

In 2017, an amount of 622 (2016: 56) after taxation of cash flow hedge reserves was reclassified to the income statement.

On 31 December 2017, the cash flow hedge reserves as part of equity totalled -42 (2016: -70) after taxation. This amount fluctuates along with the fair value of the derivatives in the cash flow hedges and is accounted for in the income statement over the term of the hedged positions as trading result. The cash flow hedge reserve relates to a large number of derivatives and hedged positions with different terms. The maximum term is 23 years, with the largest concentrations exceeding five years.

The IFRS ineffectiveness for the year ended 31 December 2017 was 178 (2016: 148).

Net investment hedges

Rabobank uses forward foreign exchange contracts to hedge a portion of the currency translation risk of net investments in foreign operations. On 31 December 2017, forward contracts with a nominal amount of 1,834 (2016: 1,230) were designated as net investment hedges. These resulted in exchange gains and losses of -88 for the year (2016: -6), which are deferred in equity. A total of 22 was made in withdrawals from equity during the reporting year (2016: 24) as a result of the disposal of a hedged equity instrument. For the year ended 31 December 2017, Rabobank reported no ineffectiveness resulting from the net investment hedges.

10.4 Notional amount and fair value

Although the notional amount of certain types of financial instruments provides a basis for comparing instruments that are included in the statement of financial position, it does not necessarily represent the related future cash flows or the fair values of the instruments and therefore the exposure of Rabobank to credit or exchange risks. The nominal value is the amount of the asset, reference rate or index underlying a derivative financial instrument, which represents the basis on which changes in a derivative financial instrument's value are measured. It provides an indication of the volume of transactions executed by Rabobank, but is not a measure of risk exposure. Some derivatives are standardised in terms of notional amount or settlement date and are specifically designed for trading on active markets (exchanges).

Other derivatives are specifically constructed for individual clients and not for trading on an exchange, even though they can be traded at prices negotiated between buyers and sellers (OTC instruments).

The positive fair value represents the cost for Rabobank to replace all contracts on which it will be entitled to receive payment if all counterparties were to default. This is the standard method in the industry for calculating the current credit risk exposure. The negative fair value represents the cost of all Rabobank contracts on which it will have to make payment if Rabobank defaults. The totals of the positive and negative fair values are disclosed separately in the statement of financial position. Derivatives are positive (assets) or negative (liabilities) as a result of fluctuations in market or exchange rates in relation to their contract values. The total contract amount or notional amount of derivatives held, the degree to which these instruments are positive or negative, and hence the total fair value of the derivative financial assets and liabilities can sometimes fluctuate significantly.

The following table shows the notional amounts and the positive and negative fair values of derivative contracts held by Rabobank.

<i>in millions of euros</i>	<i>Notional amounts</i>	<i>Fair values</i>	
		Assets	Liabilities
Balance on 31 December 2017			
Derivatives held for trading	2,851,309	21,109	21,158
Derivatives held as hedges	116,644	4,396	6,945
Total derivative financial assets/liabilities	2,967,953	25,505	28,103
Derivatives held for trading			
Currency derivatives			
Unlisted tradeable contracts (OTC)			
Currency swaps	336,792	3,556	4,021
Currency options - purchased and sold	3,694	29	48
Listed tradeable contracts	3,718	2	3
Currency futures	241	2	4
Total currency derivatives	344,445	3,589	4,076
Interest rate derivatives			
Unlisted tradeable contracts (OTC)			
Interest rate swaps	2,375,700	14,800	14,088
OTC interest rate options	77,409	2,593	2,758
Total OTC contracts	2,453,109	17,393	16,846
Listed tradeable contracts			
Interest rate swaps	49,676	1	-
Total interest rate derivatives	2,502,785	17,394	16,846
Credit derivatives			
Credit default swaps	1,580	-	4
Total return swaps	-	-	-
Total credit derivatives	1,580	-	4
Equity instruments/index derivatives			
Unlisted tradeable contracts (OTC)			
Options - purchased and sold	63	8	7
Total equity instruments/index derivatives	63	8	7
Other derivatives	2,436	118	225
Total derivative financial assets/liabilities held for trading	2,851,309	21,109	21,158
Derivatives held as hedges			
Derivatives designated as fair value hedges			
Currency swaps and cross-currency interest rate swaps	51,904	1,563	5
Interest rate swaps	58,129	2,565	5,669
Derivatives designated as cash flow hedges			
Currency swaps and cross-currency interest rate swaps	4,777	299	1,271
Derivatives classified as net investment hedges			
Currency futures contracts	1,834	(31)	-
Total derivative financial assets/liabilities designated as hedges	116,644	4,396	6,945

<i>in millions of euros</i>	<i>Notional amounts</i>	<i>Fair values</i>	
		Assets	Liabilities
Balance on 31 December 2016			
Derivatives held for trading	3,036,696	37,438	37,645
Derivatives held as hedges	133,517	4,934	10,379
Total derivative financial assets/liabilities	3,170,213	42,372	48,024
Derivatives held for trading			
Currency derivatives			
Unlisted tradeable contracts (OTC)			
Currency swaps	405,251	6,986	9,191
Currency options - purchased and sold	5,438	95	63
Listed tradeable contracts	3,333	10	12
Currency futures	64	1	10
Total currency derivatives	414,086	7,092	9,276
Interest rate derivatives			
Unlisted tradeable contracts (OTC)			
Interest rate swaps	2,472,881	26,751	24,630
OTC interest rate options	81,784	3,388	3,435
Total OTC contracts	2,554,665	30,139	28,065
Listed tradeable contracts			
Interest rate swaps	62,078	1	-
Total interest rate derivatives	2,616,743	30,140	28,065
Credit derivatives			
Credit default swaps	2,663	1	4
Total return swaps	522	30	7
Total credit derivatives	3,185	31	11
Equity instruments/index derivatives			
Unlisted tradeable contracts (OTC)			
Options - purchased and sold	163	23	6
Total equity instruments/index derivatives	163	23	6
Other derivatives	2,518	153	287
Total derivative financial assets/liabilities held for trading	3,036,695	37,439	37,645
Derivatives held as hedges			
Derivatives designated as fair value hedges			
Currency swaps and cross-currency interest rate swaps	75,783	2,063	13
Interest rate swaps	48,654	1,903	8,824
Derivatives designated as cash flow hedges			
Currency swaps and cross-currency interest rate swaps	7,850	948	1,542
Derivatives classified as net investment hedges			
Currency futures contracts	1,230	20	-
Total derivative financial assets/liabilities designated as hedges	133,517	4,934	10,379

11 Loans and advances to customers

<i>in millions of euros</i>	2017	2016
Loans initiated by Rabobank:		
Loans to government clients:		
- leases	196	284
- other	2,117	2,957
Loans to private clients:		
- overdrafts	17,535	21,677
- mortgages	200,907	206,450
- leases	16,932	16,804
- reverse repurchase transactions and securities borrowing agreements	12,847	16,068
- corporate loans	179,204	187,827
- other	8,186	7,809
Gross loans and advances to customers	437,924	459,876
Less: loan impairment allowance loans and advances to customers	(5,446)	(7,487)
	432,478	452,389
Reclassified assets	86	418
Total loans and advances to customers	432,564	452,807
Loan impairment allowance loans and advances to customers		
Balance on 1 January	7,487	8,391
Loan impairment charges from loans and advances to customers	(38)	474
Write-off of defaulted loans during the year	(2,019)	(1,548)
Interest and other changes	16	170
Total loan impairment allowance loans and advances to customers	5,446	7,487
Specific allowance	4,189	5,846
Collective allowance	645	756
IBNR	612	885
Total loan impairment allowance loans and advances to customers	5,446	7,487
Gross carrying amount of loans whose value adjustments were established on an individual basis	16,720	16,564

In 2017, Rabobank sold loans for an amount of EUR 1.1 billion as part of its strategy and normal business operations, consisting of a sale of mortgage loans of EUR 0.6 billion to La Banque Postale and Roparco mortgage loans of EUR 0.5 billion to RNHB. Rabobank acquired financial and non-financial assets during the year by taking possession of collateral with an estimated value of 89 (2016: 61). It is policy of Rabobank to sell these assets in the reasonably foreseeable future. Yields are allocated to repay the outstanding amount.

Reclassified assets

In 2008, based on the amendments to IAS 39 and IFRS 7, 'Reclassification of financial assets', Rabobank reclassified a number of 'Financial assets held for trading' and 'Available-for-sale financial assets' to 'Loans and advances to customers' and 'Loans and advances to banks'. Rabobank has identified assets to which this amendment applies, whereby the intention has clearly shifted from holding the securities for the near future as opposed to selling or trading them in the short term. The reclassifications were effected as of 1 July 2008 at their fair value at the time. This section provides details on the impact of these reclassifications.

The table below shows the carrying amounts and fair values of the reclassified assets.

<i>in millions of euros</i>	31 December 2017		31 December 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets held for trading reclassified to loans	20	19	41	37
Available-for-sale financial assets reclassified to loans	66	70	425	437
Total financial assets reclassified to loans	86	89	466	474

If the reclassification had not been made, net profit for the assets held for trading would have been 2 higher (2016: 3 higher). The change in revaluation reserve – available-for-sale financial assets would have been 6 more negative in 2017 (2016: 33 more positive) if the reclassification of the available-for-sale financial assets had not been carried out.

Following reclassification, the reclassified financial assets made the following contribution to operating profit before taxation:

<i>in millions of euros</i>	2017	2016
Net income	-	(2)
Loan impairment charges	-	-
Operating profit before taxation on reclassified financial assets held for trading	-	(2)
Net income	4	9
Loan impairment charges	-	-
Operating profit before taxation on reclassified available-for-sale financial assets	4	9

Finance leases

Loans and advances to customers also includes receivables from finance leases, which can be broken down as follows:

<i>in millions of euros</i>	2017	2016
Receivables from gross investment in finance leases		
Not exceeding 1 year	6,302	6,219
Longer than 1 year but less than 5 years	11,584	11,735
Longer than 5 years	621	590
Total receivables from gross investment in finance leases	18,507	18,544
Unearned deferred finance income from finance leases	1,561	1,681
Net investment in finance leases	16,946	16,863
Not exceeding 1 year	6,097	6,105
Longer than 1 year but less than 5 years	10,393	10,275
Longer than 5 years	456	483
Net investment in finance leases	16,946	16,863

The finance leases mainly relate to the lease of equipment and cars, as well as factoring products. On 31 December 2017, the loan impairment allowance for finance leases amounted to 182 (2016: 225). The unguaranteed residual values accruing to the lessor amounted to 1,914 (2016: 1,884). The contingent lease payments recognised as income in 2017 were nil (2016: nil).

12 Available-for-sale financial assets

<i>in millions of euros</i>	2017	2016
Short-term government papers	1,362	1,602
Government bonds	22,418	27,010
Other debt securities	4,342	5,133
Equity instruments	567	835
Total available-for-sale financial assets	28,689	34,580

The impairment of available-for-sale financial assets amounted to 21 (2016: 0) and is recognised in the income statement under 'Gains/ (losses) on financial assets and liabilities at fair value through profit or loss.'

<i>in millions of euros</i>	2017	2016
Gains/(losses) on available-for-sale financial assets	158	87

The changes in available-for-sale financial assets can be broken down as follows:

<i>in millions of euros</i>	2017	2016
Opening balance	34,580	37,773
Foreign exchange differences	(1,133)	395
Additions	3,687	5,371
Disposals (sale and repayment)	(7,707)	(8,768)
Fair value changes	(670)	(155)
Other changes	(68)	(36)
Closing balance	28,689	34,580

13 Investments in associates and joint ventures

The carrying amount of the investments in associates and joint ventures is 2,521 (2016: 2,417).

<i>in millions of euros</i>	2017	2016
Opening balance	2,417	3,672
Foreign exchange differences	(7)	3
Purchases	113	75
Sales	(214)	(350)
Share of profit of associates	246	44
Dividends paid out (and capital repayments)	(78)	(101)
Transferred to held for sale	-	(187)
Revaluation	5	27
Impairment	-	(700)
Other	39	(66)
Total investments in associates and joint ventures	2,521	2,417

13.1 Investments in associates

The main associate in terms of the size of the capital interest held by Rabobank is:

On 31 December 2017	<i>Shareholding</i>	<i>Voting rights</i>
The Netherlands		
Achmea B.V.	29%	29%

Achmea is a strategic partner of Rabobank for insurance products and Interpolis, a subsidiary of the Achmea Group, works closely with the local Rabobanks. 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. In 2017, Rabobank received dividend from Achmea for an amount of 0 (2016: 43). The outlook for the future profitability of Achmea deteriorated in 2016, that gave triggers of potential impairments for the investment in Achmea. The impairment test in 2016 resulted in a downward adjustments of the carrying value of the investment in Achmea of 700 which was recognised in the income

statement as 'Impairment losses on goodwill and investments in associates'. Achmea B.V. is part of the operating segment 'Other segments'. In 2017 there were no impairment triggers to perform an impairment test.

<i>Achmea</i>	2017	2016
Cash and cash equivalents	2,884	2,192
Investments	72,702	78,893
Other assets	10,259	11,884
Assets held for sale	5,101	11
Total assets	90,946	92,980
Insurance related provisions	57,293	61,345
Loans and funds borrowed	16,801	18,942
Other liabilities	1,901	2,909
Liabilities held for sale	5,002	2
Total liabilities	80,997	83,198
Revenues	22,065	23,968
Net profit	216	(382)
Other comprehensive income	19	109
Total comprehensive income	235	(273)

<i>Reconciliation carrying amount of interest in Achmea</i>	2017	2016
Total equity Achmea	9,949	9,782
Minus: hybrid capital	1,350	1,350
Minus: preference shares and accrued dividend	350	350
Shareholder's equity	8,249	8,082
Share of Rabobank	29.21%	29.21%
	2,410	2,361
Impairment	(700)	(700)
Carrying amount	1,710	1,661

<i>Other associates</i>	2017	2016
Result from continuing operations	203	175
Net profit	203	175
Other comprehensive income	11	(4)
Total comprehensive income	214	171

13.2 Investments in joint ventures

Virtually all joint ventures are investments of BPD. Their total carrying amount is -8 (2016: -36). Joint ventures are recognised in accordance with the equity method.

BPD often has partnerships for the development of 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 2016 and 2017.

<i>Result from joint ventures</i>	2017	2016
Profit or loss from continuing operations	22	9
Net profit	22	9
Other comprehensive income	-	-
Total comprehensive income	22	9

Contingent liabilities to joint ventures

Rabo Real Estate Group entered into commitments on 31 December 2017 with regard to real estate projects, commitments with third parties (including subcontractors and architects) for an amount of 23 (2016: 27).

14 Goodwill and other intangible assets

<i>in millions of euros</i>	Goodwill	Software developed in-house	Other intangible assets	Total
Year ended 31 December 2017				
Opening balance	537	420	132	1,089
Foreign exchange differences	(19)	(1)	(5)	(25)
Additions	-	115	49	164
Disposals	-	(40)	(3)	(43)
Other	1	21	(6)	16
Amortisation	-	(113)	(55)	(168)
Impairments	-	(31)	-	(31)
Closing balance	519	371	112	1,002
Cost	1,127	1,517	573	3,217
Accumulated amortisation and impairments	(608)	(1,146)	(461)	(2,215)
Net carrying amount	519	371	112	1,002
Year ended 31 December 2016				
Opening balance	905	428	160	1,493
Foreign exchange differences	1	(1)	2	2
Additions	1	105	52	158
Disposals	-	(1)	(7)	(8)
Changes due to sale of Athlon	(367)	-	-	(367)
Other	(3)	6	-	3
Amortisation	-	(113)	(75)	(188)
Impairments	-	(4)	-	(4)
Closing balance	537	420	132	1,089
Cost	1,227	1,465	564	3,256
Accumulated amortisation and impairments	(690)	(1,045)	(432)	(2,167)
Net carrying amount	537	420	132	1,089

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 carrying amount of the goodwill allocated to RNA in the wholesale banking segment is 119 (2016: 136). The cash-generating unit is RNA. The recoverable amount is based on the value in use and determined using cash flow forecasts. The principal assumptions used are a growth rate of after tax earnings expected in the near term (five years) of 12.0% (2016: average of 12.8%), the discount rate of 15.8% (2016: 18.1%) and the multiplier used for calculating the present value of the discounted cash flows after the forecast period of 12.6 (2016: 11.9). As the recoverable amount exceeds the carrying amount, it was concluded that the goodwill allocated to RNA was not impaired. A change of 0.5% in the discount rate does not cause the carrying amount to exceed the recoverable amount.

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 322 (2016: 322) 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 cashflows 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.

No impairment of goodwill was recognised in 2017 (2016: nil). Impairments of software developed in-house and other intangible assets are not individually material. The total impairments of software developed in-house was 31 (2016: 4). This was mainly caused by the fact that the software is (partly) no longer used.

15 Property and equipment

<i>in millions of euros</i>	<i>Land and buildings</i>	<i>Equipment</i>	<i>Operating lease assets</i>	<i>Total</i>
Year ended 31 December 2017				
Opening balance	1,727	451	2,412	4,590
Foreign exchange differences	(16)	(9)	(196)	(221)
Purchases	68	91	1,087	1,246
Disposals	(73)	(15)	(165)	(253)
Impairments	(91)	-	-	(91)
Reversal impairments	42	1	-	43
Depreciation	(110)	(128)	-	(238)
Depreciation of operating lease assets	-	-	(528)	(528)
Other	(1)	(4)	44	39
Closing balance as per 31 December	1,546	387	2,654	4,587
Cost	2,912	1,239	3,816	7,967
Accumulated depreciation and impairments	(1,366)	(852)	(1,162)	(3,380)
Net carrying amount as per 31 December	1,546	387	2,654	4,587
Year ended 31 December 2016				
Cost	3,292	1,457	7,828	12,577
Accumulated depreciation and impairments	(1,347)	(939)	(2,526)	(4,812)
Net carrying amount as per 1 January	1,945	518	5,302	7,765
Opening balance	1,945	518	5,302	7,765
Foreign exchange differences	3	2	18	23
Purchases	88	119	2,041	2,248
Disposals	(61)	(33)	(101)	(195)
Transfer to held for sale	-	-	(522)	(522)
Changes due to sale of Athlon	-	-	(3,475)	(3,475)
Impairments	(112)	-	-	(112)
Depreciation	(109)	(141)	-	(250)
Depreciation of operating lease assets	-	-	(969)	(969)
Other	(27)	(14)	118	77
Closing balance as per 31 December	1,727	451	2,412	4,590
Cost	3,140	1,314	3,532	7,986
Accumulated depreciation and impairments	(1,413)	(863)	(1,120)	(3,396)
Net carrying amount as per 31 December	1,727	451	2,412	4,590

The impairments and reversal impairments recognised per 31 December 2017 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 91 (2016: 112). As a result of increasing use of properties impairments were reversed for an amount of 42 (2016: 0).

16 Investment properties

<i>in millions of euros</i>	2017	2016
Cost	627	774
Accumulated depreciation and impairments	(334)	(393)
Net carrying amount as per 1 January	293	381
Opening balance	293	381
Purchases	11	14
Sales	(30)	(79)
Transfer to held for sale	(52)	(48)
Depreciation	(8)	(9)
Impairments	(1)	19
Other	(20)	15
Closing balance as per 31 December	193	293
Cost	291	627
Accumulated depreciation and impairments	(98)	(334)
Net carrying amount as per 31 December	193	293

The fair value of the investment properties amounts to 230 (2016: 303). 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 the determination of fair value, on the basis of 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

	2017	2016
External valuations	100%	100%
Internal valuations	0%	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 a large number of parameters, which are derived from current contracts and market information as much as possible. A certain degree of judgement and estimation cannot be avoided. As a result, 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.

17 Other assets

<i>in millions of euros</i>	Note	2017	2016
Receivables and prepayments		2,370	1,833
Accrued interest		1,211	1,351
Precious metals, goods and warehouse receipts		833	1,172
Real estate projects		2,273	1,963
Accrued income		430	672
Employee benefits	25	6	7
Other assets		838	880
Total other assets		7,961	7,878

Real estate projects

<i>in millions of euros</i>	2017	2016
Building sites and equalisation funds	1,154	1,104
Work in progress	1,090	816
Finished goods	29	43
Total real estate projects	2,273	1,963

In 2017, the net realisable value of all current land operations, sites not subject to a zoning plan and equalisation funds was calculated and compared with the carrying amount. This resulted in a release of provisions of 15 (2016: addition of 7).

<i>in millions of euros</i>	Balance on 1 January 2017	Additions/ release	Withdrawals/ other changes	Balance on 31 December 2017
Movements in provisions for real estate projects				
Building sites and equalisation funds	593	(15)	(42)	536
Work in progress	133	(17)	(21)	95
Completed developments	8	-	-	8
Total	734	(32)	(63)	639

<i>in millions of euros</i>	Balance on 1 January 2016	Additions/ release	Withdrawals/ other changes	Balance on 31 December 2016
Movements in provisions for real estate projects				
Building sites and equalisation funds	633	7	(47)	593
Work in progress	153	(9)	(11)	133
Completed developments	4	4	-	8
Total	790	2	(58)	734

Work in progress

<i>in millions of euros</i>	2017	2016
Residential property in preparation and under construction	1,069	660
Commercial property in development and under construction	107	85
Instalments invoiced in advance – residential property	(55)	(255)
Instalments invoiced in advance – commercial property	(3)	68
Total work in progress	1,118	558

18 Non-current assets held for sale

The non-current assets held for sale amount to 992 (2016: 281) and comprise of entities in the segment Leasing for an amount of 690, various types of real estate in the segments Domestic retail banking and Real estate for an amount of 169 and a stake in a financial service provider in Africa for an amount of 108 that will be transferred to Arise B.V. after government approval. The book values are expected to be realised through sale rather than through continued operation.

The carrying value of the entities in the segment Leasing is higher than the fair value less cost to sell and an impairment of 40 was recognised within Other net income. On 31 December 2017 Rabobank had the intent to sell, however recent information on March 5th 2018 indicated that the sale was no longer probable.

The real estate classified as held for sale are mostly unique objects. There is often no active market for similar real estate at the same location and in the same condition. A large number of parameters are used for the valuations of the various types of property investments, where possible based on existing contracts and market data. A certain level of assessment and estimation is unavoidable. It is for this reason that all non-current assets classified as 'held for sale' are classified in level 3.

19 Deposits from banks

<i>in millions of euros</i>	2017	2016
Demand deposits	1,139	905
Fixed-term deposits	17,384	20,619
Repurchase agreements	396	418
Miscellaneous liabilities to other banks	3	64
Total deposits from banks	18,922	22,006

20 Deposits from customers

<i>in millions of euros</i>	2017	2016
Current accounts	77,914	76,757
Deposits with agreed maturity	74,536	82,909
Deposits redeemable at notice	178,162	175,943
Repurchase agreements	108	212
Fiduciary deposits	9,961	11,857
Other deposits from customers	1	34
Total deposits from customers	340,682	347,712

Short-term deposits from central banks amounting to EUR 23 billion (2016: EUR 23 billion) are included in Deposits with agreed maturity.

21 Debt securities in issue

<i>in millions of euros</i>	2017	2016
Certificates of deposit	26,749	33,948
Commercial paper	10,978	11,848
Bonds	85,458	102,713
Other debt securities	11,238	10,833
Total debt securities in issue	134,423	159,342

22 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 realise 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 amount to 581 (2016: 739).

23 Financial liabilities designated at fair value

<i>in millions of euros</i>	2017	2016
Debt securities issued	9,803	12,646
Deposits	3,989	3,874
Total financial liabilities designated at fair value	13,792	16,520

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 833 before taxes (2016: 405). In 2017 an amount of minus 4 has been reclassified from OCI

<i>in millions of euros</i>	<i>Restructuring provision</i>	<i>Provision for legal issues</i>	<i>Other provisions</i>	<i>Total</i>
Opening balance on 1 January 2017	461	770	279	1,510
Additions	309	149	448	906
Withdrawals	(288)	(300)	(105)	(693)
Releases	(150)	(28)	(8)	(186)
Closing balance on 31 December 2017	332	591	614	1,537
Opening balance on 1 January 2016	354	347	227	928
Additions	594	583	126	1,303
Withdrawals	(408)	(44)	(50)	(502)
Releases	(79)	(116)	(24)	(219)
Closing balance on 31 December 2016	461	770	279	1,510

to retained earnings as a result of derecognition of financial liabilities designated at fair value (2016: 0).

The carrying value of the structured notes is 5,223 (2016: 6,236) lower than the amount Rabobank is contractually obliged to repay to the holders of the structured notes. This difference is mainly attributable to the effect of zero-coupon notes of which the accrued interest is not due until final redemption.

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.

24 Other liabilities

<i>in millions of euros</i>	<i>Note</i>	2017	2016
Payables		5,843	5,582
Accrued interest		2,117	2,541
Employee benefits	27	292	315
Other		19	(6)
Total other liabilities		8,271	8,432

25 Provisions

<i>in millions of euros</i>	2017	2016
Restructuring provision	332	461
Provision for legal issues	591	770
Other provisions	614	279
Total provisions	1,537	1,510

In the additions of the restructuring provision, an amount of 192 (2016: 403) is included for the reorganisation programme of the local Rabobanks. This reorganisation provision consists of future payments relating to redundancy pay and other

costs directly attributable to the reorganisation programme. These expenses are included when a redundancy scheme is drawn up and communicated to stakeholders. The expected outflow of funds will occur in 2018 and 2019.

An addition of 51 (2016: 514) 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'.

The provision for legal issues is based on the best possible estimates available at year-end, taking into account legal advice. The timing of the cash outflow relating to these provisions is uncertain because the outcome of the disputes and the time involved are unpredictable.

In the additions to the Other provisions, an amount of 310 is included in anticipation on an expected settlement connected to previously disclosed investigations at Rabobank National Association (RNA). For additional information, please refer to section 4.10, 'Legal and arbitration proceedings'. Besides this provision, the Other provisions include provisions for onerous contracts and credit related contingent liabilities.

Maturities of provisions

<i>in millions of euros</i>	<i>Up to one year</i>	<i>1 - 5 years</i>	<i>Longer than 5 years</i>	<i>Total</i>
On 31 December 2017	1,421	116	-	1,537
On 31 December 2016	1,371	139	-	1,510

26 Deferred taxes

Deferred tax assets and liabilities are measured for all temporary differences using the 'liability' method. The effective tax rate in the Netherlands for measuring deferred tax is 25% (2016: 25%). There were no changes in deferred tax assets and liabilities resulting from changes in the effective tax rate in the Netherlands. No deferred tax asset has been recognised for unused tax losses totalling 1,544 (2016: 1,628). These carry forward losses relate to various tax authorities and their term to maturity is largely unlimited.

Deferred tax assets recognised in respect of carry forward losses can only be utilised if taxable profits are realised in the future. On 31 December 2017, Rabobank expects that sufficient taxable profits would be generated within the applicable periods.

	<i>Deferred tax assets</i>	<i>Deferred tax liabilities</i>	<i>Deferred tax charges</i>	<i>Tax on other comprehensive income</i>
<i>in millions of euros</i>				
For the year ended 31 December 2017				
Pensions and other post-employment benefits	50	(1)	7	-
Loan impairment allowance	229	(23)	72	-
Provisions	25	17	35	-
Hedging of interest rate risk	37	-	(51)	-
Carry forward losses	582	(32)	-	-
Tax credits	154	(84)	8	-
Goodwill and other intangible assets	13	(1)	4	-
Revaluation reserves for available-for-sale financial assets	(86)	1	9	50
Revaluation reserves – Cash flow hedges	11	-	-	(9)
Revaluation reserve – Fair value changes due to own credit risk on financial liabilities designated at fair value	208	-	-	107
Property and equipment, including leases	95	487	(71)	-
Other temporary differences	415	32	131	-
Total	1,733	396	144	148
<i>in millions of euros</i>				
For the year ended 31 December 2016				
Pensions and other post-employment benefits	53	(2)	(2)	2
Loan impairment allowance	403	(15)	(147)	-
Financial liabilities designated at fair value	-	-	(229)	-
Provisions	39	(10)	(3)	-
Hedging of interest rate risk	(14)	-	114	-
Carry forward losses	1,104	(21)	499	-
Tax credits	177	-	-	-
Goodwill and other intangible assets	19	2	(5)	-
Revaluation reserves for available-for-sale financial assets	(129)	1	-	(20)
Revaluation reserves – Cash flow hedges	20	-	-	10
Revaluation reserve – Fair value changes due to own credit risk on financial liabilities designated at fair value	101	-	-	122
Property and equipment, including leases	100	617	(98)	-
Other temporary differences	487	46	45	-
Total	2,360	618	174	114

27 Employee benefits

<i>in millions of euros</i>	2017	2016
Employee benefits – assets	(6)	(7)
Employee benefits – liabilities	292	315
Total employee benefits	286	308
Pension plans	152	158
Other employee benefits	134	150
Total employee benefits	286	308

27.1 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 67 and a target accrual percentage of 2. Each year Rabobank deposits pension contributions into the Rabobank Pension Fund based on a fixed system in an attempt to achieve 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 more financial liabilities with regard to underlying membership years and already accrued pension rights. In the context of the risks transferred, Rabobank made a one-off payment in 2013 to the amount of 500 towards the creation of an index deposit. In addition, Rabobank will act as a guarantor during the period 2014-2020 for the realisation of the target pension accrual for the services provided during this period up to a maximum amount of 200 (2016: 200).

The new 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 31 December 2017, a few small plans still 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 the IFRS. The most recent actuarial valuations were performed at the end of 2017. The tables relating to the weighted averages of the main actuarial assumptions and the future premium payments in 2017 relate to the pension plan of Friesland Bank and ACC Loan management. The table showing investments in plan assets are based on the pension plan of ACC Loan Management.

<i>in millions of euros</i>	2017	2016
Defined benefit obligation	748	758
Fair value of plan assets	596	600
Net defined benefit obligation	152	158

Movements in plan assets and liabilities:

<i>in millions of euros</i>	2017	2016
Defined benefit obligation		
Opening balance on 1 January	758	679
Exchange rate differences	(7)	(16)
Interest cost	14	17
Benefits paid	(24)	(25)
Other	5	-
Experience adjustments	(5)	(3)
Actuarial gains and losses arising from changes in demographic assumptions	(2)	4
Actuarial gains and losses arising from changes in financial assumptions	9	102
Defined benefit obligation on 31 December	748	758
Fair value of plan assets		
Opening balance	600	569
Exchange rate differences	(3)	(13)
Interest income	11	14
Contributions paid by employer	10	10
Benefits paid	(24)	(25)
Other	-	(4)
Experience adjustments	(1)	(2)
Remeasurements arising from changes in financial assumptions plan assets	3	51
Fair value of plan assets on 31 December	596	600

The costs recognised in profit and loss are shown in the table below.

<i>in millions of euros</i>	2017	2016
Interest cost on liabilities	14	17
Interest income on plan assets	(11)	(14)
Losses/(gains) on curtailments, settlements and costs	(1)	-
Total cost of defined benefit pension plans	2	3

Main actuarial assumptions

The main actuarial assumptions for the valuation of the defined benefit obligation as at 31 December are the discount rate, the salary increases, 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):

	2017	2016
Discount rate	1.7%	1.7%
Salary increases	1.8%	1.7%
Price inflation	1.8%	1.7%

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.

in millions of euros	Change in assumption	Effect on defined benefit obligation of increase		Effect on defined benefit obligation of decrease	
		2017	2016	2017	2016
Discount rate	0.25%	(25)	(25)	26	27
Salary increases	0.25%	17	18	(17)	(17)
Price inflation	0.25%	7	9	(7)	(7)
Mortality	1 year	21	21	(21)	(20)

Asset-liability matching strategy

The assets that would provide the closest match to the cashflows of the ACC Loan management defined benefit plan are a combination of fixed interest and index-linked bonds. These assets are all quoted in an active market and all categories of plan assets are disclosed below.

Asset allocation		
	2017	2016
Shares and alternatives	-	10%
Interest-bearing securities	92%	47%
Alternatives	6%	41%
Other	2%	2%
Total	100%	100%

The alternatives are investments such as commodities, absolute return investments and hedge funds.

Estimated contribution

The estimated contributions to pension plans for 2018 are approximately 2 (2017: 6).

Average duration

The average duration of the defined benefit plan of Friesland Bank is 17 years (2016: 17 years). The weighted average duration of the defined benefit plan of ACC Loan Management is disclosed in the table below.

	2017	2016
Active members	20	23
Deferred members	25	25
Pensioners	14	14

27.2 Other employee benefits

Other employee benefits mainly comprise liabilities for future long-service awards for an amount of 35 (2016: 35).

28 Subordinated liabilities

in millions of euros	2017	2016
Issued by Rabobank	16,137	16,847
Other	33	14
Total subordinated liabilities	16,170	16,861

In the following table details of the issues of subordinated liabilities are shown:

Subordinated liabilities				
Notional (in millions)	Currency	Coupon	Year of issuance	Year of maturity
500	USD	4.00%	2017	2029, early repayment possible 2024
1,500	USD	3.75%	2016	2026
225	AUD	5.00%	2015	2025, early repayment possible 2020
475	AUD	Variable	2015	2025, early repayment possible 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 possible 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
1,000	EUR	5.875%	2009	2019
10	EUR	4.21%	2005	2025
10	EUR	5.32%	2004	2024

29 Contingent liabilities

Credit related 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 utilisation of credit related contingent liabilities.

<i>in millions of euros</i>	2017	2016 ¹
Financial guarantees	3,406	4,550
Loan commitments	32,965	36,723
Other commitments	18,154	21,487
Credit related contingent liabilities	54,525	62,760

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 contingent liabilities relating to claims is 74 (2016: 61). For additional information, please refer to section 4.10 'Legal and arbitration proceedings'.

Contingent liabilities related to income tax

The European Commission has addressed questions to the Dutch government about article 29a of the Dutch Corporate Income Tax Code. If the European Commission would decide to start a formal investigation and ultimately would conclude that this is a case of state aid, Rabobank may have to repay tax benefits it enjoyed from 2015 onwards.

Article 29a of the Dutch Corporate Income Tax Code was included in the Dutch Corporate Income Tax Code so that capital instruments issued by credit institutions and which are covered by EU regulation 575/2013 would be considered tax deductible. In this context, Rabobank issued Capital Securities in January 2015 and in April 2016, amounting respectively to EUR 1.5 billion at a fixed interest rate of 5.5%, and EUR 1.25 billion at a fixed interest rate of 6.625%. The contingent liability related to this matter amounts to 96 (2016: 54).

¹ Prior-year figures adjusted due to changes in presentation (see note 2.1).

Liabilities relating to operating leases

Rabobank has concluded various operating lease contracts as lessee, mainly with respect to properties, information systems and cars. The future net minimum lease payments under non-cancellable operating leases can be broken down as follows:

<i>in millions of euros</i>	2017	2016
Not later than 1 year	124	145
Later than 1 year but not later than 5 years	394	332
Later than 5 years	259	375
Total liabilities relating to operating leases	777	852

The expected future minimum lease payments receivable from sub-leases are nil (2016: nil). The operating lease expenses are 41 (2016: 98). These are included in 'Other administrative expenses' in the statement of income.

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:

<i>in millions of euros</i>	2017	2016
Not later than 1 year	714	796
Later than 1 year but not later than 5 years	1,244	1,551
Later than 5 years	84	83
Total payments receivable from operating leases	2,042	2,430

No contingent lease payments were recognised as assets during the current year.

Other contingent liabilities

The contractual commitments relating to the acquisition, construction and development of work in progress and investment properties amounts to 784 (2016: 735).

30 Reserves and retained earnings

<i>in millions of euros</i>	2017	2016
Foreign currency translation reserves	(938)	203
Revaluation reserves – Available-for-sale financial assets	464	571
Revaluation reserve – Cash flow hedges	(42)	(70)
Revaluation reserve – Assets held for sale	(35)	(70)
Remeasurement reserve – Pensions	(225)	(219)
Revaluation reserve – Fair value changes due to own credit risk on financial liabilities designated at fair value	(625)	(303)
Retained earnings	26,777	25,709
Total reserves and retained earnings at year-end	25,376	25,821

Changes in the reserves were as follows:

<i>in millions of euros</i>	2017	2016
Foreign currency translation reserves		
Opening balance	203	(76)
Exchange rate differences emerging during the year	(1,042)	393
Changes at associates and joint ventures	(11)	(19)
Transferred to profit or loss	(88)	(165)
Transferred to Revaluation reserve – Assets held for sale	-	70
Closing balance	(938)	203
Revaluation reserves – Available-for-sale financial assets		
Opening balance	571	512
Foreign exchange differences	12	(4)
Changes at associates and joint ventures	22	39
Fair value changes	(67)	76
Amortisation of reclassified assets	6	2
Transferred to profit or loss	(75)	(41)
Transferred to Revaluation reserve – Assets held for sale	-	(4)
Other	(5)	(9)
Closing balance	464	571
Revaluation reserve – Cash flow hedges		
Opening balance	(70)	(39)
Fair value changes	(594)	(87)
Transferred to profit or loss	622	56
Closing balance	(42)	(70)
Revaluation reserve – Assets held for sale		
Opening balance	(70)	-
Transfers from revaluation reserves	-	(68)
Disposal of assets	35	-
Changes at associates and joint ventures	-	(2)
Closing balance	(35)	(70)
Remeasurement reserve – Pensions		
Opening balance	(219)	(175)
Changes at associates and joint ventures	(6)	7
Remeasurements defined benefit plans	-	(53)
Transferred to Revaluation reserve – Assets held for sale	-	2
Closing balance	(225)	(219)
Revaluation reserve – Fair value changes due to own credit risk on financial liabilities designated at fair value		
Opening balance	(303)	-
Adjustment opening balance	-	62
Fair value changes	(318)	(365)
Realisation at derecognition	(4)	-
Closing balance	(625)	(303)
Retained earnings		
Opening balance	25,709	25,399
Adjustment opening balance ²	-	(62)
Net profit	2,616	1,960
Payments on equity instruments	(1,113)	(1,278)
Redemption of Capital Securities	(439)	(316)
Issue of Rabobank Certificates (including costs)	108	-
Other	(104)	6
Closing balance	26,777	25,709
Total reserves and retained earnings	25,376	25,821

31 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. The Rabobank Certificates have been listed on Euronext Amsterdam since 27 January 2014.

The total number of certificates was 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 2017 was EUR 1.625 (2016: EUR 1.625). The Managing Board is entitled 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.

In January 2017 Rabobank issued Rabobank Certificates for a nominal amount of EUR 1.5 billion. Rabobank issued 60 million new Rabobank Certificates; each of these newly issued Certificate was priced at 108% of the nominal value of EUR 25.

Rabobank Certificates

<i>in millions of euros</i>	2017	2016
Changes during the year:		
Opening balance	5,948	5,949
Issue of Rabobank Certificates	1,500	-
Change in Rabobank Certificates during the year	(8)	(1)
Closing balance	7,440	5,948

32 Capital Securities and Trust Preferred Securities III to IV

Capital Securities and Trust Preferred Securities III and IV can be broken down as follows:

<i>in millions of euros</i>	2017	2016
Capital Securities issued by Rabobank	5,759	7,636
Capital securities issued by subsidiaries	166	185
Trust Preferred Securities III to IV	394	409
Total Capital Securities and Trust Preferred Securities III to IV	6,319	8,230

Capital Securities

All Capital Securities are perpetual and have no expiry date. The discretionary on Capital Securities per issue is as follows:

Capital securities issued by Rabobank

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 (26 April 2016), for the first time on 29 June 2016. The Capital Securities are perpetual and first redeemable on 29 June 2021. As of 29 June 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 5-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 (22 January 2015), for the first time on 29 June 2015. The Capital Securities are perpetual and first redeemable on 29 June 2020. As of 29 July 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 5-year euro swap rate + 5.25%. The coupon is fully discretionary.

Issue of EUR 500 million

The coupon is 9.94% per year and is made payable annually in arrears as of the issue date (27 February 2009), for the first time on 27 February 2010. As of 27 February 2019, the coupon will be made payable every quarter based on the three-month Euribor plus an annual 7.50% 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.

Issue of USD 2,868 million

The coupon is 11.0% per year and is made payable every six months in arrears as of the issue date (4 June 2009), for the first time on 31 December 2009. As of 30 June 2019, the coupon will be made payable every quarter based on the three-month USD Libor plus an annual 10.868% 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.

Issue of GBP 250 million

The coupon is 6.567% per year and is made payable every six months in arrears as of the issue date (10 June 2008), for the first time on 10 December 2008. As of 10 June 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.

Issue of CHF 350 million

The coupon is 5.50% per year and is made payable annually in arrears as of the issue date (27 June 2008), for the first time on 27 June 2009. As of 27 June 2018, the coupon will be made payable every six months on 27 June and 27 December based on the six-month CHF Libor plus an annual 2.80% 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.

Issue of ILS 323 million

The coupon is 4.15% per year and is made payable annually in arrears as of the issue date (14 July 2008), for the first time on 14 July 2009. As of 14 July 2018, the coupon will be made payable annually based on an index related to the interest rate paid on Israeli government bonds with terms between 4.5 and 5.5 years plus an annual 2.0% 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 which were redeemed during the year

Issue of USD 2,000 million

Rabobank issued the USD 2,000 million Capital Securities on 9 November 2011. In accordance with the Terms and Conditions of these Capital Securities, Rabobank has redeemed the Capital Securities on the first call date, namely 29 June 2017.

Issue of NZD 900 million

Rabobank issued the NZD Capital Securities on 8 October 2007. In accordance with the Terms and Conditions of these Capital Securities, Rabobank has redeemed the Capital Securities on the first call date, namely 8 October 2017.

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 issued by subsidiaries

Issue of NZD 280 million

Rabobank Capital Securities Limited has issued capital securities, the coupon of which equals the five-year swap interest rate plus an annual 3.75% mark-up and was set at 8.7864% per annum on 25 May 2009. As of the issue date (27 May 2009), the coupon is made payable every quarter in arrears, for the first time on 18 June 2009 (short first interest period). As of 18 June 2014, the coupon will be made payable every quarter based on the five-year swap interest plus an annual 3.75% mark-up. As of 18 June 2019, the coupon will be made payable every quarter based on the 90-day bank bill swap interest rate plus an annual 3.75% 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.

Trust Preferred Securities IV

In 2004, non-cumulative Trust Preferred Securities were issued of which the Trust Preferred Security IV is outstanding.

- Rabobank Capital Funding Trust IV, Delaware, a group company of Rabobank, issued 350,000 non-cumulative Trust Preferred Securities. The coupon is 5.556% up to and including 31 December 2019. Thereafter, the coupon is equal to the six-month GBP Libor rate plus 1.4600%. The coupon is payable at the issuer's discretion.

The total proceeds from this issue amounted to GBP 350 million. As of 31 December 2019, these Trust Preferred Securities can be repurchased on each distribution date (which is once every half-year).

Trust Preferred Securities

<i>in millions of euros</i>	2017	2016
Changes during the year:		
Opening balance	409	1,131
Redemption	-	(716)
Exchange rate differences and other	(15)	(6)
Closing balance	394	409

33 Other non-controlling interests

This item relates to shares held by non-controlling interests in Rabobank subsidiaries.

<i>in millions of euros</i>	2017	2016
Opening balance	525	492
Net profit	58	64
Exchange rate differences	(31)	20
Entities included in consolidation/ deconsolidated	7	(1)
Dividends	(81)	(50)
Other	(3)	-
Closing balance	475	525

The Rabobank subsidiaries with the largest non-controlling interests are De Lage Landen Participacoes Limitada and AGCO Finance SNC. Both entities are accounted for in the segment Leasing.

De Lage Landen Participacoes Limitada is based in Porto Alegre, Brazil, and Rabobank has a capital and voting right interest of 72.88%. The non-controlling interests with regard to this entity amount to 67 (2016: 79). The following financial data apply:

De Lage Landen Participacoes Limitada	2017	2016
Revenues	78	70
Net profit	23	26
Other comprehensive income	-	-
Total comprehensive income	23	26
Profit attributable to non-controlling interests	9	9
Dividends paid to non-controlling interests	10	20
Financial assets	1,203	1,322
Other assets	112	118
Financial liabilities	1,025	1,095
Other liabilities	47	38

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 97 (2016: 89). The following financial data apply:

AGCO Finance SNC	2017	2016
Revenues	39	41
Net profit	18	20
Other comprehensive income	-	-
Total comprehensive income	18	20
Profit attributable to non-controlling interests	9	10
Dividends paid to non-controlling interests	10	9
Financial assets	1,412	1,333
Other assets	54	51
Financial liabilities	1,237	1,182
Other liabilities	29	18

34 Changes in liabilities arising from financing activities

<i>in millions of euros</i>	<i>Debt securities in issue</i>	<i>Subordinated liabilities</i>	<i>Total</i>
Year ended 31 December 2017			
Opening balance	159,342	16,861	176,203
Changes from financing cash flows	(16,723)	409	(16,314)
Effect of changes in foreign exchange rates	(7,750)	(1,119)	(8,869)
Other non-cash changes	(446)	19	(427)
Closing balance	134,423	16,170	150,593

35 Net interest income

<i>in millions of euros</i>	<i>2017</i>	<i>2016</i>
Interest income		
Cash and cash equivalents	275	190
Loans and advances to banks	319	293
Financial assets held for trading	39	45
Financial assets designated at fair value	26	25
Loans and advances to customers	15,343	16,299
Available-for-sale financial assets	752	861
Derivatives held as economic hedges	(615)	(642)
Derivatives used for fair value hedge accounting	(414)	(703)
Interest income on financial liabilities with a negative interest rate	149	74
Other	82	88
Total interest income	15,956	16,530
Interest expense		
Due to banks	382	422
Financial liabilities held for trading	21	10
Due to customers	2,158	2,445
Debt securities in issue	3,053	3,467
Other liabilities	741	727
Financial liabilities designated at fair value	461	362
Interest expense on financial assets with a negative interest rate	289	249
Other	8	13
Total interest expense	7,113	7,695
Net interest income	8,843	8,835

Capitalised interest attributable to qualifying assets amounted to 19 (2016: 20). The average interest rate applied in determining interest charges to be capitalised ranges between 1% and 5% (2016: between 1.0% and 5.5%). The interest income on impaired financial assets accrued is 168 (2016: 201).

36 Net fee and commission income

<i>in millions of euros</i>	<i>2017</i>	<i>2016</i>
Fee and commission income		
Investment management	21	25
Insurance commissions	270	259
Lending	543	542
Purchase and sale of other financial assets and handling fees	328	283
Payment services	699	734
Custodial fees and securities services	6	3
Other commission income	234	239
Total fee and commission income	2,101	2,085
Fee and commission expense		
Purchase and sale of other financial assets	6	16
Payment services	63	23
Custodial fees and securities services	10	10
Handling fees	35	50
Other commission expense	72	160
Total fee and commission expense	186	259
Net fee and commission income	1,915	1,826

37 Net income from other operating activities

<i>in millions of euros</i>	<i>2017</i>	<i>2016¹</i>
Income from real estate activities	1,645	1,653
Expenses from real estate activities	1,279	1,319
Net income real estate activities	366	334
Income from operational lease activities	684	1,371
Expenses from operational lease activities	534	980
Net income from operational lease activities	150	391
Income from investment property	18	10
Expenses from investment property	12	(6)
Net income from investment property	6	16
Net income from other operating activities	522	741

All expenses from investment properties relate to properties that are leased.

1 Prior-year figures adjusted due to changes in presentation (see note 2.1).

38 Income from investments in associates and joint ventures

<i>in millions of euros</i>	2017	2016
Rabobank share of profit of associates and joint ventures	246	44
Result on disposal of investments in associates and joint ventures	(1)	62
Income from investments in associates and joint ventures	245	106

39 Gains/ (losses) on financial assets and liabilities at fair value through profit or loss

<i>in millions of euros</i>	2017	2016
Gains/ (losses) on financial assets and liabilities held for trading and from derivatives held or issued for trading	127	288
Gains/ (losses) on other financial assets designated at fair value through profit or loss	13	19
Gains/ (losses) on other financial liabilities designated at fair value and derivatives used to hedge the interest rate risk of those financial liabilities	(35)	240
Impairments	(21)	-
Total gains/ (losses) on financial assets and liabilities at fair value through profit or loss	84	547

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 recognised in profit or loss for an amount of 34 (2016: 263). 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.

<i>in millions of euros</i>	2017	2016
Gains/ (losses) on interest rate instruments	(538)	166
Gains/ (losses) on equity instruments	43	28
Gains/ (losses) on foreign currency	684	359
Other	(105)	(6)
Gains/ (losses) on financial assets and liabilities at fair value through profit or loss	84	547

The net foreign exchange gains/(losses) included in line item Gains/(losses) on foreign currency amount to 248 (2016: 329).

40 Other income

<i>in millions of euros</i>	2017	2016 ¹
Result on sale of group companies	3	242
Other	231	421
Other income	234	663

Other consists of several income items and an impairment on non-current assets held for sale as disclosed in section 18.

41 Staff costs

<i>in millions of euros</i>	2017	2016
Wages and salaries	2,814	3,101
Social security contributions and insurance costs	320	355
Pension costs - defined contribution plans	570	489
Pension costs - defined benefit pension plans	2	3
Addition/ (release) of other post-employment provisions	3	(76)
Other staff costs	763	808
Staff costs	4,472	4,680

Expressed in FTEs, the number of internal and external employees in Rabobank was 43,810 (2016: 45,567).

In 2011, following the implementation of CRD III and the regulations governing restrained remuneration policy, Rabobank Group adopted an amended remuneration policy: the Group Remuneration Policy. This policy 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. The immediate portion of variable remuneration is unconditional, whereas the deferred portion is conditional.

1 Prior-year figures adjusted due to changes in presentation (see note 2.1).

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 Group and/or business unit that puts the circumstances assessed when the relevant variable remuneration was awarded in a different perspective. In principle, the right to any provisionally allocated remuneration lapses when the staff member's employment ends. 50% of both the direct and the deferred portion of the variable remuneration is allocated in cash. The cash component of the direct portion is immediately awarded following allocation. The cash component of the deferred portion is awarded to employees only after vesting (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 number of 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 recognised 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 31 December 2017, the costs of equity instrument-based payments were 14 (2016: 13). On 31 December 2017, a liability of 35 was recognised (2016: 30) of which 12 (2016: 10) was vested. The costs of variable remuneration paid in cash were 177 (2016: 175). The number of DRNs outstanding is presented in the following table.

<i>in thousands</i>	2017	2016
Opening balance	1,370	1,037
Awarded during the year	415	518
Paid during the year	(353)	(362)
Changes from previous year	(20)	177
Closing balance	1,412	1,370

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 31 December 2017		<i>Year of payment</i>				
<i>in millions of euros</i>	2018	2019	2020	2021	2022	Total
Variable remuneration, excluding DRNs	175.6	10.1	12.2	1.9	0.0	199.9
DRNs	11.6	12.0	9.7	10.6	1.8	45.8
Total	187.2	22.2	21.9	12.5	1.8	245.7

On 31 December 2016		<i>Year of payment</i>				
<i>in millions of euros</i>	2017	2018	2019	2020	2021	Total
Variable remuneration, excluding DRNs	173.3	6.7	8.4	9.9	-	198.3
DRNs	10.9	10.6	3.8	7.2	8.4	40.9
Total	184.2	17.3	12.2	17.1	8.4	239.2

42 Other administrative expenses

<i>in millions of euros</i>	2017	2016
Additions and releases of provisions	721	1,063
IT expenses and software costs	751	703
Consultants fees	395	371
Training and travelling expenses	190	168
Publicity expenses	152	160
Result on derecognition and impairments on (in) tangible assets	119	96
Other expenses	848	915
Other administrative expenses	3,176	3,476

43 Depreciation

<i>in millions of euros</i>	2017	2016
Depreciation of property and equipment	238	250
Depreciation of intangible assets	168	188
Depreciation	406	438

44 Loan impairment charges

<i>in millions of euros</i>	2017	2016
Loans and advances to banks	1	-
Loans and advances to customers	(38)	474
Recoveries following write-off	(152)	(157)
Credit related contingent liabilities	(1)	(7)
Loan impairment charges	(190)	310

In 2017 the loan impairment charges were negative, especially for the Dutch portfolio, which is mainly caused by the recovery of the economy which leads to a limited number of new defaults, recovery of existing defaults and release of part of the allowances for existing impaired clients due to increased collateral values. The loan impairment charges of loans and advances to customers consist of impairments of 1,549 (2016: 2,103) and reversal impairments of 1,587 (2016: 1,629).

45 Regulatory levies

The regulatory levies consist of bank tax, contributions to the single resolution fund and the deposit guarantee scheme. Banks operating in the Netherlands on 1 October of the current year are required to pay bank tax. There are two rates of bank tax: A rate of 0.044% for current liabilities and a rate of 0.022% for long-term liabilities, based on the balance on December 2016. In 2017, Rabobank Group was charged a total of 161

(2016: 166). In 2017, the bank levy in Ireland amounted to 7 (2016: 4). In 2017, the bank levy in Belgium amounted to 11. On 1 January 2016 the European Single Resolution Fund (SRF) was set up. This fund has been established to improve the effectiveness of resolution instruments. Banks and investment firms that are in the scope of the SRM-regulation are obliged to contribute to the SRF. In 2017, the contribution to the Single Resolution Fund amounted to 184 (2016: 180). Per the end of 2015, the new pre-funded deposit guarantee scheme was introduced. As of 2016, banks have to pay a premium on a quarterly basis. Target size of the scheme is 0.8% of total guaranteed deposits of all banks together. In 2017, the contribution to the Deposit Guarantee Scheme amounted to 142 (2016: 133).

46 Income taxes

<i>in millions of euros</i>	2017	2016
Income tax		
Reporting period	833	527
Adjustments of previous years	(11)	(6)
Recognition of previously unrecognised tax losses	(8)	(1)
Deferred tax	144	174
Total income tax	958	694

The effective tax rate was 26.4% (2016: 25.5%) and differs from the theoretical rate that would arise using the Dutch corporate tax rate. This difference is explained as follows:

<i>in millions of euros</i>	2017		2016	
Operating profit before taxation		3,632		2,718
Applicable tax rate 25.0% (2016: 25.0%)	25%	908	25.0%	680
Increase/(decrease) in taxes resulting from:				
Tax-exempt income	-3.1%	(112)	-4.2%	(116)
Tax rate differences	0.8%	29	2.6%	73
Non-deductible expenses	1.8%	66	2.6%	72
Recognition of previously unrecognised tax losses	-0.2%	(8)	-0.1%	(1)
Other permanent differences	-0.1%	(3)	-0.4%	(12)
Adjustments of previous years	-0.3%	(11)	-0.2%	(6)
Adjustment due to changes in tax rates	-1.6%	(59)	-	-
Other non-recurring tax items	4.1%	148	0.2%	4
Total income tax	26.4%	958	25.5%	694

The other permanent differences mainly comprise of the deduction of interest payments on Capital Securities and a local provision for expected settlement regarding RNA.

47 Transactions with related parties

Two parties are considered related if one party exercises control or has significant influence over the other party with regard to 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, transactions within Rabobank Group 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 48. Transactions with pension funds are disclosed in section 27.

<i>in millions of euros</i>	<i>Investments in associates</i>		<i>Other related parties</i>	
	2017	2016	2017	2016
Loans				
Outstanding at beginning of year	503	361	-	-
Provided during the year	372	178	-	-
Redeemed during the year	(478)	(88)	-	-
Other	-	52	-	-
Gross loans as of 31 December	397	503	-	-
Less: loan impairment allowance	-	(68)	-	-
Total loans as of 31 December	397	435	-	-
Deposits from banks and deposits from customers				
Outstanding at beginning of the year	7,181	7,269	29	-
Received during the year	654	411	-	29
Repaid during the year	(889)	(576)	(29)	-
Other	-	77	-	-
Total deposits as of 31 December	6,946	7,181	-	29
Credit related contingent liabilities	416	398	-	-
Income				
Net interest income	10	12	-	-
Fee and commission income	260	227	-	-
Trading income	-	-	-	-
Other	18	-	-	-
Total income from transactions with related parties	288	239	-	-
Expenses				
Interest expense	332	331	-	-
Fee and commission expense	-	-	-	-
Impairments	(5)	11	-	-
Total expenses from transactions with related parties	327	342	-	-

48 Costs 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 2017 are specified as follows:

<i>in millions of euros</i>	2017			2016		
	PwC Netherlands	Other PwC network firms	Total	PwC Netherlands	Other PwC network firms	Total
Audit services	9.5	7.1	16.6	6.2	8.0	14.2
Other audit services	0.4	0.4	0.8	0.5	0.1	0.6
Tax advisory services	-	0.4	0.4	-	0.8	0.8
Other non-audit services	-	0.2	0.2	-	2.4	2.4
Total	9.9	8.1	18.0	6.7	11.3	18.0

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 auditor, PwC NL, 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 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

49 Remuneration of the Supervisory Board and the Managing Board

The members of the Supervisory Board and the Managing Board are listed in section 55 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 41. In 2017, the remuneration of members of the Managing Board amounted to 8.6 (2016 Executive Board: 7.5). The increase is related to the expansion of the Executive board with six members to the Managing Board with ten members, from 1 September 2017 onwards.

in thousands of euros	Short-term employee benefits	Post-employment benefits		Other	Total
		Pension scheme	Individual pension contribution		
Wiebe Draijer	980	26	212	-	1,218
Bas Brouwers	884	26	189	5	1,104
Petra van Hoeken	884	26	189	-	1,099
Kirsten Konst (in office from 1 September 2017)	267	9	56	1	333
Bart Leurs (in office from 1 September 2017)	217	9	44	-	270
Mariëlle Lichtenberg (in office from 1 September 2017)	250	9	52	4	315
Berry Martin	884	26	189	4	1,103
Jan van Nieuwenhuizen	884	26	189	-	1,099
Ieko Sevinga (in office from 1 September 2017)	250	9	52	-	311
Janine Vos (in office from 1 September 2017)	217	9	44	-	270
Ralf Dekker (in office until 1 September 2017)	589	17	126	5	737
Rien Nagel (in office until 1 September 2017)	589	17	126	3	735
Total 2017	6,895	209	1,468	22	8,594
Members Executive Board	4,295	119	921	9	5,344
Former members Executive Board	1,768	50	378	15	2,211
Total 2016	6,063	169	1,299	24	7,555

Ralf Dekker (COO) and Rien Nagel, both members of the Executive Board, resigned from the Executive Board effective September 1st 2017. Their employment relationship with Rabobank terminated as of 1 March 2018. Both will receive a severance pay equivalent to one year's salary of EUR 884,000 and their regular individual pension contribution. At year-end 2017, there were a total of 1,963 DRNs (liability of EUR 62) outstanding with members of the Managing Board (year-end 2016 Executive Board: 486 pieces of which 289 regarding

former members). 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 (2016: Executive) Board can build up a pension amounts to a maximum, for 2017 ninety-eight thousand seven-hundred and thirty six euros. Any income exceeding this amount is not pensionable. As of 1 January 2015, the members of the Managing (2016: Executive) Board therefore receive an individual pension contribution.

Expenses related to members and former members of the Supervisory Board totalled 1.3 (2016: 1.2). 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 1 October 2016 (exclusive of VAT and other charges) is:

<i>As of 1 October 2016 the fee structure (in euros):</i>	<i>Fee</i>
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.

<i>in thousands of euros</i>	<i>Remuneration</i>
Irene Asscher-Vonk	90
Leo Degle	90
Leo Graafsma	110
Petri Hofsté	90
Arjen Kamp	110
Jan Nooitgedagt	110
Ron Teerlink	220
Marjan Trompetter	140
Pascal Visée	90
Total 2017	1,050
Total 2016	975

At Rabobank, the Chairman of the Supervisory Board holds a number of roles which are related to the cooperative. These roles are specified in the Annual Report.

<i>in millions of euros</i>	<i>Managing (2016: Executive) Board</i>		<i>Supervisory Board</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Loans, advances and guarantees				
Outstanding on 1 January	4.1	4.3	1.3	1.4
Provided during the year	0.8	-	0.7	-
Redeemed during the year	(1.3)	(0.8)	(0.1)	(0.1)
Reduction on account of leaving office	(1.8)	-	-	-
Increase on account of taking office	3.9	0.6	-	-
Outstanding on 31 December	5.7	4.1	1.9	1.3

The loans, advances and guarantees of the members of the Managing Board in office and the average interest rates were as follows:

<i>in millions of euros</i>	<i>As per 31 December 2017</i>	
	<i>Outstanding loans</i>	<i>Average interest rate (in %)</i>
Loans, advances and guarantees		
Bas Brouwers	0.5	2.6
Kirsten Konst	0.2	4.0
Bart Leurs	0.9	2.1
Mariëlle Lichtenberg	1.8	4.3
Berry Marttin	0.2	5.8
Jan van Nieuwenhuizen	1.2	2.0
Janine Vos	0.9	2.3

<i>in millions of euros</i>	<i>As per 31 December 2016</i>	
	<i>Outstanding loans</i>	<i>Average interest rate (in %)</i>
Loans, advances and guarantees		
Bas Brouwers	0.5	2.6
Berry Marttin	0.4	5.8
Ralf Dekker	1.0	2.1
Rien Nagel	1.0	2.2
Jan van Nieuwenhuizen	1.2	2.0

The loans, advances and guarantees of the members of the Supervisory Board in office and the average interest rates were as follows:

<i>in millions of euros</i>	<i>Outstanding loans</i>	<i>Average interest rate (in %)</i>
On 31 December 2017		
Arjen Kamp	1.4	2.0
Marjan Trompetter	0.4	2.1

<i>in millions of euros</i>	<i>Outstanding loans</i>	<i>Average interest rate (in %)</i>
On 31 December 2016		
Arjen Kamp	0.9	2.6
Marjan Trompetter	0.4	4.0

At year-end 2017, 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 (2016: Executive) 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 personally invested in Rabobank Certificates in person and/or through their own pension B.V. At year-end 2017, this involved in total 18,350 certificates.

<i>Certificates of member of the Supervisory Board</i>	<i>Number of Rabobank Certificates</i>	<i>Remarks</i>
On 31 December 2017		
Irene Asscher-Vonk	6,894	
Leo Degle	4,836	in pension B.V.
Leo Graafsma	4,050	in pension B.V.

	<i>Number of Rabobank Certificates</i>	<i>Remarks</i>
On 31 December 2017		
Kirsten Konst	800	
Mariëlle Lichtenberg	1,770	

50 Main subsidiaries

At the year-end 2017, Rabobank Group is comprised of Coöperatieve Rabobank U.A. and its consolidated subsidiaries in the Netherlands and abroad.

On 31 December 2017	<i>Share</i>	<i>Voting rights</i>
Main subsidiaries		
The Netherlands		
DLL International B.V.	100%	100%
BPD Europe B.V.	100%	100%
Obvion N.V.	100%	100%
Rabohypotheekbank N.V.	100%	100%
North America		
Rabobank Capital Funding LCC III	100%	100%
Rabobank Capital Funding Trust IV	100%	100%
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 are consolidated. In 2017, 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.

Rabobank will not consolidate several structured entities in the 'Wholesale banking and international retail banking business', even if it does retain 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 does have control over several entities in the segment 'Leasing' 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.

51 Transfer of financial assets and financial assets provided as collateral

51.1 Reverse repurchase transactions and securities borrowing agreements

Reverse repurchase transactions and securities borrowing agreements concluded by Rabobank are included under 'Loans and advances to banks' or 'Loans and advances to customers' and as per 31 December amount to:

<i>in millions of euros</i>	<i>2017</i>	<i>2016</i>
Loans and advances to banks	17,286	13,398
Loans and advances to customers	12,847	16,068
Total reverse repurchase transactions and securities borrowing agreements	30,133	29,466

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 31 December 2017, the total fair value of the securities received under the terms of the agreements was 30,398 (2016: 29,931). 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 recognised in the statement of financial position because almost all the associated risks and benefits accrue to the counterparty. A receivable is recognised at a value equivalent to the amount paid as collateral.

51.2 Repurchase transactions and securities lending agreements

Repurchase transactions and securities lending agreements concluded by Rabobank are included under 'Deposits from banks' and 'Deposits from customers' as of 31 December totalled:

<i>in millions of euros</i>	<i>2017</i>	<i>2016</i>
Deposits from banks	396	418
Deposits from customers	108	212
Total repurchase and securities lending	504	630

On 31 December 2017, interest-bearing securities with a carrying amount (equal to fair value) of 458 (2016: 616) 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-recognised because almost all the associated risks and benefits accrue to Rabobank, including credit and market risks. A liability is recognised at a value equivalent to the amount received as collateral.

51.3 Securitisations

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 securitisation, the assets continue to be recognised in the statement of financial position of Rabobank Group, mainly under 'Loans and advances to customers'. The securitised 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 securitisation is 76,803 (2016: 77,894) with the corresponding liability amounting to 74,819 (2016: 74,897). Approximately 76% (2016: 74%) of the transferred assets are securitised internally for liquidity purposes. The carrying amount of the assets where Rabobank acts as a sponsor (Nieuw-Amsterdam) is 4,252 (2016: 4,125) with the corresponding liability amounting to 4,252 (2016: 4,125). Starting 2017 Rabobank retains 5% of the outstanding commercial paper issued by Nieuw Amsterdam for regulatory purposes.

51.4 Carrying amount of financial assets provided as security for (contingent) liabilities

The assets referred to below have been pledged as security for (contingent) liabilities (with exception to repo transactions, securities lending and securitisations) with the objective of providing security for the counterparty. If Rabobank remains in default the counterparties may use the security to settle the debt.

<i>in millions of euros</i>	2017	2016
Cash and cash equivalents	43	130
Financial assets held for trading	92	134
Financial assets designated at fair value	126	-
Loans and advances to banks	3,297	4,704
Loans and advances to customers	13,509	12,759
Available-for-sale financial assets	4,195	7,693
Total	21,262	25,420

52 Structured entities

52.1 Consolidated structured entities

A structured entity is an entity which is structured such 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 securitise 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 securitisation is handled by Obvion (STORM, GREEN STORM and STRONG) and DLL (LEAP Warehouse Trust No.1 and DLL Securitization Trust 2017-A). As well as having provided cash facilities, Rabobank also acts as a swap counterparty for all own-asset securitisations.

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 programme, markets ABCP, provides cash facilities and/or credit risk enhancements and other facilities for the underlying transactions and the programme 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.

52.2 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 securitisation 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 securitisation 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.

<i>in millions of euros</i>						
	On 31 December 2017			On 31 December 2016		
Assets recognised by Rabobank	<i>Securitisations</i>	<i>Other</i>	<i>Total</i>	<i>Securitisations</i>	<i>Other</i>	<i>Total</i>
Financial assets held for trading	2	63	65	38	83	121
Financial assets designated at fair value	-	106	106	-	92	92
Derivatives	246	-	246	418	-	418
Loans and advances to customers	501	-	501	712	-	712
Available-for-sale financial assets	28	28	56	180	41	221
Investments in associates	-	290	290	-	322	322
Total financial assets recognised by Rabobank	777	487	1,264	1,348	538	1,886
Liabilities recognised by Rabobank						
Derivatives	(1)	-	(1)	4	-	4
Deposits from customers	213	-	213	260	-	260
Total liabilities recognised by Rabobank	212	-	212	264	-	264

Income from sponsored, non-consolidated structured entities in which Rabobank holds no interest:

<i>in millions of euros</i>	<i>Fee and commission income</i>	<i>Interest income</i>	<i>Other results</i>	<i>Total income</i>	<i>Carrying amount of transferred assets</i>
On 31 December 2017					
Securitisations	-	-	-	-	-
Asset management	-	-	-	-	-
Total	-	-	-	-	-
On 31 December 2016					
Securitisations	-	5	-	5	-
Asset management	-	-	-	-	-
Total	-	5	-	5	-

53 Events after the reporting period

On 2 January 2018 Rabobank announced that its California-based subsidiary has taken a provision of EUR 310 million in 2017. This decision anticipated on an expected settlement connected to previously disclosed investigations. RNA has been under investigation since 2013 by the U.S. Department of Justice and other U.S. authorities for possible violations of the U.S. Bank Secrecy Act and other regulations and statutes in

relation to its historical AML compliance programme, and the Office of the Comptroller of the Currency's ('OCC') examination of that programme in the past. RNA has been cooperating with the authorities during their investigations, and in February 2018 these discussions have been settled in line with the provision taken. Besides this event no other material events after the reporting period occurred.

54 Management report on internal control over financial reporting

The management 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. Rabobank's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of financial statements for external purposes in accordance with International Financial Reporting Standards as adopted by the European Union.

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.

The management has assessed the effectiveness of the internal control over financial reporting in Rabobank as of 31 December 2017 based on the framework set out in 2013 by the Committee of Sponsoring Organisations of the Treadway Commission (COSO), as defined in Internal Control - Integrated Framework. On the basis of that assessment, management concluded that, as of 31 December 2017, the internal controls on the internal financial reporting in Rabobank provide a reasonable measure of certainty based on the criteria established by COSO.

PricewaterhouseCoopers Accountants N.V., which has audited the consolidated financial statements of Rabobank for the financial year ended 31 December 2017, also examined management's assessment of the effectiveness of the internal control over financial reporting in Rabobank. The report of PricewaterhouseCoopers Accountants N.V. is included on page 268.

W. Draijer

B.C. Brouwers

Utrecht, 8 March 2017

55 Approval of the Supervisory Board

The publication of these financial statements was approved by the Supervisory Board on 8 March 2018. The financial statements will be presented to the General Meeting, to be held on 18 April 2018, 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'.

On behalf of the Managing Board

Wiebe Draijer, *Chairman*

Bas Brouwers, *CFO*

Petra van Hoeken, *CRO*

Kirsten Konst, *Member*

Bart Leurs, *Member*

Mariëlle Lichtenberg, *Member*

Berry Marttin, *Member*

Jan van Nieuwenhuizen, *Member*

Ieko Sevinga, *Member*

Janine Vos, *Member*

On behalf of the Supervisory Board

Ron Teerlink, *Chairman*

Marjan Trompetter, *Vice Chairman*

Irene Asscher-Vonk, *Secretary*

Leo Degle

Leo Graafsma

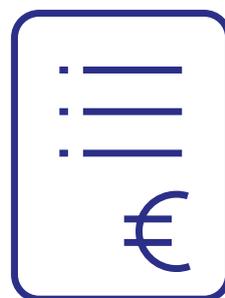
Arian Kamp

Jan Nooitgedagt

Petri Hofsté

Pascal Visée

Company financial statements



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Annual Figures

Statement of financial position (before profit appropriation)

<i>Statement of financial position</i>			
<i>Amounts in millions of euros</i>	<i>Note</i>	<i>31 December 2017</i>	<i>31 December 2016</i>
Assets			
Cash and balances at central banks	1	66,233	83,568
Short-term government papers	2	498	801
Professional securities transactions		16,786	12,596
Other loans and advances to banks		24,879	35,093
Loans and advances to banks	3	41,665	47,689
Public sector lending		1,938	3,099
Private sector lending		363,777	366,544
Professional securities transactions		13,076	16,536
Loans and advances to customers	4	378,791	386,179
Interest-bearing securities	5	76,384	81,148
Shares	6	220	963
Interests in group companies	7	13,536	15,179
Other equity investments	8	1,745	1,699
Goodwill and other intangible assets	9	437	477
Tangible fixed assets	10	1,700	1,754
Other assets	11	4,557	4,786
Derivatives	12	28,947	47,041
Prepayments and accrued income		1,103	1,200
Total assets		615,816	672,484
Liabilities			
Professional securities transactions		359	418
Other liabilities to banks		18,701	21,182
Due to banks	14	19,060	21,600
Savings		135,248	134,180
Professional securities transactions		107	209
Other due to customers		192,074	198,165
Due to customers	15	327,429	332,554
Debt securities in issue	16	123,008	150,266
Other liabilities	17	59,409	59,066
Derivatives	12	28,461	48,335
Accruals and deferred income		1,961	2,353
Provisions	18	1,215	1,464
Subordinated liabilities	19	16,532	17,256
		577,075	632,894
Rabobank Certificates		7,440	5,948
Capital Securities		5,925	7,821
Revaluation reserves		386	431
Legal reserves		(359)	752
Other reserves		22,733	22,678
Profit for the year		2,616	1,960
Equity	20	38,741	39,590
Total equity and liabilities		615,816	672,484
Contingent liabilities	28	62,035	70,813

Statement of income

<i>Statement of income</i>			
<i>For the year ended 31 December</i>			
<i>Amounts in millions of euros</i>	<i>Note</i>	<i>2017</i>	<i>2016</i>
Interest income	21	14,393	14,970
Interest expense	21	8,585	9,434
Net interest income	21	5,808	5,536
Fee and commission income	22	1,818	1,888
Fee and commission expense	22	126	212
Net fee and commission income	22	1,692	1,676
Income from equity interests	23	2,344	2,017
Trading portfolio with external parties		(165)	241
Trading portfolio with group companies		(1,132)	(201)
Investment portfolio		263	214
Net income from financial transactions		(1,034)	254
Other results		343	514
Income		9,153	9,997
Staff costs	24	3,392	3,466
Other administrative expenses		2,259	2,895
Depreciation		337	342
Operating expenses		5,988	6,703
Impairment losses on investments in associates		-	700
Loan impairment charges		(172)	155
Regulatory levies	25	446	424
Operating profit before taxation		2,891	2,015
Income tax	26	275	55
Net profit		2,616	1,960

Notes to the company financial statements

Accounting policies

1 Basis of preparation

The company financial statements of Rabobank, 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 Group, 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 are also applied in the company financial statements by using combination 3 (Option 3 RJ).

Rabobank Group, the Coöperatieve Rabobank U.A. (Rabobank) 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 Group manages risks at various levels within the organisation. 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 Group. The Chief Risk Officer, as Member of the Managing Board, is responsible for the risk management policy within Rabobank Group.

Rabobank considers risks at company level the same as at consolidated level. We therefore refer to section 4 'Risk exposure on financial instruments' of the consolidated financial statements except the section regarding legal and arbitration proceedings. Additional remarks on solvency on solo level are disclosed below.

Solvency

Rabobank uses its own internal solvency objectives on a solo level 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.

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 1 January 2014, the minimum required percentages are determined on the basis of CRD IV/CRR. The legal buffers below are applicable as from 2016. These buffers will gradually increase until the year 2019. Rabobank is already allowing for these changes in its capital planning. The table below shows the minimum legal buffers based on the planned final situation under CRD IV/CRR.

Minimum capital buffer

	CET1	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 2016-2019	2.5%	2.5%	2.5%

The CET1-ratio of Coöperatieve Rabobank U.A. (solo) is 15.5% (2016: 16.4%). Rabobank changed the risk weighting of its equity exposures in group entities by applying the more common IRB simple risk weight approach of article 155 CRR as a result of which its solo CET1 ratio de-creased to 15.5% (2016: 16.4%).

Legal and arbitration proceedings

Rabobank considers risks regarding legal and arbitration proceedings the same at company level as at consolidated level. Rabobank Group is active in a legal and regulatory environment that exposes it to substantial risk of litigation. As a result, Rabobank Group is involved in legal cases, arbitrations and regulatory proceedings in the Netherlands and in other

countries, including the United States. The most relevant legal and regulatory claims which could give rise to liability on the part of Rabobank Group are described below. If it appears necessary on the basis of the applicable reporting criteria, provisions are made based on current information; similar types of cases are grouped together and some cases may also consist of a number of claims. The estimated loss for each individual case (for which it is possible to make a reliable estimate) is not reported because Rabobank Group feels that information of this type could be detrimental to the outcome of individual cases. When determining which of the claims is more likely than not (i.e. with a likelihood of over fifty percent) to lead to an outflow of funds, Rabobank Group takes several factors into account. These 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 Group's experience and that of third parties in similar cases (if known); previous settlement discussions, third-party settlements in similar cases (where known); available indemnities; and the advice and opinions of legal advisors and other experts. The estimated potential losses and the existing provisions, are based on the information available at the time and are for the main part subject to judgements and a number of different assumptions, variables and known and unknown uncertainties. These uncertainties may include the inaccuracy or incompleteness of the information available to Rabobank Group (especially in the early stages of a case). In addition, assumptions made by Rabobank Group about the future rulings of legal or other instances or the likely actions or attitudes of supervisory bodies or the parties opposing Rabobank Group may turn out to be incorrect. Furthermore, estimates of potential losses relating to the legal disputes are often impossible to process using statistical or other quantitative analysis instruments that are generally used to make judgements and estimates. They are then subject to a still greater level of uncertainty than many other areas where the group needs to make judgements and estimates. The group of cases for which Rabobank Group determines that the risk of future outflows of funds is higher than fifty percent 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 Group 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 recognised. For those cases where (a) the possibility of an outflow of funds is not probable but also not remote or (b) the possibility of an outflow of funds is more likely than not but the potential loss cannot be estimated reliably, a contingent liability is shown.

Rabobank Group 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 at this level, (ii) to avoid other adverse business consequences and/or (iii) pre-empt the regulatory or reputational consequences of continuing with disputes relating to liability, even if Rabobank Group believes it has good arguments in its defense. Furthermore, Rabobank Group may, for the same reasons, compensate third parties for their losses, even in situations where Rabobank Group 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. Such an interest rate swap protects customers from rising variable interest rates and helps businesses to keep their interest payments at an acceptable level. In March 2016 the Dutch Minister of Finance appointed an independent committee which on 5 July 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 7 July 2016. The final version of the Recovery Framework was published by the independent committee on 19 December 2016. Implementation of the Recovery Framework is expected to be finalised in 2018.

Rabobank is involved in civil proceedings in the Netherlands relating to interest rate derivative instruments 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. These actions concern allegations relating to alleged misconduct in connection with Rabobank's Euribor submissions (as described below) and/or allegations of misinforming clients with respect to interest rate derivatives. 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 recognised a provision of 450 (2016: 664). The scoping of clients is the most important parameter in the calculations to estimate the provision. Furthermore, the calculations regarding technical recovery are based on a portfolio approach instead of individual contract calculations.

Prospectus liability issues

In 2011, the Dutch Investors Association (VEB) issued a summons against the company formerly known as Fortis N.V. (currently trading as Ageas N.V.), the underwriters involved – including Rabobank – and the former directors of Fortis N.V. The VEB states in this summons that (i) investors were misled by the prospectus published by Fortis N.V. in connection with its rights issue in September 2007 and (ii) the impact and risks of the subprime crisis for Fortis and its liquidity position were misrepresented in the prospectus. The VEB has requested a declaratory judgement stating that the defendants acted illegitimately and must therefore be held liable for the loss allegedly suffered by investors in Fortis, which according to the VEB amounts to approximately EUR 18 billion. Rabobank maintains the view that the aforementioned loss has not been properly substantiated. The proceedings concern a settlement of collective loss, which means that the court will only rule on the question of whether the defendants (including Rabobank) are liable.

Rabobank has been defending itself against the claim.

A hearing was scheduled to start on 14 March 2016. That day, however, Ageas announced a settlement of EUR 1.2 billion with claimant organisations VEB, Deminor, Stichting FortisEffect and Stichting Investor Claims Against Fortis (SICAF) with respect to all disputes and claims relating to various events in 2007 and 2008 in respect of the former Fortis group (including the VEB claim described above).

On 23 May 2016, the parties to the settlement requested the Amsterdam Court of Appeal to declare the settlement binding for all eligible Fortis shareholders (in accordance with the Dutch Law on the Collective Resolving of Mass Damages ('Wet Collectieve Afwikkeling Massaschade'). The class action has been suspended until this specific procedure is finalised.

On 16 June 2017, the Amsterdam Court of Appeal issued an interim judgement stating that the proposed settlement agreement cannot be declared binding. The court gave the parties the opportunity to amend the settlement agreement and file it for revaluation. The parties agreed upon an amended settlement agreement. Under the amended agreement the total amount of the compensation is increased by EUR 100 million to EUR 1.3 billion and certain key elements of the compensation mechanism have been amended. The amended settlement agreement has been filed on 12 December 2017 with the Amsterdam Court of Appeal with the same request to declare the settlement binding. Following this request, the Court of Appeal issued an interim judgement on 5 February 2018 stating that the amended proposed settlement agreement cannot be declared binding. The court asks the claimant organisations to provide more insight into their compensation and whether their compensation is reasonable in comparison to the total amount of the compensation available for all eligible Fortis shareholders. A new hearing is scheduled for 16 March 2018.

The settlement process may have one of the two following outcomes:

(1) the Court of Appeal declares the settlement binding. Investors may choose to opt out of the settlement during an opt-out period of three to six months. After this period (and provided that the settlement is not annulled because the opt-out ratio exceeds a certain limit), distributions of payments will start. The release of Rabobank (and other underwriters) is subject to satisfaction of the compensation obligations towards the eligible Fortis shareholders. It is expected that it will take at least 18 months from the Court of Appeal judgement declaring the settlement agreement binding before the first payments will be made. Investors that choose to opt out of the settlement may still claim damages from Ageas and the defendants (including Rabobank) on an individual basis.

(2) the Court of Appeal does not declare the settlement binding for all eligible Fortis shareholders or Ageas exercises its right to annul the settlement in case the opt-out ratio exceeds a certain limit. If no settlement agreement will be binding, the proceedings against the VEB described above, in principle will resume as before the suspension. Rabobank Group considers the Fortis case to be a contingent liability. No provision has been made. Rabobank Group considers the Fortis case to be a contingent liability. No provision has been made.

On 30 January 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.

Libor/Euribor

Rabobank has been involved for a number of years in several regulatory proceedings in relation to benchmark-related issues. Rabobank is cooperating, and will continue to cooperate, with the regulators and authorities involved in these investigations. On 29 October 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. Additional information is available on the bank's corporate website. All amounts payable under these settlement agreements were fully paid and accounted for by Rabobank in 2013.

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 the US 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. In 2014, an Argentinian consumer protection organisation brought an alleged class action suit against Rabobank in Argentina in relation to USD Libor.

Rabobank and/or its subsidiaries have also received complaints and writs of summons ordering Rabobank to appear before various Dutch, United Kingdom and Irish courts in civil proceedings relating to Euribor and other benchmarks. These by various individuals and entities (including five Dutch collective claim foundations, two of which have initiated legal proceedings in the Netherlands).

Since the alleged class action suits and civil proceedings listed above are intrinsically subject to uncertainties, it is difficult to predict their outcomes. Rabobank takes the stance that it has substantive and convincing legal and factual defenses against these claims. Rabobank has the intention to continue to defend itself against these claims.

As no reliable estimate can be made, Rabobank Group considers the Libor/Euribor case to be a contingent liability. No provision has been made.

BSA/AML

Per year end 2017 Rabobank, National Association (RNA), a retail banking subsidiary of Rabobank in California, was under investigation by the US Department of Justice (DOJ), the US Office of the Comptroller of the Currency (OCC) and the Financial Crimes Enforcement Network (FinCEN) in connection with issues related to RNA's BSA/AML compliance programme and the manner in which certain former employees communicated with the OCC in 2013. In Q4 2017 RNA took a provision of USD 369.2 million in anticipation of a potential settlement as RNA had recently engaged in discussions to settle these matters. On 7 February 2018 the DOJ, the OCC and Rabobank and RNA announced that RNA has entered into agreements with the DOJ and the OCC to conclude the previously reported investigations. Recognizing the material improvements the bank has made to its BSA/AML compliance programme, the OCC has also terminated the Consent Order issued in December 2013. RNA has agreed to pay approximately USD 369.2 million in forfeiture and civil money penalties and fines. It has also agreed to plead guilty to one charge of conspiring to obstruct a regulatory examination. Under the plea agreement's terms with the DOJ, no further action will be taken against RNA with regard to its BSA/AML compliance programme and related conduct. Given the overlapping nature of the investigations and the bank's remediation, no additional penalties or measures will be sought by FinCEN, which has also concluded its examination. In February 2017 a criminal complaint was filed with the Dutch Public Prosecutor (DPP) against Rabobank, two group entities and the persons factually in charge of these entities asking for a criminal investigation in relation to the matters related to the DOJ investigation.

Rabobank understands that the DPP has received the complaint and awaits the DPP's response to it. Rabobank has insufficient information to determine if a provision should be recognised for DPP's possible response.

Other cases

Rabobank Group is subject to other legal proceedings for which a provision was recognised. These cases are individually less significant in size and are therefore not further described. The total provision for those cases combined amounts to 141. On top of the contingent liability cases described above for which an assessment regarding a possible outflow is not yet possible, Rabobank Group has identified a number of other, less relevant cases in terms of size as a contingent liability. Because these cases are less significant, Rabobank has chosen not to describe these in detail. The principal amount claimed for those contingent liability cases combined amounts to 91.

Notes to the statement of financial position

Unless otherwise stated, all amounts are in millions of euros.

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.

<i>In millions of euros</i>	2017	2016
Recognised in the trading portfolio	2	-
Recognised in the investment portfolio	496	801
Total short-term government papers	498	801

3 Loans and advances to banks

This item represents loans and advances to other banks, other than in the form of interest-bearing securities.

<i>In millions of euros</i>	2017	2016
Loans and advances to other banks	25,746	23,328
Loans and advances to group companies	15,919	24,361
Total loans and advances to banks	41,665	47,689
Of which subordinated	-	-

The terms of loans and advances to banks can be broken down as follows:

On demand	18,222	14,289
≤ 3 months	10,428	11,311
> 3 months ≤ 1 year	4,452	5,930
> 1 year ≤ 5 years	4,921	10,714
> 5 years	345	844
No maturity	3,297	4,601
Total loans and advances to banks	41,665	47,689

The fair value of collateral that Rabobank can sell or pledge is 17,037 (2016: 13,015).

4 Loans and advances to customers

This item consists of loans and advances arising in the course of business operations, other than receivables from banks and interest-bearing securities.

<i>In millions of euros</i>	2017	2016
Breakdown of loans and advances to customers:		
Public sector lending	1,938	3,099
Private sector lending	363,777	366,544
Professional securities transactions	13,076	16,536
Total loans and advances to customers	378,791	386,179

Totals include:

Of which to group companies	61,160	61,942
Of which residential mortgages	165,312	170,366
Of which other mortgages	66,228	60,890

Loans recognised in the trading portfolio	762	1,049
Loans recognised in the investment portfolio	4	5
Loans at amortised cost	378,025	385,125
Total loans and advances to customers	378,791	386,179

The terms of loans and advances can be broken down as follows:

On demand	32,592	32,256
≤ 3 months	24,467	33,797
> 3 months ≤ 1 year	23,327	20,834
> 1 year ≤ 5 years	80,353	75,318
> 5 years	212,028	216,849
No maturity	5,258	6,071
Loans at amortised cost	378,025	385,125

Loans (excluding government loans and reverse repos) can be classified as follows by their concentration in specific business sectors:

Food & Agri	17%	17%
Trade, industry and services	29%	27%
Private individuals	54%	56%
	100%	100%

The fair value of collateral accepted in the form of debt securities is 12,861 (2016: 16,114).

5 Interest-bearing securities

This item represents interest-bearing securities other than short-term government papers.

<i>In millions of euros</i>	2017	2016
Interest-bearing securities of:		
Public authorities	20,438	23,474
Other issuers	55,946	57,674
Total interest-bearing securities	76,384	81,148
Breakdown of interest-bearing securities:		
Investment portfolio	74,630	79,422
Investment portfolio at fair value through profit or loss	255	89
Trading portfolio	1,499	1,637
	76,384	81,148
The portfolio also includes:		
Securities issued by group companies	51,104	51,604
Listed portion of the portfolio	21,842	25,129
Unlisted securities/group companies	54,542	56,019
Total interest-bearing securities	76,384	81,148

6 Shares

This item consists of shares and other non-interest-bearing securities, including temporary other investments.

<i>In millions of euros</i>	2017	2016
This breaks down as follows:		
Investment portfolio	220	459
Trading portfolio	-	504
	220	963
Listed portion of the portfolio	48	834
Non-listed portion of the portfolio	172	129
	220	963

7 Interests in group companies

This item includes the interests held directly in group companies.

<i>In millions of euros</i>	2017	2016
Equity investments in:		
Credit institutions	4,555	6,305
Other	8,981	8,874
Total	13,536	15,179
Changes in equity investments:		
Carrying amount on 1 January	15,179	18,589
Changes due to legal merger	-	(1,605)
Additions, capital contributions during the financial year	800	1,105
Sales, disposals and liquidations during the financial year	(435)	(1,507)
Profit	2,288	2,025
Dividend/capital reimbursements	(3,082)	(3,597)
Revaluation	(1,175)	231
Other	(39)	(62)
Carrying amount on 31 December	13,536	15,179

8 Other equity investments

This item includes participating interests in associates, in particular Achmea B.V.

<i>In millions of euros</i>	2017	2016
Equity investments in:		
Credit institutions	-	-
Other	1,745	1,699
Total other equity investments	1,745	1,699
Changes in equity investments:		
Carrying amount on 1 January	1,699	2,672
Changes due to legal merger	-	16
Acquisitions during the financial year	1	1
Disposals during the financial year	-	(38)
Profit	35	(94)
Revaluation	12	20
Dividend	(2)	(70)
Transferred to Other Assets	-	(108)
Impairment	-	(700)
Carrying amount on 31 December	1,745	1,699

9 Goodwill and other intangible assets

This item includes software.

<i>In millions of euros</i>	2017	2016
Goodwill	2	2
Software	435	475
Total goodwill and other intangible assets	437	477

Changes in goodwill and other intangible assets 2017

<i>In millions of euros</i>	Goodwill	Software	Total
Carrying amount on 1 January	2	475	477
Acquisitions during the financial year (to group companies)	-	-	-
Acquisitions during the financial year	-	149	149
Disposals during the financial year (to group companies)	-	-	-
Disposals during the financial year	-	(41)	(41)
Depreciation	-	(131)	(131)
Impairment losses	-	(31)	(31)
Exchange differences and other	-	14	14
Carrying amount on 31 December 2017	2	435	437
Accumulated depreciation and impairment losses	3	1,250	1,253

Changes in goodwill and other intangible assets 2016

<i>In millions of euros</i>	Goodwill	Software	Total
Carrying amount on 1 January	2	467	469
Acquisitions during the financial year (to group companies)	-	141	141
Acquisitions during the financial year	-	69	69
Disposals during the financial year (to group companies)	-	(69)	(69)
Disposals during the financial year	-	(4)	(4)
Depreciation	-	(133)	(133)
Impairment losses	-	(4)	(4)
Exchange differences and other	-	8	8
Carrying amount on 31 December 2016	2	475	477
Accumulated depreciation and impairment losses	3	1,127	1,130

10 Tangible fixed assets

This item consists of land and buildings, equipment and other tangible non-current assets, as well as tangible fixed assets not in own use, such as non-current assets acquired under foreclosure.

<i>In millions of euros</i>	2017	2016
Land and buildings in own use	1,397	1,393
Equipment	303	361
Total tangible fixed assets	1,700	1,754

Changes in tangible fixed assets 2017

<i>In millions of euros</i>	Land and buildings in own use	Equipment	Total
Carrying amount on 1 January	1,393	361	1,754
Acquisitions during the financial year	57	55	112
Disposals during the financial year	(62)	(6)	(68)
Depreciation	(103)	(103)	(206)
Impairment losses	(91)	-	(91)
Reversal impairment losses	42	1	43
Exchange differences and other	161	(5)	156
Carrying amount on 31 December 2017	1,397	303	1,700
Accumulated depreciation and impairment losses	1,230	677	1,907

Changes in tangible fixed assets 2016

<i>In millions of euros</i>	Land and buildings in own use	Equipment	Total
Carrying amount on 1 January	720	215	935
Changes due to legal merger	851	192	1,043
Acquisitions during the financial year	86	91	177
Disposals during the financial year	(17)	(16)	(33)
Depreciation	(97)	(112)	(209)
Impairment losses	(112)	-	(112)
Exchange differences and other	(38)	(9)	(47)
Carrying amount on 31 December 2016	1,393	361	1,754
Accumulated depreciation and impairment losses	1,226	661	1,887

11 Other assets

This item relates to precious metals, certificates representing precious metals, coins and medals made of precious metals (not being legal tender), goods and warehouse receipts, current and deferred tax assets and assets that cannot be classified under any other heading.

In millions of euros	2017	2016
This item can be broken down as follows:		
Current tax assets	156	56
Deferred tax assets	1,017	1,224
Employee benefits	4	4
Other	3,380	3,502
Other assets	4,557	4,786

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

The notes to the derivatives are included below.

In millions of euros	2017	2016
Assets		
This item can be broken down as follows:		
Derivative contracts with third parties	25,747	42,712
Derivative contracts with group companies	3,200	4,329
Total derivatives	28,947	47,041
Liabilities		
This item can be broken down as follows:		
Derivative contracts with third parties	28,025	47,884
Derivative contracts with group companies	436	451
Total derivatives	28,461	48,335

The table below shows the notional amounts and the positive and negative fair values of Rabobank's derivative contracts with third parties.

In millions of euros	Notional amounts	Fair values	
		Assets	Liabilities
<i>Balance on 31 December 2017</i>			
Derivatives held for trading			
Interest rate contracts	2,496,409	17,882	16,819
OTC	2,447,319	17,882	16,819
Listed	49,090	-	-
Currency contracts	338,889	3,550	4,037
OTC	338,889	3,550	4,037
Listed	-	-	-
Credit derivatives	1,580	-	4
Other contracts	2,307	123	221
OTC	2,307	123	221
Listed	-	-	-
Derivatives held as hedges			
Derivatives designated as fair value hedges			
Interest rate contracts	111,867	3,893	5,673
Currency contracts	58,129	2,361	5,668
Currency contracts	53,738	1,532	5
Derivatives designated as cash flow hedges			
Currency contracts	4,777	299	1,271
Currency contracts	4,777	299	1,271
Total derivative contracts with third parties	2,955,829	25,747	28,025
<i>Balance on 31 December 2016</i>			
Derivatives held for trading			
Interest rate contracts	2,609,169	30,742	28,027
OTC	2,548,166	30,741	28,027
Listed	61,003	1	-
Currency contracts	409,508	6,961	9,189
OTC	409,508	6,961	9,189
Listed	-	-	-
Credit derivatives	3,185	31	10
Other contracts	2,460	172	279
OTC	2,460	172	279
Listed	-	-	-
Derivatives held as hedges			
Derivatives designated as fair value hedges			
Interest rate contracts	125,667	3,858	8,837
Currency contracts	48,654	1,775	8,824
Currency contracts	77,013	2,083	13
Derivatives designated as cash flow hedges			
Currency contracts	7,850	948	1,542
Currency contracts	7,850	948	1,542
Total derivative contracts with third parties	3,157,839	42,712	47,884

13 Trading and investment portfolios

Breakdown of trading and investment portfolios		
<i>In millions of euros</i>	2017	2016
Trading portfolio including group companies		
Short-term government papers	2	-
Loans and advances to customers	762	1,049
Interest-bearing securities	1,499	1,637
Shares	-	504
	2,263	3,190
Investment portfolio		
Short-term government papers	496	801
Interest-bearing securities	74,630	79,422
Shares	220	459
Loans and advances to customers	4	5
	75,350	80,687
Included in the investment portfolios of group companies	51,103	51,573
Changes in the investment portfolio		
Balance on 1 January	80,687	84,337
Foreign exchange differences	(314)	93
Acquisitions during the financial year	1,604	1,836
Disposals during the financial year	(5,185)	(5,466)
Fair value changes	(665)	(173)
Depreciation, impairments and reversals over the book year	-	-
Other	(777)	60
Balance on 31 December	75,350	80,687
The terms of the investment portfolio can be broken down as follows:		
On demand	300	1,076
≤ 3 months	479	858
> 3 months ≤ 1 year	3,305	2,235
> 1 year ≤ 5 years	15,979	17,473
> 5 years	55,076	58,594
No maturity	211	451
	75,350	80,687
Investment portfolio containing value adjustments through the profit and loss account including group companies		
Interest-bearing securities	255	89
	255	89

14 Due to banks

This item represents amounts owed to credit institutions, other than debt securities and subordinated debt, of which:

<i>In millions of euros</i>	2017	2016
Due to other banks	15,709	18,021
Due to group companies	3,343	3,482
Due to other equity investments	8	97
Total due to banks	19,060	21,600
On demand	5,122	6,399
≤ 3 months	2,121	2,865
> 3 months ≤ 1 year	1,369	2,012
> 1 year ≤ 5 years	3,747	3,269
> 5 years	1,018	679
No maturity	5,683	6,376
Total due to banks	19,060	21,600

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 23 billion (2016: EUR 23 billion).

<i>In millions of euros</i>	2017	2016
Due to other customers	313,226	316,045
Due to group companies	7,276	9,438
Due to other equity investments	6,927	7,071
Total due to customers	327,429	332,554

Savings comprise all deposits and savings accounts of natural persons, non-profit making associations and foundations, as well as non-transferable savings bonds.

<i>In millions of euros</i>	2017	2016
On demand	258,007	256,188
≤ 3 months	19,341	28,021
> 3 months ≤ 1 year	6,025	8,923
> 1 year ≤ 5 years	14,863	11,802
> 5 years	20,920	20,659
No maturity	8,273	6,961
Total due to customers	327,429	332,554

16 Debt securities in issue

This item relates to non-subordinated bonds and other interest-bearing securities, such as certificates of deposit.

<i>In millions of euros</i>	2017	2016
Tradeable debt securities	83,035	101,798
Other debt securities	39,973	48,468
	123,008	150,266
On demand	7,320	9,983
≤ 3 months	14,223	18,858
> 3 months ≤ 1 year	29,671	37,211
> 1 year ≤ 5 years	48,062	53,102
> 5 years	23,732	31,112
	123,008	150,266

17 Other liabilities

This item includes liabilities that cannot be classified under any other heading, such as short positions for securities and liabilities associated with securitised receivables. Other liabilities also includes liabilities for staff costs, taxes and national insurance contributions. At year-end 2017, approximately EUR 56 billion in Rabobank mortgages were securitised.

<i>In millions of euros</i>	2017	2016
This item can be broken down as follows:		
Liabilities associated with securitised receivables	55,767	55,362
Current tax liabilities	28	30
Other liabilities	3,614	3,674
Total other liabilities	59,409	59,066

18 Provisions

<i>In millions of euros</i>	2017	2016
Provision for pension plans and other post-retirement provisions	185	152
Provision for deferred tax liabilities	11	2
Other provisions	1,019	1,310
Total provisions	1,215	1,464

Pension provision

The provision for pension plans and other provisions following termination of employment consists of a provision for pension plans 84 (2016: 41) and other employee benefits 101 (2016: 111).

Other provisions

<i>In millions of euros</i>	<i>Restructuring provision</i>	<i>Provision for legal issues</i>	<i>Other</i>	<i>Total</i>
Opening balance on 1 January 2017	418	730	162	1,310
Additions	94	139	94	327
Withdrawals	(86)	(293)	(51)	(430)
Releases	(143)	(19)	(26)	(188)
Closing balance on 31 December 2017	283	557	179	1,019
Opening balance on 1 January 2016	44	115	73	232
Changes due to legal merger	284	198	11	493
Additions	554	557	124	1,235
Withdrawals	(386)	(36)	(32)	(454)
Releases	(78)	(104)	(14)	(196)
Closing balance on 31 December 2016	418	730	162	1,310

19 Subordinated liabilities

This represents the loans relating to the issue of Trust Preferred Securities and subordinated loans.

<i>In millions of euros</i>	2017	2016
Loans related to the issue of Trust Preferred Securities IV	395	409
Subordinated loans	16,137	16,847
Balance on 31 December	16,532	17,256

In the following table details of the issues of subordinated liabilities are shown:

Subordinated liabilities				
Notional (in millions)	Currency	Coupon	Year of issuance	Year of maturity
500	USD	4.00%	2017	2029, early repayment possible 2024
1,500	USD	3.75%	2016	2026
225	AUD	5.00%	2015	2025, early repayment possible 2020
475	AUD	Variable	2015	2025, early repayment possible 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 possible 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
1,000	EUR	5.875%	2009	2019
10	EUR	4.21%	2005	2025
10	EUR	5.32%	2004	2024

20 Equity

<i>In millions of euros</i>	2017	2016
This item can be broken down as follows:		
Rabobank Certificates	7,440	5,948
Capital Securities	5,925	7,821
Revaluation reserves	386	431
Legal reserves	(359)	752
Other reserves	22,733	22,678
Profit for the year	2,616	1,960
Total equity	38,741	39,590

Capital

As of 1 January 2016, as a consequence of the legal merger between Rabobank and the local Rabobanks, the shares that were issued to local Rabobanks became void.

Capital		
<i>In millions of euros</i>	2017	2016
Changes during the year:		
Opening balance	-	600
Changes due to legal merger	-	(600)
Closing balance	-	-

Premium

Premium		
<i>In millions of euros</i>	2017	2016
Changes during the year:		
Opening balance	-	5,402
Changes due to legal merger	-	(5,402)
Closing balance	-	-

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. The Rabobank Certificates have been listed on Euronext Amsterdam since 27 January 2014.

The total number of certificates was 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 2017 was EUR 1.625 (2016: EUR 1.625). The Managing Board is entitled 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.

In January 2017 Rabobank issued Rabobank Certificates for a nominal amount of EUR 1.5 billion. Rabobank issued 60 million new Rabobank Certificates; each of these newly issued Certificate was priced at 108% of the nominal value of EUR 25.

Rabobank Certificates		
<i>In millions of euros</i>	2017	2016
Changes during the year:		
Opening balance	5,948	5,949
Issue of Rabobank Certificates	1,500	-
Changes Rabobank Certificates during the year	(8)	(1)
Closing balance	7,440	5,948

Capital Securities

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 (26 April 2016), for the first time on 29 June 2016. The Capital Securities are perpetual and first redeemable on 29 June 2021. As of 29 June 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 5-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 (22 January 2015), for the first time on 29 June 2015. The Capital Securities are perpetual and first redeemable on 29 June 2020. As of 29 July 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 5-year euro swap rate + 5.25%. The coupon is fully discretionary.

Issue of EUR 500 million

The coupon is 9.94% per year and is made payable annually in arrears as of the issue date (27 February 2009), for the first time on 27 February 2010. As of 27 February 2019, the coupon will be made payable every quarter based on the three-month Euribor plus an annual 7.50% 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.

Issue of USD 2,868 million

The coupon is 11.0% per year and is made payable every six months in arrears as of the issue date (4 June 2009), for the first time on 31 December 2009. As of 30 June 2019, the coupon will be made payable every quarter based on the three-month USD Libor plus an annual 10.868% 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.

Issue of GBP 250 million

The coupon is 6.567% per year and is made payable every six months in arrears as of the issue date (10 June 2008), for the first time on 10 December 2008. As of 10 June 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.

Issue of CHF 350 million

The coupon is 5.50% per year and is made payable annually in arrears as of the issue date (27 June 2008), for the first time on 27 June 2009. As of 27 June 2018, the coupon will be made payable every six months on 27 June and 27 December based on the six-month CHF Libor plus an annual 2.80% 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.

Issue of ILS 323 million

The coupon is 4.15% per year and is made payable annually in arrears as of the issue date (14 July 2008), for the first time on 14 July 2009. As of 14 July 2018, the coupon will be made payable annually based on an index related to the interest rate paid on Israeli government bonds with terms between 4.5 and 5.5 years plus an annual 2.0% 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.

Issue of NZD 280 million

Rabo Capital Securities Limited has issued capital securities, the coupon of which equals the five-year swap interest rate plus an annual 3.75% mark-up and was set at 8.7864% per annum on 25 May 2009. As of the issue date (27 May 2009), the coupon is made payable every quarter in arrears, for the first time on 18 June 2009 (short first interest period). As of 18 June 2014, the coupon will be made payable every quarter based on the five-year swap interest plus an annual 3.75% mark-up. As of 18 June 2019, the coupon will be made payable every quarter based on the 90-day bank bill swap interest rate plus an annual 3.75% 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 which were redeemed during the year**Issue of USD 2,000 million**

Rabobank issued the USD 2,000 million Capital Securities on 9 November 2011. In accordance with the Terms and Conditions of these Capital Securities, Rabobank has redeemed the Capital Securities on the first call date, namely 29 June 2017.

Issue of NZD 900 million

Rabobank issued the NZD Capital Securities on 8 October 2007. In accordance with the Terms and Conditions of these Capital Securities, Rabobank has redeemed the Capital Securities on the first call date, namely 8 October 2017.

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.

<i>In millions of euros</i>	2017	2016
Movements were as follows:		
Balance on 1 January	7,821	8,002
Issuance of Capital Securities	-	1,250
Costs of issuance of Capital Securities	-	(9)
Redemption of Capital Securities	(1,894)	(1,437)
Other	(2)	15
Balance on 31 December	5,925	7,821

Revaluation reserves

<i>In millions of euros</i>	2017	2016
The revaluation reserves and translation differences can be specified as follows:		
Cash flow hedges	(42)	(70)
Interest-bearing securities	205	316
Shares and non-interest-bearing securities	223	185
Total revaluation reserves	386	431

Movements were as follows:

Balance on 1 January	431	792
Exchange rate differences	9	(6)
Revaluations	(633)	(291)
Other	(3)	(77)
Transferred to profit or loss	582	13
Balance on 31 December	386	431

Rabobank's cash flow hedges consist mainly of cross-currency interest rate swaps which serve to protect against a potential change in cash flows from financial assets in foreign currencies with floating interest rates.

Rabobank tests the hedge effectiveness on the basis of statistical regression analysis models, both prospectively and retrospectively. At year-end 2017 and 2016, the hedge relations were highly effective within the range set by IAS 39.

In 2017, Rabobank accounted for an amount of -594 (2016: -87) after taxation in other comprehensive income as effective changes in the fair value of derivatives in cash flow hedges.

In 2017, an amount of 622 (2016: 56) after taxation of cash flow hedge reserves was reclassified to the income statement.

On 31 December 2017, the cash flow hedge reserves as part of equity totalled -42 (2016: -70) after taxation. This amount fluctuates along with the fair value of the derivatives in the cash flow hedges and is accounted for in the income statement over the term of the hedged positions as trading result. The cash flow hedge reserve relates to a large number of derivatives and hedged positions with different terms. The maximum term is 23 years, with the largest concentrations exceeding five years. The IFRS ineffectiveness for the year ended 31 December 2017 was 178 (2016: 148).

1 Created in accordance with IAS 19.122

Legal reserves

This concerns the reserve for retained earnings of associates, software developed in-house and translation differences.

<i>In millions of euros</i>	2017	2016
The legal reserves can be specified as follows:		
Retained profits of associates	228	166
Software developed in-house	351	383
Translation differences	(938)	203
Total legal reserves	(359)	752

<i>In millions of euros</i>	2017	2016
Movements were as follows:		
Balance on 1 January	752	641
From other reserves to legal reserves	30	(168)
Exchange rate differences	(1,141)	279
Balance on 31 December	(359)	752

Other reserves

<i>In millions of euros</i>	2017	2016
The remaining reserves can be specified as follows:		
Recalibration of pensions ¹	(225)	(219)
Fair value changes due to own credit risk on financial liabilities designated at fair value	(625)	(303)
Retained earnings	23,583	23,200
Total other reserves	22,733	22,678

<i>In millions of euros</i>	2017	2016
Movements in the recalibration of pensions:		
Balance on 1 January	(219)	(175)
Recalibration of pensions	(6)	(44)
Balance on 31 December	(225)	(219)

Movements in the fair value changes due to own credit risk on financial liabilities designated at fair value:

Balance on 1 January	(303)	-
Adjustment opening balance	-	62
Fair value changes	(318)	(365)
Realisation at derecognition	(4)	-
Balance on 31 December	(625)	(303)

<i>In millions of euros</i>	2017	2016
Movements in retained earnings:		
Balance on 1 January	23,200	(3,304)
Changes due to legal merger	-	26,761
Adjustment opening balance	-	(62)
Profit for previous financial year	1,960	908
Distribution to third parties	(1,091)	(1,230)
Transferred to legal reserves	(30)	168
Transferred to revaluation reserves	-	319
Redemption of Capital Securities	(439)	(316)
Issue of Rabobank Certificates	120	-
Cost of issue Rabobank Certificates	(12)	-
Other changes	(125)	(44)
Balance on 31 December	23,583	23,200

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 2,674 (2016: 2,024); net profit of Rabobank in the company financial statements was 2,616 (2016: 1,960). The difference in 2017 of 58 (2016: 64) represents the non-controlling interests.

The table below shows reconciliation between the equity of Rabobank and that of Rabobank Group:

<i>In millions of euros</i>	<i>2017</i>	<i>2016</i>
Equity of Rabobank according to Part 9 of Book 2 of the Dutch Civil Code	38,741	39,590
A component of the equity of Rabobank Group: Trust Preferred Securities IV	394	409
A component of the equity of Rabobank Group: Other non-controlling interests	475	525
Total group equity under IFRS, as presented in consolidated financial statements	39,610	40,524

Notes to the statement of income

21 Net interest income

<i>In millions of euros</i>	2017	2016
Interest income		
Cash and balances at central banks	269	183
Loans and advances to banks	549	573
Financial assets held for trading	38	45
Financial assets designated at fair value	26	25
Loans and advances to customers	10,863	11,379
Available-for-sale financial assets	885	1,040
Derivatives held as economic hedges	2,014	2,310
Derivatives used for fair value hedge accounting	(414)	(703)
Interest income on financial liabilities with a negative interest rate	158	77
Other	5	41
Total interest income	14,393	14,970
Interest expense		
Due to banks	370	421
Other trade liabilities	21	10
Due to customers	3,783	4,409
Debt securities in issue	2,904	3,250
Other liabilities	756	720
Financial liabilities designated at fair value	461	362
Interest expense on financial assets with a negative interest rate	297	258
Other	(7)	4
Total interest expense	8,585	9,434
Net interest income	5,808	5,536

22 Net fee and commission income

<i>In millions of euros</i>	2017	2016
Fee and commission income		
Insurance commissions	267	257
Lending	492	520
Purchase and sale of other financial assets and handling fees	312	264
Payment services	668	704
Other commission income – group companies	21	42
Other commission income	58	101
Total fee and commission income	1,818	1,888
Fee and commission expense		
Purchase and sale of other financial assets	-	1
Payment services	60	20
Custodial fees and securities services	10	10
Handling fees	21	33
Other commission expense – group companies	14	23
Other commission expense	21	125
Total fee and commission expense	126	212
Net fee and commission income	1,692	1,676

23 Income from equity interests

<i>In millions of euros</i>	2017	2016
Dividend income from shares	20	23
Results from interests in group companies	2,288	2,025
Results from other equity investments	35	(94)
Results from disposed interests	1	63
Total income from equity interests	2,344	2,017

24 Staff costs

<i>In millions of euros</i>	2017	2016
Wages and salaries	2,084	2,283
Social security contributions and insurance costs	222	243
Pension costs	520	429
Other staff costs	566	511
Total staff costs	3,392	3,466

The average number of internal and external employees 36,547 (2016: 26,838), of which 3,106 outside the Netherlands (2016: 3,110). Expressed in FTEs, the average number of internal and external employees was 34,083 (2016: 25,121).

25 Regulatory levies

The regulatory levies consist of bank tax, contributions to the single resolution fund and the deposit guarantee scheme. Banks operating in the Netherlands on 1 October of the current year are required to pay bank tax. There are two rates of bank tax: A rate of 0.044% for current liabilities and a rate of 0.022% for long-term liabilities, based on the balance on December 2016. In 2017, Rabobank was charged a total of 136 (2016: 138). In 2017, the bank levy in Ireland amounted to 7 (2016: 4). In 2017, the bank levy in Belgium amounted to 11. On 1 January 2016 the European Single Resolution Fund (SRF) was set up. This fund has been established to improve the effectiveness of resolution instruments. Banks and investment firms that are in the scope of the SRM-regulation are obliged to contribute to the SRF. In 2017, the contribution to the Single Resolution Fund amounted to 152 (2016: 151). Per the end of 2015, the new pre-funded deposit guarantee scheme was introduced. As of 2016, banks have to pay a premium on a quarterly basis. Target size of the scheme is 0.8% of total guaranteed deposits of all banks together. In 2017, the contribution to the Deposit Guarantee Scheme amounted to 140 (2016: 131).

26 Income tax

The major components of the income tax is included below.

<i>In millions of euros</i>	2017	2016
Income tax		
Reporting period	343	(34)
Adjustments of previous years	(15)	(6)
Deferred tax	(53)	95
Total income tax	275	55
Effective tax rate	9.5%	2.7%
Applicable tax rate	25.0%	25.0%

The effective tax rate differs from the applicable tax rate in 2017 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 banks' or 'Loans and advances to customers' and as per 31 December amount to:

<i>In millions of euros</i>	2017	2016
Loans and advances to banks	16,786	12,596
Loans and advances to customers	13,076	16,536
Total	29,862	29,132

Repurchase transactions and securities lending agreements concluded by Rabobank are included under 'Due to banks' and 'Due to customers' as of 31 December totalled:

<i>In millions of euros</i>	2017	2016
Due to banks	359	418
Due to customers	107	209
Total	466	627

The assets referred to in the table below (with exception to professional securities transactions) were provided to counterparties as security for (contingent) liabilities. If Rabobank remains in default the counterparties may use the security to settle the debt.

<i>In millions of euros</i>	2017	2016
Assets not freely available:	Related to type of liabilities:	
Loans and advances to banks	<i>Derivatives</i>	3,297 4,702
Loans and advances to customers	<i>Due to customers</i>	8,020 5,978
Interest-bearing securities	<i>Due to customers</i>	4,195 6,276
Total		15,512 16,956

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 utilisation of credit related contingent liabilities.

<i>In millions of euros</i>	2017	2016
Contingent liabilities consist of:		
Financial guarantees	7,412	11,010
Loan commitments	33,967	36,285
Other commitments	20,656	23,518
Total contingent liabilities	62,035	70,813
Of which:		
Contingent liabilities of group companies	14,975	18,864

Liabilities relating to operating leases

Rabobank has concluded various operating lease contracts as lessee, mainly with respect to properties, information systems and cars. The future net minimum lease payments under non-cancellable operating leases can be broken down as follows:

<i>In millions of euros</i>	2017	2016
Not later than 1 year	93	124
Later than 1 year but not later than 5 years	312	279
Later than 5 years	233	346
Total liabilities relating to operating leases	638	749

The gross minimum lease payments The expected future minimum lease payments receivable from sub-leases are nil (2016: nil). The operating lease expenses are 12 (2016: 52). These are included in 'Other administrative expenses' in the statement of income.

Contingent liabilities related to income tax

The European Commission has addressed questions to the Dutch government about article 29a of the Dutch Corporate Income Tax Code. If the European Commission would decide to start a formal investigation and ultimately would conclude that this is a case of state aid, Rabobank may have to repay tax benefits it enjoyed from 2015 onwards.

Article 29a of the Dutch Corporate Income Tax Code was included in the Dutch Corporate Income Tax Code so that capital instruments issued by credit institutions and which are covered by EU regulation 575/2013 would be considered tax deductible. In this context, Rabobank issued Capital Securities in January 2015 and in April 2016, amounting respectively to EUR 1.5 billion at a fixed interest rate of 5.5%, and EUR 1.25 billion at a fixed interest rate of 6.625%. The contingent liability related to this matter amounts to 96 (2016: 54).

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.
- FGH Bank N.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.
- Rabo Mobiel B.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 fulfilment of obligations entered into by the group companies during the term of the guarantees.

In connection with the Trust Preferred Securities, Rabobank guarantees the Trust concerned, on a subordinated basis, that the payments from the LLC to the Trust will be made and – in the event that the LLC goes into liquidation – that the LLC Class B Preferred Securities will be repaid and the associated payments on the Trust Preferred Securities will be made (the 'Guarantees'). Under the so-called Contingent Guarantee, Rabobank guarantees the LLC that it will pay the amounts owed under the Guarantees, if these amounts have been due and unpaid for more than 180 days.

Internal liability (cross-guarantee system)

Various legal entities belonging to Rabobank Group are internally liable under an intragroup mutual keep well system. Under this system the participating entities are bound, in the event of a lack of funds of a participating entity to satisfy its creditors, to provide the funds necessary to allow the deficient participant to satisfy its creditors. The system is a remnant of Rabobank's previous cooperative structure that was in effect until 31 December 2015, when the Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. and the local member banks merged into a single legal entity: Coöperatieve Rabobank U.A. Therefore, it is intended that the system will be terminated in the course of 2018.

As on 31 December 2017, the remaining participants are:

- Coöperatieve Rabobank U.A.
- Rabohypotheekbank N.V.
- De Lage Landen International B.V.
- Rabo Factoring B.V.
(previously named De Lage Landen Trade Finance B.V.)
- Rabo Lease B.V.
(previously named De Lage Landen Financial Services B.V.)
- Rabo Direct Financiering B.V.
(previously named De Lage Landen Financiering B.V.)

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.

29 Main group companies

In 2017, 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 31 December 2017	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%
Rabohypotheekbank N.V.	100%	100%
North America		
Rabobank Capital Funding LCC III	100%	100%
Rabobank Capital Funding Trust IV	100%	100%
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 Supervisory Board and the Managing Board are listed in section 33 of these 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. In 2017, the remuneration of members of the Managing Board amounted to 8.6 (2016 Executive Board: 7.5). The increase is related to the expansion of the Executive board with six members to the Managing Board with ten members, from September 1st 2017 onwards.

in thousands of euros	Short-term employee benefits	Post-employment benefits		Other	Total
		Pension scheme	Individual pension contribution		
Wiebe Draijer	980	26	212	-	1,218
Bas Brouwers	884	26	189	5	1,104
Petra van Hoeken	884	26	189	-	1,099
Kirsten Konst (in office from 1 September 2017)	267	9	56	1	333
Bart Leurs (in office from 1 September 2017)	217	9	44	-	270
Mariëlle Lichtenberg (in office from 1 September 2017)	250	9	52	4	315
Berry Marttin	884	26	189	4	1,103
Jan van Nieuwenhuizen	884	26	189	-	1,099
Ieko Sevinga (in office from 1 September 2017)	250	9	52	-	311
Janine Vos (in office from 1 September 2017)	217	9	44	-	270
Ralf Dekker (in office until 1 September 2017)	589	17	126	5	737
Rien Nagel (in office until 1 September 2017)	589	17	126	3	735
Total 2017	6,895	209	1,468	22	8,594
Members Executive Board	4,295	119	921	9	5,344
Former members Executive Board	1,768	50	378	15	2,211
Total 2016	6,063	169	1,299	24	7,555

Vervangen door: Ralf Dekker (COO) and Rien Nagel, both members of the Executive Board, resigned from the Executive Board effective September 1st 2017. Their employment relationship with Rabobank terminated as of 1 March 2018. Both will receive a severance pay equivalent to one year's salary of EUR 884,000 and their regular individual pension contribution. At year-end 2017, there were a total of 1,963 DRNs (liability of EUR 62) outstanding with members of the Managing Board (year-end 2016 Executive Board: 486 pieces of which 289 regarding former members). 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 (2016: Executive) Board can build up a pension amounts to a maximum, for 2017 ninety-eight thousand seven-hundred and thirty six euros. Any income exceeding this amount is not pensionable. As of 1 January 2015, the members of the Managing (2016: Executive) Board therefore receive an individual pension contribution. Expenses related to members and former members of the Supervisory Board totalled 1.3 (2016: 1.2). 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 1 October 2016 (exclusive of VAT and other charges) is:

As of 1 October 2016 the fee structure (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.

in thousands of euros	Remuneration
Irene Asscher-Vonk	90
Leo Degle	90
Leo Graafsma	110
Petri Hofsté	90
Arjen Kamp	110
Jan Nooitgedagt	110
Ron Teerlink	220
Marjan Trompetter	140
Pascal Visée	90
Total 2017	1,050
Total 2016	975

At Rabobank, the Chairman of the Supervisory Board holds a number of roles which are related to the cooperative. These roles are specified in the Annual Report.

In millions of euros	Managing (2016: Executive) Board		Supervisory Board	
	2017	2016	2017	2016
Loans, advances and guarantees				
Outstanding on 1 January	4.1	4.3	1.3	1.4
Provided during the year	0.8	-	0.7	-
Redeemed during the year	(1.3)	(0.8)	(0.1)	(0.1)
Reduction on account of leaving office	(1.8)	-	-	-
Increase on account of taking office	3.9	0.6	-	-
Outstanding on 31 December	5.7	4.1	1.9	1.3

The loans, advances and guarantees of the members of the Managing Board in office and the average interest rates were as follows:

In millions of euros	2017	
	Outstanding loans	Average interest rate (in %)
Loans, advances and guarantees		
Bas Brouwers	0.5	2.6
Kirsten Konst	0.2	4.0
Bart Leurs	0.9	2.1
Mariëlle Lichtenberg	1.8	4.3
Berry Marttin	0.2	5.8
Jan van Nieuwenhuizen	1.2	2.0
Janine Vos	0.9	2.3

In millions of euros	2016	
	Outstanding loans	Average interest rate (in %)
Loans, advances and guarantees		
Bas Brouwers	0.5	2.6
Berry Marttin	0.4	5.8
Ralf Dekker	1.0	2.1
Rien Nagel	1.0	2.2
Jan van Nieuwenhuizen	1.2	2.0

The loans, advances and guarantees of the members of the Supervisory Board in office and the average interest rates were as follows:

In millions of euros	Outstanding loans	Average interest rate (in %)
On 31 December 2017		
Arjen Kamp	1.4	2.0
Marjan Trompetter	0.4	2.1

In millions of euros	Outstanding loans	Average interest rate (in %)
On 31 December 2016		
Arjen Kamp	0.9	2.6
Marjan Trompetter	0.4	4.0

At year-end 2017, 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 (2016: Executive) 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 personally invested in Rabobank Certificates in person and/or through their own pension B.V. At year-end 2017, this involved in total 18,350 certificates.

<i>Certificates of member of the Supervisory Board</i>	<i>Number of Rabobank Certificates</i>	<i>Remarks</i>
On 31 December 2017		
Irene Asscher-Vonk	6,894	
Leo Degle	4,836	in pension B.V.
Leo Graafsma	4,050	in pension B.V.
<hr/>		
	<i>Number of Rabobank Certificates</i>	
On 31 December 2017		
Kirsten Konst	800	
Mariëlle Lichtenberg	1,770	

31 Proposals regarding the appropriation of available profit for Rabobank

Of the profit of 2,616, 1,086 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 be added to the general reserve held by Rabobank.

32 Events after the reporting period

On 2 January 2018 Rabobank announced that its California-based subsidiary has taken a provision of EUR 310 million in 2017. This decision anticipated on an expected settlement connected to previously disclosed investigations. RNA has been under investigation since 2013 by the U.S. Department of Justice and other U.S. authorities for possible violations of the U.S. Bank Secrecy Act and other regulations and statutes in relation to its historical AML compliance programme, and the Office of the Comptroller of the Currency's ('OCC') examination of that programme in the past. RNA has been cooperating with the authorities during their investigations, and in February 2018 these discussions have been settled in line with the provision taken.

33 Approval of the Supervisory Board

The publication of these financial statements was approved by the Supervisory Board on 8 March 2018. The financial statements will be presented to the General Meeting, to be held on 18 April 2018, 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'.

On behalf of the Managing Board

Wiebe Draijer, *Chairman*

Bas Brouwers, *CFO*

Petra van Hoeken, *CRO*

Kirsten Konst, *Member*

Bart Leurs, *Member*

Mariëlle Lichtenberg, *Member*

Berry Marttin, *Member*

Jan van Nieuwenhuizen, *Member*

Ieko Sevinga, *Member*

Janine Vos, *Member*

On behalf of the Supervisory Board

Ron Teerlink, *Chairman*

Marjan Trompetter, *Vice Chairman*

Irene Asscher-Vonk, *Secretary*

Leo Degle

Leo Graafsma

Arian Kamp

Jan Nooitgedagt

Petri Hofsté

Pascal Visée

Other information

Statutory provisions

Profit can be used under an 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 2017

Our opinion

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of Coöperatieve Rabobank U.A. as at 31 December 2017 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- the accompanying company financial statements give a true and fair view of the financial position of Coöperatieve Rabobank U.A. as at 31 December 2017 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 2017 of Coöperatieve Rabobank U.A., Amsterdam ('Rabobank' or 'the Bank' or 'company'). The financial statements include the consolidated financial statements of Coöperatieve Rabobank U.A. and its subsidiaries (together: 'the Group') and the company financial statements.

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the following statements for 2017: the consolidated statement of income, the consolidated statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company statement of financial position as at 31 December 2017;
- the company statement of income for the year then ended; and
- the notes, comprising a summary of the accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the section 'Our responsibilities for the audit of the financial statements' of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 – Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

Our audit approach

Overview and context of the 2017 audit

Rabobank is an international financial services provider operating on the basis of cooperative principles. Rabobank operates globally in 40 countries with focus on banking in the Netherlands and food and agri financing in the Netherlands and abroad. Its operations include domestic retail banking, wholesale banking, international rural and retail banking, leasing and real estate. Rabobank is in the midst of a transformation. During 2017 Rabobank continued executing the 'Strategic Framework 2016-2020'. The strategic objectives that impact the financial statements directly are focussed on

balance sheet flexibility and reduction and further improving financial performance. As the ongoing transformation may affect systems, processes and controls, we were particularly focussed on areas where the financial statements could be materially impacted. In the key audit matter section of this report we have described where this was applicable during our audit.

The group comprises of multiple components and therefore we considered our group audit scope and approach as set out in the scope of our group audit section. We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements.

In particular we looked at where the Managing Board made important judgements. In paragraph "Judgements and estimates" in note 2.1 to the financial statements the company describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty. Given the significant estimation uncertainty in the impairment of loans and advances to customers, valuation of financial instruments, litigation, regulatory and client care we considered these to be key audit matters as set out in the key audit matter section of this report. The reliability and continuity of information processing was identified as key audit matter since this is significant to the Bank's operational, regulatory and financial reporting processes. Lastly we determined the disclosure on the impact of IFRS 9 on the opening balance as of 1 January 2018 to be an additional key audit matter in 2017 given the combination of the complexity of (new) models, estimates, assumptions, potential impact of the new standard on the 2018 opening balance and future years and the focus by financial statement stakeholders about the effects of the new standard. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by senior management that may represent a risk of material misstatement due to fraud.

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, real estate, hedge accounting, valuation of financial instruments, employee benefits and valuation in our team.

The outline of our approach was as follows:



Materiality

- Overall materiality: €181 million

Audit scope

- We conducted audit work in 20 components.
- Site visits and meetings with the component team by the Group Engagement Team were carried out to the following locations – the Netherlands, USA, the UK, Ireland and Brazil. For the foreign locations we met with the audit partner and local management team of Australia/New Zealand when they visited the Netherlands.
- Audit coverage: 91% of total assets, 91% of profit before tax and 86% of revenues.

Key audit matters

- Impairment of loans and advances to customers
- Valuation of financial instruments
- Litigation, regulatory and client care
- Design and effectiveness of IT General controls
- Disclosure over the estimated impact of IFRS 9 in accordance with IAS 8

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	€181 million (2016: €135 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	This benchmark is a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. On this basis we believe that profit before tax is an important metric for the financial performance of the company 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 €23 million and €63.5 million.

Next to the quantitative considerations as outlined above, we have also focused in our audit on the accuracy and completeness of the fair value disclosure, the legal, regulatory and client care disclosure and the IAS 8 disclosure with the estimated impact of IFRS 9 which are examples of taking into account misstatements and/or possible misstatements, that in our judgement, are material for qualitative reasons. We agreed

with the Supervisory Board that we would report to them misstatements identified during our audit above €8.75 million (2016: €6.25 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 performed sufficient work 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, culture and behaviour audits and financial statement audits. Audit Rabobank issued audit opinions on the financial information of certain of the components of Rabobank (for internal purposes only) to the Supervisory Board, Audit Committee and Managing Board. We considered, in the context of audit standard 610 'Using the work of internal auditors', whether we could make use of the 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, and more specific the financial audit team of Audit Rabobank. Subsequently we developed a detailed approach and model to make use of the work of Audit Rabobank in our 2017 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 significant components: Domestic Retail Banking Netherlands (not including Obvion and other associated entities), Wholesale Banking Netherlands and Treasury (WRR) and De Lage Landen (DLL). These three components were subject to audits of their complete financial

information as those components are individually financially significant to the group. Additionally, 17 components were selected for full scope or specific scope audit procedures to achieve appropriate coverage on financial statement line items in the financial statements.

In total, in performing these procedures, we achieved the following coverage on the financial line items:

Total assets	91%
Profit before tax	91%
Revenue	86%

None of the remaining components represented individually more than 2% of total group assets, profit before tax or revenues. For these 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 entities in the Netherlands included the significant components Domestic Retail Banking Netherlands, WRR and DLL, but also included Real Estate Group, FGH Bank, Obvion and some other smaller components. The group engagement team utilized the work of component teams for these entities. For components in the USA, Australia/New Zealand, Brazil and Ireland, we used component auditors who are familiar with the local laws and regulations to perform the audit work. Where the work was performed by component auditors, we determined the level of involvement we needed to have in their audit work to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the financial statements as a whole.

In the current year the group engagement team visited the Netherlands, USA, the UK, Brazil and Ireland at least once. We met with the team from Australia and New Zealand when they visited the Netherlands. During these visits the group engagement team met with the component teams and with local management.

The group consolidation, financial statement disclosures and a number of complex items such as hedge accounting and certain accounting matters are audited by the group engagement team at the head office. By performing the procedures above at components, combined with the additional procedures at group level, we have obtained sufficient and appropriate audit evidence regarding the financial information of the group. These procedures in totality provided a basis for our opinion on the consolidated financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance 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.

With regards to the comparison of key audit matters in our auditor's report 2017 with 2016, we determined the disclosure on the impact of IFRS 9 on the opening balance as of 1 January 2018 to be an additional key audit matter in 2017 given the combination of the complexity of (new) models, estimates, assumptions, potential impact of the new standard on the 2018

opening balance and future years and the focus by financial statement stakeholders on the effects of the new standard. After our first year as auditor in 2016 we determined that the application of hedge accounting was more refined and simplified during the year, making this not a key audit matter anymore in 2017. We did not identify triggers for the valuation of equity instruments and we concluded that the direct financial statement impact of the strategy execution is less significant in 2017, making those matters not a key audit matter anymore for our 2017 audit.

The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comments we make on the results of our procedures should be read in this context.

<i>Key audit matter</i>	<i>How our audit addressed the matter</i>
<p>Impairment of loans and advances to customers Refer to note 2.15 'Loans and advances to customers and loans and advances to banks' and note 11 'Loans and advances to customers'.</p> <p>The Bank's portfolio of loans and advances to customers amounts to EUR 432 billion as at 31 December 2017. These loans and advances are measured at amortised cost, less a loans impairment allowance of EUR 5.4 billion. There are significant management judgements involved and complex models and assumptions are utilized in the process of estimating the impairment allowance on loans and advances to customers. Combined with the magnitude of the loans and advances to customer balances, these elements drive us to believe that this is a key audit matter. Within Rabobank the impairment allowance consists out of three different components being:</p> <ul style="list-style-type: none"> • Impairments for specifically identifiable individually impaired loans or advances ('specific loan impairment allowance'); • Model based impairments for Incurred But Not Reported losses (referred to by the Bank as 'general loan impairment allowance'); and • Model based impairments to cover impairment risks in impaired loans with individually low exposures and characteristics similar to those in the group ('collective loan impairment allowance'). <p>The judgements and estimation uncertainty is primarily linked to the following:</p> <ul style="list-style-type: none"> • The identification of impaired loans and allowances; • Regarding the specific loan impairment allowance the valuation of the future expected cash flows based on the appropriate use of key parameters and the assessment of the recoverable amount; • Regarding the model based impairment allowances, the assumptions regarding possibility of default, loan given default and exposure at default underlying the general and collective loan impairment allowance; and • Management adjustments that management applies because of inherent model limitations. 	<p>We evaluated the design effectiveness and tested the operating effectiveness of key controls around:</p> <ul style="list-style-type: none"> • Credit management process to assess the loan quality classification to identify impaired loans; • The valuation of future expected cash flows and existence and valuation of collateral, based on the appropriate use of key parameters for the specific impairment allowance; • The governance over impairment models, including the continuous reassessment of management that the impairment models are still calibrated in a way that addresses the impairment risk in accordance with the IFRS standards; • The completeness and accuracy of the transfer of data from the underlying source systems to the impairment models; and • The review and approval process that management has in place for the outputs of the impairment models, and the adjustments that are applied to modelled outputs. <p>Most of these controls 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 we could place reliance on these controls for the purpose of our audit.</p> <p>Considering the risk we selected appropriate samples of individually impaired loans, we took note of the latest developments at the borrowers' and considered whether the key judgements were appropriate. We challenged management's inputs including the future cash flows, the valuation of collateral and tested the key parameters. In addition we selected a sample of individual loans from the "performing book" and the so called "watch list". In some cases our independent assessment resulted in different values as compared to those calculated by management. We have assessed that those differences fell within the range of reasonable outcomes, in the context of the inherent uncertainties, judgements and use of assumptions within the impairment calculation.</p> <p>We tested the impairment models for the general and collective loan impairment allowances. We involved internal model experts, evaluated the reasonableness of model methodology and performed backtesting procedures on a sample of key model parameters. Also we tested input variables and challenged management that they provided us with reasonable explanations and evidence supporting the key model parameters. We assessed these inputs to be in line with market and industry practice.</p> <p>We challenged management on the post model adjustments to provide evidence that these adjustments were necessary to balance the Bank's sector, industry or macro economical exposure, and we found the provided supporting evidence to be reasonable.</p>

*Key audit matter***Valuation of financial instruments**

Refer to note 2 'Accounting policies' and note 4.9 'Fair value of financial assets and liabilities'.

The financial instruments that are measured at fair value which are significant to the financial statements are:

- Derivatives (EUR 25.5 billion of derivative assets and EUR 28.1 billion of derivative liabilities are level 2 and level 3 financial instruments at 31 December 2017);
- Financial assets available for sale (EUR 4.0 billion of financial assets available for sale are level 2 or level 3 financial instruments at 31 December 2017; and
- Financial liabilities designated at fair value (EUR 13.8 billion of financial liabilities designated at fair value are level 2 or level 3 financial instruments at 31 December 2017).

For financial instruments in active markets and for which observable market prices or other market information is available, there is a high degree of objectivity involved in determining the fair value (level 1 financial instruments). However, when observable market prices or other market information is not available the fair value is subject to significant judgement. The fair value of such financial instruments (level 2 and level 3 financial instruments) is determined using valuation techniques (such as discounted cash flow models and option valuation models) in which judgements made by management and the use of assumptions and estimates such as market prices, credit spreads, yield curves, correlations and volatilities are important factors. At 31 December 2017, this related in particular to derivatives, financial assets available for sale and financial liabilities designated at fair value (in each case if they are classified as level 2 and/or level 3 financial instruments).

The main assumptions and estimates used by management in this respect relate to:

- The credit valuation adjustment (CVA) and debit valuation adjustment (DVA) used in the valuation of derivatives;
- The credit spreads applied in the valuation of financial assets available for sale; and
- The credit yield curves used in the valuation of financial liabilities designated at fair value.

Given the level of judgement and complexity involved in determining the fair value of these financial instruments, we determined this to be a key audit matter in our audit. Due to the size of the portfolio's, some deviation could have a significant impact on result and equity.

Litigation, regulatory and client care

Refer to note 2.21 'Provisions', note 4.10 'Legal and arbitration proceedings' and note 25 'Provisions'.

Given the continued regulatory focus on the financial services industry, there is a risk that claims and/or regulatory investigations emerge that could impact the financial statements.

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 recognition and measurement of provisions and the disclosure of contingent liabilities requires considerable management judgement.

In 2016 the Bank decided to adopt the Uniform Recovery Framework for SME Interest Rate Derivatives. As at 31 December 2017 the SME provision amounted to EUR 450 million.

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.

How our audit addressed the matter

Our audit work included, amongst others, understanding, the design and operating effectiveness of the controls at the Bank that cover the valuation process for financial instruments such as:

- The governance over valuation models, including the validation and approval process of such models and subsequent changes thereto;
- Controls that cover the collateral valuation and dispute process for collateralised derivatives;
- Controls over the completeness and accuracy of data inputs used in the valuation of financial instruments; and
- The Bank's independent price verification process where the reasonableness of models and outputs is assessed.

Based on these audit procedures, we determined that we could place reliance on these controls for the purpose of our audit.

For derivatives, financial assets available for sale and financial liabilities designated at fair value, with assistance of our internal valuation specialists, we tested the appropriateness of the methodologies, models and inputs applied in the valuation of such financial instruments. The purpose of these procedures was to determine that the methodologies, models and inputs used by the Bank are fit-for-purpose and in line with best practices applied in the market.

Furthermore, we reconciled the most significant inputs to independent sources and external available market data, where possible. Where assumptions and estimates were made by management on key valuation inputs, we assessed and evaluated these by comparing them to available market data. In particular, we performed the following procedures on the main assumptions and estimates used by management:

- We assessed the credit valuation adjustment (CVA) and debit valuation adjustment (DVA) used in the valuation of derivatives, by comparing assumptions and inputs to market data;
- We, assisted by our internal valuation specialists, performed an independent valuation of a sample of financial assets available for sale using benchmark data to assess the credit spreads applied in the valuation; and
- Assessing the data points used by management in determining the credit yield curves used in the valuation of financial liabilities designated at fair value by comparing these data points against available market data. Furthermore we evaluated the interpolation for data points for which limited market data is available.

We, assisted by our valuation specialists, performed an independent valuation of a sample of derivative positions. In some cases our independent valuation resulted in different values as compared to those calculated by management. We have assessed that those differences fell within the range of reasonable outcomes, in the context of the inherent uncertainties and use of models and assumptions.

We understood, evaluated and tested the design and operating effectiveness of controls of the Bank to identify litigation and regulatory exposures within the group. We determined that we could place reliance on these controls for the purpose of our audit.

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.

We inquired with internal legal counsel to understand the risk position of new and existing regulatory matters.

To identify potential regulatory investigations that could lead to the need for potential new provisions we read the Bank's relevant correspondence with the Autoriteit Financiële Markten ("AFM"), De Nederlandse Bank ("DNB") and European Central Bank ("ECB"). We met on a trilateral and bilateral basis with the 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. We held regular bilateral meetings with the Chairs of the Supervisory Board, Audit committee and Risk committee.

We obtained legal letters from the external lawyers to validate the identified exposures in particular for the SME interest rate derivatives, Libor/Euribor and Bank Secrecy Act/Anti-Money Laundering framework for Rabobank, N.A. (RNA). We assessed customer complaints received and the analysis prepared by management of these complaints. 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 any new provisions or systematic exposures.

The majority of our detailed audit work was on the significant provision for SME interest rate derivatives. We assessed the reasonableness of assumptions and interpretations of the SME framework by management in relation to their calculations by performing back testing procedures on the offer letters sent to customers before 31 December 2017 and comparing the results of the individual compensation offers to the original estimates of management. On the basis of our carried out audit procedures we assessed the remaining recognized provision for SME interest rate derivatives, and based on the information currently available to the Bank, to be reasonable. We focused on disclosures regarding SME interest rate derivatives, Libor/Euribor and Bank Secrecy Act/Anti-Money Laundering framework for Rabobank, N.A. (RNA). We have assessed that the disclosures were sufficiently clear in highlighting the uncertainties and exposures that exist.

*Key audit matter***Design and effectiveness of IT-General Controls**

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.

In addition, in 2017 the Bank has started 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. Deficiencies in IT general controls as such could have a pervasive impact across the Bank's internal control framework.

Therefore we identified the Bank's IT-General Controls as a key audit matter.

Disclosure over the estimated impact of IFRS 9 in accordance with IAS 8

Refer to note 2.1 'Basis for preparation' section 'IFRS 9 Financial Instruments'.

IFRS 9, Financial Instruments becomes effective for annual reporting periods beginning on or after 1 January 2018. As of 31 December 2017 Rabobank needs to disclose the estimated impact of this new standard in accordance with IAS 8.

As per the disclosure, the IFRS 9 adoption is expected to overall reduce IFRS equity as of 1 January 2018 by EUR 0.1 billion. The classification and measurement changes increase equity by EUR 0.1 billion and impairment reduces equity by EUR 0.2 billion.

In determining the classification and measurement of the financial instruments management has identified 37 business models for their financial assets stratified by product type and where relevant by geographical location. Management has performed a business model assessment for each business model to determine whether these are hold to collect, hold to collect and sell or trading. Hold to collect assets are measured at amortised cost. Hold to collect and sell assets are measured at Fair value through OCI, while trading assets are measured at Fair Value through profit or loss (FVtPL). For the financial assets in every business model, management has performed an assessment to conclude whether the cash-flows from financial instruments fulfil the solely of payment of principal of interest criteria ('SPPI').

With respect to financial liabilities, Rabobank has decided to record callable notes at amortised cost under IFRS 9 as opposed to fair value through profit or loss under IAS 39. These callable notes include embedded derivatives and management has concluded to bifurcate and separately present the embedded derivatives on the balance sheet at FVtPL as the economic characteristics and risks of the embedded derivatives are not closely related to the host note contracts.

With respect to impairment Rabobank has developed five new IFRS 9 impairment models. Judgements have been applied in the development of the new models which have been built and implemented to measure the expected credit losses on loans measured at amortised cost.

Furthermore there is an increase in the data inputs required by these models. This increases the risk of completeness and accuracy of the data that has been used to create assumptions and is used to operate the model.

Given the significance of the new standard and the number of accounting policy choices and judgement decisions to be taken by management on the implementation of IFRS 9 we consider this a key audit matter.

How our audit addressed the matter

Our efforts relating to understanding, evaluating and testing the design and operating effectiveness of ITGCs focused on:

- 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 use of these tools.
- Governance over the strategic IT-transformation projects;
- Having meetings periodically with and obtaining project reports from the IT organisation on the long term strategic projects. We validated that none of the projects were implemented and could have an impact on our 2017 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 deploy mechanisms; and
- Computer Operations, including batch monitoring, back-up and recovery and incident management.

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 and business controls, remedial control actions were taken by management. Based on the testing of controls and additional testing of remedial actions we determined that we could place reliance on these controls for the purpose of our audit.

Regarding the accounting policy choices we reviewed technical memos and accounting position papers to determine whether this has been set up in accordance with the requirements of IFRS 9. We challenged management on their accounting policy choices judgements and they provided us with reasonable explanations and evidence supporting the judgements.

For classification and measurement we evaluated management's business model assessments and the evidence supporting the business model decisions for every business model. For each of the 37 business models we selected a representative sample of individual loans and debt instruments and obtained supporting documentation that the cash flows represent solely payment of principal and interest. For the SPPI criteria. Our procedures did not identify any deviations from management's assessment.

With respect to the classification and measurement of callable notes we assessed management's analysis based on which they determined that the embedded derivatives are not closely related to the host note contracts. This comprised of reperformance of the analysis by management to demonstrate that the exercise price of the embedded derivative does not equal the amortised cost value of the host note contracts. We consider the assumptions and conclusions of management in this analysis to be reasonable.

With regard to impairment we performed the following procedures to support our conclusions:

- Controls over governance and model development were tested. We, together with our modelling specialists tested the modelling methodology for the most significant portfolios;
- Risk based testing of models including challenging the main assumptions, was performed;
- Assessing the design of management's validation and integrity checks on data used as input for impairment calculation via walkthrough procedures;
- Where possible testing of operating effectiveness on data input and validation controls;
- Testing of the compensating review controls performed by management to assess the reasonableness of the disclosed impact of adopting IFRS 9;
- We assessed management's disclosure on the presentation of the impact, judgements and uncertainties of IFRS 9 in the context of the IAS 8 disclosure requirements.

We considered the estimated impact, as disclosed in the consolidated financial statements, given the inherent estimation uncertainty in determining the impact of IFRS 9 to be reasonable.

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:

- Chairman's foreword;
- About this report;
- About Rabobank;
- Our impact on our clients;
- Our impact on society;
- Empowered Employees;
- Our performance;
- Risk Management and Compliance;
- Members of the Managing and Supervisory Board;
- Assurance report of the independent auditor;
- Managing Board responsibility statement;
- Appendixes to the Annual Report;
- Dutch Corporate Governance Code;
- Remuneration;
- Report of the Supervisory Board of Rabobank;
- 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 were 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 second 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 Company and its controlled entities, for the period to which our statutory audit relates, are disclosed in note 48 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
- 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 company'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 company 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 company's ability to continue as a going concern in the financial statements. The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud, or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 8 March 2018

PricewaterhouseCoopers Accountants N.V.

Original has been signed by P.J, van Mierlo RA

Appendix to our auditor's report on the financial statements 2017 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 objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among other things, of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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 company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the 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.

Independent Auditor's Assurance Report

To: The General Members Council and Supervisory Board of Coöperatieve Rabobank U.A.

Assurance report on the non-financial & sustainability information 2017

Our conclusion

Based on our review, nothing has come to our attention that causes us to believe that the non-financial & sustainability information included in the Annual Report 2017 of Coöperatieve Rabobank U.A. does not present, in all material respects, a reliable and adequate view of:

- the policy and business operations with regard to non-financial & sustainability information; and
- the events and achievements related thereto for the year ended 31 December 2017, in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the internally applied reporting criteria.

Our opinion

In our opinion the indicators in Appendix 3, as well as certain audited indicators in Appendix 2 (see below) of the Annual Report, are prepared, in all material respects, in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the internally applied reporting criteria.

What we are assuring

The information contains a representation of the policy and business operations of the Coöperatieve Rabobank U.A. and its subsidiaries (hereinafter 'Rabobank' or 'the Bank'), regarding the material topics as defined in Appendix 1 and the events and achievements related thereto for 2017.

We have reviewed the information, as included in the following sections in the Annual Report for the year ended 31 December 2017 of Rabobank. Starting from section Rabobank at a glance on page 10 up to, and including, Our financial performance ending on page 78, as well as the Appendix 1 and Appendix 2 and Appendix 4 up to, and including, Appendix 6 ending on page 126.

Additionally, we have audited Appendix 3 and the following indicators in Appendix 2:

- Priority financing to sustainable front-runners and doubling the size of front-runners
 - Total sustainable financing
 - Total sustainable assets under management and assets held in custody
 - Total sustainable funding
 - Total financial transactions supervised by Rabobank
- Clients with a sustainability client photo
 - Local Rabobanks (number of assessed clients)
 - Local Rabobanks (% of assessed clients)
 - Wholesale offices (number of assessed clients)
 - Wholesale offices (% of assessed clients)
- Stimulating diversity and equality
 - Gender diversity Supervisory Board
 - Gender diversity Management Board
 - Gender diversity Management Board -1
 - Gender diversity Management Board -2
- Developing human capital and talent management
 - Organizational Health Index
- Increase reputation
 - RepTrak score
- Community not-for-profit investments
 - We support social initiatives in the communities in which we operate with manpower, knowledge, networks and facilities and we invest the equivalent of 3% of our annual profit in social initiatives on a not-for-profit basis through the Rabobank Group and the Rabobank Foundation
 - By 2020, we will be supporting 500 new local collective community-based initiatives achieving business success in the Netherlands (cumulative)
- Stimulate and enhance sustainable food and agriculture
 - Number of published value chain visions (cumulative)
 - Number of value chains for which we participate in a roundtable or similar initiative
 - Number of supported small-scale farmers in developing countries in the year
- Reduce CO₂ emission
 - Total CO₂ emissions in tonnes
 - Total CO₂ emissions per FTE

The links to external sources or websites in the report are not part of the information itself, reviewed by us. We do not provide assurance over information outside of this report.

The basis for our conclusion and opinion

We conducted our assurance engagement in accordance with Dutch law, which includes the Dutch Standard 3810N Assurance engagements on corporate social responsibility reports ('Assurance-opdrachten inzake maatschappelijke verslagen'). This engagement is aimed to obtain a combination of limited and reasonable assurance. Our responsibilities under this standard are further described in the section 'Our responsibilities for the assurance engagement of the information' of this Assurance report.

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 for the engagement 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) 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.

We believe that the assurance information we have obtained is sufficient and appropriate to provide a basis for our conclusion and our opinion.

Reporting criteria

Rabobank developed its reporting criteria on the basis of the Sustainability Reporting Standards of GRI as disclosed in Appendix 1: "About this report" and Appendix 2: "Non-financial KPI's results methodology & definitions" of the 2017 Annual Report. The information in the scope of this assurance engagement needs to be read and understood in conjunction with these reporting criteria. Management is responsible for selecting and applying these reporting criteria. The absence of a significant body of established practice on which to draw, to evaluate and measure information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Inherent limitations

The information includes prospective information such as expectations on ambitions, strategy, plans, estimates and risk assessments based on assumptions. Inherently, the actual results are likely to differ from these expectations, due to changes in assumptions. These differences may be material. We do not provide any assurance on the assumptions and achievability of prospective information in the report.

Responsibilities for the information and the assurance-engagement

Responsibilities of management

Management of Rabobank is responsible for the preparation of the information in the report in accordance with the Sustainability Reporting Standards of GRI and the internally applied reporting criteria as disclosed in Appendix 1: "About this report" and Appendix 2: "Non-financial KPI's results methodology & definitions" on the pages 102-106 of the 2017 Annual Report, including the identification of stakeholders and the definition of material topics to these stakeholders. The choices made by management regarding the scope of the information and the reporting policy are summarized in Appendix 1: "About this report" and Appendix 2: "Non-financial KPI's results methodology & definitions" on the pages 102-106 of the 2017 Annual Report. Management is responsible for determining that the applicable reporting criteria are acceptable in the circumstances.

Management is also responsible for such internal control as it determines is necessary to enable the preparation of the information that is free from material misstatement, whether due to fraud or error.

Our responsibilities for the assurance engagement on the information

Our responsibility is to plan and perform the assurance engagement to obtain sufficient and appropriate assurance information to provide a basis for our conclusion and our opinion.

This review engagement is aimed at obtaining limited assurance. In obtaining a limited level of assurance, the performed procedures are aimed at determining the plausibility of information and are less extensive than those aimed at obtaining reasonable assurance in an audit engagement. The assurance obtained in review engagements aimed at obtaining limited assurance is therefore significantly lower than the assurance obtained in audit engagements aimed at obtaining reasonable assurance.

Our audit of the information presented in the indicators in Appendix 3, as well as the specified audited indicators in Appendix 2 in the 2017 Annual Report have been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors or fraud.

Misstatements may arise due to fraud or error and are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the information. The materiality criteria used affects the nature, timing and extent of our review and audit, as well as the evaluation of the effect of identified misstatements on our conclusion and our opinion.

Procedures performed

We have exercised professional judgement and have maintained professional scepticism throughout the assurance engagement, in accordance with the Dutch Standard 3810N, ethical requirements and independence requirements.

Our main procedures included among others:

- Performing an external environment analysis and obtaining insight into relevant social themes and issues, relevant laws and regulations and the characteristics of the organization.
- Identifying and assessing the risks of material misstatement of the report, whether due to errors or fraud, designing and performing review procedures responsive to those risks, and obtaining review evidence that is sufficient and appropriate to provide a basis for our conclusion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Developing an understanding of internal control relevant to the assurance engagement in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing a conclusion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of the reporting criteria used and its consistent application, including the evaluation of the results of the stakeholders' dialogue and the reasonableness of estimates made by management and related disclosures in the report.

- Evaluating the overall presentation, structure and content of the report, including the disclosures.
- Evaluating whether report represents the underlying transactions and events free from material misstatement.
- Interviewing management and relevant staff at corporate level, responsible for providing the information in the report, carrying out internal control procedures on the data and consolidating the data in the report.
- Reviewing internal and external documentation to determine whether the information, including the disclosure, presentation and assertions made in the report, is substantiated adequately.
- Obtaining an understanding of the procedures performed by the internal audit department of Rabobank.
- An analytical review of the data and trends submitted for consolidation at corporate level and within the industry.
- Assessing the consistency of the information within the management chapters and the information included in the Annual Report 2017 which is not in scope for this assurance report.
- Assessing whether the information has been prepared 'in accordance' with the Sustainability Reporting Standards of the Global Reporting Initiative and the internally applied reporting criteria as described in Appendix 1: "About this report" and Appendix 2: "Non-financial KPI's results methodology & definitions".

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, including significant shortcomings in the internal controls.

Amsterdam, 8 March 2018

PricewaterhouseCoopers Accountants N.V.

Original has been signed by P.J. van Mierlo RA

Assurance report of the independent auditor

To: The General Members Council and Supervisory Board of Coöperatieve Rabobank U.A.

Assurance report on the effectiveness of internal control over the consolidated financial reporting

Our opinion

In our opinion the effectiveness of internal control over the consolidated financial reporting of Rabobank as at 31 December 2017, is prepared in all material respects, in accordance with the COSO criteria.

What we have audited

The object of our assurance engagement concerns the effectiveness of the internal control over the consolidated financial reporting of Coöperatieve Rabobank U.A. (hereafter: Rabobank) as at 31 December 2017 (hereafter: 'the internal control').

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)' ('Assurance-opdrachten 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.

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 auditing firms on assurance engagements (RA)' ('Nadere voorschriften accountantskantoren ter zake van assurance-opdrachten (RA)') 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.

Criteria for our assurance engagement

The company's internal control over consolidated financial reporting is a process designed to provide reasonable assurance that the company maintained, in all material respects, effective internal control over the consolidated financial reporting as at 31 December 2017, based on the COSO criteria. A company's internal control over consolidated financial reporting includes those policies and procedures that:

1. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
2. provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with International Financial Reporting Standards as adopted in the European Union and Part 9 of Book 2 of the Dutch Civil Code, and that receipts and expenditures of the company are being made only in accordance with authorisations of management of the company; and
3. provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's 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 all misstatements. Also, projections 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 and the assurance engagement

Responsibilities of the Managing Board

The Managing Board of Rabobank is responsible for the preparation of the internal control statement in accordance with the COSO criteria as further explained in the paragraph Criteria in this report, including the identification of the intended users and the criteria being applicable for the purposes of the intended users.

The Managing Board is also responsible for such internal control as it determines is necessary to enable the preparation of the internal control statement that is free from material misstatement, whether due to fraud or error.

The statement of the Managing Board regarding its assessment of the effectiveness of internal control over consolidated financial reporting is included in note 54 of the consolidated financial statements.

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 the internal control statement is prepared, in all material respects, in accordance with the COSO criteria as further explained in the paragraph Criteria in this report. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements.

Misstatements may arise due to fraud or error and are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the internal control statement. Materiality affects the nature, timing and extent of our assurance procedures and the evaluation of the effect of identified misstatements on our opinion.

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:

- gaining knowledge about the internal control statement and other engagement circumstances including, depending on the object, obtaining an understanding of internal controls;
- based on this knowledge, assessing of 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;
- 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, 8 March 2018

PricewaterhouseCoopers Accountants N.V.

Original has been signed by P.J. van Mierlo RA

Glossary of terms

BPV (basis point value):	BPV represents the absolute loss of the market value of equity if the yield curve as a whole changes in parallel by one basis point.
Carbon footprint:	The total of greenhouse gas emissions expressed in tonnes of carbon dioxide for Scope 1, 2 and 3.
Cash flow:	Inflows and outflows of cash and cash equivalents.
Circular economy:	Economic system where products and services are traded in closed loops. It's characterised as an economy which is regenerative by design, with the aim to retain as much value as possible of products, parts and materials.
Clean technology:	Technology regarding renewable energy, energy efficiency, lighting, water and waste management.
Common equity tier 1 capital:	This capital is determined based on the regulator's requirements. For Rabobank, this constitutes the sum of retained earnings, Rabobank Certificates, share of non-controlling interests, reserves and transitional provisions, less estimated dividends and deductions.
Common equity tier 1 ratio:	Common equity tier 1 capital related to the risk-weighted assets.
Corporate governance:	The system of rules, practices and processes by which a company is directed and controlled. The term refers to how a company is to be managed effectively, efficiently and soundly and to the management's responsibility to account for its policies to its stakeholders.
Cost/income ratio:	Operating expenses related to income.
Country risk:	With respect to country risk, a distinction is drawn between transfer risk and collective debtor risk. Transfer risk relates to the possibility of foreign governments placing restrictions on funds transfers from debtors in their own country to creditors in other countries. Collective debtor risk is the risk that a large number of debtors in a particular country will all be unable to fulfil their obligations owing to the same cause.
Credit risk:	The risk of loss if the bank's counterparties are unable to meet their loan obligations to the bank.
EAD (Exposure At Default):	The bank's expected exposure in the event and at the time of a counterparty's default.
EatR (Equity at Risk):	Measure indicating the percentage by which the market value of equity will decrease if the yield curve increases (in parallel) by one percentage point.

Economic capital or internal capital requirement:	This refers to the minimum capital buffer required in order to offset all unexpected losses caused by the various risks to which a bank is exposed during a specific time period (one year), assuming a specific reliability interval.
Engagement:	Have a two-way dialogue with key stakeholders, such as our employees, business partners, clients and society to learn and understand the challenges they face, the innovations in the market, and developments in sustainability frames of reference. Engagement contributes to ongoing learning and improvement by enabling Rabobank to: <ul style="list-style-type: none"> • identify and create commercial opportunities; • to identify and appraise risks; • have the opportunity to remedy grievances among the Group's stakeholders; • share our knowledge and networks with our clients to motivate them to deal responsibly with their sustainability issues.
Ethics Committee:	Rabobank Committee established in 1998 which assesses practical situations that have an underlying ethical dilemma and weighs them against Rabobank's norms and values.
Equity capital ratio:	Retained earnings and Rabobank Certificates related to risk-weighted assets.
Funding:	Funds used by the bank to finance its lending operations.
Green Bond:	Fund allocated to the financing of renewable energy projects (solar and wind).
Green Mortgage:	Mortgage that encourages customers to opt for an energy efficient new home by giving them a discount (0.5%) on the interest.
Hybrid capital:	Capital including components of equity and liabilities, forming part of the bank's tier 1 capital.
latR (Income at Risk):	This measure indicates, with some degree of reliability, the maximum loss of interest profit caused by a sharp increase or decline in money market interest rates over the next 12 months.
Impact Loan:	Loan with a significant interest account introduced by the European Investment Bank (EIB) and Rabobank for sustainability frontrunners in the Netherlands with a positive social impact.
Impaired loans:	Loans for which a provision has been made.
Interest rate risk:	The risk that the bank's financial performance and/or economic value, based on the balance sheet structure, is negatively affected by trends in the money market.
LGD (Loss Given Default):	Estimate of economic loss in the event of default on the part of the debtor. The LGD is expressed as a percentage of the EAD.
Liquidity risk:	The risk that a bank will not be able to fulfil all its payment and repayment obligations on time, as well as the risk that it will at some time be unable to fund increases in assets at a reasonable price, if at all.

Loan impairment charges:	Costs consisting of the amounts added to the loan impairment allowance and charged to the profit and loss account. Loan impairment charges represent the balance of addition, release and earnings after write-offs. Loan impairment charges are generally expressed in basis points of average lending.
Loan-to-deposit ratio:	Ratio of lending related to due to customers.
Materiality:	Relevant topics that may reasonably be considered important for reflecting the organisation's economic, environmental and social impacts, or influencing the decisions of stakeholders.
Market risk:	Risk related to value changes in the trading portfolio due to price changes in the market which affect factors such as interest rates, shares, credit spreads, currencies and certain types of goods.
Operational risk:	The probability of loss caused by inadequate or deficient internal processes, people or systems, or by external events.
PD (Probability of Default):	The likelihood that a counterparty will default within one year.
Qualifying capital:	Capital determined based on the regulator's requirements. For Rabobank, this represents the sum of the tier 1 capital, subordinated debts and share of non-controlling interests less transitional provisions.
RAROC (Risk Adjusted Return On Capital):	Risk-based profitability measurement framework which ensures that earnings and risks can be consistently weighted against each other.
Regulatory capital or external capital requirement:	The total capital classified by the regulator as risk-bearing capital, consisting of the tier 1 and tier 2 capital.
Return on tier 1 capital:	Net profit related to the tier 1 capital as at 31 December of the previous financial year.
Risk-weighted assets:	The assets of a financial institution multiplied by a weighting factor, set by the regulatory authorities, reflecting the relative risk related to these assets. The minimum capital requirement is calculated based on the risk-weighted assets.
Solvency:	A company's ability to meet its financial obligations.
Sustainable agriculture:	Agriculture with a focus on sustainability and innovations. Innovations that will ultimately result in structural increases of sustainable food supply.
Sustainable development:	Sustainable development is development which meets the needs of current generations without comprising the ability of future generations to meet their own needs (UN Brundtland Commission Report, 1987).
Sustainability Bond:	Funds allocated to loans provided to SMEs with sustainability certifications on products, processes or buildings.
Sustainability photo:	Customer profile to identify whether a customer is a sustainability leader in its industry or an average or below-average performer.

Tier 1 capital:	This capital is determined based on the regulator's requirements. For Rabobank, this represents the sum of the common equity tier 1 capital, grandfathered instruments and share of non-controlling interests less transitional provisions and deductions.
Tier 1 ratio:	Tier 1 capital as related to the risk-weighted assets.
Total capital ratio:	Regulatory capital divided by risk-weighted assets.
Transfer risk:	Transfer risk relates to the possibility of foreign governments placing restrictions on funds transfers from debtors in their own country to creditors in other countries.
Value at Risk (VaR):	Value at Risk (VaR) is used in calculating market risk, indicating the maximum loss to be incurred for a given confidence level and horizon and based on 'normal' market conditions and on one year of historical market trends. For day-to-day control, a confidence level of 97.5% and 1-day horizon are applied.

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