APPENDIX

Rabobank Annual Figures Press Release 2018

Key Figures

Amounts in EUR millions	*2018*	*2017*	*2016*	*2015*	*2014*
Non-Financial Key Figures					
Net promotor score Private Customers in the Netherlands	57	53	36	33	17
Net promotor score Private Banking Customers in the Netherlands	61	50	41	37	29
Net promotor score Corporate Customers in the Netherlands	53	43	30	21	10
% online active private customers in the Netherlands	61.8%	-	-	-	-
% online active corporate customers in the Netherlands	80.8%	-	-	-	-
Reptrak pulse score	70.8	69.5	66.1	-	-
Member engagement score	44%	-	-	-	-
Diversity: % Women in Managing Board	40.0%	40.0%	14.3%	-	-
Diversity: % Women in first level below Managing Board	31.3%	28.9%	-	-	-
Diversity: % Women employed in the Netherlands	52%	-	-	-	-
Employee engagement scan	61	-	-	-	-
Financial Key Figures					
Common equity tier 1 ratio (fully loaded)	16.0%	15.5%	13.5%	12.0%	11.8%
Total capital ratio (transitional)	26.6%	26.2%	25.0%	23.2%	21.3%
Leverage ratio (transitional)	6.4%	6.0%	5.5%	5.1%	4.9%
Risk-weighted assets	200,531	198,269	211,226	213,092	211,870
Wholesale funding	153,223	160,407	188,862	203,218	216,529
Cost/income ratio including regulatory levies	65.9%	71.3%	70.9%	65.2%	66.3%
Underlying cost/income ratio including regulatory levies	63.9%	65.3%	64.8%	64.6%	-
ROIC	7.4%	6.9%	5.2%	6.0%	-
Return on equity	7.3%	6.7%	4.9%	5.5%	-
Return on assets	0.5%	0.4%	0.3%	0.3%	0.3%
Other Financial Figures					
Income	12,020	12,001	12,805	13,014	12,889
Operating expenses	7,446	8,054	8,594	8,145	8,055
Impairment charges on financial assets	190	-190	310	1,033	2,633
Net profit	3,004	2,674	2,024	2,214	1,842
Total assets	590,437	602,991	662,593	678,827	691,278
Private sector loan portfolio	416,025	410,964	424,551	433,927	429,731
Deposits from customers	342,410	340,682	347,712	345,884	336,409
Equity	42,236	39,610	40,524	41,197	38,788
Loan-to-deposit ratio	1.21	1.21	1.22	1.25	1.32
Ratings					
Standard & Poor's	A+	A+	A+	A+	A+
Moody's Investors service	Aa3	Aa2	Aa2	Aa2	Aa2
Fitch ratings	AA-	AA-	AA-	AA-	AA-
DBRS	AA	AA	AA	AA	AA (high)
RobecoSAM	25[1]	11	7	5	12
Sustainalytics Ranking category diversified banks	2	7	2	11	40
Sustainalytics ESG Risk Rating category diversified banks	1	-	-	-	-
About Rabobank					
Local Rabobanks	101	102	103	106	113
Offices in the Netherlands	409	446	475	506	547
Foreign places of business	393	389	382	403	440
Availability of internet banking	99.9%	99.9%	99.7%	99.8%	98.9%
Availability of mobile banking	99.9%	99.9%	99.7%	99.8%	99.0%
Availability of iDEAL	99.8%	-	-	-	-
Community funds and donations	48.8	45.5	43.3	45	44.8

Amounts in EUR millions	*2018*	*2017*	*2016*	*2015*	*2014*
CO2 emissions (tonnes per FTE)	3.4	4.0	3.8	3.5	3.6
Sustainable Products & Services					
Total sustainable financing	46,607[2]	17,377[3]	-	-	-
Total sustainable assets under management and assets held in custody	4,726	4,030	3,835	2,843	2,101
Total sustainable funding	3,941	3,436[4]	2,985	2,122	2,365
Total financial transactions supervised by Rabobank	7,140	6,236	5,750	6,313	2,383
Client Photo Local Rabobanks in the Netherlands (exposure > EUR 1M) coverage[5]	99%	98%	99%	-	-
Client Photo Local Rabobanks in the Netherlands (exposure > EUR 1M) % A-level	5%	4%	5%	-	-
Client Photo Wholesale offices (exposure > EUR 1M) coverage	87%	73%	85%	-	-
Client Photo Wholesale offices (exposure > EUR 1M) % A-level	24%	21%	26%	-	-
Personnel Data					
Number of employees (total in FTE)	41,861	43,729	45,567	52,013	53,912
Staff costs	4,278	4,472	4,680	4,787	5,086
Absenteeism in the Netherlands	4.3%	4.0%	3.6%	3.7%	3.7%
Training expenses (EUR per FTE)	1,906	1,841	1,945	1,734	1,604

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

2 In 2018 the sustainable mortgage portfolio has been included in the total sustainable financing. The sustainable mortgages are a substantial part of the total of sustainable financing (EUR 29,161 million). This figure consists of the outstanding balances of all residential properties with a provisional or final energy label A.

3 The figure is restated as the sustainable finance definition have been updated. As such, some specific products (access to finance) are no longer recorded and sustainable loans have been included. The reported 2017-figure was 18,610.

4 The 2017-figure is restated as a small part of the Obvion Green Bonds have been paid off in 2017. The reported 2017-figures was 3,501.

5 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. For further details please refer to Appendix 3.

Consolidated Statement of Financial Position

Consolidated statement of financial position

	December 31	December 31
Amounts in millions of euros	*2018*	*2017*[1]
Assets		
Cash and cash equivalents	73,335	66,861
Loans and advances to credit institutions	17,859	27,254
Financial assets held for trading	2,876	1,760
Financial assets designated at fair value	157	1,194
Financial assets mandatorily at fair value	2,134	n/a
Derivatives	22,660	25,505
Loans and advances to customers	436,591	432,564
Financial assets at fair value through other comprehensive income	18,730	n/a
Available-for-sale financial assets	n/a	28,689
Investments in associates and joint ventures	2,374	2,521
Goodwill and other intangible assets	966	1,002
Property and equipment	4,455	4,587
Investment properties	193	193
Current tax assets	243	175
Deferred tax assets	1,165	1,733
Other assets	6,431	7,961
Non-current assets held for sale	268	992
Total assets	**590,437**	**602,991**
Liabilities		
Deposits from credit institutions	19,397	18,922
Deposits from customers	342,410	340,682
Debt securities in issue	130,806	134,423
Financial liabilities held for trading	400	581
Financial liabilities designated at fair value	6,614	13,792
Derivatives	23,927	28,103
Other liabilities	6,342	8,271
Provisions	1,126	1,537
Current tax liabilities	229	248
Deferred tax liabilities	452	396
Subordinated liabilities	16,498	16,170
Liabilities held for sale	-	256
Total liabilities	**548,201**	**563,381**
Equity		
Reserves and retained earnings	27,264	25,376
Equity instruments issued by Rabobank		
- Rabobank Certificates	7,445	7,440
- Capital Securities	6,493	5,759
	13,938	**13,199**
Non-controlling interests		
Equity instruments issued by subsidiaries		
- Capital Securities	164	166
- Trust Preferred Securities IV	389	394
Other non-controlling interests	481	475
	1,034	**1,035**
Total equity	**42,236**	**39,610**
Total equity and liabilities	**590,437**	**602,991**

1 As reported under IAS 39

Consolidated Statement of Income

Consolidated statement of income		
	For the year ended December 31	
Amounts in millions of euros	*2018*	*2017*[1]
Interest income from financial assets using the effective interest method	15,960	16,275
Other interest income	321	296
Interest expense	7,722	7,728
Net interest income	**8,559**	**8,843**
Fee and commission income	2,106	2,101
Fee and commission expense	175	186
Net fee and commission income	**1,931**	**1,915**
Income from other operating activities	2,547	2,347
Expenses from other operating activities	1,964	1,825
Net income from other operating activities	**583**	**522**
Income from investments in associates and joint ventures	243	245
Gains/ (losses) arising from the derecognition of financial assets measured at amortised cost	14	n/a
Gains/ (losses) on financial assets and liabilities at fair value through profit or loss	238	84
Gains/ (losses) on available-for-sale financial assets	n/a	158
Gains/ (losses) on financial assets at fair value through other comprehensive income	112	n/a
Other income	340	234
Income	**12,020**	**12,001**
Staff costs	4,278	4,472
Other administrative expenses	2,780	3,176
Depreciation and amortization	388	406
Operating expenses	**7,446**	**8,054**
Loan impairment charges	n/a	(190)
Impairment charges on financial assets	190	n/a
Regulatory levies	478	505
Operating profit before tax	**3,906**	**3,632**
Income tax	902	958
Net profit for the year	**3,004**	**2,674**
Of which attributed to Rabobank	1,894	1,509
Of which attributed to Rabobank Certificates	484	484
Of which attributed to Capital Securities issued by Rabobank	530	586
Of which attributed to Capital Securities issued by subsidiaries	14	15
Of which attributed to Trust Preferred Securities IV	22	22
Of which attributed to other non-controlling interests	60	58
Net profit for the year	**3,004**	**2,674**

1 As reported under IAS 39

Business Segments

As per the Financial statements 2018, 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.

Amounts in millions of euros	*Domestic Retail Banking*	*WRR*	*Leasing*	*Real Estate*	*Other Segments*	*Consolidation Effects*	*Total*
For the year ended 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	92	486	274	571	108	(1)	1,530
Income	**7,101**	**3,335**	**1,366**	**574**	**(310)**	**(46)**	**12,020**
Staff costs	1,158	938	487	131	189	1,375	4,278
Other administrative expenses	3,025	845	224	73	88	(1,475)	2,780
Depreciation and amortization	84	40	27	5	49	183	388
Operating expenses	**4,267**	**1,823**	**738**	**209**	**326**	**83**	**7,446**
Impairment charges on financial assets	(150)	300	105	(15)	(50)	-	190
Regulatory levies	237	169	25	2	46	(1)	478
Operating profit before tax	**2,747**	**1,043**	**498**	**378**	**(632)**	**(128)**	**3,906**
Income tax	712	333	99	70	(281)	(31)	902
Net profit	**2,035**	**710**	**399**	**308**	**(351)**	**(97)**	**3,004**
Cost/income ratio including regulatory levies (in %)[1]	63.4	59.7	55.9	36.8	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	140,158	35,227	2,979	131,382	-	590,437
Goodwill	322	125	72	-	-	-	519
Private sector loan portfolio	276,140	108,972	30,309	301	303	-	416,025

1 Operating expenses plus regulatory levies divided by Income

2 Impairment charges on financial assets 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 December 31, 2017							
Net interest income	5,581	2,367	1,008	57	(170)	-	8,843
Net fee and commission income	1,398	432	75	59	(10)	(39)	1,915
Other results	74	655	207	479	(207)	35	1,243
Income	**7,053**	**3,454**	**1,290**	**595**	**(387)**	**(4)**	**12,001**
Staff costs	1,430	939	487	180	173	1,263	4,472
Other administrative expenses	2,959	1,194	208	151	7	(1,343)	3,176
Depreciation and amortization	98	56	28	7	54	163	406
Operating expenses	**4,487**	**2,189**	**723**	**338**	**234**	**83**	**8,054**
Loan impairment charges	(259)	95	106	(116)	(16)	-	(190)
Regulatory levies	270	171	22	4	38	-	505
Operating profit before tax	**2,555**	**999**	**439**	**369**	**(643)**	**(87)**	**3,632**
Income tax	659	412	(66)	74	(100)	(21)	958
Net profit	**1,896**	**587**	**505**	**295**	**(543)**	**(66)**	**2,674**
Cost/income ratio including regulatory levies (in %)[1]	67.4	68.3	57.8	57.5	n/a	n/a	71.3
Loan impairment charges (in basis points of average private sector loan portfolio)[2]	(9)	9	36	(521)	n/a	n/a	(5)
External assets	285,894	131,888	32,466	5,598	147,145	-	602,991
Goodwill	322	119	75	-	3	-	519
Private sector loan portfolio	280,028	101,506	27,159	1,807	464	-	410,964

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

In 2018 the Dutch economy continued to expand and grew by approximately 3%. The number of jobs increased significantly and house prices hit a new peak. Nonetheless, producer confidence seems to be stabilizing and growth is already slowing down. Slowdown is also visible globally and is even expected to continue apace in the coming years. Rabobank benefited from the positive economic sentiment and realized its all-time high net profit. Higher income and the continued downward trend in operating expenses had a positive impact on Rabobank's net profit, which increased by EUR 330 million to EUR 3,004 million. The current favorable economic conditions are reflected in the impairment charges on financial assets which remained at a low level but increased from a release of EUR 190 million in 2017 to a charge of EUR 190 million this reporting year.[1] This equates to 5 basis points of the average private sector loan portfolio. Calculated over the past 10 years (2008-2017) and including the elevated level of impairment charges over the years 2012 – 2014, the average impairment charges amount to 34 basis points.

Rabobank's private sector loan portfolio increased by EUR 7.9 billion to EUR 416.0 billion mainly caused by increases at Wholesale, Rural and Retail (WRR) and DLL. At the same time, we finalized the run-down of the Dutch part of our non-strategic commercial real-estate loan portfolio with the sale of the residual part of FGH Bank's loan portfolio. Deposits from customers remained relatively stable and landed at EUR 342.4 billion. Private savings increased slightly by EUR 0.3 billion amounting to EUR 142.7 billion on December 31, 2018.

Although impairment charges on financial assets remained low, they were at a higher level than in 2017, which resulted in a lower underlying operating profit before tax. Underlying operating expenses improved in 2018. The underlying operating profit before tax landed at EUR 4,193 (2017: 4,465) million. In calculating the underlying profit for 2018, adjustments were made for fair value items,[2] restructuring costs and the additional provision taken for the interest rate derivatives framework. In 2017 we made an additional adjustment for the provision taken by Rabobank National Association (RNA). The decrease in staff costs had a positive impact on the cost/income ratio. This resulted in an improvement of the underlying cost/income ratio, including regulatory levies which landed at 63.9% (2017: 65.3%). The return on invested capital (ROIC) amounted to 7.4% (2017: 6.9%).

Private Sector Loan Portfolio Increased by EUR 7.9 Billion

After a few years of a slightly declining trend in private sector lending, Rabobank's total private sector loan portfolio increased compared to January 1, 2018, by EUR 7.9 billion to EUR 416.0 billion[3]. EUR 0.7 billion of this increase is due to FX fluctuations. On January 1, 2018, as a result of reclassifications due to the full implementation of IFRS 9, lending decreased by EUR 2.9 billion to EUR 408.1 billion compared to EUR 411.0 billion at December 31, 2017. At Domestic Retail Banking (DRB), the

1 Impairment charges on financial assets (new line item under IFRS 9 as of January 1, 2018) have been compared with loan impairment charges (old line item under IAS 39; up until December 31, 2017). Although not a perfect like-for-like comparison, it is a good proxy that adds value for the reader. For more information about IFRS 9, see the notes to the Consolidated Financial Statements.

2 As of January 2018, fair value items only consist of hedge accounting, including the results from non-qualifying hedges, and non-derivative asymmetry. Since the introduction of IFRS 9, Rabobank has applied bifurcation to the embedded derivatives in callable structured notes to eliminate the volatility due to changes in our own credit spread in the total comprehensive income. All results on fair value items are adjusted in "Other results." Up until 2017, fair value items consisted of results on hedge accounting and structured notes.

3 The figures in this paragraph include the IFRS 9 impact as of January 1, 2018.

mortgage portfolio decreased slightly due to a still high, though declining level of early repayment. The total private sector loan portfolio of the DRB segment decreased to EUR 276.1 (January 1, 2018: 279.9) billion. The loan portfolio of Wholesale, Rural & Retail (WRR) increased by EUR 9.1 billion and the portfolio of Rabobank's leasing subsidiary DLL increased by EUR 3.2 billion in 2018. The aggregate domestic commercial real estate loan exposure (across all segments) is actively being managed down and amounted to EUR 21.2 (2017: 22.9) billion at December 31, 2018.

Loan Portfolio

in billions of euros	*12-31-2018*	*1-1-2018*	*12-31-2017*
Total loans and advances to customers	**436.6**	**429.4**	**432.6**
Of which to government clients	1.9	2.3	2.3
Reverse repurchase transactions and securities borrowing	12.9	12.9	12.9
Interest rate hedges (hedge accounting)	5.8	6.1	6.4
Private sector loan portfolio	**416.0**	**408.1**	**411.0**
Domestic Retail Banking	276.1	279.9	280.0
Wholesale, Rural & Retail	109.0	99.9	101.5
Leasing	30.3	27.1	27.2
Real Estate	0.3	0.7	1.8
Other	0.3	0.5	0.5

The decrease in lending due to the implementation of IFRS 9 was mainly caused by two reclassifications. Both at Real Estate (FGH Bank: EUR 1.2 billion) and WRR (ACC Loan Management: EUR 1.1 billion) the portfolio decreased because a large part of the loans was mandatorily reclassified as financial assets at fair value since they were no longer considered strategic to the bank.

The geographical split of the loan portfolio[1] as at December 31, 2018 was as follows: 71% in the Netherlands, 11% in North America, 8% in Europe (outside the Netherlands), 5% in Australia and New Zealand, 3% in Latin America, and 2% in Asia.

Loan Portfolio by Sector[1]

in billions of euros	*12-31-2018*		*12-31-2017*	
Loans to private individuals	194.9	47%	198.0	48%
Loans to trade, industry and services	118.0	28%	115.2	28%
of which in the Netherlands	*81.5*		*81.2*	
of which in other countries	*36.5*		*34.0*	
Loans to Food & Agri	103.1	25%	97.8	24%
of which in the Netherlands	*38.1*		*36.9*	
of which in other countries	*65.0*		*60.9*	
Private sector loan portfolio	**416.0**	**100%**	**411.0**	**100%**

1 In the country where the entity is established.

Deposits from Customers Remained Relatively Stable

Total deposits from customers amounted to EUR 342.4 (January 1, 2018: 343.2) billion[2]. On January 1, 2018 part of financial liabilities designated at fair value were reclassified as deposits from customers (EUR 2.5 billion) after the result of the full implementation of IFRS 9 (for more information see Interim Report 2018). Deposits from customers were positively influenced by FX fluctuations (EUR 0.6 billion). DRB's total client base deposited an amount of EUR 236.7 (2017: 228.8) billion at Rabobank. Customer deposits placed at other segments decreased to EUR 105.7 (2017: 114.4) billion, mainly due to lower balances from corporate customer, which are by nature more volatile than private savings. At DRB private savings increased by EUR 2.1 billion to EUR 119.1 billion, while the increase in total private savings was tempered by a EUR 3.6 billion decrease of savings at RaboDirect. At RaboDirect in Ireland private savings decreased by EUR 3.1 billion, caused by the withdrawal from the Irish retail market as of May 16, 2018. On balance, total private savings increased by EUR 0.3 billion to EUR 142.7 billion. Excluding the savings of RaboDirect in Ireland, total deposits from customers increased by EUR 2.3 billion.

Deposits from Customers

in billions of euros	*12-31-2018*	*1-1-2018*	*12-31-2017*
Private savings	**142.7**	**142.4**	**142.4**
Domestic Retail Banking	119.1	117.0	117.0
Other segments	23.7	25.4	25.4
Other deposits from customers	**199.7**	**200.8**	**198.3**
Domestic Retail Banking	117.7	111.8	111.8
Other segments	82.0	89.0	86.5
Total deposits from customers	**342.4**	**343.2**	**340.7**

1 Based on country of establishment of the debtor.

2 The figures in this paragraph include the IFRS 9 impact as of January 1, 2018.

Financial Results of Rabobank

Results			
in millions of euros	*12-31-2018*	*12-31-2017*	*Change*
Net interest income	8,559	8,843	-3%
Net fee and commission income	1,931	1,915	1%
Other results	1,530	1,243	23%
Total income	**12,020**	**12,001**	**0%**
Staff costs	4,278	4,472	-4%
Other administrative expenses	2,780	3,176	-12%
Depreciation	388	406	-4%
Total operating expenses	**7,446**	**8,054**	**-8%**
Gross result	**4,574**	**3,947**	**16%**
Impairment charges on financial assets	190	(190)	-
Regulatory levies	478	505	-5%
Operating profit before tax	**3,906**	**3,632**	**8%**
Income tax	902	958	-6%
Net profit	**3,004**	**2,674**	**12%**
Impairment charges on financial assets (in basis points)	5	(5)	
Ratios			
Cost/income ratio including regulatory levies	65.9%	71.3%	
Underlying cost/income ratio including regulatory levies	63.9%	65.3%	
ROIC	7.4%	6.9%	
Balance Sheet (in billions of euros)			
Total assets	590.4	603.0	-2%
Private sector loan portfolio	416.0	411.0	1%
Deposits from customers	342.4	340.7	0%
Number of internal employees (in FTEs)	35,850	37,089	-3%
Number of external employees(in FTEs)	6,011	6,640	-9%
Total number of employees(in FTEs)	41,861	43,729	-4%

Underlying Performance Decreased by 6%

Our underlying operating profit before tax decreased by EUR 272 million to EUR 4,193 million. In calculating this underlying profit for 2018, we made adjustments for fair value items, restructuring costs and the additional provision taken for the interest rate derivatives framework. In 2017 we made an additional correction for the provision taken by RNA. In 2018, the underlying cost/income ratio, including regulatory levies, improved to 63.9% (2017: 65.3%).

Development of Underlying Operating Profit Before Tax			
in millions of euros		*12-31-2018*	*12-31-2017*
Income		**12,020**	**12,001**
Adjustments to income	Fair value items	115	313
Underlying income		***12,135***	***12,314***
Operating expenses		**7,446**	**8,054**
Adjustments to expenses	Restructuring	120	159
	Derivatives framework	52	51
	Provision RNA	0	310
Underlying expenses		**7,274**	**7,534**
Impairment charges on financial assets		190	(190)
Regulatory levies		478	505
Operating profit before tax		**3,906**	**3,632**
Total adjustments		***287***	***833***
Underlying profit before tax		**4,193**	**4,465**

Rabobank retained EUR 1,894 (2017: 1,509) million of its net profit to bolster capital in 2018. Tax amounted to EUR 902 (2017: 958) million, implying an effective tax rate of 23% (2017: 26%). The decrease in effective tax rate was mainly caused by the lower U.S. corporate income tax rate, which was partly offset by the negative effect of the lower Dutch tax rate. As of 2020, the Dutch tax rate will decrease, which resulted in a tax loss in 2018.

Notes to the Financial Results of Rabobank

Net Profit Increased to EUR 3,004 Million

Higher income and lower operating expenses had a positive impact on net profit compared to 2017. As the average staffing level fell further in 2018, subsequently lower staff costs contributed to this. Net profit was also boosted by lower restructuring costs and an improved result on fair value items this year. Impairment charges on financial assets remained at a low level, but was no match for 2017's extremely positive outcome. In 2018 we took a charge of EUR 190 million compared to a net release of EUR 190 million in 2017. The development of this line-item tempered the increase in net profit, which amounted to EUR 3,004 (2017: 2,674) million.

Income Remained Stable

Net Interest Income Down 3%

Net interest income totaled EUR 8,559 (2017: 8,843) million. This 3% decrease was the result of the continued low interest rate environment; specifically, it affects margins on savings and current accounts and the expenses incurred by Treasury for managing ample liquidity buffers. New business margins on mortgages and SME lending had a positive effect on net interest income. The average net interest margin, calculated by dividing net interest income by the average balance sheet total over the last 12 months, increased from 1.39% in 2017 to 1.41% in 2018. This improvement came about because the decline in the average balance sheet total outpaced the decrease of net interest income.

Net Fee and Commission Income Increased Slightly

In 2018, net fee and commission income increased slightly to EUR 1,931 (2017: 1,915) million. Investment management services and insurance policies contributed to a higher net fee and commission income at DRB. Local Rabobanks we saw higher commissions on payment accounts. At WRR, net fee and commission income increased slightly thanks to the strong performance of our Capital Markets division. Also, our Mergers and Acquisitions division performed stronger than in 2017. Net fee and commission income in the Real Estate segment decreased by 83% following the downscaling of activities by Bouwfonds IM. This was more than offset by higher income earned by our core business segments. Net fee and commission income at DLL increased by 41%. This increase comes from higher fee income for syndicated leases as well as a negative one-off adjustment in 2017.

Other Results Up 23%

The increase in other results to EUR 1,530 (2017: 1,243) million can be partly attributed to the improved result on fair value items. On balance, the gross result on fair value items improved from a negative result of EUR 313 million in 2017 to a negative result of EUR 115 million in 2018. Also, higher results on our equity stake in Achmea contributed to the increase of other results. Other results at WRR decreased by 26% as our Markets division could not match the previous year's strong performance. The Real Estate segment's other results increased by 19% due to gains on the sales of the residual part of FGH Bank's loan portfolio and of BPD's French subsidiary (BPD Marignan), BPD's improved performance in general. At DLL, other results went up by 32%, as a result of the reversal of an impairment taken at year-end 2017 due to a portfolio optimization.

Operating Expenses Decreased by 8%

Staff Costs Down 4%

In 2018, the total number of employees (including external hires) at Rabobank decreased by 1,868 FTEs to 41,861 (2017: 43,729) FTEs mainly because of the large restructuring programs in the Netherlands. The largest reduction in staff in 2018 was realized at local Rabobanks. At WRR and DLL, staff levels increased as expected. At WRR more (temporary) staff came on board for the execution of several (regulatory) projects, whereas DLL needed more resources to support business growth. Overall staff costs decreased by 4% to EUR 4,278 (2017: 4,472) million, which was tempered by an increase in costs for temporary staff. In 2018 the costs associated with the 2% pension accrual guarantee given in 2013 to the pension fund (covering the years 2014-2020) decreased to EUR 12 (2017: 160) million. This accounts for part of the decrease in staff costs. This guarantee is capped at EUR 217 million, of which EUR 202 million has already been used up until 2018.

Other Administrative Expenses Decreased by 12%

Total other administrative expenses decreased to EUR 2,780 (2017: 3,176) million in 2018. This decrease can be largely explained by the EUR 310 million provision taken by RNA in 2017 for compliance program matters. Lower restructuring costs (EUR 120 million versus EUR 159 million in 2017) helped reduce other administrative expenses as well.

Depreciation Down 4%

Depreciation decreased to EUR 388 (2017: 406) million as a result of our restructuring efforts and the consequential closing down of offices in the Netherlands.

Impairment Charges on Financial Assets at 5 Basis Points

In 2018 impairment charges on financial assets amounted to EUR 190 million. Although higher than in 2017 (a net release of EUR 190 million), they are still at a low level. We again saw favorable developments in most business segments. Relative to the average private sector loan portfolio, impairment charges on financial assets amounted to 5 basis points (2017: minus 5 basis points). Calculated over the past 10 years (2008-2017) and including the elevated level of impairment charges over the years 2012 – 2014, the average impairment charges amount to 34 basis points.

On January 1, 2018 the non-performing loans showed a one-off increase of EUR 1.9 billion to EUR 20.2 (2017: 18.3) billion due to the application of a more prudent "Definition of Default" to our sizable mortgage and SME portfolios. This change is in line with new EBA guidelines, which banks across Europe have to implement by January 1, 2021 at the latest. On December 31, 2018, non-performing loans (on a like-for-like basis) decreased to EUR 18.4 billion. Next to underlying improvements as a result of the favorable economic climate, the sale of a legacy CRE portfolio also resulted in a decrease in the stock of non-performing loans. All in all, as at December 31, 2018 the NPL ratio (non-performing loans and advances as a percentage of the aggregate amount of loans and advances) declined to 3.5% (January 1, 2018: 3.8%). The related NPL coverage ratio (impairment allowances, excluding Stage 1 + 2 allowances, as a percentage of non-performing loans and advances) decreased to 22% (January 1, 2018: 24%). The sale and write-offs of highly provisioned loans (including non-core CRE) resulted in a decline in NPL Coverage Ratio. In more general terms, Rabobank's NPL Coverage Ratio is affected by relatively sizable portfolios in the stock of non-performing loans that are well collateralized and that are generally characterized by a high cure rate and high recovery rate. In addition, the positive economic outlook enable higher expected collateral values.

Developments in the Balance Sheet

Balance Sheet			
in billions of euros	*12-31-2018*	*1-1-2018*	*12-31-2017*
Cash and cash equivalents	73.3	66.9	66.9
Loans and advances to customers	436.6	429.4	432.6
Financial assets	23.9	34.7	31.6
Loans and advances to banks	17.9	26.9	27.3
Derivatives	22.7	25.5	25.5
Other assets	16.0	19.1	19.1
Total assets	**590.4**	**602.5**	**603.0**
Deposits from customers	342.4	343.2	340.7
Debt securities in issue	130.8	137.0	134.4
Deposits from banks	19.4	18.9	18.9
Derivatives	23.9	28.6	28.1
Financial liabilities	7.0	8.3	14.4
Other liabilities	24.7	27.0	26.9
Total liabilities	**548.2**	**563.0**	**563.4**
Equity	42.2	39.6	39.6
Total liabilities and equity	**590.4**	**602.5**	**603.0**

Assets
In 2018, total assets decreased by EUR 12.1 billion to EUR 590.4 billion, largely as a result of a decrease in loans and advances to banks (decrease of EUR 9.0 billion)[1]. The private sector loan portfolio grew by EUR 7.9 billion to EUR 416.0 billion as at December 31, 2018.

Liabilities
On the liabilities side, Rabobank's position in debt securities in issue decreased by EUR 6.2 billion and financial liabilities decreased by EUR 1.3 billion and deposits from customers decreased by EUR 0.8 billion. All in all total liabilities decreased by EUR 14.8 billion to EUR 548.2 billion.

Equity
The adoption of IFRS 9 and IFRS 15 had a positive impact of EUR 15 million on the opening balance of 2018. In 2018, Rabobank's equity increased to EUR 42.2 (2017: 39.6) billion mainly due to retained earnings of EUR 1.9 (2017: 1.5) billion and an additional tier 1 issue carried out in September.

To limit the impact of FX fluctuations, Rabobank hedges its CET1 ratio instead of its absolute amount of equity. Consequently, the effect of currency fluctuations on Rabobank's capital ratios was limited. Rabobank Group's equity on December 31, 2018 consisted of 64% (2017: 64%) retained earnings and reserves, 18% (2017: 19%) Rabobank Certificates, 17% (2017: 16%) hybrid capital and subordinated capital instruments, and 1% (2017: 1%) other non-controlling interests.

Development of Equity	
in millions of euros	
Equity at the end of December 2017	**39,610**
Change in accounting policy IFRS 9	(26)
Change in accounting policy IFRS 15	41
Restated balance on January 1, 2018	**39,625**
Net profit for the period	3,004
Other comprehensive income	110
Payments on Rabobank Certificates and hybrid capital	(1,059)
Redemption of Capital Securities	(354)
Additional tier 1 issue	1,000
Other	(90)
Equity at the end of December 2018	**42,236**

Wholesale Funding
Rabobank is actively reducing its use of wholesale funding. Doing so will make the bank less sensitive to potential future financial market instability. In 2018 the amount of wholesale funding decreased by EUR 7.2 billion to EUR 153.2 (2017: 160.4) billion. Short- and long-term issued debt securities are the main source of wholesale funding.

1 The figures in this paragraph include the IFRS impact as of January 1, 2018.

Capital Developments

Positive Development of Capital Ratios

On December 31, 2018, our fully loaded CET1 ratio amounted to 16.0% (2017: 15.5%). This is well above the 14% target. The increase of this ratio was mainly due to adding net profit for the financial year (after several distributions) to retained earnings.

Our total capital ratio has been replaced by a MREL requirement to be met with a combination of own funds and Non-Preferred Seniors. Rabobank will maintain its best in class total capital ratio to protect NPS holders. The total capital ratio is 26.6% and will trend downward to around 24% in the coming years (subject to RWA development).

Our leverage ratio—that is, our tier 1 capital divided by balance sheet positions and off-balance-sheet liabilities—is calculated based on the definitions provided in the CRR/CRD IV. On December 31, 2018, our leverage ratio was 6.4% (2017: 6.0%), which is well above the minimum leverage ratio of 3% required by Basel III guidelines.

IFRS 9 Impact on CET 1 Capital on January 1, 2018

The total negative impact of the adoption of IFRS 9 on the fully loaded CET1 ratio was 14 basis points. IFRS 9 impairment calculations have led to higher loan loss allowances as of January 1, 2018. Instead of incurred losses, expected losses are being recognized. Incurred but not reported (IBNR) losses have been replaced by expected one-year losses for Stage 1 assets and expected lifetime losses for Stage 2 assets. The day-one effect was an increase of our loan loss allowances by EUR 227 million. For CET 1 capital calculations the impact of higher loan loss allowances was fully compensated by a decrease in the IRB shortfall.

IFRS 9 gives new guidance around modification accounting under its classification and measurement rules. This has altered the way Rabobank accounts for prepayment penalties and interest rate averaging in the consolidated statement of income. Another change in classification and measurement relates to some legacy, non-core credit portfolios that are sold before their legal maturity and therefore receive the classification "Other." They are measured at fair value through profit or loss. On the liability side Rabobank has elected to reclassify the callable notes included in the structured funding portfolio to amortized cost. This reclassification resulted in the bifurcation of the embedded derivatives while the funding host contract is measured at amortized cost. The total effect of IFRS 9 classification and measurement amounts to positive EUR 201 million.

Capital ratios

in millions of euros	*12-31-2018*	*1-1-2018*	*12-31-2017*
Retained earnings	28,062	26,302	26,777
Expected distributions	(46)	(54)	(54)
Rabobank Certificates	7,445	7,440	7,440
Part of non-controlling interest treated as qualifying capital	0	26	26
Reserves	(798)	(911)	(1,401)
Regulatory adjustments	(2,553)	(2,317)	(2,050)
Transition guidance	12	24	525
Common equity tier 1 capital	**32,122**	**30,510**	**31,263**
Capital securities	3,721	2,728	2,728
Grandfathered instruments	3,325	3,590	3,590
Non-controlling interests	0	6	6
Regulatory adjustments	(100)	(88)	(88)
Transition guidance	0	0	(295)
Additional tier 1 capital	*6,946*	*6,236*	*5,941*
Tier 1 capital	**39,068**	**36,746**	**37,204**
Part of subordinated debt treated as qualifying capital	14,274	14,896	14,896
Non-controlling interests	0	7	7
Regulatory adjustments	(83)	(89)	(89)
Transition guidance	0	0	(95)
Tier 2 capital	**14,191**	**14,814**	**14,719**
Qualifying capital	**53,259**	**51,560**	**51,923**
Risk-weighted assets	**200,531**	**198,207**	**198,269**
Common equity tier 1 ratio (transitional)	16.0%	15.4%	15.8%
Common equity tier 1 ratio (fully loaded)	16.0%	15.4%	15.5%
Tier 1 ratio	19.5%	18.5%	18.8%
MREL buffer	28.25%	26.64%	26.82%
Total capital ratio	26.6%	26.0%	26.2%
Equity capital ratio	17.7%	17.0%	17.3%
Common equity tier 1 ratio of Coöperatieve Rabobank U.A. solo (issuer level)	16.0%	15.4%	15.5%

The Benefit of 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 and subordinated debt that will first absorb losses in the event of a bail-in.

Rabobank has received formal notification from De Nederlandsche Bank (DNB) of its 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. The MREL requirement is set for Rabobank Group at a consolidated level, as determined by the Single Resolution Board (SRB).

This MREL requirement is based on Rabobank's year-end 2016 figures. The requirement was set at 30.96% of Rabobank's risk-weighted assets (EUR 65 billion) and consists of a loss absorption amount of 15.25%, a recapitalization amount of 11.65%, and a market confidence amount of 4.06%. The amounts for recapitalization and market confidence include a correction for the expected depletion (loss absorbing amount) of the balance sheet. The 30.96% requirement is based on BRRD I. Future MREL requirements are subject to ongoing political developments (e.g., European Trilogue) concerning the risk reduction package proposed by the European Commission in November 2016.

As under BRRD I, Preferred Senior is MREL eligible, Rabobank already meets its MREL requirement, so a transition period has not been set. Over time, Rabobank intends to use only a combination of own funds and Non-Preferred Senior to meet its MREL requirement. In the second half of 2018, Rabobank issued 3 tranches of Non-Preferred Seniors: EUR 1 billion, USD 1 billion and USD 0.25 billion. With MREL eligible capital of 28.25%, the additional MREL needs are manageable.

We define our MREL eligible capital buffer as qualifying capital plus the non-qualifying part of the grandfathered additional tier 1 instruments, the (amortized part of) tier 2 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 53.2 billion to EUR 56.6 billion due to profit retention and the issuance of new instruments. This increase corresponds to 28.25% (2017: 26.82%) of risk-weighted assets.

MREL Eligible Capital and Non-Preferred Senior Bonds Buffer

in billions of euros	*12-31-2018*	*12-31-2017*
Qualifying capital	53.3	51.9
Non qualifying grandfathered additional tier 1 capital	0.0	0.0
Amortized tier 2 >1 year remaining maturity	1.3	1.3
Non-Preferred Senior bonds > 1 year remaining maturity	2.1	-
MREL eligible capital and Non-Preferred Senior bonds buffer	**56.6**	**53.2**
Risk-weighted assets	200.5	198.3
MREL eligible capital and Non-Preferred Senior bonds buffer / risk-weighted assets	28.25%	26.82%

Regulatory Capital

Regulatory capital, 8% of our risk-weighted assets, is our external capital requirement. It represents the minimum amount of capital which Rabobank is required to hold under CRR and CRD IV. Our regulatory capital requirement amounted to EUR 16.0 billion (2017: EUR 15.9 billion) at December 31, 2018, of which 84% related to credit and transfer risk, 14% to operational risk and 2% to market risk. This is in line with the regulatory capital at the end of 2017.

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

We measure operational risk using an internal model, approved by DNB, that is based on the advanced measurement approach. For market risk exposure, DNB has given Rabobank permission to calculate our general and specific position risk using our own internal value-at-risk (VaR) models, based on the CRR.

Regulatory Capital by Business Segment

in billions of euros	*12-31-2018*	*12-31-2017*
Domestic Retail Banking	6.5	6.3
Wholesale, Rural & Retail	6.6	6.0
Leasing	1.5	1.4
Real Estate	0.4	0.8
Other	1.0	1.4
Rabobank	**16.0**	**15.9**

Renewed Pillar II Capital Framework

The relevant rules and regulations for the capital adequacy process of EU banks are addressed in the CRR/CRD IV comprehensive frameworks. They take a three-pillar approach to risk and capital management: Pillar I on minimum capital requirements for 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, under which banks disclose to the public their overall risk profiles.

In order to adequately assess the capital resources needed to cover the risks inherent in its current activities, Rabobank renewed its Pillar II modeling landscape. The renewed Pillar II capital framework became effective on January 1, 2017. It covers those areas that Rabobank believed either did not address the risk or failed to adequately address the risk. Rabobank developed mostly statistical approaches and methodologies that: (1) challenge regulatory capital requirements; (2) cover risks not addressed in CRR/CRD IV, and (3) identify possible future events or changes in the market conditions that could impact Rabobank's strategic planning. The renewed Pillar II modeling landscape reflects the changing regulatory environment and similar developments in the industry.

The outputs of the renewed Pillar II models are used for various purposes within the bank, such as deal acceptance and pricing, strategy and planning of the company's operations, and performance evaluation. Moreover, the regulators and supervisors view the level of capitalization as a fundamental supervisory instrument. Therefore, the renewed Pillar II capital framework promotes a sound and effective risk management culture within Rabobank, ensuring adequate capital levels to support business growth, maintain depositor and creditor confidence, while complying with regulatory requirements.

Domestic Retail Banking

Highlights

Operating expenses at the Domestic Retail Banking segment decreased by 5% in 2018, largely caused by lower staff costs following the reduction of the workforce.

In 2018 impairment charges on financial assets amounted to a release of EUR 150 million as the economic climate in the Netherlands remains favorable.

Deposits from customers increased in 2018 by EUR 7.9 billion and amounted to EUR 236.7 billion.

Financial Results

Results			
in millions of euros	*12-31-2018*	*12-31-2017*	*Change*
Net interest income	5,575	5,581	0%
Net fee and commission income	1,434	1,398	3%
Other results	92	74	24%
Total income	**7,101**	**7,053**	**1%**
Staff costs	1,158	1,430	-19%
Other administrative expenses	3,025	2,959	2%
Depreciation	84	98	-14%
Total operating expenses	**4,267**	**4,487**	**-5%**
Gross result	**2,834**	**2,566**	**10%**
Impairment charges on financial assets	(150)	(259)	-
Regulatory levies	237	270	-12%
Operating profit before tax	**2,747**	**2,555**	**8%**
Income tax	712	659	8%
Net profit	**2,035**	**1,896**	**7%**
Impairment charges on financial assets (in basis points)	(5)	(9)	
Ratios			
Cost/income ratio including regulatory levies	63.4%	67.4%	
Underlying cost/income ratio including regulatory levies	61.7%	66.0%	
Balance Sheet (in billions of euros)			
External assets	280.7	285.9	-2%
Private sector loan portfolio	276.1	280.0	-1%
Deposits from customers	236.7	228.8	3%
Number of internal employees (in FTEs)	10,943	12,466	-12%
Number of external employees (in FTEs)	1,126	1,169	-4%
Total number of employees (in FTEs)	12,069	13,635	-11%

Notes to the Financial Results

Development of Underlying Operating Profit Before Tax			
in millions of euros		*12-31-2018*	*12-31-2017*
Income		**7,101**	**7,053**
Operating expenses		**4,267**	**4,487**
Adjustments to expenses	Restructuring	69	52
	Derivatives framework	52	51
Underlying expenses		**4,146**	**4,384**
Impairment charges on financial assets		(150)	(259)
Regulatory levies		237	270
Operating profit before tax		**2,747**	**2,555**
Total adjustments		***121***	***103***
Underlying profit before tax		**2,868**	**2,658**

Underlying Performance Improved by 8%

The underlying performance of Domestic Retail Banking (DRB) improved in 2018 compared to 2017. The underlying profit before tax amounted to EUR 2,868 million compared to EUR 2,658 million in 2017. In calculating the underlying profit before tax, adjustments were made for restructuring costs and the additional provision taken for the interest rate derivatives framework. Total income increased slightly, while operating expenses decreased by EUR 220 million, boosting net profit despite EUR 109 million lower releases of impairment charges on financial assets.

Income Increased Slightly

The total income of Rabobank's DRB business increased slightly to EUR 7,101 (2017: 7,053) million. As was the case in 2017, we again observed a positive impact in our lending book from new business margins. At the same time, the volume of early interest rate revisions in our mortgage book remained high. Net interest income was pressured due to lower margins on savings and current accounts as a result of the low interest rate environment.

The increased volume of payment accounts had a positive impact on net interest income. All in all, the total net interest income of EUR 5,575 million still matched the level of 2017 (EUR 5,581 million). Higher commissions on payment accounts helped to lift the net fee and commission income to EUR 1,434 (2017: 1,398) million. Other results came to EUR 92 (2017: 74) million at December 31, 2018. The increase in other results can be partly explained by the premium on the sale of a share of Rabobank's mortgage portfolio to the French investor La Banque Postale in September.

Operating Expenses Down by 5%

Total operating expenses of DRB decreased to EUR 4,267 (2017: 4,487 million. Staff costs fell to EUR 1,158 (2017: 1,430) million as a consequence of the digitalization and centralization of services reduced the size of the workforce. The number of internal and external employees in the segment decreased to 12,069 (2017: 13,635) FTEs on December 31, 2018, partly due to employees moving from local Rabobanks to the central organization in order to create economies of scale. The decrease in staff costs was further caused by lower costs associated with the pension accrual guarantee given to the pension fund which amounted to EUR 9 (2017: 116) million. Other administrative expenses landed at EUR 3,025 (2017: 2,959) million and were negatively impacted by higher restructuring costs, which amounted to EUR 69 (2017: 52) million and by costs related to the accelerated depreciation of authentication devices for internet banking. The project expenses for the execution of the interest rate derivatives framework were somewhat lower than in 2017. The additional provision taken for the interest rate derivatives framework was in line with 2017 and amounted to EUR 52 (2017: 51) million. The revaluation decrease of property for own use was somewhat higher than in 2017 due to lower occupancy rates, amounting to EUR 61 (2017: 49) million. As a result of our restructuring activities, several offices were closed and consequently, depreciation fell to EUR 84 (2017: 98) million.

Impairment Charges on Financial Assets Remained Negative

The impairment charges on financial assets increased in 2018, but are still at an exceptionally low rate as a result of the favorable economic climate. Impairment charges on financial assets amounted to minus EUR 150 (2017: minus 259) million in 2018, which translates to minus 5 (2017: minus 9) basis points of the average private sector loan portfolio – far below the long-term average of 21 basis points. Releases were mainly in the sea and coastal shipping sector, while additions were observable in industry sectors. The net additions on mortgages amounted to minus 2 basis points. This illustrates the strong Dutch residential real estate market, where large numbers of houses are being sold and prices increase enormously.

Loan Portfolio Decreased by 1%

The persisting low interest rate on savings continued to encourage clients to make supplementary repayments on their loans. In 2018, clients' extra mortgage repayments – all those on top of the mandatory repayments – at local Rabobanks and Obvion totaled approximately EUR 19.2 (2017: 19.8) billion. Of this amount EUR 3.5 (2017: 3.6) billion was due to partial repayments. Full mortgage repayments, which are mainly caused by borrowers moving house, slightly decreased to EUR 15.7 (2017: 16.2) billion. This is a reflection of the Dutch housing market, which witnessed a decline in the number of houses sold in 2018. DRB's total loan portfolio (including business lending) decreased to EUR 276.1 (2017: 280.0) billion. On January 1, 2018, as a result reclassifications due to the full implementation of IFRS 9, lending decreased by EUR 0.1 billion to EUR 279.9 billion. These figures include Obvion's loan portfolio, valued at EUR 28.5 (2017: 28.5) billion. Lending to the SME business segment amounted to EUR 83.8 (2017: 84.7) billion.

Loan Portfolio by Sector

in billions of euros	*12-31-2018*	*12-31-2017*
Volume of loans to private individuals	192.3	195.4
Volume of loans to trade, industry & services	57.7	57.7
Volume of loans to Food & Agri	26.1	27.0
Private sector loan portfolio	**276.1**	**280.0**

Mortgage Loan Portfolio

Following record house sales in 2017, 2018 saw transaction activity decline by almost 10%. Prices kept rising, however, resulting in 9% more expensive residential properties in the Netherlands compared to the year before. This is the strongest growth since 2001. Rabobank's share of the Dutch mortgage market decreased to 19.9% (2017: 22.0%) of new mortgage production in 2018[1]. The local Rabobanks' market share dropped to 16.7% (2017: 18.0%) and Obvion's decreased to 3.2% (2017: 4.0%). The quality of Rabobank's residential mortgage loan portfolio remained high because of positive developments in the Dutch economy and the strong domestic housing market. The total volume of Rabobank's residential mortgage loan portfolio declined in the reporting year to EUR 190.0 (2017: 193.1) billion, partly due to a whole loan sale transaction to La Banque Postale. In 2018, financing backed by the National Mortgage Guarantee (*Nationale Hypotheek Garantie*, (NHG)) slightly decreased, at 19.4% of the mortgage loan portfolio. The weighted average indexed

1 Source: Dutch Land Registry Office (Kadaster); following data issues at CBS the September mortgage shares are the most recent ones available.

loan-to-value (LTV) of the mortgage loan portfolio was 64% at the end of 2018. Net additions relating to residential mortgages amounted to minus EUR 29 million (minus 2 basis points) in 2018, which is lower than the previous year.

Residential Mortgage Loans

in millions of euros	*12-31-2018*	*12-31-2017*
Mortgage portfolio	190,008	193,110
Weighted-average LTV	64%	69%
Non-performing loans (amount)	2,057	1,112
Non-performing loans (in % of total mortgage loan portfolio)	1.08%	0.58%
More-than-90-days arrears	0.30%	0.34%
Share NHG portfolio	19.4%	20.0%
Impairment allowances on financial assets	209	169
Coverage ratio based on non-performing loans	10%	15%
Net additions	(29)	12
Net additions (in basis points)	(2)	1
Write-offs	42	77

The non-performing loans of the mortgage portfolio were higher than at year-end 2017. This is the result of the introduction of the new Definition of Default, which recognizes possible default situations earlier. Aside from this one-off increase, the underlying trend of the credit quality is positive.

Deposits from Customers Increased by EUR 7.9 Billion

The private savings market in the Netherlands increased by 4% to EUR 353.7 (2017: 341.0) billion as of December 31, 2018. Rabobank's market share was 33.3% (2017: 33.4%).[1] Deposits from customers rose by 3% to EUR 236.7 (2017: 228.8) billion. Private savings deposited at DRB increased by EUR 2.1 billion to EUR 119.1 (2017: 117.0) billion, despite the fact that clients applied excess savings to deleverage their mortgage debt, prompted by the low interest rates on savings. Other deposits from customers went up by EUR 5.9 billion mainly due to an increase in current accounts.

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

Wholesale, Rural and Retail

Highlights

The performance of Wholesale, Rural & Retail improved in 2018, as illustrated by the development of net profit, which increased to EUR 710 million. This is an increase of EUR 123 million compared to 2017.

Impairment charges on financial assets increased to EUR 300 million, but are still below the long term average.

Compared to January 1, 2018, the loan portfolio of the WRR segment increased by 9%, to EUR 109.0 billion.

Financial Results

Results			
in millions of euros	*12-31-2018*	*12-31-2017*	*Change*
Net interest income	2,388	2,367	1%
Net fee and commission income	461	432	7%
Other results	486	655	-26%
Total income	**3,335**	**3,454**	**-3%**
Staff costs	938	939	0%
Other administrative expenses	845	1,194	-29%
Depreciation	40	56	-29%
Total operating expenses	**1,823**	**2,189**	**-17%**
Gross result	**1,512**	**1,265**	**20%**
Impairment charges on financial assets	300	95	216%
Regulatory levies	169	171	-1%
Operating profit before tax	**1,043**	**999**	**4%**
Income tax	333	412	-19%
Net profit	**710**	**587**	**21%**
Impairment charges on financial assets (in basis points)	29	9	
Ratios			
Cost/income ratio including regulatory levies	59.7%	68.3%	
Underlying cost/income ratio including regulatory levies	59.5%	59.4%	
Balance Sheet (in billions of euros)			
External assets	140.2	131.9	6%
Private sector loan portfolio	109.0	101.5	7%
Number of internal employees (in FTEs)	7,211	6,966	4%
Number of external employees (in FTEs)	473	357	32%
Total number of employees (in FTEs)	7,684	7,323	5%

Notes to the Financial Results

Development of Underlying Operating Profit Before Tax			
in millions of euros		*12-31-2018*	*12-31-2017*
Income		**3,335**	**3,454**
Operating expenses		**1,823**	**2,189**
Adjustments to expenses	Restructuring	7	(2)
	Impairment RNA	0	310
Underlying expenses		**1,816**	**1,881**
Impairment charges on financial assets		300	95
Regulatory levies		169	171
Operating profit before tax		**1,043**	**999**
Total adjustments		**7**	**308**
Underlying profit before tax		**1,050**	**1,307**

Income Down by 3%

WRR's total income decreased to EUR 3,335 (2017: 3,454) million in 2018. Adjusted for FX effects income increased by 1%. At WRR, underlying commercial interest margins were stable and net interest income improved to EUR 2,388 (2017: 2,367) million. Excluding FX effects net interest income increased by 7% due to growth of the loan portfolio. Australia, North America and the Netherlands had the strongest growth in net interest income (in local currencies). Net fee and commission income showed a 7% increase to EUR 461 (2017: 432) million as our Mergers and Acquisitions division performed stronger than in 2017. Other results decreased by EUR 169 million to EUR 486 (2017: 655) million as our Markets division could not match the strong performance from 2017 because results were negatively impacted by market volatility in the final quarter of 2018. Other results were positively influenced by a stronger performance of our Corporate Investments division.

Operating Expenses Decreased by 17%

Operating expenses at WRR went down to EUR 1,823 (2017: 2,189) million. Excluding FX effects, operating expenses decreased by 14%. In 2018, staffing levels at WRR increased by 361 FTEs mainly because of (temporary) staff hired for several strategic projects. Despite the increase in staff levels, staff costs remained stable at EUR 938 (2017: 939) million, which can be largely explained by FX effects. Other administrative expenses decreased to EUR 845 (2017: 1,194) million, largely caused by the fact that these expenses were lifted in 2017, due to the EUR 310 million provision taken by RNA. The decrease was partly tempered by an increase in project expenses in 2018. Depreciation was down to EUR 40 (2017: 56) million, largely caused by lower depreciation on software.

Impairment Charges on Financial Assets Increased to EUR 300 Million

WRR impairment charges on financial assets increased to EUR 300 (2017: 95) million in 2018. This was the result of defaults of some large clients, mainly in Asia and Brazil. Total impairment charges on financial assets went up to 29 (2017: 9) basis points of the average private sector loan portfolio, well below the long-term average of 58 basis points.

WRR Loan Portfolio Saw 9% Growth

In 2018, WRR's total loan portfolio increased to EUR 109.0 (2017: 101.5) billion. On January 1, 2018, as a result of reclassifications due to the full implementation of IFRS 9, lending decreased by EUR 1.6 billion to EUR 99.9 billion. Including this IFRS 9 impact the WRR loan portfolio increased by 9%. Reflecting our Banking for Food strategy, the volume of lending to the Food & Agri sector increased to EUR 66.5 (2017: 60.9) billion, accounting for 61% (2017: 60%) of WRR's total loan portfolio. Loans to the trade, industry, and services (TIS) sectors increased to EUR 40.4 (2017: 38.4) billion. Lending to private individuals landed at EUR 2.0 (2017: 2.2) billion.

Dutch and International Wholesale

WRR's wholesale portfolio totaled EUR 70.9 (2017: 64.5) billion. Lending to the largest Dutch companies increased in 2018 to EUR 17.9 (2017: 17.1) billion. Of WRR's loan portfolio, EUR 53.0 (2017: 47.4) billion was granted to wholesale clients outside of the Netherlands. This increase of EUR 5.6 billion was mainly realized in North America.

International Rural and Retail Banking

The loan portfolio to Rural and Retail clients amounted to EUR 38.0 (2017: 36.9) billion on December 31, 2018. The main markets for rural banking are Australia, New Zealand, the United States, Brazil, Chile and Peru. In Australia the loan portfolio totaled EUR 10.2 (2017: 10.2) billion, in New Zealand EUR 6.4 (2017: 6.1) billion, in the United States EUR 7.9 (2017: 7.1) billion, in Brazil EUR 3.2 (2017: 2.9) billion and in Chile and Peru EUR 0.9 (2017: 0.9) billion.

Rabobank operates international retail banking activities through subsidiaries in two countries: in the U.S., Rabobank is active through Rabobank National Association (RNA) and in Indonesia, through Rabobank International Indonesia (RII). RNA's portfolio increased to EUR 9.0 (2017: 8.3) billion, whereas the Indonesian portfolio only amounts to EUR 0.4 (2017: 0.4) billion.

Private Savings at RaboDirect Decreased by 13%

RaboDirect is Rabobank's online bank, which operates in Belgium, Germany, Ireland, Australia, and New Zealand. Private savings entrusted by clients to RaboDirect are used for funding the international Rural and Retail banking business and other divisions of Rabobank Group. The savings balances of RaboDirect decreased to EUR 24.7 (2017: 28.3) billion at December 31, 2018, representing 17% (2017: 20%) of the total private savings held at Rabobank. The number of internet savings bank clients also decreased to approximately 750,000 (2017: 934,000). The main driver behind the reduction of private savings and of the number of clients with RaboDirect is our withdrawal from the Irish retail market as of May 16, 2018.

Leasing

Highlights

DLL had a strong year with a net profit of EUR 399 million and a portfolio growth of 9%.

DLL's Food & Agri portfolio equals almost EUR 13 billion, representing 38% of DLL's total portfolio. The growth of the Food & Agri portfolio was most notable in Europe and Australia.

Income tax increased by EUR 165 million as the 2017 results were heavily impacted by the U.S. tax reform, resulting in a significant one-off benefit.

Financial Results

Results			
in millions of euros	*12-31-2018*	*12-31-2017*	*Change*
Net interest income	986	1,008	-2%
Net fee and commission income	106	75	41%
Other results	274	207	32%
Total income	**1,366**	**1,290**	**6%**
Staff costs	487	487	0%
Other administrative expenses	224	208	8%
Depreciation	27	28	-4%
Total operating expenses	**738**	**723**	**2%**
Gross result	**628**	**567**	**11%**
Impairment charges on financial assets	105	106	-1%
Regulatory levies	25	22	14%
Operating profit before tax	**498**	**439**	13%
Income tax	99	(66)	-
Net profit	**399**	**505**	-21%
Impairment charges on financial assets (in basis points)	34	36	
Ratios			
Cost/income ratio including regulatory levies	55.9%	57.8%	
Underlying cost/income ratio including regulatory levies	55.3%	57.8%	
Balance Sheet (in billions of euros)			
Lease portfolio	33.5	30.8	9%
Number of internal employees (in FTEs)	4,610	4,302	7%
Number of external employees (in FTEs)	416	335	24%
Total number of employees (in FTEs)	5,026	4,637	8%

Notes to the Financial Results

Development of Underlying Operating Profit Before Tax			
in millions of euros		*12-31-2018*	*12-31-2017*
Income		**1,366**	**1,290**
Operating expenses		**738**	**723**
Adjustments to expenses	Restructuring	7	(1)
Underlying expenses		**731**	**724**
Impairment charges on financial assets		105	106
Regulatory levies		25	22
Operating profit before tax		**498**	**439**
Total adjustments		***7***	***-1***
Underlying profit before tax		**505**	**438**

Income Increased by 6%

Total income from the Leasing segment increased by 6% to EUR 1,366 (2017: 1,290) million in 2018. Net interest income decreased by 2% to EUR 986 (2017: 1,008) million, as the result of somewhat lower margins on new business compared to 2017. Net fee and commission income increased to EUR 106 (2017: 75) million, caused by higher fee income for syndicated leases as well as a negative one-off adjustment in 2017. Other results mainly consist of income from operational leases as well as results from sales of end-of-lease assets and increased to EUR 274 (2017: 207) million. This improvement can be attributed to the release of a provision for foreign activities of DLL that was taken late 2017.

Operating Expenses Up by 2%

Total operating expenses in the Leasing segment increased to EUR 738 (2017: 723) million. Despite the higher number of employees, staff costs remained stable at EUR 487 (2017: 487) million, which can be partly explained by the lower costs related to the pension accrual guarantee given to the pension fund. Staff levels in the Leasing segment showed an increase of 8% to 5,026 FTEs on December 31, 2018. Other administrative expenses increased to EUR 224 (2017: 208) million in line with the increase in the portfolio and due to higher restructuring costs. Depreciation remained almost stable at EUR 27 (2017: 28) million.

Impairment Charges on Financial Assets Remained Stable

Impairment charges on financial assets for the Leasing segment remained stable at EUR 105 (2017: 106) million in 2018, corresponding with 34 (2017: 36) basis points of the average loan portfolio, well below the long-term average of 58 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 2018, there were no new significant individual default cases.

Income Tax Increased by EUR 165 Million

Income tax in the Leasing segment increased from minus EUR 66 million to EUR 99 million. The 2017 results were heavily impacted by tax reform in the United States, which resulted in a significant one-off tax benefit.

Lease Portfolio Increased by 9%

The lease portfolio increased to EUR 33.5 (2017: 30.8) billion. DLL supports manufacturers, distributors, and end-user clients within the Food & Agri sector, both internationally and domestically. In 2018, DLL's Food & Agri share of the portfolio increased to EUR 12.8 (2017: 11.8) billion; representing 38% (2017: 38%) of the DLL portfolio. The growth of the Food & Agri portfolio was most notable in Europe and Australia.

Real Estate

Highlights

Net profit of the Real Estate segment increased by 4%, despite the downscaling of activities of Bouwfonds Investment Management (BIM) and the integration of FGH Bank in Rabobank. The cost/income ratio of the Real Estate segment improved to 36.6%.

The net profit improvement can be largely attributed to the strong performance of Bouwfonds Property Development (BPD). It's net profit increased by 85% on the back of favorable developments in the housing market and the sale of its French subsidiary BPD Marignan.

The loan portfolio of the Real Estate segement decreased by 57% (compared to January 1, 2018), a result of the sale of the residual part of FGH Bank's loan portfolio.

Financial Results

Results			
in millions of euros	*12-31-2018*	*12-31-2017*	*Change*
Net interest income	(7)	57	-112%
Net fee and commission income	10	59	-83%
Other results	571	479	19%
Total income	**574**	**595**	**-4%**
Staff costs	131	180	-27%
Other administrative expenses	73	151	-52%
Depreciation	5	7	-29%
Total operating expenses	**209**	**338**	**-38%**
Gross result	**365**	**257**	**42%**
Impairment charges on financial assets	(15)	(116)	-
Regulatory levies	2	4	-50%
Operating profit before tax	**378**	**369**	**2%**
Income tax	70	74	-5%
Net profit	**308**	**295**	**4%**
BPD	*240*	*130*	*85%*
Rabo Real Estate Group	*29*	*101*	*-71%*
Other	*39*	*64*	*-39%*
Impairment charges on financial assets (in basis points)	(287)	(521)	
Ratios			
Cost/income ratio incl. regulatory levies	36.8%	57.5%	
Underlying cost/income ratio incl. regulatory levies	35.4%	52.6%	
Balance Sheet (in billions of euros)			
Loan portfolio	0.3	1.8	-83%
Number of houses sold	10,142	10,897	-7%
Number of internal employees (in FTEs)	569	1,091	-48%
Number of external employees (in FTEs)	49	87	-44%
Total number of employees (in FTEs)	618	1,178	-48%

Notes to the Financial Results

Development of Underlying Operating Profit Before Tax			
in millions of euros		*12-31-2018*	*12-31-2017*
Income		**574**	**595**
Operating expenses		**209**	**338**
Adjustments to expenses	Restructuring	8	29
Underlying expenses		**201**	**309**
Impairment charges on financial assets		(15)	(116)
Regulatory levies		2	4
Operating profit before tax		**378**	**369**
Total adjustments		***8***	***29***
Underlying profit before tax		**386**	**398**

Income Decreased by 4%

In 2018, total income of the Real Estate segment decreased to EUR 574 (2017: 595) million. FGH Bank's[1] loan portfolio was further integrated within Rabobank and the final part of its non core loan portfolio was sold to RNHB. As a result, FGH Bank's loan portfolio shrank and its net interest income dropped. Consequently, net interest income of Real Estate turned negative (i.e. to EUR 7 million), as BPD has to pay interest on the funding raised to finance its activities. Net fee and commission income decreased to EUR 10 (2017: 59) million as the activities of BIM were phased out. The sale of the remaining part of FGH Bank's loan portfolio to RNHB and higher results at BPD[2] had an upward effect on other results in the Real Estate segment, which increased by 19% to EUR 571 (2017: 479) million.

Operating Expenses Down by 38%

Total operating expenses in the Real Estate segment decreased to EUR 209 (2017: 338) million in 2018. Staff costs decreased by EUR 49 million to EUR 131 (2017: 180) million following the

1 On June 30, 2018 FGH Bank N.V. legally merged with Coöperatieve Rabobank U.A.

2 As of July 2017 the results of BPD are reported seperately. Up until June 2017 the BPD results were reported as part of Rabo Real Estate Group.

downscaling of activities at FGH Bank and BIM. The sale of BPD Marignan is reflected in the 48% decrease in staff levels to 618 FTEs. These developments also impacted other administrative expenses, which decreased to EUR 73 (2017: 151) million in 2018 due to lower expenses in all divisions. Depreciation landed at EUR 5 (2017: 7) million.

Impairment Charges on Financial Assets Remained Negative

Just as in 2017, favorable economic developments in the Netherlands had a positive impact on impairment charges on financial assets in the Real Estate segment. As was the case in 2017, impairment charges on financial assets were negative in 2018, meaning that releases from the allowance for problem loans exceeded new additions. However, net releases in 2018 were EUR 101 million lower than in 2017 (i.c. EUR 15 million versus EUR 116 million). This was mainly due to the wind-down of FGH Bank's loan portfolio and subsequent integration of this company into Rabobank. Impairment charges on financial assets amounted to minus 287 (2017: minus 521) basis points of average lending. The long-term average is 69 basis points.

Loan Portfolio Decreased by 57%

The loan portfolio of the Real Estate segment decreased by EUR 1.5 billion to EUR 0.3 (2017: 10,897) billion, largely due to the sale of the residual part of FGH Bank's loan portfolio. On January 1, 2018, as a result of reclassifications due to the full implementation of IFRS 9, lending decreased by EUR 1.1 billion to EUR 0.7 billion. Including this IFRS 9 impact the loan portfolio of the Real Estate segment decreased by 57%.

Risk Management

Impairment charges and impairment allowances on financial assets

In 2018 impairment charges on financial assets were low for the third year in a row. For the Dutch portfolio they were negative for the second consecutive year. The favorable economic development 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. Also, the sale of part of the FGH Bank portfolio and further downsizing of commercial real estate financing led to de-risking of the portfolio.

Impairment charges and impairment allowances on financial assets						
		2018 (IFRS 9)			*2017 (IAS-39)*	
in millions of euros	Impairment charges	Impairment charges in basis points	Allowances (12/31/2018)	Loan impairment charges	Loan impairment charges in basis points	Allowances (12/31/2017)
Domestic retail banking	-150	-5	2,267	-259	-9	2,544
Wholesale, Rural & Retail banking	300	29	1,330	94	9	2,255
Leasing	105	34	268	106	36	247
Real estate	-15	-287	7	-116	-521	548
Other	-50	n/a	1	-15	n/a	0
Rabobank Group	**190**	**5**	**3,873**	**-190**	**-5**	**5,594**

Impairment charges were 5 basis points of the average private sector loan portfolio. The historical ten-year average (period 2008-2017) of the impairment charges is 34 basis points.

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*
01-01-2018	*2018*	*2018*	*2018*	*12-31-2018*	*2018*	*2018*
(I)	*(II)*	*(III)*	*(IV)*	*(V)*	*(VI)*	*(VII=III+VI)*
4,517	-1,001	307	50	3,873	-117	**190**

The balance of the impairment allowance per January 1, 2018 is different from the balance per December 31, 2017 due to the implementation of IFRS 9 per January 1, 2018 (see table on page 48 of the Interim Report 2018).

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 2.2% (2017: 2.4%) at December 31, 2018.

Forborne assets at 12-31-2018					
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	276,140	6,121	1,537	4,584	865
Wholesale, Rural & Retail banking	108,972	5,215	1,429	3,786	998
Leasing	30,309	151	63	88	21
Real estate	301	-	-	-	-
Other	303	-	-	-	-
Rabobank Group	**416,025**	**11,487**	**3,029**	**8,458**	**1,884**

Non-performing loans (NPL) amounted to EUR 18,436 (January 1, 2018: 20,215) million at December 31, 2018. The NPL coverage ratio is 22% (January 1, 2018: 24%). Expressed as a percentage of total gross carrying amount, non-performing loans accounted for 3.5% (January 1, 2018: 3.8%) at December 31, 2018. The increase on January 1, 2018 was caused by the implementation of the new definition of default in the IFRS 9 models for residential mortgages and Retail SME.

Non-performing loans			
in millions of euros	12-31-*2018*	*1-1-2018*	12-31-217
Domestic retail banking	11,794	11,936	10,036
Wholesale banking and international retail banking	6,115	6,329	6,329
Leasing	478	450	450
Real estate	49	1,500	1,500
Rabobank Group	**18,436**	**20,215**	**18,315**

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 2018 are in progress and may be subject to adjustments from subsequent events. The Consolidated Financial Statements 2018 will be published on 14 March 2019.

All figures in this document are unaudited.