Rabobank Annual Figures Press Release 2019

Key Figures

Amounts in EUR millions	*2019*	*2018*	*2017*	*2016*	*2015*
Non-Financial Key Figures					
Net promotor score Private Customers in the Netherlands	61	57	53	36	33
Net promotor score Private Banking Customers in the Netherlands	63	61	50	41	37
Net promotor score Corporate Customers in the Netherlands	51	53	43	30	21
% online active private customers in the Netherlands	64.0%	61.8%	-	-	-
% online active corporate customers in the Netherlands	81.5%	80.8%	-	-	-
Reptrak pulse score	71.5	70.8	69.5	66.1	-
Member engagement score	50%	44%	-	-	-
Employee engagement scan	64	61	-	-	-
Financial Key Figures					
Common equity tier 1 ratio (fully loaded)	16.3%	16.0%	15.5%	13.5%	12.0%
Total capital ratio (transitional)	25.2%	26.6%	26.2%	25.0%	23.2%
Leverage ratio (transitional)	6.3%	6.4%	6.0%	5.5%	5.1%
Risk-weighted assets	205,797	200,531	198,269	211,226	213,092
Wholesale funding	151,742	153,223	160,407	188,862	203,218
Cost/income ratio including regulatory levies	63.8%	65.9%	71.3%	70.9%	65.2%
Underlying cost/income ratio including regulatory levies	63.5%[1]	63.9%	65.3%	64.8%	64.6%
ROIC[2]	5.5%	7.4%	6.9%	5.2%	6.0%
Return on equity	5.3%	7.3%	6.7%	4.9%	5.5%
Return on assets	0.4%	0.5%	0.4%	0.3%	0.3%
Other Financial Figures					
Income	11,915	12,020	12,001	12,805	13,014
Operating expenses	7,115	7,446	8,054	8,594	8,145
Impairment charges on financial assets	975	190	-190	310	1,033
Net profit	2,203	3,004	2,674	2,024	2,214
Total assets	590,598	590,437	602,991	662,593	678,827
Private sector loan portfolio	417,914	416,025	410,964	424,551	433,927
Deposits from customers	342,536	342,410	340,682	347,712	345,884
Equity	41,347	42,236	39,610	40,524	41,197
Loan-to-deposit ratio	1.21	1.21	1.21	1.22	1.25
Non-performing loans	15,705	18,436	18,315	18,873	19,763
Ratings					
Standard & Poor's	A+	A+	A+	A+	A+
Moody's Investors service	Aa3	Aa3	Aa2	Aa2	Aa2
Fitch ratings	AA-	AA-	AA-	AA-	AA-
DBRS	AA	AA	AA	AA	AA
Sustainalytics Ranking category diversified banks	5	2	7	2	11
Sustainalytics ESG Risk Rating category diversified banks	1	1	-	-	-
About Rabobank					
Local Rabobanks	89	101	102	103	106
Offices in the Netherlands	371	409	446	475	506
Availability of internet banking	99.7%	99.9%	99.9%	99.7%	99.8%
Availability of mobile banking	99.6%	99.9%	99.9%	99.7%	99.8%
Availability of iDEAL	99.7%	99.8%	-	-	-
Community funds and donations	45.4	48.8	45.5	43.3	45
CO2 emissions (tonnes per FTE)	2.9	3.3[3]	4.0	3.8	3.5
Sustainable Products & Services					
Total sustainable financing	46,000	46,607	17,377	-	-
Total sustainable assets under management and assets held in custody	6,399	4,726	4,030	3,835	2,843

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

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

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

3 The 2018 figure is restated due to improved calculation method.

4 Please note that the coverage of Local Rabobank clients with a client photo could not be determined for the full population due to technical reasons.

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

6 As result of definition refinement the comparative FTE figures are adjusted.

Consolidated Statement of Financial Position

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

Consolidated Statement of Income

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

Business Segments

As per the Financial statements 2019, Rabobank decided to allocate recharges of the Head Office operations related to staff expenses from Other administrative expenses to Staff costs to better reflect a comprehensive cost view within the business segments. The figures in the previous period segment information have been adjusted accordingly to align with internal management reporting.

Amounts in millions of euros	*Domestic Retail Banking*	*WRR*	*Leasing*	*Real Estate*	*Other Segments*	*Consolidation Effects*	*Total*
For the year ended December 31, 2019							
Net interest income	5,258	2,458	1,052	(10)	(273)	(2)	8,483
Net fee and commission income	1,490	438	124	8	(21)	(50)	1,989
Other results	67	766	255	308	(3)	50	1,443
Income	**6,815**	**3,662**	**1,431**	**306**	**(297)**	**(2)**	**11,915**
Staff costs	2,738	1,396	536	84	214	(147)	4,821
Other administrative expenses	1,177	495	174	40	(15)	3	1,874
Depreciation and amortization	95	83	28	7	63	144	420
Operating expenses	**4,010**	**1,974**	**738**	**131**	**262**	**-**	**7,115**
Impairment on investments in associates	-	-	-	-	300	-	300
Impairment charges on financial assets	152	611	214	2	(4)	-	975
Regulatory levies	270	140	26	2	46	-	484
Operating profit before tax	**2,383**	**937**	**453**	**171**	**(901)**	**(2)**	**3,041**
Income tax	607	260	131	40	(200)	-	838
Net profit	**1,776**	**677**	**322**	**131**	**(701)**	**(2)**	**2,203**
Cost/income ratio including regulatory levies (in %)[1]	62.8	57.7	53.4	43.5	n/a	n/a	63.8
Impairment charges on financial assets (in basis points of average private sector loan portfolio)[2]	6	55	67	n/a	n/a	n/a	23
External assets	275,885	137,092	37,876	3,201	136,544	-	590,598
Goodwill	322	-	70	-	-	-	392
Private sector loan portfolio	271,165	112,410	33,169	256	914	-	417,914

1 Operating expenses plus regulatory levies divided by Income

2 Impairment charges on financial assets divided by 12-month average private sector loan portfolio

Amounts in millions of euros	*Domestic Retail Banking*	*WRR*	*Leasing*	*Real Estate*	*Other Segments*	*Consolidation Effects*	*Total*
For the year ended on December 31, 2018							
Net interest income	5,575	2,388	986	(7)	(383)	-	8,559
Net fee and commission income	1,434	461	106	10	(35)	(45)	1,931
Other results	56	486	274	571	102	41	1,530
Income	**7,065**	**3,335**	**1,366**	**574**	**(316)**	**(4)**	**12,020**
Staff costs	2,765	1,292	517	137	215	(58)	4,868
Other administrative expenses	1,382	491	194	66	57	-	2,190
Depreciation and amortization	84	40	27	5	49	183	388
Operating expenses	**4,231**	**1,823**	**738**	**208**	**321**	**125**	**7,446**
Impairment charges on financial assets	(150)	300	105	(15)	(50)	-	190
Regulatory levies	237	169	25	2	45	-	478
Operating profit before tax	**2,747**	**1,043**	**498**	**379**	**(632)**	**(129)**	**3,906**
Income tax	712	333	99	70	(281)	(31)	902
Net profit	**2,035**	**710**	**399**	**309**	**(351)**	**(98)**	**3,004**
Cost/income ratio including regulatory levies (in %)[1]	63.2	59.7	55.9	36.6	n/a	n/a	65.9
Impairment charges on financial assets (in basis points of average private sector loan portfolio)[2]	(5)	29	34	(287)	n/a	n/a	5
External assets	280,691	139,963	35,227	2,979	131,577	-	590,437
Goodwill	322	125	72	-	-	-	519
Private sector loan portfolio	276,140	108,972	30,309	301	303	-	416,025

1 Operating expenses plus regulatory levies divided by Income

2 Loan impairment charges divided by 12-month average private sector loan portfolio

Our Financial Performance

Rabobank

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

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

The sale of RNA had a downward effect on the size of our loan portfolio and deposits. Adjusted for this divestment, our private sector loan portfolio increased by EUR 6.3 billion and deposits from customers increased by EUR 10.5 billion. Lending increased at WRR and DLL, and deposits at DRB increased by EUR 16.3 billion in 2019.

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

Financial Results of Rabobank

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

Notes to the Financial Results of Rabobank

Net Profit Decreased to EUR 2,203 Million

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

Underlying Performance Decreased by 21%

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

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

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

Slight Decrease in Income

Net Interest Income 1% Lower

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

Net Fee and Commission Income Up 3%

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

Other Results Decreased by 6%

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

Operating Expenses Decreased by 4%

Staff Costs Down 1%

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

Other Administrative Expenses Decreased by 14%

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

Depreciation and Amortization Up 8%

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

Impairment Losses on Investments in Associates

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

Impairment Charges on Financial Assets

In 2019 impairment charges on financial assets amounted to EUR 975 million. After a period of exceptionally low impairment charges, impairment charges returned to more normalized levels. This represents an increase of EUR 785 million compared to 2018. Impairment charges on financial assets amounted to 23 (2018: 5) basis points, which is still below the long-term average (period 2009-2018) of 32 basis points. Due to less optimistic macro-economic scenarios used for IFRS, impairment charges in stage 1 and 2 were EUR 239 (2018: minus 72) million.

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

Balance Sheet Developments

Balance Sheet

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

Underlying Private Sector Loan Portfolio Increased by EUR 6.3 Billion

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

Loan Portfolio

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

The geographical split of the loan portfolio[1] on December 31, 2019 was as follows: 70% in the Netherlands, 10% in North America, 8% in Europe (outside the Netherlands), 6% in Australia and New Zealand, 4% in Latin America, and 2% in Asia.

Loan Portfolio by Sector[1]

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

1 In the country where the entity is established.

1 Based on debtor's country of establishment.

Underlying Deposits from Customers Increased by EUR 10.5 Billion

Total deposits from customers increased to EUR 342.5 (2018: 342.4) billion. The sale of RNA lowered deposits from customers: adjusting for this sale, total deposits from customers increased by EUR 10.5 billion. Deposits from DRB customers increased to EUR 253.0 (2018: 236.7) billion. Deposits from customers in other segments decreased to EUR 89.5 (2018: 105.7) billion mainly as the result of the sale of RNA. Retail savings at DRB increased by EUR 4.6 billion to EUR 123.7 billion. Total retail savings increased by EUR 3.1 billion to EUR 145.8 billion.

Deposits from Customers

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

Equity

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

Development of Equity

in millions of euros	
Equity at the end of December 2018	**42,236**
Net profit for the period	2,203
Other comprehensive income	48
Payments on Rabobank Certificates and hybrid capital	(904)
Redemption of Capital Securities	(3,159)
Redemption of Trust Preferred Securities IV	(383)
Issue of Capital Securities	1,250
Other	56
Equity at the end of December 2019	**41,347**

Wholesale Funding

Rabobank has been actively reducing its use of wholesale funding. Doing so will make the bank less sensitive to potential future financial market instability. In 2019, the amount of wholesale funding decreased to EUR 151.7 (2018: 153.2) billion.

The main sources of wholesale funding are short- and long-term issued debt securities.

Progress on Our Capital Targets

Capital ratios

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

On December 31, 2019, our CET1 ratio amounted to 16.3% (2018: 16.0%). This is well above our >14% ambition. The increase of the CET1 ratio was mainly due to addition of net profits to retained earnings. An increase of RWAs partly offset this effect. Our leverage ratio – that is, our tier 1 capital divided by balance sheet positions and off-balance-sheet liabilities – is calculated based on the definitions provided in the CRR/CRD IV. As at December 31, 2019 our leverage ratio was 6.4% (2018: 6.4%), which is well above the minimum leverage ratio of 3% required by the Basel III guidelines. In line with our capital strategy, our total capital ratio decreased to 25.2% (2018: 26.6%), mainly the result of the call of several Capital Securities and Trust Preferred Securities and higher risk-weighted assets.

Funding and Liquidity

Regulatory Capital

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

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.

Rabobank measures 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 own internal value-at-risk (VaR) models, based on the CRR.

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

Minimum Requirement for Own Funds and eligible Liabilities

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, 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), which corresponds to 28.58% of RWA as at 2017, and consists of a loss absorption amount, a recapitalization amount and a market confidence amount. This calibration is based on the framework for MREL under BRRD I, the EBA RTS and the 2018 SRB MREL policy.

The adoption of CRR2 and BRRD2 (as part of the "Banking Risk Reduction package") which contain a revised MREL framework, will likely translate to changes to banks' MREL requirements. The revised SRB MREL policy that takes into account the legislative changes, has not yet been published and is expected in the course of 2020. As under BRRD, the MREL framework in CRR2 and BRRD2 also allows for some portion of the MREL requirement to be met with Preferred Senior debt under certain conditions, subject to minimum subordination requirements. Rabobank intends to meet its MREL requirement with a combination of Own Funds, (other) subordinated instruments and Non Preferred Senior only. As such, we define our MREL eligible capital and debt buffer as qualifying capital plus the non-qualifying part of the grandfathered additional tier 1 instruments, the amortized part of tier 2 capital instruments with a remaining maturity of at least one year and Non-Preferred Senior bonds with a remaining maturity of at least one year. In 2018 and 2019, Rabobank issued a number of Non-Preferred Senior bonds. With MREL eligible capital and debt of EUR 60.3 billion (2018: 56.6) or 29.3% (2018: 28.2%) of risk-weighted assets, the MREL needs are manageable.

MREL Eligible Capital and Non-Preferred Senior Bonds Buffer

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

Pillar II Capital Framework

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

Pillar 2 describes the mandatory processes for both banks and regulators to fulfill the capital adequacy requirements. The main areas that fall under this Pillar are: risks considered under Pillar I that are not fully or adequately captured by the prescribed methodologies; risks that are not considered in the Pillar I capital requirements (e.g. interest rate risk); and external factors to the bank (e.g. market conditions). In addition, Rabobank does its utmost to be up to speed with not only recent best practices guidelines, such as the "Overview of Pillar 2 supervisory review practices and approaches" document published in June 2019 by the Basel Committee on Banking Supervision (BIS), but also growing supervisory and industry trends such as climate risk, cyber risk, among others.

The Pillar 2 capital 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. Rabobank developed mostly statistical approaches and methodologies that: (1) challenge regulatory capital requirements; (2) cover risks not addressed in CRR/CRD IV; and (3) identify possible future events or changes in the market conditions that could impact Rabobank's strategic planning.

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

Domestic Retail Banking

Highlights

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

Financial Results

Results			
in millions of euros	*12-31-2019*	*12-31-2018*	*Change*
Net interest income	5,258	5,575	-6%
Net fee and commission income	1,490	1,434	4%
Other results	67	56	20%
Total income	**6,815**	**7,065**	**-4%**
Staff costs	2,738	2,765	-1%
Other administrative expenses	1,177	1,382	-15%
Depreciation and amortization	95	84	13%
Total operating expenses	**4,010**	**4,231**	**-5%**
Gross result	**2,805**	**2,834**	**-1%**
Impairment charges on financial assets	152	(150)	-
Regulatory levies	270	237	14%
Operating profit before tax	**2,383**	**2,747**	**-13%**
Income tax	607	712	-15%
Net profit	**1,776**	**2,035**	**-13%**
Impairment charges on financial assets (in basis points)	6	(5)	
Ratios			
Cost/income ratio including regulatory levies	62.8%	63.2%	
Underlying cost/income ratio including regulatory levies	61.4%	61.5%	
Balance Sheet (in billions of euros)			
External assets	275.9	280.7	-2%
Private sector loan portfolio	271.2	276.1	-2%
Deposits from customers	253.0	236.7	7%
Number of internal employees (in FTEs)	19,913	20,347	-2%
Number of external employees (in FTEs)	6,976	5,088	37%
Total number of employees (in FTEs)	26,889	25,435	6%

Notes to the Financial Results

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

Underlying Performance Decreased 14%

Domestic Retail Banking's underlying performance decreased in 2019 compared to 2018. The underlying operating profit before tax amounted to EUR 2,480 million compared to EUR 2,868 million in 2018. In calculating this underlying profit before tax, we made corrections for restructuring costs and for the additional provision taken for the interest rate derivatives framework. Total income decreased by EUR 251 million lower, while underlying operating expenses decreased by EUR 197 million. Higher impairment charges on financial assets of EUR 152 million tempered net profit.

Income Down 4%

Total income decreased to EUR 6,815 (2018: 7,065) million. Despite slighty increased margins on mortgages, net interest income was pressured by shrinking margins on savings and current accounts as a result of the low interest rate environment. Total net interest income of EUR 5,258 (2018: 5,575) million was 6% lower than in 2018. Increased fees on payment accounts and on insurances helped to lift net fee and commission income to

EUR 1,490 (2018: 1,434) million. Other results amounted to EUR 67 (2018: 56) million at December 31, 2019.

Operating Expenses Down 5%

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

Impairment Charges on Financial Assets Increased

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

Loan Portfolio Decreased

The persisting low interest rate on savings accounts continued to encourage clients to make extra repayments on their loans. In 2019, clients' extra mortgage repayments – all those on top of the mandatory repayments – at local Rabobanks and Obvion totalled approximately EUR 19.5 (2018: 19.2) billion. Of this amount EUR 3.7 (2018: 3.5) billion is related to partial repayments and EUR 15.8 (2018: 15.7) billion to repayments of the full mortgage, which is mainly the result of customers moving houses. The total volume of our residential mortgage loan portfolio on December 31, 2019 was EUR 187.6 (2018: 190.0) billion. The sale of shares of our mortgage loan portfolio (worth EUR 1.8 billion) to institutional investors contributed to this decrease. The figure includes Obvion's loan portfolio, valued at EUR 29.7 (2018: 28.5) billion. The total Domestic Retail Banking portfolio (including business lending) decreased by EUR 4.9 billion to EUR 271.2 (2018: 276.1) billion and the total SME portfolio currently amounts to EUR 81.4 (2018: 83.8) billion.

Loan Portfolio by Sector

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

Mortgage Loan Portfolio

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

Residential Mortgage Loans

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

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

Deposits from Customers Increased EUR 16.3 Billion

The private savings market in the Netherlands grew by 4% to EUR 368.2 (2018: 355.6) billion as per December 31, 2019 despite the fact that clients applied excess savings to de-leverage their mortgage debt, prompted by the low interest rates on savings. Rabobank's market share was 33.0% (2018: 32.7%)[2] . Deposits from customers rose 7% to EUR 253.0 (2018: 236.7) billion. Private

1 Source: Dutch Land Registry Office (Kadaster)

savings deposited at Domestic Retail Banking increased by EUR 4.6 billion to EUR 123.7 (2018: 119.1) billion. Other deposits from customers went up by EUR 11.6 billion mainly due to an increase in current accounts.

Insurance Income Increased EUR 15.5 million

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

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

Wholesale, Rural and Retail

Highlights

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

Financial Results

Results			
in millions of euros	*12-31-2019*	*12-31-2018*	*Change*
Net interest income	2,458	2,388	3%
Net fee and commission income	438	461	-5%
Other results	766	486	58%
Total income	**3,662**	**3,335**	**10%**
Staff costs	1,396	1,292	8%
Other administrative expenses	495	491	1%
Depreciation and amortization	83	40	108%
Total operating expenses	**1,974**	**1,823**	**8%**
Gross result	**1,688**	**1,512**	**12%**
Impairment charges on financial assets	611	300	104%
Regulatory levies	140	169	-17%
Operating profit before tax	**937**	**1,043**	**-10%**
Income tax	260	333	-22%
Net profit	**677**	**710**	**-5%**
Impairment charges on financial assets (in basis points)	55	29	
Ratios			
Cost/income ratio including regulatory levies	57.7%	59.7%	
Underlying cost/income ratio including regulatory levies	56.7%	59.5%	
Balance Sheet (in billions of euros)			
External assets	137.1	140.0	-2%
Private sector loan portfolio	112.4	109.0	3%
Number of internal employees (in FTEs)	8,269	9,279	-11%
Number of external employees (in FTEs)	1,628	1,576	3%
Total number of employees (in FTEs)	9,897	10,855	-9%

Notes to the Financial Results

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

Underlying Performance Impacted by Impairment Charges

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

Income Up 10%

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

Operating Expenses Increased 8%

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

Impairment Charges on Financial Assets Up EUR 311 Million

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

WRR Portfolio Increased

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

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

Dutch and International Wholesale

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

International Rural Banking

Lending to rural clients amounted to EUR 35.6 (2018: 33.0) billion. The main markets for rural banking are Australia, New Zealand, the United States and Brazil, while we are also present in Chile, Peru and Argentina. In Australia the loan portfolio totaled EUR 11.0 (2018: 10.2) billion, in New Zealand EUR 6.9 (2018: 6.4) billion, in the United States EUR 13.0 (2018: 12.2) billion, in Brazil EUR 3.6 (2018: 3.2) billion, in Chile, Peru and Argentina in aggregate EUR 1.0 (2018: 0.9) billion .

Private Savings at RaboDirect Increased 5%

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

Leasing

Highlights

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

Financial Results

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

Notes to the Financial Results

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

Income Improved 5%

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

Operating Expenses Remained Stable

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

Impairment Charges on Financial Assets Increased

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

Income Tax Up 32%

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

Lease Portfolio Increased 8%

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

Real Estate

Highlights

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

Financial Results

Results			
in millions of euros	*12-31-2019*	*12-31-2018*	*Change*
Net interest income	(10)	(7)	43%
Net fee and commission income	8	10	-20%
Other results	308	571	-46%
Total income	**306**	**574**	**-47%**
Staff costs	84	137	-39%
Other administrative expenses	40	66	-39%
Depreciation and amortization	7	5	40%
Total operating expenses	**131**	**208**	**-37%**
Gross result	**175**	**366**	**-52%**
Impairment charges on financial assets	2	(15)	-
Regulatory levies	2	2	0%
Operating profit before tax	**171**	**379**	**-55%**
Income tax	40	70	-43%
Net profit	**131**	**309**	**-58%**
of which: BPD	*116*	*240*	*-52%*
Ratios			
Cost/income ratio incl. regulatory levies	43.5%	36.6%	
Underlying cost/income ratio incl. regulatory levies	43.1%	35.2%	
Balance Sheet (in billions of euros)			
Loan portfolio	0.3	0.3	0%
Number of houses sold	6,471	10,142	-36%
Number of internal employees (in FTEs)	605	588	3%
Number of external employees (in FTEs)	96	59	63%
Total number of employees (in FTEs)	701	647	8%

Notes to the Financial Results

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

Income Decreased 47%

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

Operating Expenses Down 37%

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

Market Conditions Lower Number of Property Transactions

The number of residential property transactions by BPD fell by 36% to 6,471 (2018: 10,142). This decrease can be mainly attributed to the sale of BPD Marignan in November 2018. Excluding BPD Marignan the number of property transactions decreased by 15% as a result of a delay in sales. It took longer to put new construction projects on the market and the average time to sell increased due to higher prices. Moreover, in the course of 2019, BPD also began to notice the effects of the nitrogen issues in the Netherlands which also negatively affected the number of sales. In the Netherlands BPD sold 4,485 houses (2018: 5,470). The total transactions in Germany amounted to 1,986 (2018: 2117).

Risk Management

Impairment Charges and Impairment Allowances on Financial Assets

In 2019 impairment charges on financial assets significantly increased, especially in WRR and DLL. For the Dutch portfolio they were still relatively low. The ongoing favorable economic development in the Netherlands was the key factor in this outcome, resulting in few new defaults, recovery of existing defaults or realization of collateral at better than expected collateral values, and release of part of the allowances for existing impaired clients due to increased collateral values.

Impairment Charges and Impairment Allowances on Financial Assets

	2019			*2018*		
In millions of euros	Impairment charges	Impairment charges in basis points	Allowances (12/31/2019)	impairment charges	impairment charges in basis points	Allowances (12/31/2018)
Domestic retail banking	152	6	2,132	(150)	(5)	2,267
Wholesale, Rural & Retail	611	55	1,596	300	29	1,330
Leasing	214	67	362	105	34	268
Real Estate	2	71	14	(15)	(287)	7
Other	(4)	n/a	-	(49)	1	-
Rabobank	**975**	**23**	**4,104**	**190**	**5**	**3,873**

Impairment charges were 23 basis points of the average private sector loan portfolio. The historical ten-year average (period 2009-2018) of the impairment charges is 32 basis points. With the realization of 2019 the ten-year average (period 2010-2019) decreases to 29 basis points.

The table above can be split in IFRS 9 stages. Due to the use of less optimistic scenarios in 2019 the impairment charges in Stage 1 & 2 were substantially higher than in 2018.

Impairment Charges on Financial Assets per IFRS 9 Stage

In millions of euros	2019	2018
Stage 1	111	(37)
Stage 2	128	(35)
Stage 3	736	262
Rabobank	**975**	**190**

Development of the Impairment Allowance on Financial Assets

In millions of euros						
Allowance	*Write-offs*	*Net additions*	*Other*	Allowance	*Received after write-offs*	*Impairment charges*
12-31-2018	2019	2019	2019	12-31-2019	2019	2019
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII=III+VI)
3,873	(735)	1,078	(112)	4,104	(102)	**975**

Forbearance

For the corporate portfolio, forbearance measures are identified using the Loan Quality Classification framework. Forbearance measures apply only to the classified portfolio. If forbearance measures are permitted for a debtor, this debtor will automatically be passed to the Financial Restructuring & Recovery (FR&R) department. Debtors in the private loan portfolio to whom forbearance measures are applied must also be included in the FR&R portfolio. Items in the forbearance category must be reported for up to two years after their recovery from 'non-performing' to 'performing'. This period of two years is referred to as 'Forborne under probation'. Expressed as a percentage of total gross carrying amount, forborne loans accounted for 2.1% (2018: 2.2%) at December 31, 2019.

Forborne Assets at 12-31-2019

In millions of euros	Private sector loan portfolio	Forborne assets (gross carrying amount)	Performing forborne assets	Non-performing forborne assets	*Allowances for non-performing forborne assets*
Domestic retail banking	271,165	5,593	1,719	3,874	662
Wholesale, Rural & Retail	112,410	5,243	1,705	3,538	651
Leasing	33,169	173	76	96	22
Real estate	256	-	-	-	-
Other	913	-	-	-	-
Rabobank	**417,914**	**11,008**	**3,500**	**7,508**	**1,335**

Non-performing loans (NPL) amounted to EUR 15,705 (2018: 18,436) million at December 31, 2019. The NPL coverage ratio was 20% (2018: 22%). Expressed as a percentage of total gross carrying amount, non-performing loans accounted for 3.0% (2018: 3.5%) at December 31, 2019.

Non-Performing Loans

In millions of euros	12-31-2019	12-31-2018
Domestic retail banking	9,488	11,794
Wholesale, Rural & Retail	5,267	6,115
Leasing	886	478
Real estate	65	49
Rabobank	**15,705**	**18,436**

Financial Sector Gatekeeper

Rabobank considers its role as gatekeeper for the financial system as its core task and gives this highest priority. As a foundation of good customer service and in order to comply with laws and regulations, the bank has substantially refined its CDD activities over the past years. After receiving an injunction (last onder dwangsom) in September 2018 these activities were further intensified. From April 1, 2020 onwards, DNB will verify if Rabobank meets all requirements of the injunction and will validate among other things if, as a result, Rabobank has classified its client portfolio adequately. In 2019 Rabobank invested substantially in CDD- and AML-activities and employed over 1,750 new CDD-analysts. Rabobank will continue to invest in these activities in 2020. Together with the other Dutch banks, Rabobank is combining its strengths and is cooperating with the public sector to efficiently take a joint stance against financial crime.

Climate Risk

Climate change can affect the credit portfolio mainly via two pathways: transitional risks and physical risks. Whereas transitional risks usually manifest themselves through fixed points in time, physical risks usually manifest themselves gradually over time. Rabobank's credit portfolio is particularly vulnerable to physical risks due to a combination of sector focus (F&A) and geographical focus. In 2019, Australia and California were hit by severe drought and intense bush fires a.o. leading to damage on agricultural production that might impact our portfolio. Regulatory changes with the intention to curb greenhouse gas emissions are expected to increase going forward putting pressure on especially those sectors highly dependent on fossil fuels.

A Group Climate Oversight Committee coordinates initiatives within the Bank related to climate change. Climate change risk plays an increasingly important role in the credit granting, approval and monitoring processes and there is active client engagement by the first line aimed at improvements in their businesses.

Nitrogen (PAS) and PFAS

The Nitrogen Action Program (PAS) was suspended by the Council of State in May 2019. This led to short-term effects in the Netherlands and expected long-term necessary measures. In the construction sector the effects of PAS were exacerbated by the PFAS problem, being contaminated soil that was not allowed to be used/transported anymore. After some months, the government decided to relax the standards around contaminated soil in order to make construction activities possible again. Of course, clients in the above-mentioned sectors are hit and sometimes need support. Rabobank closely monitors the possible impact on our credit portfolio.

Important Legal Information

Elements of this press release are considered by Rabobank as inside information relating directly or indirectly to Rabobank within the meaning of article 7 of the Market Abuse Regulation (EU Regulation 596/2014) that is made public in accordance with article 17 Market Abuse Regulation.

The Consolidated Financial Statements of Rabobank have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS-EU'). In preparing the financial information in this document the same accounting principles are applied as in the Consolidated Financial Statements of Rabobank, unless described otherwise. The Consolidated Financial Statements 2019 are in progress and may be subject to adjustments from subsequent events. The Consolidated Financial Statements 2019 will be published on March 12, 2020.

All figures in this document are unaudited.