Interim Report 2019

Growing Sustainably Together

Rabobank

Growing a better world together.

Chairman's Foreword

Progress Toward Achieving Strategic Objectives in a Challenging Environment

The first half of this year was characterized by developments that strained stability and prospects for growth and prosperity throughout the world. Global trade wars, doubts about Brexit and a persistently unfavorable interest rate environment are making it more challenging for financial institutions like ours to operate. Given this more challenging context, we can look back with satisfaction on the progress made on our strategic plan.

In the first six months of 2019 Rabobank posted a net profit of EUR 1.2 billion and maintained its sound capital position. Our profit is considerably down compared to the historically high level of last year, due to higher impairment charges and lower income. After a period of exceptionally low impairment charges we now see them trending toward more normalized levels. The European Central Bank's interest rate policy and the persistence of the low interest rate environment are having a tangible effect. Furthermore, income declined, mostly as the result of the derecognition of income from divested non-strategic activities (FGH Bank and BPD Marignan). The cost/income ratio improved slightly to 64.4%, and even as we continue to focus on reducing the C/I ratio, the pace at which we can achieve this will be dictated in part by interest rate developments and higher investments for digitalization and compliance (AML and CDD).

The new operating model for local Rabobanks in the Netherlands is fully operational. Our impact at the local level is clearly high, now with 90 local banks, supported by 14 centers of expertise and 382 branches across the Netherlands. 'Bankieren- 4brainport' is a great example: in the Eindhoven region the local Rabobank is investing EUR 1 billion to fund businesses in Brainport, Europe's leading innovative top technology region. We are keen to upgrade and share our knowledge and expertise, for instance through RaboResearch, and to work intensively with partners such as universities to structurally support local and regional community initiatives. In the first half of 2019, we contributed EUR 19 million via our cooperative dividend to for example, social projects that support financial self-reliance.

The steady rise in our NPS scores in the Netherlands shows that our customers' appreciation for us is still improving. We are also seeing greater involvement from our members and a better reputation score. As a matter for improvement in the transition of our local Rabobanks we learned that our accessibility for specific clients demanded additional attention. We took appropriate measures to optimally support our customers whenever they need us.

Given increasing globalization, digitalization and the growing complexity of financial economic crime, we need to know our clients and their businesses even better than we do now. Therefore, we will continue to invest in our compliance efforts. Customer Due Diligence (CDD) is essential to providing good customer service and to fulfilling our gatekeeper role of protecting customers and the bank against risks associated with money-laundering, fraud and terrorist financing. We currently have approximately 1,600 CDD specialists working globally including almost 1,200 specialists in the Netherlands to give top priority to customer integrity. We are also hiring additional staff to help us expand these efforts. In the Netherlands the Minister of Economic Affairs and the Minister of Justice and Security have launched a project to take the collective efforts of regulators, investigating authorities, the Financial Intelligence Unit (FIU-Nederland), the public prosecution service and parties in the financial sector to the next level. From the beginning, Rabobank participates in this project that is so important for the sector and society.

Rabobank's Banking for Food vision is the driving force behind the bank's international portfolio. To further optimize our balance sheet, a number of international non-core retail activities in North America and Ireland were divested and our Indonesian operation is being phased out. In March 2019 we announced that we will increase our focus on Food & Agri in North America and that Rabobank National Association (RNA) has been sold to Mechanics Bank. This transaction is expected to be completed in the third quarter of 2019. In April 2019, Rabobank agreed the sale of the secured loan portfolio formerly owned by ACC Loan Management (ACC).

Lending to international clients grew in line with our global Food & Agri strategy. In line with our mission, our contribution to the world of food continues to be our highest priority. Disregarding the sale of RNA our private sector loan portfolio grew by EUR 4.7 billion, due to increased portfolios at WRR and DLL. We opened an office in Peru and started rural activities in Argentina. Also, we are continuously looking for opportunities to help the agriculture sector in areas that are new for us. When we spot an opportunity, we also want to learn how we can help improve the financial system. For instance, in the past six months, we announced a minority stake in the Peruvian microlender Caja Arequipa. We have also seen continued growth in DLL's leasing activities, and have been exploring further collaboration opportunities. DLL also celebrated its 50th anniversary this year.

The digital bank is still taking big strides at a rapid pace. This is entirely necessary given the number of customers who are actively banking online. In the first half of 2019 we developed faster and better digital products and services. Our banking app is far beyond just functional: some of our customers use it as a financial coach to help them manage their finances. Under the new PSD2 regulations, Rabobank was the first bank to open up various API links to other payment service providers in the first half of 2019. Our investment app Peaks, which was one of Rabobank’s first fin-techs, was the first non-banking institution in the Netherlands to be granted a PSD2 licence by DNB (the Dutch regulator) to organize payments and have access to bank transactions. Peaks can now offer its services to customers at all banks. We also introduced Fundr, a digital lending platform for SMEs. Just a few examples of how we are leaping ahead.

As a mission driven bank we aim to make a difference in the world, Rabobank aims to put its customers and the communities it serves ‘on the path to Paris.’ Climate change requires every one of us to make fundamental changes in where and how we live and work, and to what we eat. Not all of our clients are on this path yet. We understand it is a long road, and we will continue to support our clients in this transition. Everyone is talking about climate change, but many people still find it rather abstract. It remains a concept with untold consequences that are seemingly far removed from their daily lives. Rabobank is investing in practical opportunities to help our individual and business customers take specific sustainability measures close to home.

Our employees make the difference. They are the people bringing about the bank’s transition and we very much appreciate their efforts. Employee satisfaction slightly increased in the past few months, with 82.8% of our employees indicating they like working at Rabobank. On June 30, 2019 the total FTE count was 41,926. We continue to lead the field in terms of diversity among senior management. With women in 33% of senior management positions, we are ahead of the 30% target.

Wiebe Draijer, Chairman of the Managing Board

We will focus much of our efforts in the second half of the year on further implementing of our cooperative services and the connection with our members. As a cooperative, we want to accelerate the energy transition and contribute to the communities of our members and customers. We are also helping our private and corporate customers to become more sustainable and we are committed to doing the same for the Food & Agri chain worldwide.

Wiebe Draijer,
Chairman of the Managing Board

Management Report

Contents

Key Figures

Amounts in millions of euros	*6-30-2019 2019-I*	*12-31-2018 2018*	*6-30-2018 2018-I*	*12-31-2017 2017*	*6-30-2017 2017-I*	*12-31-2016 2016*
Non-Financial Key Figures						
Net promotor score Private Customers in the Netherlands	62	57	56	53	52	36
Net promotor score Private Banking Customers in the Netherlands	65	61	60	50	45	41
Net promotor score Corporate Customers in the Netherlands	51	53	52	43	38	30
% online active private customers in the Netherlands	62.9%	61.8%	-	-	-	-
% online active corporate customers in the Netherlands	81.0%	80.8%	-	-	-	-
RepTrak pulse score[1]	71.3	70.8	70.8	69.5	70.7	66.1
Member engagement score	48%	44%	47%	-	-	-
Diversity: % Women in Managing Board	40.0%	40.0%	40.0%	40.0%	14.3%	14.3%
Diversity: % Women in first level below Managing Board	33.3%	31.3%	33%	28.9%	-	-
Diversity: % Women employed in the Netherlands	51%	52%	-	-	-	-
Employee engagement scan	61.5	61	-	-	-	-
Financial Key Figures						
Common equity tier 1 ratio	15.8%	16.0%	15.8%	15.5%	14.7%	13.5%
Total capital ratio	24.4%	26.6%	26.1%	26.2%	25.5%	25.0%
Leverage ratio	5.9%	6.4%	6.0%	6.0%	5.8%	5.5%
Risk-weighted assets	207,281	200,531	199,348	198,269	207,589	211,226
Wholesale funding	152,342	153,223	163,774	160,407	170,977	188,862
Cost/income ratio including regulatory levies	64.4%	65.9%	64.6%	71.3%	67.6%	70.9%
Underlying cost/income ratio including regulatory levies	62.3%	63.9%	62.9%	65.3%	63.9%	64.8%
ROIC	6.4%	7.4%	8.8%	6.9%	7.8%	5.2%
Return on equity	5.9%	7.3%	8.5%	6.7%	-	4.9%
Return on assets	0.4%	0.5%	0.6%	0.4%	0.5%	0.3%
Other Financial Figures						
Income	5,763	12,020	6,029	12,001	5,938	12,805
Operating expenses	3,446	7,446	3,611	8,054	3,755	8,594
Impairment charges on financial assets	440	190	-37	-190	-67	310
Net profit	1,212	3,004	1,698	2,674	1,516	2,024
Total assets	606,834	590,437	607,845	602,991	623,197	662,593
Private sector loan portfolio	416,156	416,025	415,732	410,964	417,796	424,551
Deposits from customers	344,908	342,410	346,617	340,682	343,180	347,712
Equity	40,055	42,236	40,514	39,610	40,314	40,524
Loan-to-deposit ratio	1.20	1.21	1.20	1.21	1.22	1.22
Non-performing loans	16,841	18,436	-	-	-	-
Ratings						
Standard & Poor's	A+	A+	A+	A+	A+	A+
Moody's Investors service	Aa3	Aa3	Aa3	Aa2	Aa2	Aa2
Fitch ratings	AA-	AA-	AA-	AA-	AA-	AA-
DBRS	AA	AA	AA	AA	AA	AA
RobecoSAM	35	25[2]	-	11	-	7
Sustainalytics Ranking category diversified banks	2	2	-	7	-	2
Sustainalytics ESG Risk Rating category diversified banks	2	1	-	-	-	-
About Rabobank						
Local Rabobanks	90	101	101	102	103	103
Offices in the Netherlands	382	409	420	446	-	475
Active in # countries	39	39	-	-	-	-
Availability of internet banking	99.8%	99.9%	99.8%	99.9%	99.8%	99.7%
Availability of mobile banking	99.8%	99.9%	99.8%	99.9%	99.8%	99.7%
Availability of iDEAL	99.8%	99.8%	-	-	-	-

Amounts in millions of euros	*6-30-2019 2019-I*	*12-31-2018 2018*	*6-30-2018 2018-I*	*12-31-2017 2017*	*6-30-2017 2017-I*	*12-31-2016 2016*
Community funds and donations	19.0	48.8	-	45.5	-	43.3
Sustainable Products & Services						
Client Photo Local Rabobanks in the Netherlands (exposure > EUR 1M) coverage	98%	99%	-	98%	-	99%
Client Photo Local Rabobanks in the Netherlands (exposure > EUR 1M) % A-level	6%	5%	6%	4%	-	5%
Client Photo Wholesale offices (exposure > EUR 1M) coverage	87%	87%	-	73%	-	85%
Client Photo Wholesale offices (exposure > EUR 1M) % A-level	24%	24%	22%	21%	-	26%
Personnel Data						
Number of employees (total in FTE)	41,926	41,861	43,623	43,729	44,698	45,567
Staff costs	2,075	4,278	2,127	4,472	2,206	4,680
Absenteeism in the Netherlands	n/a[3]	4.3%	4.4%	4.0%	3.6%	3.6%
Training expenses (EUR per FTE)	936	1,906	976	1,841	807	1,945

1 The RepTrak pulse score is based on a 12-month rolling average, except for the 2017 and 2018 interim figures, which were based on Q2.

2 In 2018 RobecoSAM updated its scoring methodology which impacted our score and ranking substantially.

3 12-month rolling average not available due to a system implementation

Rabobank's Strategic Pillars

Innovative Services

fundr
Digital lending based on machine learning.

surepay
The IBAN Name Check account verification service has processed 1.3 billion checks, resulting in 72% drop in fraud.

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

Easytrade
Facilitates simple digital currency hedging offered to banks globally.

Rabo Food Forward

AgroStar

FoodBytes! by Rabobank

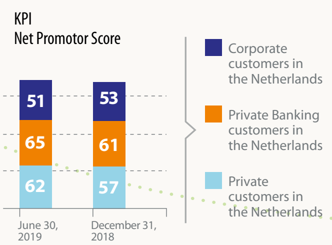
TERRA by Rabobank + RocketSpace

Domestic Market Shares

in %

33	21
savings	mortgages

Net Promotor Score



In the first six months of 2019 we worked on programs, based on our mission Growing a better world together:

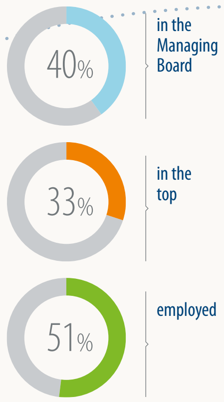
- Enhance financial self reliance and sustainable choices for Dutch customers
- Stimulate healthy and sustainable growth for entrepreneurs
- Innovate beyond banking
- Food Forward: a multi-stakeholder program to accelerate chain-wide food solutions on a regional level.
- Biodiversity in the Netherlands: Planet Impact Loan pilot, an impact loan for farmers that help restore biodiversity.

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

Excellent Customer Focus

Gender Diversity

Percentage of women ...



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

Empowered Employees

intermediair
op elk in je carrière

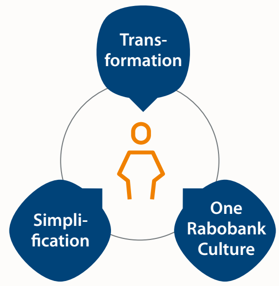
Rabobank #11 in ranking favorite employers of the Netherlands.

Engagement Scan

61.5

82.8% of our employees like going to work at Rabobank.

HR Priorities



Number of Employees

worldwide
as of June 30, 2019

41,926

FTE

December 31, 2018 = 41,861

Financial Capital

40.1 billion
Equity

344.9 billion
Deposits from customers

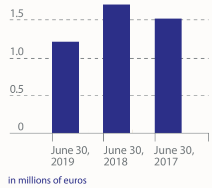
152.3 billion
Wholesale funding

Net Profit

as of June 30, 2019

1,212

EUR million



Ratings

S&P Global A+

Moody's Aa3

FitchRatings AA-

DBRS AA

Sustainability

ESG Rating 2 out of 339

ESG Risk Rating 2 out of 342

RobecoSAM 35 out of 259

Ambitions 2020 (Financial framework 2016-2020)	Results 2019 (as of June 30, 2019)
Fully loaded CET1 ratio >14%	15.8%
Profitability ROIC >8%	6.4%
MREL Requirement >28.58%	MREL Buffer 27.8%
Cost/income ratio including regulatory levies 53-54%	64.4%
Funding and liquidity Wholesale funding €150 billion	€152.3 billion

Rock-Solid Bank

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

Strategies

Banking for Food

FOOD
Farm2Fork Summit bringing together ca. 1200 farmers, clients, government officials, F&A experts and more from New Zealand & Australia

Earth
Green loan for salmon producer in Chile with sustainability consultation by WWF

Waste
#Waste Free (#Verspillingsvrij) Campaign for consumers in the Netherlands

Stability
Rabobank Foundation and data experts create pilot *AI-driven credit model* to help Nicaraguan growers invest in their farms

Nutrition
Strategic partner *Be Bright*, an incubator that guides start-ups in the field of healthy nutrition

Banking for the Netherlands

Self-reliance
Platform *straks heb je het nodig* 549,000 clients and non-clients calculated what amount they need to make future choices on care, pension eduction and housing

Local Living environment
Community Funds & Donations
Rabo Club support

Entrepreneurship
Launch *Rabo Circulair Ondernemen Desk* in the Netherlands

SUSTAINABLE DEVELOPMENT GOALS

Partnerships Rabobank

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

- Tent Partnership for refugees
- CEO Partnership for Economic Inclusion (CEOP)
- Mastercard Farmer Network
- Dutch Climate Agreement Talks
- XDelft!
- Host Round table responsible soy
- Biodiversity monitor arable farming in the Netherlands

Meaningful Cooperative

Rabobank is committed to make a difference as a cooperative customer-driven bank, championing customer issues like food, self-reliance, and the growth of entrepreneurs.

48%
Member Engagement Score

Community Funds and Donations

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

19
EUR million

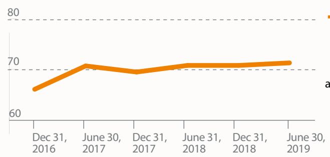
Client Photo

Frontrunner clients Wholesale (A-level)	Frontrunner clients local Rabobanks[1] (A-level)
24%	6%

[1] Up until May 2019

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

RepTrak Score Reputation Management



71.3
as of June 30, 2019

Our Performance

Rabobank

Despite the continued downward trend in operating expenses, lower income and higher impairment charges on financial assets resulted in a lower net profit, which decreased by EUR 486 million to EUR 1,212 million. The impairment charges on financial assets increased by EUR 477 million compared to the first half of 2018. This equates to 21 basis points of the average loan portfolio, versus a long-term average (2009-2018) of 32 basis points.
The underlying operating profit before tax amounted to EUR 1,778 (2018: 2,326) million. In calculating the underlying profit, corrections were made for fair value items, restructuring costs and additional provisions taken for the interest rate derivatives framework. The decrease in staff costs had a positive impact on the underlying cost/income ratio, which improved slightly to 62.3% (including regulatory levies) compared to the same period last year (2018: 62.9%). The return on invested capital (ROIC) amounted to 6.4% (2018: 8.8%).
Since the announced sale of Rabobank National Association to Mechanics Bank in 2019 the corresponding loans and deposits have been reclassified to held for sale. As a result of this event lending decreased by EUR 4.5 billion and deposits by EUR 9.8 billion. Excluding these reclassifications, Rabobank's private sector loan portfolio increased by EUR 4.7 billion and deposits from customers increased by EUR 12.3 billion. Lending increased at WRR and DLL, and at DRB deposits increased by EUR 10.1 billion in the first six months of 2019.

Excluding the Sale of RNA the Private Sector Loan Portfolio Increased EUR 4.7 Billion

The sale of Rabobank National Association (RNA) to Mechanics Bank tempered loan portfolio growth. The portfolio that was sold (EUR 4.5 billion) has already been excluded from the private sector loan portfolio as the loans related to this sale have been reclassified to 'non-current assets held for sale'. Excluding the sale of RNA the private sector loan portfolio increased by EUR 4.7 billion to EUR 420.7 billion. Even in spite of the reclassification of RNA's loan portfolio, we reported growth in our private sector lending of EUR 0.2 billion to EUR 416.2 billion in the first half of 2019. At Domestic Retail Banking (DRB) the mortgage portfolio decreased slightly due to the high level of repayments and a whole loan sale. DRB's total private sector loan portfolio decreased by EUR 1.3 billion to EUR 274.8 billion. Excluding the sale of RNA, WRR's loan portfolio increased by EUR 4.5 billion and Rabobank's leasing subsidiary DLL's portfolio ended up EUR 1.6 billion higher than on December 31, 2018. The combined domestic commercial real estate loan exposure over all segments was managed down further and amounted to EUR 20.4 (2018: 22.0) billion on June 30, 2019.

Loan Portfolio

Amounts in billions of euros	*06-30-2019*	*12-31-2018*
Total loans and advances to customers	**441.6**	**436.6**
Of which to government clients	2.2	1.9
Reverse repurchase transactions and securities borrowing	15.6	12.9
Interest rate hedges (hedge accounting)	7.6	5.8
Private sector loan portfolio	**416.2**	**416.0**
Domestic Retail Banking	274.8	276.1
Wholesale, Rural & Retail	109.0	109.0
Leasing	31.9	30.3
Real Estate	0.3	0.3
Other	0.2	0.3

The geographical split of the loan portfolio as at June 30, 2019 was as follows: 71% in the Netherlands, 10% in North America, 8% in Europe (outside the Netherlands), 6% in Australia and New Zealand, 3% in Latin America, and 2% in Asia.

Loan Portfolio by Sector

Amounts in billions of euros	*06-30-2019*		*12-31-2018*	
Loans to private individuals	193.2	46%	194.9	47%
Loans to Trade, Industry and Services	117.5	28%	118.0	28%
of which in the Netherlands	*82.7*		*81.5*	
of which in other countries	*34.8*		*36.5*	
Loans to Food & Agri	105.5	25%	103.1	25%
of which in the Netherlands	*38.0*		*38.1*	
of which in other countries	*67.4*		*65.0*	
Private sector loan portfolio	**416.2**	**100%**	**416.0**	**100%**

Excluding the Sale of RNA Deposits from Customers Increased EUR 12.3 Billion

Total deposits from customers increased to EUR 344.9 (2018: 342.4) billion, mainly due to an increase in deposits from private individuals at DRB partly caused by seasonal fluctuations. Following the announced sale of RNA the related deposits are reclassified to 'non-current liabilities held for sale' and consequently lowered deposits from customers by EUR 9.8 billion. Excluding this sale, total deposits from customers increased by EUR 12.3 billion. Deposits from DRB customers increased to EUR 246.8 (2018: 236.7) billion. Deposits from customers in other segments decreased to EUR 98.2 (2018: 105.7) billion mainly as the result of the reclassification of the RNA deposits. Private savings at DRB increased by EUR 4.8 billion to EUR 123.9 billion. On balance, total private savings increased by EUR 2.6 billion to EUR 145.3 billion.

Deposit from Customers

Amounts in billions of euros	*06-30-2019*	*12-31-2018*
Private savings	**145.3**	**142.7**
Domestic Retail Banking	123.9	119.1
Other segments	21.4	23.7
Other deposits from customers	**199.6**	**199.7**
Domestic Retail Banking	122.8	117.7
Other segments	76.8	82.0
Total deposits from customers	**344.9**	**342.4**

Rabobank's Financial Results

Results

Amounts in millions of euros	*06-30-2019*	*06-30-2018*	*Change*
Net interest income	4,214	4,274	-1%
Net fee and commission income	1,000	981	2%
Other results	549	774	-29%
Total income	**5,763**	**6,029**	-4%
Staff costs	2,075	2,127	-2%
Other administrative expenses	1,160	1,304	-11%
Depreciation and amortization	211	180	17%
Total operating expenses	**3,446**	**3,611**	-5%
Gross result	**2,317**	**2,418**	-4%
Impairment charges on financial assets	440	(37)	
Regulatory levies	268	284	-6%
Operating profit before tax	**1,609**	**2,171**	-26%
Income tax	397	473	-16%
Net profit	**1,212**	**1,698**	-29%
Impairment charges on financial assets (in basis points)	21	(2)	
Ratios			
Cost/income ratio including regulatory levies	64.4%	64.6%	0%
Underlying cost/income ratio including regulatory levies	62.3%	62.9%	-1%
ROIC	6.4%	8.8%	-27%
Balance Sheet			
Amounts in billions of euros	06-30-2019	12-31-2018	
Total assets	606.8	590.4	3%
Private sector loan portfolio	416.2	416.0	0%
Deposits from customers	344.9	342.4	1%
Number of internal employees (in FTEs)	35,353	35,850	-1%
Number of external employees(in FTEs)	6,573	6,011	9%
Total number of employees(in FTEs)	**41,926**	**41,861**	**0%**

Notes to Rabobank's Financial Results

Net Profit Decreased to EUR 1,212 Million

Lower income and higher impairment charges on financial assets resulted in a net profit of EUR 1,212 (2018: 1,698) million which is 29% lower than in the same period last year. Although still at a moderate level, impairment charges on financial assets increased to EUR 440 (2018: minus 37) million. The continued downward trend in operating expenses had a positive impact on net profit. Our restructuring efforts showed a positive effect in the form of a 2% reduction in staff costs during the first six months of 2019.

Underlying Gross Result Down 3%

Favorable results on divestments in the first half of 2018 and the persistent low interest rate environment explain our lower underlying gross result in the first half of 2019. This result was down 3% compared to the same period last year.

The underlying operating profit before tax fell by EUR 548 million to EUR 1,778 million. In calculating this underlying profit, we have made corrections for fair value items, restructuring costs and the additional provision taken for the interest rate derivatives framework. In the first half of 2019, the underlying cost/income ratio – including regulatory levies – improved slightly to 62.3% (2018: 62.9%).

Underlying Operating Profit Before Tax

Amounts in millions of euros		*06-30-2019*	*06-30-2018*
Income		**5,763**	**6,029**
Adjustments to income	Fair value items	126	133
Underlying income		***5,889***	***6,162***
Operating expenses		**3,446**	**3,611**
Adjustments to expenses	Restructuring	28	22
	Derivatives framework	15	0
Underlying expenses		**3,403**	**3,589**
Underlying gross result		**2,486**	**2,573**
Impairment charges on financial assets		440	(37)
Regulatory levies		268	284
Operating profit before tax		**1,609**	**2,171**
Total adjustments		***169***	***155***
Underlying operating profit before tax		**1,778**	**2,326**

Rabobank retained EUR 713 (2018: 1,152) million of its net profit to bolster capital in the first six months of 2019. Taxes amounted to EUR 397 (2018: 473) million, an effective tax rate of 25% (2018: 22%).

Income Decreased 4%

Low Interest Rate Environment Affecting Net Interest Income

Net interest income totaled EUR 4,214 (2018: 4,274) million in the first half of the year. This 1% decrease was the result of the persistent low interest rate environment, which has specifically impacted margins on savings and current accounts partly mitigated by sound and stable margins on new lending activities. The average net interest margin, calculated by dividing the net interest income by the average balance sheet total calculated on the basis of a 12 month rolling period, changed from 1.41% in the first half of 2018 to 1.40% in the same period this year caused by a slightly higher average balance sheet total and a decrease in net interest income.

Net Fee and Commission Income Up 2%

Net fee and commission income increased by 2% to EUR 1,000 (2018: 981) million. At local Rabobanks, net fee and commission income on payment accounts increased. At WRR, net fee and commission income decreased slightly due to the closing of fewer transactions within Capital Markets and the M&A division. Net fee and commission income at DLL increased by 19% due to higher asset management fees and higher fees earned on syndicated financial leases in the United States.

Other Results Down 29%

Other results declined to EUR 549 (2018: 774) million. On balance, the gross result on fair value items improved slightly in relation to last year: a loss of EUR 133 million in the first six months of 2018 compared to a loss of EUR 126 million this year. At WRR, due to unfavorable market conditions the Markets and Rabo Corporate Investment divisions could not match the previous first half year's strong performance. Other results in the Real Estate segment decreased by 52% as the results in the first half of 2018 included the proceeds from the sale of the final part of FGH Bank's non-core CRE loan portfolio. Also, BPD figures no longer include the results of BPD Marignan after the sale of this subsidiary in the second half of 2018. At DLL other results went down by 12% due to the release of a provision for foreign activities of DLL in the first half of 2018.

Operating Expenses Decreased 5%

Staff Costs Down 2%

In the first half of 2019, Rabobank's total number of employees (including external hires) increased by 65 FTEs to 41,926 (2018: 41,861) FTEs. A substantial part of the decease in staff levels at DRB can be attributed to the implementation of a new operating model in the Netherlands (Bankieren 3.0). At WRR and DLL, staff levels increased as expected. At WRR more staff was hired to support business growth within Rural and for IT and compliance related activities. Overall staff costs decreased by 2% to EUR 2,075 (2018: 2,127) million.

Other Administrative Expenses Decreased 11%

Total other administrative expenses decreased to EUR 1,160 (2018: 1,304) million in the first half of 2019. At Leasing and Real Estate, administrative expenses were lower than in the same period last year. At Real Estate this is largely because of the phasing out of activities. Higher compliance costs had an upward effect on other administrative expenses.

Depreciation and Amortization Up 17%

The increase in depreciation and amortization to EUR 211 (2018: 180) million comes mainly from IFRS 16 and higher depreciation of premises in Asia and Europe at WRR.

Impairment Charges on Financial Assets at 21 Basis Points

In the first six months of 2019 impairment charges on financial assets amounted to EUR 440 million. After a period of exceptionally low impairment charges we see impairment charges trending to more normalized levels. This represents an increase of EUR 477 million compared to the same period last year. Full year interpolated impairment charges on financial assets amounted to 21 (2018: minus 2) basis points, which is still well below the long-term average (period 2009-2018) of 32 basis points.

Per June 30, 2019 the non-performing loans (NPL) decreased to EUR 16.8 (2018: 18.4) billion. The NPL ratio was 3.2% (2018: 3.5%) and the NPL coverage ratio was 19% (2018: 22%). The reduction of NPL is mainly the result of the sale of the ACC loan portfolio and the favorable economic conditions in the Netherlands.

Balance Sheet Developments

Balance Sheet

Amounts in billions of euros	*06-30-2019*	*12-31-2018*
Cash and cash equivalents	63.4	73.3
Loans and advances to customers	441.6	436.6
Financial assets	18.6	23.9
Loans and advances to banks	31.1	17.9
Derivatives	26.5	22.7
Other assets	25.6	16.1
Total assets	**606.8**	**590.4**
Deposits from customers	344.9	342.4
Debt securities in issue	131.2	130.8
Deposits from banks	21.9	19.4
Derivatives	27.9	23.9
Financial liabilities	7.1	7.0
Other liabilities	33.9	24.6
Total liabilities	**566.8**	**548.2**
Equity	40.1	42.2
Total liabilities and equity	**606.8**	**590.4**

Assets

In the first half of 2019, the balance sheet total increased by EUR 16.4 billion to EUR 606.8 billion. This was driven by the simultaneous increase in both loans and advances to customers (increase of EUR 5.0 billion) and loans and advances to banks (increase of EUR 13.1 billion).

Liabilities

Other liabilities increased by EUR 9.1 billion because of the reclassification of the RNA liabilities to liabilities held for sale (EUR 9.8 billion). Combined with the growth in deposits from customers (an increase of EUR 2.5 billion) partly as the result of seasonal fluctuations and an increase of EUR 2.5 billion in deposits from banks, total liabilities increased by EUR 18.6 billion to EUR 566.8 billion.

Equity

In the first six months of 2019, Rabobank's equity decreased to EUR 40.1 (2018: 42.2) billion mainly due to the redemption of several Capital Securities.

To limit the impact of FX fluctuations, Rabobank hedges its CET1 ratio instead of its absolute amount of equity. As a consequence, the effect of currency fluctuations on Rabobank's capital ratios was limited. Rabobank's equity on June 30, 2019 consisted of 69% (2018: 65%) retained earnings and reserves, 19% (2018: 18%) Rabobank Certificates, 11% (2018: 17%) hybrid capital and subordinated capital instruments, and 1% (2018: 1%) other non-controlling interests.

Development of Equity

Amounts in millions of euros	
Equity at the end of December 2018	**42,236**
Net profit for the period	1,212
Other comprehensive income	146
Payments on Rabobank Certificates and hybrid capital	(409)
Redemption of Capital Securities	(3,159)
Other	29
Equity at the end of June 2019	**40,055**

Wholesale Funding Slightly Down

Rabobank is actively reducing its use of wholesale funding. Doing so will make the bank less sensitive to potential future financial market instability. In the first half of 2019, the amount of wholesale funding decreased further by EUR 0.9 billion to EUR 152.3 billion. The main sources of wholesale funding are short- and long-term issued debt securities.

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. The digitalization of the banking environment does bring along previously unencountered risks. Rabobank keeps track of external developments and closely monitors how (future) risks might impact the realization of our strategic objectives. We perform regular, structural top-down and bottom-up risk assessments to identify various types of risks, and conduct specific stress tests to calculate the impact of adverse scenarios. An integrated overview of these risks, changes to them and measures taken to address them are discussed periodically in the Managing Board and Supervisory Board. Furthermore Rabobank is managing these developments in various ways to reduce the uncertainty of these development impacting our more traditional risks.

Strategic Risks

Risk	*The Risk of*
Digital change	Increased competition in financial services enabled by lowered barriers and technical possibilities
Cyber Security & IT disruption	Loss of data or disruption of our services caused by cyber security threats and the changing IT landscape
Sustainability	Climate events and transition to a more sustainable society
Economic uncertainties	Economic conditions and (geo)political tensions
Regulatory impact	Tightened and additive effect of regulations
Perception & skills	Dissatisfied customers and outrage in society caused by our own behavior and inadaptability to change

Although most of our views on the still prevalent strategic risks has not changed in the first six months of 2019 since disclosing our strategic risks in the 2018 Annual Report, we would still like to elaborate on specifically developments around Brexit, the changing macro-economic developments, the ongoing trade war and the role of banks as gatekeeper to the financial sector as part of these Strategic Risks.

Brexit

Brexit is important to Rabobank, as it inevitably could impact Rabobank's London activities, our group operations and our clients. Our licence applications for Rabobank London branch are on track and we expect to be able to continue business as usual.

We carried out credit risk analyses to assess the UK component of our portfolio. In total, our UK-related direct private loan portfolio represents <3% of the total Rabobank balance sheet (excluding deposits at the Bank of England). In the course of our regular credit risk management activities we do take into account economic risks and uncertainties that clients are confronted with. Brexit is expected to have a negative impact on economic growth in the UK and, to a lesser extent, other countries too. In impairment calculations (IFRS9) and capital planning this was taken into account through the macroeconomic baseline scenario applied for credit modelling which takes a Soft Brexit as starting point. We also carried out a separate sensitivity analysis including the possible GDP impact on the economies of the UK and the Netherlands in the event of a Hard Brexit, based on RaboResearch assumptions. This has not yet led to changes in our provisioning level. However, if a Hard Brexit materializes, our impairment level will need to be increased. In sum, we expect only a limited impact on our capital in the short term, considering how modest our UK exposure is relative to our total balance sheet. However, the impact on our clients in the mid-term due to GDP developments is currently difficult to assess and if a Hard Brexit takes place, it will impact our impairment level. Wherever possible, we have taken due care to prepare our clients for a Brexit.

Credit Portfolio

The mentioned general macro-economic developments and the still ongoing trade war are two of the development that have changed the context in which we view our credit portfolio. Rabobank however will continue its current credit policy and pursue a balanced growth of the credit portfolio suitable to its strategy and reputation. In practice, this entails that (i) the credit portfolio must maintain an overall acceptable risk profile, (ii) credit portfolio growth is limited and (iii) capital and funding are used selectively. Rabobank maintains a profitable credit portfolio with an acceptable risk profile.

In the meantime, new regulations regarding non performing loan (NPL) management have been issued by the EBA. In addition to these guidelines, both the European Commission and the ECB issued regulations concerning the prudential backstop. The latter could lead to additional capital requirements/deductions for NPLs without collateral and for NPLs which have been non-performing for a long period (long duration). Rabobank's NPL ratio has been relatively stable for a long time but during the past years the NPL ratio has followed a trend of relative decline, due to the favorable economic environment and the sale of our non-core CRE exposure (e.g. FGH Bank / ACC loan portfolio).

Rabobank pursues active management with regard to NPL's and strives for proper balance between loss minimization, client relationship and mitigating the impact of the new prudential backstop regulation for NPLs.

Gatekeeper to the Financial Sector – Investing in Customer Due Diligence, Transaction Monitoring and Public-Private Cooperation

The global financial crisis and rising geopolitical tension have challenged the financial sector over the last few years. Financial institutions are under considerable regulatory scrutiny regarding their ability to prevent and detect financial crime, which continues to evolve. More numerous and more stringent regulatory standards continue to present execution challenges. Knowing our customers (KYC) is the basis of good customer service. Given increasing globalization, digitalization and the growing complexity of financial economic crime, we need to know our clients and their businesses even better than we do now. Furthermore, data privacy requirements are becoming ever stricter, which could also affect our ability to effectively manage financial crime risks.

Financial crime is complex. Rabobank is just one stakeholder in the sector-wide campaign to manage Anti-Money Laundering (AML) and Counter Terrorist Financing (CTF) risks. One of Rabobank's key strategic initiatives is to work with other market participants and the public sector to explore which forms of (increased) cooperation work to achieve a comprehensive approach for the whole sector to mitigate AML and CTF risks. Rabobank pro-actively engages with all relevant authorities, public sector parties and market participants to find a solution to this sector wide problem.

As a gatekeeper to the financial system, Rabobank is strongly committed to preventing the use of its products and services for money laundering (ML) and terrorist financing (TF) purposes in addition to preventing violations of sanctions regulations. For that purpose Rabobank continues to invest in an effective Anti-Money Laundering, Counter Terrorist Financing and Sanctions Framework. A global committee at board level oversees this AML, CTF and Sanctions Framework and its execution across the first, second and third lines of the Rabobank network. In 2019 we continued to intensify our efforts in this regard also taking into account the earlier regulatory enforcement actions in both the US and the Netherlands.

Mitigating Actions

In the first half of the year, Rabobank continued its constructive dialogue with DNB, agreeing on required actions and timelines for Customer Due Diligence and Transaction Monitoring across the bank. This includes further strengthening of on-boarding procedures in the distribution channels in the Netherlands, as well as a remediation of client files. Taking into account the expected number of files subject to remediation and the goal to establish a sustainable framework at all locations of the bank, full remediation on all aspects and enhancement of all relevant processes will continue to require substantial effort and investments across the bank in the near future. A global program concerning the quality of our client files as well as the use of data to identify potential criminal activity in its transaction flow, is run under direct leadership of the Managing Board. Increased use of data flows and adverse information provide new insights, and will increasingly enable us to detect transaction patterns which were otherwise not visible or detected as suspicious.

In order to accelerate client file remediation, specifically for the retail domain in the Netherlands, we are further expanding our resources significantly (up to 800 FTE). An external hiring campaign is started to attract talent in addition to internal re-allocations. In order to support our CDD analysts in their client investigations, we have invested –and continue investing- in the development of smart software (robotics).

As we shape a future proof and digitally enabled AML, CTF and Sanctions Framework we are allowing for the necessary flexibility to be able to anticipate and prepare for changes in the industry, such as new market participants, service providers playing different roles and evolving ML and TF methods.

Domestic Retail Banking

Highlights

The net result of the Domestic Retail Banking segment increased by 3% when compared to the first half of last year. Income was pressured by the low interest rate environment. Operating expenses decreased by 7% in the first half of 2019, largely driven by lower staff costs following the reduction of the workforce. This reduction in workforce is closely related to the implementation of a new operating model in the Netherlands (Bankieren 3.0). Deposits from customers increased in the first half of 2019 by EUR 10.1 billion, while the private sector loan portfolio decreased slightly. Our mortgage loan portfolio decreased by EUR 0.6 billion and the SME loan portfolio by EUR 0.6 billion.

Financial Results of Domestic Retail Banking

Results			
Amounts in millions of euros	*06-30-2019*	*06-30-2018*	*Change*
Net interest income	2,679	2,783	-4%
Net fee and commission income	741	713	4%
Other results	42	38	11%
Total income	**3,462**	**3,534**	**-2%**
Staff costs	488	600	-19%
Other administrative expenses	1,445	1,489	-3%
Depreciation and amortization	52	43	22%
Total operating expenses	**1,985**	**2,132**	**-7%**
Gross result	**1,477**	**1,402**	**5%**
Impairment charges on financial assets	21	(27)	
Regulatory levies	124	135	-8%
Operating profit before tax	**1,332**	**1,294**	**3%**
Income tax	335	324	3%
Net profit	**997**	**970**	**3%**
Impairment charges on financial assets (in basis points)	2	(2)	
Ratios			
Cost/income ratio including regulatory levies	60.9%	64.1%	
Underlying cost/income ratio including regulatory levies	60.0%	64.0%	
Balance Sheet			
Amounts in billions of euros	06-30-2019	12-31-2018	
External assets	280.2	280.7	0%
Private sector loan portfolio	274.8	276.1	-1%
Deposits from customers	246.8	236.7	4%
Number of internal employees (in FTEs)	9,870	10,943	-10%
Number of external employees (in FTEs)	1,155	1,126	3%
Total number of employees (in FTEs)	**11,025**	**12,069**	**-9%**

Notes to the Financial Results

Underlying Operating Profit Before Tax			
Amounts in millions of euros		*06-30-2019*	*06-30-2018*
Income		**3,462**	**3,534**
Operating expenses		**1,985**	**2,132**
Adjustments to expenses	Restructuring	18	4
	Derivatives framework	15	0
Underlying expenses		**1,952**	**2,128**
Impairment charges on financial assets		21	(27)
Regulatory levies		124	135
Operating profit before tax		**1,332**	**1,294**
Total adjustments		***33***	***4***
Underlying operating profit before tax		**1,365**	**1,298**

Underlying Performance Increased

The underlying performance of Domestic Retail Banking increased in the first half of 2019 compared to the same period last year. The underlying operating profit before tax amounted to EUR 1,365 million compared to EUR 1,298 million last year. In calculating this underlying profit before tax, corrections were made for restructuring costs and the additional provision taken for the interest rate derivatives framework. Total income was 2% lower, while operating expenses decreased by EUR 147 million which boosted net profit. Higher impairment charges on financial assets of EUR 48 million tempered net profit.

Income Down 2%

Total income of Rabobank's Domestic Retail Banking business decreased to EUR 3,462 (2018: 3,534) million. Despite healthy and stable margins on new lending activities, net interest income was pressured due to shrinking margins on savings and current accounts as a result of the low interest rate environment. Total net interest income of EUR 2,679 (2018: 2,783) million was lower than in the same period last year. Increased fees on payment accounts and insurance helped to lift net fee and commission income to EUR 741 (2018: 713) million. Other results amounted to EUR 42 (2018: 38) million at June 30, 2019.

Operating Expenses Decreased 7%

Total operating expenses of Domestic Retail Banking decreased to EUR 1,985 (2018: 2,132) million. Staff costs fell to EUR 488 (2018: 600) million as the digitalization and centralization of services reduced the size of the workforce. The number of employees in the segment decreased partly as the result of the implementation of a new operating model in the Netherlands (known as 'Bankieren 3.0'). Other administrative expenses went down to EUR 1,445 (2018: 1,489) million. The revaluation of property for own use contributed positively in the first half of 2019 amounting to EUR 27 million. In the first half of 2018 this item had an upward effect on other administrative expenses of EUR 10 million. Project expenses related to the derivatives project were EUR 31 million lower than last year, while restructuring costs were higher than in the same period last year and amounted to EUR 18 (2018: 4) million. Depreciation and amortization increased to EUR 52 (2018: 43) million, partly caused by the implementation of IFRS 16.

Impairment Charges on Financial Assets Remain Low

The Impairment charges on financial assets increased in the first half of 2019, but are still on a low level benefitting from the favorable economic conditions in the Netherlands. Impairment charges on financial assets amounted to EUR 21 (2018: minus 27) million, which translates to 2 (2018: minus 2) basis points of the average private sector loan portfolio – far below the long-term average of 20 basis points. At Rabo Financial Solutions (formerly part of DLL) impairments were EUR 17 (2018: 1) million.

Loan Portfolio Decreased Slightly

The persisting low interest rate on savings continued to encourage clients to make extra repayments on their loans. In the first half of 2019, clients' extra mortgage repayments – all those on top of the mandatory repayments – at local Rabobanks and Obvion totalled approximately EUR 8.7 (2018: 9.1) billion. Of this amount EUR 1.4 (2018: 1.5) billion is related to partial repayments and EUR 7.3 (2018: 7.6) billion to repayments of the full mortgage, which is mainly the result of customers moving houses. The total volume of Rabobank's residential mortgage loan portfolio on June 30, 2019 was EUR 189.4 (2018: 190.0) billion. The sale of a share of Rabobanks mortgage loan portfolio (worth EUR 0.7 billion) to an institutional investor contributed to this decrease. The figure includes Obvion's loan portfolio, valued at EUR 29.2 (2018: 28.5) billion. The total Domestic Retail Banking portfolio (including business lending) decreased by EUR 1.3 billion to EUR 274.8 (2018: 276.1) billion and the total SME portfolio currently amounts to EUR 83.2 (2018: 83.8) billion.

Loan Portfolio by Sector

Amounts in billions of euros	*06-30-2019*	*12-31-2018*
Volume of loans to private individuals	191.6	192.3
Volume of loans to Trade, Industry & Services	57.5	57.7
Volume of loans to Food & Agri	25.7	26.1
Private sector loan portfolio	**274.8**	**276.1**

Mortgage Loan Portfolio Decreased Slightly

Rabobank's share of the Dutch mortgage market increased to 21.4% (2018: 20.2%) of new mortgage production in the first half of 2019[1]. The local Rabobanks' market share dropped to 16.1% (2018: 16.6%) and Obvion's increased to 5.3% (2018: 3.6%). The quality of Rabobank's residential mortgage loan portfolio remained high thanks to the continuing favorable conditions of the Dutch economy and the strong domestic housing market. In the first half of 2019, financing backed by the National Mortgage Guarantee (*Nationale Hypotheek Garantie* (NHG)) remained relatively stable, at 19.1% of the mortgage loan portfolio. The weighted average indexed loan-to-value (LTV) of the mortgage loan portfolio was 61% at June 30, 2019. Improved asset quality helped keep impairment charges on financial assets low.

Residential Mortgage Loans

Amounts in millions of euros	*06-30-2019*	*12-31-2018*
Mortgage portfolio	189,427	190,008
Weighted-average LTV	61%	64%
Non-performing loans (amount)	1,832	2,057
Non-performing loans (in % of total mortgage loan portfolio)	0.97%	1.08%
More-than-90-days arrears	0.25%	0.30%
Share NHG portfolio	19.1%	19.4%
Impairment allowances on financial assets	183	209
Coverage ratio based on non-performing loans	10%	10%
	06-30-2019	06-30-2018
Net additions	(12)	(29)
Net additions (in basis points)	(1)	(2)
Write-offs	17	42

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

1 Source: Dutch Land Registry Office (Kadaster)

Deposits From Customers Increased EUR 10.1 Billion

The private savings market in the Netherlands grew by 5% to EUR 369.6 (2018: 352.3) billion as at June 30, 2019 despite the fact that clients applied excess savings to de-leverage their mortgage debt, prompted by the low interest rates on savings. Rabobank's market share was 32.9% (2018: 33.0%)[1]. Deposits from customers rose 4% to EUR 246.8 (2018: 236.7) billion. Private savings deposited at Domestic Retail Banking increased by EUR 4.8 billion to EUR 123.9 (2018: 119.1) billion. Other deposits from customers went up by EUR 5.1 billion mainly due to an increase in current accounts partly as a result of seasonal patterns.

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

Wholesale, Rural & Retail

Highlights

Wholesale, Rural and Retail (WRR) is spread across six regions: the Netherlands & Africa, Europe, North America, South America, Australia & New Zealand, and Asia. Rabobank's Banking for Food vision is the driving force behind the international portfolio of Rabobank. To optimize our balance sheet Rabobank is divesting or phasing out a number of international non-core retail activities in North America, Ireland and Indonesia. In March 2019 Rabobank announced that it will increase its focus on Food & Agri in North America and that Rabobank National Association (RNA) will be sold to Mechanics Bank. This transaction is expected to be completed in the third quarter of 2019. The performance of WRR was lower in the first half of 2019, as illustrated by the development of the operating profit before tax, which decreased to EUR 314 million. Impairment charges on financial assets increased by EUR 334 million in the first half of 2019, having a downward effect on net profit. Net profit was also pressured by lower other results and higher operating expenses partly as a result of restructuring activities. Adjusted for the sale of RNA the loan portfolio increased by EUR 4.5 billion.

Financial Results of Wholesale, Rural & Retail

Results			
Amounts in millions of euros	*06-30-2019*	*06-30-2018*	*Change*
Net interest income	1,238	1,151	8%
Net fee and commission income	221	233	-5%
Other results	245	374	-34%
Total income	**1,704**	**1,758**	-3%
Staff costs	500	436	15%
Other administrative expenses	432	418	3%
Depreciation and amortization	38	19	100%
Total operating expenses	**970**	**873**	11%
Gross result	**734**	**885**	-17%
Impairment charges on financial assets	334	0	
Regulatory levies	86	101	-15%
Operating profit before tax	**314**	**784**	**-60%**
Income tax	89	199	-55%
Net profit	**225**	**585**	-62%
Impairment charges on financial assets (in basis points)	61	0	
Ratios			
Cost/income ratio including regulatory levies	62.0%	55.4%	
Underlying cost/income ratio including regulatory levies	62.0%	55.4%	
Balance Sheet			
Amounts in billions of euros	06-30-2019	12-31-2018	
External assets	148.0	140.0	6%
Private sector loan portfolio	109.0	109.0	0%
Number of internal employees (in FTEs)	7,319	7,211	1%
Number of external employees (in FTEs)	519	473	10%
Total number of employees (in FTEs)	**7,838**	**7,684**	**2%**

Notes to the Financial Results

Income Decreased 3% Despite Increasing Net Interest Income

WRR's total income decreased to EUR 1,704 (2018: 1,758) million in the first half of 2019. Adjusted for FX effects income decreased by 5%. Underlying commercial interest margins were stable which in combination with higher average lending volumes resulted in an increase in net interest income to EUR 1,238 (2018: 1,151) million. Excluding FX effects net interest income increased by 5%. The strongest increase in income was in our Loan Product Group (LPG) division and the Australia region while the increase was tempered by margin development in Brazil. Net fee and commission income declined somewhat to EUR 221 (2018: 233) million due to somewhat lower activity within Capital Markets and the M&A division. Other results decreased by EUR 129 million to EUR 245 (2018: 374) million as our Markets and Rabo Corporate Investment divisions were confronted with less favorable market conditions. Furthermore, the positive revaluation of ACC Loan Management's loan portfolio boosted other results in the first half of 2018.

Operating Expenses Increased 11%

Operating expenses at WRR went up to EUR 970 (2018: 873) million in the first six months of 2019. Excluding FX effects, operating expenses increased by 8%. Staffing levels at WRR showed a 2% increase in the first half of 2019. Decreases as a result of restructuring activities were completely offset by growth initiatives within Rural and costs for IT and compliance. Staff costs increased to EUR 500 (2018: 436) million, a 15% increase compared to the same period last year, which can be largely explained by the higher staff levels and to a lesser extent by FX fluctuations. Other administrative expenses increased to EUR 432 (2018: 418) million, partly due to a one-off expense related to the sale of the entire portfolio of ACC Loan Management in May

2019. Higher depreciation and amortization was seen in premises (mainly Asia and Europe) and total depreciation and amortization increased to EUR 38 (2018: 19) million.

Impairment Charges on Financial Assets Up EUR 334 Million

WRR's impairment charges on financial assets increased to EUR 334 (2018: 0) million in the first half of 2019. Significant impairments were seen in the Netherlands, France and Brazil. The impairments have been rising since the first half of 2018. Total impairment charges on financial assets amounted to 61 (2018: 0) basis points of the average private sector loan portfolio, above the long-term average of 52 basis points.

Sale of RNA Impacted WRR Loan Portfolio

In 2019, WRR’s total loan portfolio remained stable at EUR 109.0 (2018: 109.0) billion. However the loan portfolio was impacted by the sale of RNA to Mechanics Bank. The sale entails EUR 4.5 billion of RNA's total loan portfolio. Since the announced sale of RNA the loans related to this sale have been reclassified to 'non-current assets held for sale'. Excluding the sale of RNA the loan portfolio of WRR increased by EUR 4.5 billion. Rabobank will consolidate its agribusiness across the United States and therefore the Food & Agri assets of RNA (EUR 3.9 billion) are not included in the sale and will be transferred to RAF.

Reflecting our Banking for Food strategy, the volume of lending to the Food & Agri sector increased to EUR 68.9 (2018: 66.5) billion, accounting for 63% (2018: 61%) of WRR’s total loan portfolio. Loans to the Trade, industry, and services (TIS) sectors decreased to EUR 39.2 (2018: 40.4) billion. Lending to private individuals amounted to EUR 1.0 (2018: 2.0) billion.

Dutch and International Wholesale

WRR’s wholesale portfolio totaled EUR 74.1 (2018: 70.9) billion. Lending to the largest Dutch companies increased in the first half of 2019 to EUR 20.3 (2018: 17.9) billion. Of WRR’s loan portfolio, EUR 53.8 (2018: 53.0) billion was granted to Wholesale clients outside of the Netherlands where the increase was mainly visible in Asia.

International Rural and Retail Banking

The loan portfolio to rural and retail clients amounted to EUR 34.9 (2018: 38.3) billion on June 30, 2019. Excluding the sale of RNA the portfolio increased by EUR 1.1 billion. The main markets for rural banking are Australia, New Zealand, the United States, Brazil, Chile and Peru. In Australia the loan portfolio totaled EUR 11.2 (2018: 10.2) billion, in New Zealand EUR 6.7 (2018: 6.4) billion, in the United States EUR 4.2 (2018: 7.9) billion, in Brazil EUR 3.3 (2018: 3.3) billion and in Chile and Peru EUR 0.8 (2018: 0.9) billion.

Private Savings at RaboDirect Increased 5%

RaboDirect is Rabobank’s online bank that operates in Belgium, Germany, Australia, and New Zealand. Private savings entrusted by clients to RaboDirect are used for funding the international Rural banking business and other divisions of Rabobank Group. The savings balances of RaboDirect increased to EUR 25.9 (2018: 24.7) billion at June 30, 2019, representing 18% (2018: 17%) of the total private savings held at Rabobank. The number of internet savings bank clients decreased to approximately 680,000 (2018: 750,000). This decrease can be explained by a change of definition where, as of 2019, only active clients are reported.

Leasing

Highlights

DLL's net profit decreased by 25%, caused by an increase in impairment charges on financial assets and higher income taxes. The lease portfolio grew by 3%. DLL promotes Rabobank's ambition of 'Growing a better world together' by supporting manufacturers, distributors and end-users in 9 different sectors: Agriculture, Food, Healthcare, Clean Technology, Construction, Transportation, Industrial, Office Equipment and Technology Industries. They do this by contributing to feeding the world (Food & Agriculture), making the world a healthier place (Healthcare), building infrastructure throughout the world (Construction, Transportation and Industrial), connecting the world (Office Equipment and Technology) and making the world a cleaner and safer environment (Clean Technology). In the first half of 2019, the Food & Agri share of the portfolio increased to EUR 13.5 (2018: 12.8) billion, representing 39% (2018: 38%) of the DLL portfolio.

Financial Results of Leasing

Results			
Amounts in millions of euros	*06-30-2019*	*06-30-2018*	*Change*
Net interest income	522	491	6%
Net fee and commission income	64	54	19%
Other results	135	154	-12%
Total income	**721**	**699**	**3%**
Staff costs	251	237	6%
Other administrative expenses	101	111	-9%
Depreciation and amortization	15	13	15%
Total operating expenses	**367**	**361**	**2%**
Gross result	**354**	**338**	**5%**
Impairment charges on financial assets	86	35	146%
Regulatory levies	15	14	7%
Operating profit before tax	**253**	**289**	-12%
Income tax	75	52	44%
Net profit	**178**	**237**	-25%
Impairment charges on financial assets (in basis points)	52	23	
Ratios			
Cost/income ratio including regulatory levies	53.0%	53.6%	
Underlying cost/income ratio including regulatory levies	53.0%	53.1%	
Balance Sheet			
Amounts in billions of euros	06-30-2019	12-31-2018	
Lease portfolio	34.6	33.5	3%
Number of internal employees (in FTEs)	4,730	4,610	3%
Number of external employees (in FTEs)	338	416	-19%
Total number of employees (in FTEs)	**5,068**	**5,026**	**1%**

Notes to the Financial Results

Underlying Operating Profit Before Tax			
Amounts in millions of euros		*06-30-2019*	*06-30-2018*
Income		**721**	**699**
Operating expenses		**367**	**361**
Adjustments to expenses	Restructuring	0	4
Underlying expenses		**367**	**357**
Impairment charges on financial assets		86	35
Regulatory levies		15	14
Operating profit before tax		**253**	**289**
Total adjustments		***0***	***4***
Underlying operating profit before tax		**253**	**293**

Income Improved 3%

Total income of the Leasing segment increased by 3% to EUR 721 (2018: 699) million in the first half of 2019. Net interest income increased by 6% to EUR 522 (2018: 491) million, partly as a result of portfolio growth. In the first half of 2018 net interest income was negatively affected by several asset impairments on Food & Agri assets. Net fee and commission income increased to EUR 64 (2018: 54) million. This is the result of higher asset management income and higher fees earned on syndicated financial leases in the United States. Other results mainly consisting of income from operating leases and sales results on end-of-lease assets, decreased to EUR 135 (2018: 154) million. This decrease was entirely due to the release of a provision for foreign activities of DLL in the first half of 2018. Adjusted for this, total income increased by 9%.

Operating Expenses Increased 2%

Total operating expenses in the Leasing segment came in at EUR 367 (2018: 361) million. Staff costs increased by 6% to EUR 251 (2018: 237) million, due to the higher number of employees. Staff levels in the Leasing segment increased by 42 FTEs to 5,068 FTEs in the first half of 2019. Other administrative expenses decreased to EUR 101 (2018: 111) million. Depreciation and amortization amounted to EUR 15 (2018: 13) million, with the increase entirely caused by the depreciation of right-of-use assets, which are included in the balance sheet under the new accounting standard for lease contracts as of January 1, 2019.

Impairment Charges on Financial Assets Increased

Impairment charges on financial assets of the Leasing segment increased to EUR 86 (2018: 35) million, corresponding with 52 (2018: 23) basis points of the average loan portfolio, in line with DLL's long term average of 56 basis points. As DLL's lease portfolio is spread over more than 30 countries and 8 industries, the associated credit risk is geographically diverse and well balanced across all industry sectors. In the first half of 2019, there were no new significant individual default cases in DLL's predominantly small ticket portfolio. Changes in the macro-economic scenarios used in the IFRS 9 stage 1 and 2 provisions had an impact of EUR 20 (2018: 1) million on the impairment charges.

Income Tax Up 44%

Income tax in the Leasing segment increased to EUR 75 million from EUR 52 million. The higher income taxes are for a large part caused by a one-off tax liability due to a change in the fiscal structure of a DLL subsidiary.

Lease Portfolio Grew 3%

The lease portfolio increased to EUR 34.6 (2018: 33.5) billion. In the first half of 2019, the Food & Agri share of the portfolio increased to EUR 13.5 (2018: 12.8) billion, representing 39% (2018: 38%) of the DLL portfolio.

Real Estate

Highlights

The Real Estate segment mainly comprises the activities of Bouwfonds Property Development (BPD). BPD's activities are concentrated in the Netherlands and Germany following the sale of its French subsidiary BPD Marignan in 2018. Due to changed market conditions, BPD could not match the very strong first half year 2018 in terms of houses sold in the Netherlands as well as in Germany. Up until June 2018 FGH Bank was also part of the Real Estate segment but this entity ceased to exist after Rabobank sold the remaining part of the loan portfolio to RNHB. Since 2018 also the activities of Bouwfonds Investment Management (BIM) have been phased out and represented only a small part of the results of the Real Estate segment in the first half of 2019.

Financial Results of Real Estate

Results

Amounts in millions of euros	*06-30-2019*	*06-30-2018*	*Change*
Net interest income	(7)	2	
Net fee and commission income	6	11	-45%
Other results	126	264	-52%
Total income	**125**	**277**	**-55%**
Staff costs	39	73	-47%
Other administrative expenses	23	47	-51%
Depreciation and amortization	3	3	0%
Total operating expenses	**65**	**123**	**-47%**
Gross result	**60**	**154**	**-61%**
Impairment charges on financial assets	0	(3)	
Regulatory levies	1	2	-50%
Operating profit before tax	**59**	**155**	**-62%**
Income tax	16	37	-57%
Net profit	**43**	**118**	**-64%**
BPD	*35*	*71*	*-51%*
Rabo Real Estate Group	*8*	*9*	*-11%*
FGH Bank	*0*	*39*	*-100%*
Other	*0*	*(1)*	*-*
Impairment charges on financial assets (in basis points)	0	(77)	
Ratios			
Cost/income ratio incl. regulatory levies	52.8%	45.1%	
Underlying cost/income ratio including regulatory levies	52.0%	43.7%	
Number of houses sold	2,543	4,549	-44%
	06-30-2019	12-31-2018	
Number of internal employees (in FTEs)	570	569	0%
Number of external employees (in FTEs)	73	49	49%
Total number of employees (in FTEs)	**643**	**618**	**4%**

Notes to the Financial Results

Underlying Operating Profit Before Tax

Amounts in millions of euros		*06-30-2019*	*06-30-2018*
Income		**125**	**277**
Operating expenses		**65**	**123**
Adjustments to expenses	Restructuring	1	4
Underlying expenses		**64**	**119**
Impairment charges on financial assets		0	(3)
Regulatory levies		1	2
Operating profit before tax		**59**	**155**
Total adjustments		***1***	***4***
Underlying operating profit before tax		**60**	**159**

Income Decreased 55%

In the first half of 2019, total income of the Real Estate segment more than halved to EUR 125 (2018: 277) million. Net interest income decreased mainly as the result of the sale of the remaining part of the loan portfolio of FGH Bank in the first half of 2018. Net fee and commission income decreased to EUR 6 (2018: 11) million as the activities of BIM are phased out. Other results ended lower at EUR 126 (2018: 264) million. The decrease in other results is partly caused by the pressured result of BPD resulting from delay in sales in the first half of 2019 as well as the deconsolidation of its French subsidiary, following the sale of BPB Marignan in November 2018. Furthermore, the 2018 figures were positively impacted by a book gain on the sale of FGH Bank's loan portfolio.

Operating Expenses Down 47%

Total operating expenses in the Real Estate segment decreased to EUR 65 (2018: 123) million in the first half of 2019. The sale of BPD Marignan and the remaining part of the loan portfolio of FGH Bank, as well as the phasing out of BIM resulted in a decrease in staff costs by EUR 34 million to EUR 39 (2018: 73) million compared to the first six months of 2018. Staff levels increased by 4% in the first half of 2019 to 643 FTEs. Other administrative expenses decreased to EUR 23 (2018: 47) million due to the sale and phasing out of activities. Depreciation and amortization remained stable and came out at EUR 3 (2018: 3) million.

Market Conditions Affect Number of Property Transactions

The number of residential property transactions by BPD fell by 44% to 2,543 (2018: 4,549). This decrease can be mainly attributed to the sale of BPD Marignan in November 2018. Excluding BPD Marignan the number of property transactions decreased by 23% as a result of delay in sales. It took longer to put new construction projects on the market and the average time to sell increased due to higher prices. In the Netherlands BPD sold 1,843 houses (2018: 2,267) and the number of transactions in Germany amounted to 700 (2018: 1,059).

Capital Developments

Development of Capital Ratios

On June 30, 2019, our CET1 ratio amounted to 15.8% (2018: 16.0%). This is well above our 14% target. The decrease of the CET1 ratio was mainly due to an increase in risk-weighted assets and negative FX effects related to the call of Capital Securities, partly compensated by adding net profit for the financial year (after distributions) to retained earnings.

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 June 30, 2019 our leverage ratio was 5.9% (2018: 6.4%), which is well above the minimum leverage ratio of 3% required by the Basel III guidelines. Our total capital ratio decreased to 24.4% (2018: 26.6%), mainly the result of the call of several Capital Securities., and higher risk-weighted assets.

Capital Ratios

Amounts in millions of euros	*06-30-2019*	*12-31-2018*
Retained earnings	28,357	28,062
Expected distributions	(119)	(46)
Rabobank Certificates	7,446	7,445
Part of non-controlling interest treated as qualifying capital	0	0
Reserves	(655)	(798)
Regulatory adjustments	(2,378)	(2,553)
Transition guidance	0	12
Common equity tier 1 capital	**32,651**	**32,122**
Capital securities	3,713	3,721
Grandfathered instruments	703	3,325
Non-controlling interests	0	0
Regulatory adjustments	(111)	(100)
Transition guidance	0	0
Additional tier 1 capital	*4,305*	*6,946*
Tier 1 capital	**36,956**	**39,068**
Part of subordinated debt treated as qualifying capital	13,676	14,274
Non-controlling interests	0	0
Regulatory adjustments	(76)	(83)
Transition guidance	0	0
Tier 2 capital	**13,600**	**14,191**
Qualifying capital	**50,556**	**53,259**
Risk-weighted assets	**207,281**	**200,531**
Common equity tier 1 ratio (transitional)	15.8%	16.0%
Common equity tier 1 ratio (fully loaded)	15.8%	16.0%
Tier 1 ratio	17.8%	19.5%
MREL buffer	27.8%	28.2%
Total capital ratio	24.4%	26.6%
Equity capital ratio	17.3%	17.7%
Common equity tier 1 ratio of Coöperatieve Rabobank U.A. solo (issuer level)	15.9%	16.0%

Our MREL Eligible Capital Buffer

Rabobank aims to protect senior creditors and depositors against the unlikely event of a bail-in. Rabobank therefore holds a large buffer of equity, subordinated and non-preferred debt that will first absorb losses in the event of a bail-in.

Rabobank has received formal notification from De Nederlandsche Bank (DNB) of the Single Resolution Board's (SRB) determination of the binding minimum requirement for own funds and eligible liabilities (MREL). The MREL requirement has been established to ensure that banks in the European Union have sufficient own funds and eligible liabilities to absorb losses in the case of a potential bank failure. This MREL requirement is set at a consolidated level of Rabobank Group, as determined by the SRB. This SRB's calibration of the MREL requirement is based on Rabobank's full-year 2017 results. The requirement has been set at a percentage of 9.64% of Total Liabilities and Own Funds (TLOF), as defined in the BRRD, which resulted from a calibration of the various MREL components at 28.58% of RWA in total, and consists of a loss absorption amount, a recapitalization amount and a market confidence amount. This calibration is based on the framework for MREL under BRRD I, the EBA RTS and the 2018 SRB MREL policy.

The recent adoption of CRR2 and BRRD2 (as part of the "Banking Risk Reduction package") which contain a revised MREL framework, will likely translate to further changes to banks' MREL requirements. The revised SRB MREL policy for this that takes into account the legislative changes has not yet been published and is expected in the course of 2020. As under BRRD I, Preferred Senior debt that meets the relevant criteria is MREL eligible, Rabobank already meets its current MREL requirement, so a transition period has not been set.

The MREL framework in CRR2 and BRRD2 do also allow for some portion of the MREL requirement to be met with Preferred Senior debt under certain conditions, subject to minimum subordination requirements that are to be met with Own Funds and Non-Preferred Senior instruments. Rabobank intends to meet its MREL requirement with a combination of Own Funds and Non-Preferred Senior only. In the first half of 2019, Rabobank issued a number of Non-Preferred Senior bonds. With MREL eligible capital and debt of 27.76%, the additional MREL needs are manageable.

We define our MREL eligible capital and debt buffer as qualifying capital plus the non-qualifying part of the grandfathered additional tier 1 instruments, the (amortized part of) tier 2 capital instruments with a remaining maturity of at least one year and Non-Preferred Senior bonds with a remaining maturity of at least one year. The buffer increased from EUR 56.7 billion to

EUR 57.5 billion due to profit retention and the issuance of new instruments. This increase corresponds to 27.8% (2018: 28.2%) of risk-weighted assets.

MREL Eligible Capital and Non-Preferred Senior Bonds Buffer

Amounts in billions of euros	*06-30-2019*	*12-31-2018*
Qualifying capital	50.6	53.3
Non qualifying grandfathered additional tier 1 capital	0.0	0.0
Amortized tier 2 >1 year remaining maturity	1.9	1.3
Non-Preferred Senior bonds >1 year remaining maturity	5.1	2.1
MREL eligible capital and Non-Preferred Senior bonds buffer	**57.5**	**56.7**
Risk-weighted assets	207.3	200.5
MREL eligible capital and Non-Preferred Senior bonds buffer / risk-weighted assets	27.8%	28.2%

Risk-weighted Assets

Regulatory capital, 8% of our risk-weighted assets, 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 16.6 (2018: 16.0) billion at June 30, 2019, of which 85% related to credit and transfer risk, 12% to operational risk and 3% to market risk. This is in line with the regulatory capital at the end of 2018.

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 ECB, Rabobank applies the standardized approach to portfolios with relatively limited exposure and to some smaller portfolios outside the Netherlands that are not suitable for the advanced IRB approach.

We measure operational risk using an internal model, approved by the ECB, that is based on the advanced measurement approach. For market risk exposure, the ECB 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 Segment

Amounts in billions of euros	*06-30-2019*	*12-31-2018*
Domestic Retail Banking	6.8	6.5
Wholesale, Rural & Retail	6.7	6.6
Leasing	1.6	1.5
Real Estate	0.3	0.4
Other	1.2	1.0
Rabobank	**16.6**	**16.0**

Pillar II 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, and encompass a three-pillar approach to risk and capital management: Pillar I on minimum capital requirements of credit, market and operational risk; Pillar II on the 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.

Rabobank has in place a Pillar II capital framework that ensures the bank maintains adequate capital levels to cover the risks inherent in its current activities. This framework 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, and is reviewed on a yearly basis. Rabobank mostly uses 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 and business planning.

The outputs of the Pillar II models are used for various purposes within the bank, such as capital requirement assessments to cover potential materialization of the risks the bank is exposed to, strategy and planning of the firm's operations and performance evaluation. Moreover, the regulator and supervisors view the level of capitalization as one of their key instruments to evaluate Rabobank. The Pillar II capital framework promotes a sound and effective risk management culture, ensuring adequate capital resources to support business growth, maintain depositor and creditor confidence and comply with regulatory requirements.

Interim Financial Statements 2019

Contents

Interim Financial Statements

Consolidated Statement of Financial Position

Consolidated Statement of Financial Position			
Amounts in millions of euros	*Note*	*June 30, 2019*	*December 31, 2018*
Assets			
Cash and cash equivalents		63,435	73,335
Loans and advances to credit institutions		31,050	17,859
Financial assets held for trading		2,627	2,876
Financial assets designated at fair value		134	157
Financial assets mandatorily at fair value		1,490	2,134
Derivatives		26,499	22,660
Loans and advances to customers	6	441,580	436,591
Financial assets at fair value through other comprehensive income		14,303	18,730
Investments in associates and joint ventures		2,481	2,374
Goodwill and other intangible assets		840	966
Property and equipment		4,891	4,455
Investment properties		221	193
Current tax assets		221	243
Deferred tax assets		1,113	1,165
Other assets		7,300	6,431
Non-current assets held for sale	13	8,649	268
Total assets		**606,834**	**590,437**
Liabilities			
Deposits from credit institutions		21,856	19,397
Deposits from customers		344,908	342,410
Debt securities in issue		131,179	130,806
Financial liabilities held for trading		709	400
Financial liabilities designated at fair value		6,352	6,614
Derivatives		27,881	23,927
Other liabilities		6,909	6,342
Provisions	7	839	1,126
Current tax liabilities		161	229
Deferred tax liabilities		494	452
Subordinated liabilities		15,557	16,498
Liabilities held for sale	13	9,934	-
Total liabilities		**566,779**	**548,201**
Equity			
Reserves and retained earnings	8	27,702	27,264
Equity instruments issued by Rabobank			
- Rabobank Certificates		7,446	7,445
- Capital Securities		4,025	6,493
		11,471	**13,938**
Non-controlling interests			
Equity instruments issued by subsidiaries			
- Capital Securities		-	164
- Trust Preferred Securities IV		390	389
Other non-controlling interests		492	481
		882	**1,034**
Total equity		**40,055**	**42,236**
Total equity and liabilities		**606,834**	**590,437**

Consolidated Statement of Income

Consolidated Statement of Income

Amounts in millions of euros	*Note*	*First half-year 2019*	*First half-year 2018*
Interest income from financial assets using the effective interest method	1	8,085	7,925
Other interest income	1	114	171
Interest expense	1	3,985	3,822
Net interest income	**1**	**4,214**	**4,274**
Fee and commission income		1,082	1,062
Fee and commission expense		82	81
Net fee and commission income		**1,000**	**981**
Income from other operating activities	2	955	1,165
Expenses from other operating activities	2	741	889
Net income from other operating activities	**2**	**214**	**276**
Income from investments in associates and joint ventures		89	144
Gains/ (losses) arising from the derecognition of financial assets measured at amortized cost		33	(5)
Gains/ (losses) on financial assets and liabilities at fair value through profit or loss		88	141
Gains/ (losses) on financial assets at fair value through other comprehensive income		21	11
Other income		104	207
Income		**5,763**	**6,029**
Staff costs	3	2,075	2,127
Other administrative expenses	4	1,160	1,304
Depreciation and amortization		211	180
Operating expenses		**3,446**	**3,611**
Impairment charges on financial assets	5	440	(37)
Regulatory levies		268	284
Operating profit before tax		**1,609**	**2,171**
Income tax		397	473
Net profit for the period		**1,212**	**1,698**
Of which attributed to Rabobank		713	1,152
Of which attributed to Rabobank Certificates		242	242
Of which attributed to Capital Securities issued by Rabobank		225	257
Of which attributed to Capital Securities issued by subsidiaries		4	7
Of which attributed to Trust Preferred Securities IV		11	11
Of which attributed to other non-controlling interests		17	29
Net profit for the period		**1,212**	**1,698**

Condensed Consolidated Statement of Comprehensive Income

Condensed Consolidated Statement of Comprehensive Income		
Amounts in millions of euros	*First half-year 2019*	*First half-year 2018*
Net profit for the period	**1,212**	**1,698**
Other comprehensive income transferred to profit or loss if specific conditions are met, net of tax:		
Exchange differences on translation of foreign operations	54	58
Increase/ (decrease) in the fair value of debt instruments at fair value through other comprehensive income	56	(66)
Costs of hedging	(4)	18
Cash flow hedges	(16)	(3)
Share of other comprehensive income of associates and joint ventures	85	(31)
Assets held for sale	9	-
Other comprehensive income not to be transferred to profit or loss, net of tax:		
Remeasurements of post-employee benefit obligations	7	6
Increase/ (decrease) in the fair value of equity instruments at fair value through other comprehensive income	27	(11)
Share of other comprehensive income of associates and joint ventures	(2)	-
Decrease/ (increase) in the fair value due to own credit risk on financial liabilities designated at fair value	(70)	65
Other comprehensive income	**146**	**36**
Total comprehensive income	**1,358**	**1,734**
Of which attributed to Rabobank	856	1,194
Of which attributed to Rabobank Certificates	242	242
Of which attributed to Capital Securities issued by Rabobank	225	257
Of which attributed to Capital Securities issued by subsidiaries	4	7
Of which attributed to Trust Preferred Securities IV	11	11
Of which attributed to other non-controlling interests	20	23
Total comprehensive income	**1,358**	**1,734**

Consolidated Statement of Changes in Equity

Consolidated Statement of Changes in Equity

Amounts in millions of euros	*Reserves and retained earnings*	*Equity instruments issued by Rabobank*	*Non-controlling interests*		*Total*
			Equity instruments issued by subsidiaries	*Other*	
Balance on 31 December, 2018	**27,264**	**13,938**	**553**	**481**	**42,236**
Net profit for the period	1,195	-	-	17	1,212
Other comprehensive income	143	-	-	3	146
Total comprehensive income	**1,338**	**-**	**-**	**20**	**1,358**
Payments on Rabobank Certificates	(242)	-	-	-	(242)
Payments on Trust Preferred Securities IV	-	-	-	-	-
Payments on Capital Securities issued by Rabobank	(162)	-	-	-	(162)
Payments on Capital Securities issued by subsidiaries	(5)	-	-	-	(5)
Redemption of Capital Securities (note 9)	(493)	(2,502)	(164)	-	(3,159)
Other	2	35	1	(9)	29
Balance on June 30, 2019	**27,702**	**11,471**	**390**	**492**	**40,055**
Balance on December 31, 2017	**25,376**	**13,199**	**560**	**475**	**39,610**
Change in accounting policy IFRS 9	(26)	-	-	-	(26)
Change in accounting policy IFRS 15	41	-	-	-	41
Restated balance on January 1, 2018	**25,391**	**13,199**	**560**	**475**	**39,625**
Net profit for the period	1,669	-	-	29	1,698
Other comprehensive income	42	-	-	(6)	36
Total comprehensive income	**1,711**	**-**	**-**	**23**	**1,734**
Payments on Rabobank Certificates	(242)	-	-	-	(242)
Payments on Trust Preferred Securities IV	-	-	-	-	-
Payments on Capital Securities issued by Rabobank	(291)	-	-	-	(291)
Payments on Capital Securities issued by subsidiaries	(7)	-	-	-	(7)
Redemption of Capital Securities	(71)	(275)	-	-	(346)
Other	16	28	(1)	(2)	41
Balance on June 30, 2018	**26,507**	**12,952**	**559**	**496**	**40,514**

Condensed Consolidated Statement of Cash Flows

Condensed Consolidated Statement of Cash Flows		
Amounts in millions of euros	*First half-year 2019*	*First half-year 2018*
Operating profit before tax	1,609	2,171
Non-cash items recognized in operating profit before tax	743	75
Net change in assets and liabilities relating to operating activities	(7,399)	(5,099)
Net cash flow from operating activities	**(5,047)**	**(2,853)**
Net cash flow from investing activities	**30**	**32**
Net cash flow from financing activities	**(4,912)**	**3,576**
Net change in cash and cash equivalents	**(9,929)**	**755**
Cash and cash equivalents on January 1st	73,335	66,861
Net change in cash and cash equivalents	(9,929)	755
Exchange rate differences on cash and cash equivalents	29	(155)
Cash and cash equivalents on June 30th	**63,435**	**67,461**

Notes to the Interim Financial Statements

Corporate Information

The Interim Financial Statements of Rabobank include the financial information of Coöperatieve Rabobank U.A. and its consolidated subsidiaries, together referred to as Rabobank Group.

Basis for Preparation

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

For the publication of its Interim Financial Statements, Rabobank has opted for the alternative of presenting a condensed version of its Consolidated Statement of Comprehensive Income and a condensed version of its Consolidated Statement of Cash Flows. These Interim Financial Statements do not include all the information and disclosures required in the Consolidated Financial Statements and should be read in conjunction with the 2018 Consolidated Financial Statements of Rabobank Group, which were prepared in accordance with the IFRS as adopted by the European Union. The accounting policies used in this interim report are consistent with those set out in the notes to the 2018 Consolidated Financial Statements of Rabobank Group, except for the changes in accounting policies described in the Section "New and Amended Standards Issued by the International Accounting Standards Board (IASB) and adopted by the European Union Which Apply in the Current Year" and in the Section "Other Changes in Accounting Principles and Presentation".

Going Concern

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

Judgements and Estimates

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

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

Impairment Allowances on Financial Assets

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

• Significant increase in credit risk: judgment is required to transfer assets from Stage 1 to Stage 2.

• Forward-looking information: the estimation of expected credit losses for each stage and the assessment of significant increases in credit risk consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions (forward-looking information). Assessing forward-looking information requires judgment.

• Macro-economic scenarios: Rabobank uses three global macroeconomic scenarios (consisting of a baseline, a baseline minus and a baseline plus scenario, which are probability weighted) in the ECL models to determine the expected credit losses. The expected credit loss on a financial asset is based on an unbiased probability-weighted amount that is determined by evaluating a range of possible and reasonable outcomes and reflects information available on current conditions and forecasts of future economic conditions for the different regions. Important variables are gross domestic product growth, unemployment rates and interest rates. These forward-looking macro-economic forecasts require judgment and are partly based on internal Rabobank research.

• Measurement of expected credit losses: The probability of default (PD) x loss given default (LGD) x exposure at default (EAD) inputs are used to estimate expected credit losses. These inputs require estimates in the following way:

PD – The probability of default is an estimate of the likelihood of default over a given time horizon.

EAD – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in exposure after the reporting date.

LGD – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that Rabobank would expect to receive, including cash flows expected from collateral and other credit enhancements.

• Measurement of individually assessed financial asset: For credit-impaired financial assets that are assessed on an individual basis, a discounted cash flow calculation is performed. In many cases, judgment is required for estimating the expected future cash flows and for weighting the three scenarios.

Fair Value of Financial Assets and Liabilities

Information on the determination of the fair value of financial assets and liabilities is included in Section 10 'Fair Value of Financial Assets and Liabilities'.

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

Goodwill and other intangible assets are assessed for impairment – at least once a year – by comparing the recoverable value to the carrying amount, while investments in associates and joint ventures are tested for impairment when specific triggers are identified. Determining 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 which necessitates management to make subjective judgments and assumptions. Because these estimates and assumptions could result in significant differences to the amounts reported if the underlying circumstances were to change, these estimates are considered critical.

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 original estimates are accounted for in the current and deferred tax assets and liabilities in the period in which reasonable certainty is obtained. Income tax is recognized in the interim period on the basis of the best estimate of the weighted average annual rate of income tax expected for the full financial year.

Other Provisions

In applying IAS 37 judgement is required to determine whether a present obligation exists as well as in estimating the probability, timing and amount of any outflows. More information on judgements regarding the provision for legal and arbitration proceedings is included in Section 7 'Legal and Arbitration Proceedings'.

New and Amended Standards Issued by the International Accounting Standards Board (IASB) and Adopted by the European Union Which Apply in the Current Financial Year

IFRS 16 Leases

The IASB issued IFRS 16 "Leases" with an effective date of annual periods beginning on or after January 1, 2019. IFRS 16 replaces IAS 17 "Leases" and the related interpretations IFRIC 4, SIC-15 and SIC-27, and 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. Lessor accounting remains substantially the same as it was under IAS 17.

Rabobank recognized the right-of-use assets as part of the line-item Property and Equipment and a corresponding lease liability as part of line-item Other Liabilities in the Consolidated Statement of Financial Position. The lease liability is measured at the present value of the lease payments. On initial application, the right-of-use asset is measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. Rabobank do not recognise right-of use assets nor lease liabilities for short term leases (remainder term is shorter than one year) and low value leases as practical expedients. Rabobank applied the modified retrospective approach which retains the prior period figures as reported under the previous standard and recognizes the effects of IFRS 16 in the opening balance as per January 1, 2019. The introduction of IFRS 16 does not have an impact on the opening balance of equity, but leads to an increase of assets and liabilities as per January 1, 2019, for an amount of EUR 554 million.

Rabobank applied the following practical expedients at the date of initial application: i) reliance on its assessment of whether leases are onerous by applying IAS 37 immediately before the date of initial application as an alternative to performing an impairment review and ii) exclusion of the initial direct costs from the measurement of the right-of-use asset .

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

Other Amendments to IFRS

Minor amendments have been made to IAS 28, IAS 19, IFRS 9, IFRIC 23, and the issue of the Annual Improvements to IFRS Standards 2015-2017 Cycle. The implementation of these amendments has no impact on profit or equity.

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

IFRS 17 Insurance Contracts

In May 2017, the IASB issued "IFRS 17 Insurance Contracts" with an effective date of annual periods beginning on or after January 1, 2021. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. Rabobank is currently assessing the impact of this standard.

Other Amendments to IFRS

Minor amendments have been made to IAS 1, IAS 8 and IFRS 3. Although these new requirements are currently being analyzed and their impact is not yet known, Rabobank does not expect the implementation of these amendments to significantly affect profit or equity.

Notes to the Primary Financial Statements

1. Net Interest Income

Net Interest Income

Amounts in millions of euros	*First half-year 2019*	*First half-year 2018*
Interest income		
Cash and cash equivalents	184	168
Loans and advances to credit institutions	122	136
Loans and advances to customers	7,587	7,421
Derivatives used for fair value hedge-accounting	(35)	(157)
Financial assets at fair value through other comprehensive income	227	357
Interest income from financial assets using the effective interest method	**8,085**	**7,925**
Financial assets held for trading	16	19
Financial assets designated at fair value	-	8
Financial assets mandatorily at fair value	13	12
Interest income on financial liabilities with a negative interest rate	51	92
Other	34	40
Other interest income	**114**	**171**
Total interest income	**8,199**	**8,096**
Interest expense		
Deposits from credit institutions	100	71
Deposits from customers	1,370	1,240
Debt securities in issue	1,550	1,515
Financial liabilities held for trading	3	6
Derivatives held as economic hedges	336	412
Financial liabilities designated at fair value	95	106
Subordinated liabilities	393	352
Interest expense on financial assets with a negative interest rate	127	129
Lease liability	9	n/a
Other	2	(9)
Total interest expense	**3,985**	**3,822**
Net interest income	**4,214**	**4,274**

2. Net Income from Other Operating Activities

Net Income from Other Operating Activities

Amounts in millions of euros	*First half-year 2019*	*First half-year 2018*
Income from real estate activities	524	782
Expenses from real estate activities	410	600
Net income real estate activities	**114**	**182**
Income from operational lease activities	417	370
Expenses from operational lease activities	325	284
Net income from operational lease activities	**92**	**86**
Income from investment property	14	13
Expenses from investment property	6	5
Net income from investment property	**8**	**8**
Net income from other operating activities	**214**	**276**

3. Staff Costs

Staff Costs

Amounts in millions of euros	*First half-year 2019*	*First half-year 2018*
Wages and salaries	1,322	1,334
Social security contributions and insurance costs	165	174
Pension costs - defined contribution plans	201	203
Addition/ (release) of other post-employment provisions	21	5
Other staff costs	366	411
Staff costs	**2,075**	**2,127**

4. Other Administrative Expenses

Other Administrative Expenses

Amounts in millions of euros	*First half-year 2019*	*First half-year 2018*
Additions and releases of provisions	59	94
IT expenses and software costs	451	379
Consultants fees	164	189
Training and travelling expenses	96	96
Publicity expenses	69	69
Result on derecognition and impairments on (in)tangible assets	(13)	56
Other expenses	334	421
Other administrative expenses	**1,160**	**1,304**

5. Impairment Charges on Financial Assets

Impairment Charges on Financial Assets		
Amounts in millions of euros	*First half-year 2019*	*First half-year 2018*
Loans and advances to customers and credit institutions	436	27
Financial assets at fair value through other comprehensive income	-	(6)
Recoveries following write-off	(57)	(56)
Loan commitments and financial guarantees	61	(2)
Impairment charges on financial assets	**440**	**(37)**

6. Loans and Advances to Customers

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

Loan Portfolio		
Amounts in millions of euros	*June 30, 2019*	*December 31, 2018*
Total loans and advances to customers	**441,580**	**436,591**
Of which:		
Loans to government clients	2,178	1,853
Reverse repurchase transactions, securities borrowing agreements and settlement accounts	15,602	12,929
Hedge accounting adjustment	7,644	5,784
Loans to private sector clients	**416,156**	**416,025**

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

Impairment Allowances on Financial Instruments				
Amounts in millions of euros				
	Subject to 12-month ECL	Subject to lifetime ECL non-credit impaired	Subject to lifetime ECL credit impaired	Total
Balance on January 1, 2019	301	253	3,315	3,869
Increases due to origination and acquisition	43	3	53	99
Decreases due to derecognition	(47)	(41)	(214)	(302)
Changes due to change in credit risk	45	87	510	642
Write-off of defaulted loans during the year	(3)	(3)	(231)	(237)
Other changes	8	-	(85)	(77)
Balance on June 30, 2019	**347**	**299**	**3,348**	**3,994**

Amounts in millions of euros				
	Subject to 12-month ECL	Subject to lifetime ECL non-credit impaired	Subject to lifetime ECL credit impaired	Total
Balance on January 1, 2018	357	305	3,853	4,515
Increases due to origination and acquisition	73	6	293	372
Decreases due to derecognition	(88)	(59)	(620)	(767)
Changes due to change in credit risk	(32)	4	871	843
Write-off of defaulted loans during the year	(12)	(2)	(999)	(1,013)
Other changes	3	(1)	(83)	(81)
Balance on December 31, 2018	**301**	**253**	**3,315**	**3,869**

7. Legal and Arbitration Proceedings

Rabobank is active in a legal and regulatory environment that exposes it to substantial risk of litigation. As a result, Rabobank is involved in legal cases, arbitrations and regulatory proceedings in the Netherlands and in other countries. The most relevant legal and regulatory claims which could give rise to liability on the part of Rabobank are described below.

Provisions for legal claims are recognized for obligations arising as a result of a past event where it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When determining whether the probability that claims lead to an outflow of resources is more likely than not (i.e. with a likelihood of over fifty percent), Rabobank takes several factors into account. These factors include (but are not limited to) the type of claim and the underlying facts; the procedural process and history of each case; rulings from legal and arbitration bodies; Rabobank's experience and that of third parties in similar cases (if known); previous settlement discussions, third-party settlements in similar cases (where known); available (potential) recourse; and the advice and opinions of legal advisors and other experts. Similar types of cases are grouped together and some cases may also consist of a number of claims. When estimated loss for an individual cases is assessed by Rabobank as information that could be detrimental to the outcome of individual cases this information is not disclosed separately.

The estimated potential losses and provisions are based on the information available at the time and are largely subject to judgments and a number of different assumptions, variables and known and unknown uncertainties. These uncertainties may include the inaccuracy or incompleteness of information available to Rabobank (especially in the early stages of a case). In addition, assumptions made by Rabobank about the future rulings of legal or other instances or the likely actions or attitudes of supervisory bodies or the parties opposing Rabobank may turn out to be incorrect. Furthermore, estimates of potential losses relating to legal disputes are often impossible to process using statistical or other quantitative analysis instruments that are generally used to make judgments and estimates. The group of cases for which Rabobank determines that the risk of future outflows of funds is more likely than not varies over time, as do the number of cases for which the bank can estimate the potential loss. In practice, the end results could turn out considerably higher or lower than the estimates of potential losses in those cases where an estimate was made.

Rabobank can also sustain losses from legal risks where the occurrence of a loss may not be probable, but is not improbable either, and for which no provisions have been recognized. For those cases where (a) the probability of an outflow of funds is not probable but also not remote or (b) the probability of an outflow of funds is more likely than not but the potential loss cannot be estimated reliably, a contingent liability is disclosed. Rabobank may settle legal cases or regulatory proceedings or investigations before any fine is imposed or liability is determined. Reasons for settling could include (i) the wish to avoid costs and/or management effort, (ii) avoiding other adverse business consequences and/or (iii) pre-empt the regulatory or reputational consequences of continuing with disputes relating to liability, even if Rabobank believes it has good arguments in its defence. Furthermore, Rabobank may, for the same reasons, compensate third parties for their losses, even in situations where Rabobank does not believe that it is legally required to do so.

Interest Rate Derivatives

Rabobank concludes interest rate derivatives, such as interest rate swaps, with Dutch business customers who wish to reduce the interest rate risk associated with variable (e.g. Euribor-indexed) loans. An interest rate swap protects businesses from rising variable interest rates and helps them to keep their interest payments at an acceptable level. In March 2016, the Dutch Minister of Finance appointed an independent committee which on July 5, 2016 published a recovery framework (the Recovery Framework) on the reassessment of Dutch SME interest rate derivatives. Rabobank announced its decision to take part in the Recovery Framework on July 7, 2016. The final version of the Recovery Framework was published by the independent committee on December 19, 2016. Rabobank is involved in civil proceedings in the Netherlands relating to interest rate derivatives entered into with Dutch business customers. The majority of these concern individual cases. In addition, there is a collective action regarding interest rate derivatives pending before the Court of Appeal (for which a standstill was agreed to, due to the Recovery Framework; the few remaining out-of-scope customers will be assessed on an individual basis). These actions concern allegations of misinforming clients with respect to interest rate derivatives. Some of these actions also concern allegations in connection with Rabobank's Euribor submissions (as described below). Rabobank will defend itself against all these claims. Furthermore, there are pending complaints and proceedings against Rabobank regarding interest rate derivatives brought before Kifid (Dutch Financial Services Complaints Authority, which, in January 2015, opened a conflict resolution procedure for SME businesses with interest rate derivatives). With respect to the (re-)assessment of the interest rate derivatives of its Dutch SME business customers and the advance payments made, Rabobank recognized at June 30, 2019 a provision of EUR 122 million (2018: EUR 316 million). At year-end 2018, Rabobank provided all qualifying clients clarity on the outcome. On June 30, 2019, Rabobank's payments to clients under the Recovery Framework amounted to EUR 663 million.

Imtech

On January 30, 2018, Rabobank received a letter indicating that legal proceedings may be started at a later stage with respect to a potential collective action in relation to certain share offerings of Royal Imtech N.V. in which Rabobank was involved. This situation has remained unchanged. Furthermore, the receivers sent a letter (August 10, 2018) in which they describe on what (possible) grounds their (future) claim(s) towards Rabobank in its capacity of lender will be based. Rabobank considers the Imtech case to be a contingent liability. No provision has been made.

Libor/Euribor

Rabobank has been involved for a number of years in regulatory proceedings in relation to benchmark-related issues. Rabobank has cooperated, and will continue to cooperate as appropriate, with the regulators and authorities involved in these regulatory proceedings. On October 29, 2013, Rabobank entered into settlement agreements with a number of these authorities in relation to their investigations into the historical Libor and Euribor submission processes of Rabobank. All amounts payable under these settlement agreements were fully paid and accounted for by Rabobank in 2013. Rabobank entered into one additional related settlement agreement on July 2, 2019. Rabobank, along with a large number of other panel banks and inter-dealer brokers, has been named as a defendant in a number of putative class action suits and individual civil court cases brought before the Federal Courts in the United States. These proceedings relate to U.S. Dollar (USD) Libor, British Pound Sterling (GBP) Libor, Japanese Yen (JPY) Libor, Tibor (note: Rabobank was never a member of the Tibor panel) and Euribor. Rabobank and/or its subsidiaries have also received complaints and writs of summons ordering Rabobank to appear before various Dutch, Argentine, United Kingdom, Irish, and Israeli courts in civil proceedings (inc. class action suits) relating to interest rate benchmarks. Since the class action suits and civil proceedings listed above are intrinsically subject to uncertainties, it is difficult to predict their outcome. Rabobank takes the stance that it has substantive and convincing legal and factual defences against these claims. Rabobank has the intention to continue to defend itself against these claims. Rabobank considers the Libor/Euribor case to be a contingent liability. No provision has been made.

Other Cases
Rabobank is subject to other legal proceedings for which provisions have been recognized. These cases are individually less significant in size and are therefore not separately disclosed (as discussed above). The total provision for these cases amounts to EUR 126 million. In addition to the contingent liability-cases described above, Rabobank has identified other less relevant cases in terms of size as a contingent liability. The maximum amount claimed for those contingent liability cases amounts to EUR 278 million.

8. Reserves and Retained Earnings

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

Reserves and Retained Earnings

Amounts in millions of euros	*June 30, 2019*	*December 31, 2018*	*June 30, 2018*
Foreign currency translation reserves	(769)	(817)	(884)
Revaluation reserve – Financial assets at fair value through other comprehensive income	345	240	369
Revaluation reserve – Cash flow hedges	(56)	(40)	(42)
Revaluation reserve – Costs of hedging	26	30	18
Revaluation reserve – Assets held for sale	40	(35)	(35)
Remeasurement reserve – Pensions	(140)	(145)	(219)
Revaluation reserve – Fair value changes due to own credit risk on financial liabilities designated at fair value	(101)	(31)	(77)
Retained earnings	28,357	28,062	27,377
Total reserves and retained earnings	**27,702**	**27,264**	**26,507**

9. Redemption of Equity Instruments in the first half of 2019

Rabobank issued the EUR 500 million Capital Securities on February 27, 2009. In accordance with the Terms and Conditions of these Capital Securities, Rabobank redeemed them on the first call date: February 27, 2019.

Rabo Capital Securities Limited issued the NZD 280 million Capital Securities on May 27, 2009. In accordance with the Terms and Conditions of these Capital Securities, Rabo Capital Securities Limited redeemed these Capital Securities on the first call date: June 18, 2019.

Rabobank issued the USD 2,872 million Capital Securities on June 4, 2009. In accordance with the Terms and Conditions of these Capital Securities, Rabobank redeemed them on the first call date: June 30, 2019.

10. Fair Value of Financial Assets and Liabilities

This section should be read in conjunction with Section 4.9 "Fair Value of Financial Assets and Liabilities" of the 2018 Consolidated Financial Statements, which provides more detail about the adopted accounting policies, valuation methodologies used to calculate fair value and the valuation control framework governing the oversight of valuations. No changes have occured to either the addopted accounting policies or the valuation methodologies applied.

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

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

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

	June 30, 2019		December 31, 2018	
Amounts in millions of euros	*Carrying amount*	*Fair value*	*Carrying amount*	*Fair value*
Assets				
Cash and cash equivalents	63,435	63,435	73,335	73,335
Loans and advances to credit institutions	31,050	31,062	17,859	17,878
Loans and advances to customers	441,580	454,769	436,591	443,867
Liabilities				
Deposits from credit institutions	21,856	21,894	19,397	19,333
Deposits from customers	344,908	350,398	342,410	345,719
Debt securities in issue	131,179	133,229	130,806	132,397
Subordinated liabilities	15,557	16,239	16,498	17,220

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

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

In determining market values or fair values, various factors must be considered including the time-value of money, volatility, underlying options and the credit quality of the counterparty. The valuation process is designed to systematically use market prices that are available on a periodic basis. This systematic valuation process proved its worth during the credit crisis. Modifications to assumptions may affect the fair value of financial assets and liabilities held for trading and non-trading purposes.

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

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

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

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

Amounts in millions of euros	*Level 1*	*Level 2*	*Level 3*	*Total*
On June 30, 2019				
Assets carried at fair value in the statement of financial position				
Financial assets held for trading	2,205	345	77	2,627
Financial assets designated at fair value	126	-	8	134
Financial assets mandatorily at fair value	-	574	916	1,490
Derivatives	17	26,314	168	26,499
Financial assets at fair value through other comprehensive income	12,387	1,691	225	14,303
Non-current assets held for sale	-	-	8,649	8,649
Liabilities carried at fair value in the statement of financial position				
Derivatives	16	27,777	88	27,881
Financial liabilities held for trading	709	-	-	709
Financial liabilities designated at fair value	-	6,352	-	6,352
Amounts in millions of euros				
On December 31, 2018				
Assets carried at fair value in the statement of financial position				
Financial assets held for trading	2,382	431	63	2,876
Financial assets designated at fair value	126	23	8	157
Financial assets mandatorily at fair value	-	571	1,563	2,134
Derivatives	23	22,381	256	22,660
Financial assets at fair value through other comprehensive income	14,453	3,813	464	18,730
Non-current assets held for sale	-	-	268	268
Liabilities carried at fair value in the statement of financial position				
Derivatives	41	23,763	123	23,927
Financial liabilities held for trading	400	-	-	400
Financial liabilities designated at fair value	-	6,614	-	6,614

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

Financial Instruments at Fair Value in Level 3

Amounts in millions of euros	*Balance on January 1, 2019*	*Fair value changes incorporated in profit or loss*	*Fair value changes incorporated in OCI*	*Purchases*	*Sales*	*Settlements*	*Transfers to or from Level 3*	*Transfers to Held for sale*	*Balance on June 30, 2019*
Assets									
Financial assets held for trading	63	-	-	16	(2)	-	-	-	77
Financial assets designated at fair value	8	-	-	1	-	(1)	-	-	8
Financial assets mandatorily at fair value	1,563	103	-	65	(15)	(85)	-	(715)	916
Derivatives	256	(11)	-	2	-	(69)	(10)	-	168
Financial assets at fair value through other comprehensive income	464	-	7	-	-	-	-	(246)	225
Liabilities									
Derivatives	123	29	-	8	-	(62)	(10)	-	88
Financial liabilities designated at fair value	-	-	-	-	-	-	-	-	-

Amounts in millions of euros	*Balance on January 1, 2018*	*Fair value changes incorporated in profit or loss*	*Fair value changes incorporated in OCI*	*Purchases*	*Sales*	*Settlements*	*Transfers to or from Level 3*	*Balance on December 31, 2018*
Assets								
Financial assets held for trading	68	6	-	-	(11)	-	-	63
Financial assets designated at fair value	23	1	-	-	-	(16)	-	8
Financial assets mandatorily at fair value	1,668	54	-	162	(117)	(224)	20	1,563
Derivatives	315	(18)	-	82	-	(123)	-	256
Financial assets at fair value through other comprehensive income	471	10	19	20	(56)	-	-	464
Liabilities								
Derivatives	259	(10)	-	1	-	(127)	-	123
Financial liabilities designated at fair value	6	-	-	(2)	-	-	(4)	-

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

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

Amounts in millions of euros	*Instruments held at the end of the reporting period*	*Instruments no longer held at the end of the reporting period*	*Total*
On June 30, 2019			
Assets			
Financial assets held for trading	-	-	-
Financial assets designated at fair value	-	-	-
Financial assets mandatorily at fair value	82	21	103
Derivatives	(12)	1	(11)
Financial assets at fair value through other comprehensive income	-	-	-
Liabilities			
Derivatives	17	12	29
Financial liabilities designated at fair value	-	-	-
On December 31, 2018			
Assets			
Financial assets held for trading	6	-	6
Financial assets designated at fair value	1	-	1
Financial assets mandatorily at fair value	50	4	54
Derivatives	40	(58)	(18)
Financial assets at fair value through other comprehensive income	11	(1)	10
Liabilities			
Derivatives	44	(54)	(10)
Financial liabilities designated at fair value	-	-	-

The potential effect before taxation, if more favorable reasonable assumptions are used for the valuation of the financial instruments in Level 3 on the income statement, is EUR 126 million (2018: 145 million) and on other comprehensive income EUR 3 million (2018: 9 million). The potential effect before taxation, if more unfavorable reasonable assumptions are used for the valuation of Level 3 financial instruments on the income statement, is EUR -91 million (2018: -142 million) and EUR -2 million (2018: -7 million) on other comprehensive income.

Level 3 of the financial assets at fair value mainly include private equity interests. The total amount of these Level 3 financial assets at fair value is EUR 497 million (2018: EUR 1,245 million). A significant unobservable input for the valuation of the private equity interests is the multiplier which is applied to the EBITDA. The average weighted multiplier is 6.6 (2018: 6.4), with a range of -1 (unfavorable) and +1 (favorable) of the multiplier.

11. Related Parties

In the normal course of business, Rabobank enters into various transactions with related parties. Parties are considered related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions. Related parties of Rabobank include, among others, its joint ventures, associates and key management personnel. Transactions between related parties include rendering or receiving services, leases, transfers under finance arrangements and provisions of guarantees or collateral. No related party transactions occurred in the first half of 2019 that have materially affected Rabobank's financial position or performance during this period.

12. Credit Related Contingent Liabilities

Credit related contingent liabilities represent the unused portions of funds authorized for granting credit in the form of loans, financial guarantees, letters of credit and other lending related financial instruments. The credit contingent liabilities are EUR 59 (2018: EUR 56) billion. The contingent liabilities related to litigation are disclosed in Section 7 "Legal and Arbitration Proceedings".

13. Non-Current Assets and Liabilities Held for Sale

Sale of Rabobank National Association

On March 15, 2019, Rabobank has signed transaction documentation to sell Rabobank National Association (RNA)'s retail, business banking, commercial real estate, mortgage, wealth management and other non-Food & Agri business to Mechanics Bank. Prior to the closing, at July 1, 2019, the Food & Agri loan portfolio of RNA with a carrying amount of EUR 4.0 billion has been transferred to Rabo Agrifinance. The transaction will be completed in the third quarter of 2019 and the total estimated consideration is USD 2.1 billion, including a pre-closing dividend of USD 600 million, a 9.9% stake in Mechanics Bank and cash. As per June 30, 2019 RNA has been classified as held for sale according to IFRS 5.

RNA's external assets are included in the Wholesale, Rural & Retail segment and the external assets and liabilities related to the sale of RNA amount to EUR 7,532 million and EUR 9,934 million respectively and are measured at their carrying amounts as at June 30, 2019.

Sale of ACC mortgage loan portfolio
Coöperatieve Rabobank U.A. (CRUA), has entered into a sale agreement with Goldman Sachs International Bank, to sell the ACC mortgage loan portfolio. The ACC portfolio is part of the Wholesale, Rural & Retail Segment. The completion of the sale is expected to take place in August 2019. The ACC loan portfolio is measured under IFRS 9 at fair value through profit or loss. As the sale price is the best estimate of the fair value, the loans are measured at the sale price as per June 30, 2019 for an amount of EUR 716 million.

Other non-current assets held for sale
The other non-current assets held for sale amount to EUR 401 million (2018: EUR 268 million) and include various types of real estate in the segments Domestic Retail Banking and Real Estate for an amount of EUR 110 million, a stake in a financial service provider in Africa for an amount of EUR 108 million and the stake in equensWorldline for an amount of EUR 171 million. The carrying values are expected to be realized through sale rather than through continuing use.

14. Business Segments

The business segments Rabobank uses in its reporting are defined from a management viewpoint, whereby the segments are reviewed as part of Rabobank's strategic management and are used for the purpose of making business decisions with different risks and returns.

Rabobank distinguishes five major business segments: Domestic Retail Banking; Wholesale, Rural & Retail (WRR); Leasing; Real Estate, and Other Segments.

- Domestic Retail Banking mainly encompasses the activities of the local Rabobanks, Obvion, Financial Solutions and Roparco.

- WRR supports wholesale activities in the Netherlands and focuses on the Food & Agri sectors internationally. This segment develops corporate banking activities and also controls globally operating divisions such as Markets, Acquisition Finance, Global Corporate Clients, Export & Project Finance, Trade & Commodity Finance, the Financial Institutions Group and Rabo Corporate Investments. The segment also contains International Rural and Retail operations using the Rabobank label.

- In the Leasing segment, DLL is responsible for leasing activities and offers a wide range of leasing products. DLL supports manufacturers, vendors and distributors globally in sales of products relevant to asset financing.

- Real Estate mainly encompasses the activities of BPD. The core activity is development of housing.

- Other Segments within Rabobank include various subsegments of which no single segment can be listed separately. This segment is primarily composed of the financial results of investments in associates (especially Achmea B.V.), Treasury and Head Office operations.

No customer represents more than a 10% share in the total revenues of Rabobank. Transactions between the various business segments are conducted under regular commercial terms. Besides operating activities, no other material comprehensive income exists between the business segments. The financial reporting principles used for the segments are identical to those described in the Section "Basis for Preparation".

Rabobank decided to allocate additional intersegment expenses from "Other segments" to the other business segments: Domestic Retail Banking, Wholesale, Rural & Retail, Leasing and Real Estate to reflect a comprehensive cost view within these business segments. The figures in the previous period segment information have been adjusted accordingly to align with internal management reporting.

Business Segments

Amounts in millions of euros	Domestic Retail Banking	WRR	Leasing	Real Estate	Other Segments	Consolidation Effects	Total
First half-year 2019							
Net interest income	2,679	1,238	522	(7)	(218)	-	4,214
Net fee and commission income	741	221	64	6	(7)	(25)	1,000
Other results	42	245	135	126	(17)	18	549
Income	**3,462**	**1,704**	**721**	**125**	**(242)**	**(7)**	**5,763**
Staff costs	488	500	251	39	99	698	2,075
Other administrative expenses	1,445	432	101	23	(63)	(778)	1,160
Depreciation and amortization	52	38	15	3	30	73	211
Operating expenses	**1,985**	**970**	**367**	**65**	**66**	**(7)**	**3,446**
Impairment charges on financial assets	21	334	86	-	(1)	-	440
Regulatory levies	124	86	15	1	42	-	268
Operating profit before tax	**1,332**	**314**	**253**	**59**	**(349)**	**-**	**1,609**
Income tax	335	89	75	16	(118)	-	397
Net profit	**997**	**225**	**178**	**43**	**(231)**	**-**	**1,212**
Cost/income ratio including regulatory levies (in %)[1]	60.9	62.0	53.0	52.8	n/a	n/a	64.4
Impairment charges on financial assets (in basis points of average private sector loan portfolio)[2]	2	61	52	-	n/a	n/a	21
External assets	280,229	147,994	36,459	3,056	139,096	-	606,834
Goodwill	322	-	70	-	-	-	392
Private sector loan portfolio	274,750	108,998	31,889	287	232	-	416,156

1 Operating expenses plus regulatory levies divided by income.

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

Amounts in millions of euros	Domestic Retail Banking	WRR	Leasing	Real Estate	Other Segments	Consolidation Effects	Total
First half-year 2018							
Net interest income	2,783	1,151	491	2	(153)	-	4,274
Net fee and commission income	713	233	54	11	(8)	(22)	981
Other results	38	374	154	264	(50)	(6)	774
Income	**3,534**	**1,758**	**699**	**277**	**(211)**	**(28)**	**6,029**
Staff costs	600	436	237	73	90	691	2,127
Other administrative expenses	1,489	418	111	47	8	(769)	1,304
Depreciation and amortization	43	19	13	3	25	77	180
Operating expenses	**2,132**	**873**	**361**	**123**	**123**	**(1)**	**3,611**
Loan impairment charges	(27)	-	35	(3)	(42)	-	(37)
Regulatory levies	135	101	14	2	32	-	284
Operating profit before tax	**1,294**	**784**	**289**	**155**	**(324)**	**(27)**	**2,171**
Income tax	324	199	52	37	(132)	(7)	473
Net profit	**970**	**585**	**237**	**118**	**(191)**	**(21)**	**1,698**
Cost/income ratio including regulatory levies (in %)[1]	64.1	55.4	53.6	45.1	n/a	n/a	64.6
Loan impairment charges (in basis points of average private sector loan portfolio)[2]	(2)	-	23	(77)	n/a	n/a	(2)
As per December 31, 2018							
External assets	280,691	139,963	35,227	2,979	131,577	-	590,437
Goodwill	322	125	72	-	-	-	519
Private sector loan portfolio	276,140	108,972	30,309	301	303	-	416,025

1 Operating expenses plus regulatory levies divided by income.

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

15. Events After Reporting Date

On July 24, 2019 Boris Johnson became Prime Minister (PM) of the United Kingdom. This PM presents himself as a hard line Brexiteer. Although Rabobank still believes that a hard Brexit will be avoided, the uncertainty has however grown. Rabobank monitors the potential impact of Brexit and has prepared contingency plans on the basis of scenario analysis. In the scenario of a hard Brexit, Rabobank expects a limited increase of the loan impairment allowance, as Rabobank's exposure to the UK is modest. Indirect effect of a Brexit could be negative for the Dutch economy as the UK is an important trade partner of the Netherlands.

Managing Board Responsibility Statement

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

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

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

Utrecht, August 14, 2019

Review report

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

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements, page 28 to 47, for the six-month period ended 30 June 2019 of Coöperatieve Rabobank U.A., Amsterdam, which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of income, the condensed consolidated statement of comprehensive income, the consolidated statement of changes in equity, the condensed consolidated statement of cash flows for the period then ended, and the notes, comprising a summary of significant accounting policies and other explanatory notes. The managing board is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements for the six-month period ended 30 June 2019 are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

Amsterdam, 14 August 2019
PricewaterhouseCoopers Accountants N.V.

Original has been signed by R.E.H.M. van Adrichem RA

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Colophon

Published by
Rabobank Communications & Corporate Affairs

Reporting
As part of its report Rabobank has published the following documents in 2019:

- Management Report and Corporate Governance Report 2018
- Consolidated Financial Statements 2018 Rabobank
- Company Financial Statements 2018 Rabobank
- Capital Adequacy and Risk Management Report 2018 (Pillar 3)
- Interim Report 2019

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

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

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