

# Key figures

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

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

1 Average availability measured over 12 months

# Consolidated statement of financial position

## Consolidated statement of financial position

<i>Amounts in millions of euros</i>	<i>31 December 2017</i>	<i>31 December 2016</i>
<b>Assets</b>		
Cash and cash equivalents	66,861	84,405
Loans and advances to banks	27,254	25,444
Financial assets held for trading	1,760	2,585
Financial assets designated at fair value	1,194	1,321
Derivatives	25,505	42,372
Loans and advances to customers	432,564	452,807
Available-for-sale financial assets	28,689	34,580
Investments in associates and joint ventures	2,521	2,417
Goodwill and other intangible assets	1,002	1,089
Property and equipment	4,587	4,590
Investment properties	193	293
Current tax assets	175	171
Deferred tax assets	1,733	2,360
Other assets	7,961	7,878
Non-current assets held for sale	992	281
<b>Total assets</b>	<b>602,991</b>	<b>662,593</b>
<b>Liabilities</b>		
Deposits from banks	18,922	22,006
Deposits from customers	340,682	347,712
Debt securities in issue	134,423	159,342
Financial liabilities held for trading	581	739
Financial liabilities designated at fair value	13,792	16,520
Derivatives	28,103	48,024
Other liabilities	8,271	8,432
Provisions <sup>1</sup>	1,537	1,510
Current tax liabilities <sup>2</sup>	248	305
Deferred tax liabilities	396	618
Subordinated liabilities	16,170	16,861
Liabilities held for sale	256	-
<b>Total liabilities</b>	<b>563,381</b>	<b>622,069</b>
<b>Equity</b>		
Reserves and retained earnings	25,376	25,821
Equity instruments issued by Rabobank		
- Rabobank Certificates	7,440	5,948
- Capital Securities	5,759	7,636
	13,199	13,584
Non-controlling interests		
Equity instruments issued by subsidiaries		
- Capital Securities	166	185
- Trust Preferred Securities III to IV	394	409
Other non-controlling interests	475	525
	1,035	1,119
<b>Total equity</b>	<b>39,610</b>	<b>40,524</b>
<b>Total equity and liabilities</b>	<b>602,991</b>	<b>662,593</b>

1 Presentation adjusted.

2 Presentation adjusted.

# Consolidated statement of income

<i>Consolidated statement of income</i>		
	<i>For the year ended 31 December</i>	
<i>Amounts in millions of euros</i>	<i>2017</i>	<i>2016<sup>1</sup></i>
Interest income	15,956	16,530
Interest expense	7,113	7,695
<b>Net interest income</b>	<b>8,843</b>	<b>8,835</b>
Fee and commission income	2,101	2,085
Fee and commission expense	186	259
<b>Net fee and commission income</b>	<b>1,915</b>	<b>1,826</b>
Income from other operating activities	2,347	3,034
Expenses from other operating activities	1,825	2,293
<b>Net income from other operating activities<sup>2</sup></b>	<b>522</b>	<b>741</b>
Income from investments in associates and joint ventures	245	106
Gains/ (losses) on financial assets and liabilities at fair value through profit or loss	84	547
Gains/ (losses) on available-for-sale financial assets	158	87
Other income <sup>3</sup>	234	663
<b>Income</b>	<b>12,001</b>	<b>12,805</b>
Staff costs	4,472	4,680
Other administrative expenses	3,176	3,476
Depreciation	406	438
<b>Operating expenses</b>	<b>8,054</b>	<b>8,594</b>
Impairment losses on goodwill and investments in associates	-	700
Loan impairment charges	(190)	310
Regulatory levies	505	483
<b>Operating profit before tax</b>	<b>3,632</b>	<b>2,718</b>
Income tax	958	694
<b>Net profit for the year</b>	<b>2,674</b>	<b>2,024</b>
Of which attributed to Rabobank	1,509	749
Of which attributed to holders of Rabobank Certificates	484	387
Of which attributed to Capital Securities issued by Rabobank	586	762
Of which attributed to Capital Securities issued by subsidiaries	15	15
Of which attributed to Trust Preferred Securities III to IV	22	47
Of which attributed to other non-controlling interests	58	64
<b>Net profit for the year</b>	<b>2,674</b>	<b>2,024</b>

1 Prior-year figures adjusted due to changes in presentation.

2 Presentation adjusted.

3 Presentation adjusted.

# Business segments

Amounts in millions of euros	Domestic retail banking	WRR	Leasing	Real estate	Other segments	Consolidation effects	Total
<b>For the year ended 31 December 2017</b>							
Net interest income	5,581	2,367	1,008	57	(170)	-	8,843
Net fee and commission income	1,398	432	75	59	(10)	(39)	1,915
Other results	74	861	207	479	(230)	(148)	1,243
<b>Income</b>	<b>7,053</b>	<b>3,660</b>	<b>1,290</b>	<b>595</b>	<b>(410)</b>	<b>(187)</b>	<b>12,001</b>
Staff costs	1,430	1,011	487	180	101	1,263	4,472
Other administrative expenses	2,783	1,312	227	154	200	(1,500)	3,176
Depreciation	98	56	28	7	54	163	406
<b>Operating expenses</b>	<b>4,311</b>	<b>2,379</b>	<b>742</b>	<b>341</b>	<b>355</b>	<b>(74)</b>	<b>8,054</b>
Impairment losses on goodwill and investments in associates	-	-	-	-	-	-	-
Loan impairment charges	(259)	95	106	(116)	(16)	-	(190)
Regulatory levies	270	171	22	4	38	-	505
<b>Operating profit before tax</b>	<b>2,731</b>	<b>1,015</b>	<b>420</b>	<b>366</b>	<b>(787)</b>	<b>(113)</b>	<b>3,632</b>
Taxation	703	416	(71)	73	(135)	(28)	958
<b>Net profit</b>	<b>2,028</b>	<b>599</b>	<b>491</b>	<b>293</b>	<b>(652)</b>	<b>(85)</b>	<b>2,674</b>
Cost/income ratio excluding regulatory levies (in %) <sup>1</sup>	61.1	65.0	57.5	57.3	n/a	n/a	67.1
Cost/income ratio including regulatory levies (in %) <sup>2</sup>	65.0	69.7	59.2	58.0	n/a	n/a	71.3
Loan impairment charges (in basis points of average private sector loan portfolio) <sup>3</sup>	(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
<b>For the year ended 31 December 2016</b>							
Net interest income	5,730	2,355	917	143	(310)	-	8,835
Net fee and commission income	1,343	491	82	16	(73)	(33)	1,826
Other results	58	812	816	379	356	(277)	2,144
<b>Income</b>	<b>7,131</b>	<b>3,658</b>	<b>1,815</b>	<b>538</b>	<b>(27)</b>	<b>(310)</b>	<b>12,805</b>
Staff costs	1,820	1,103	606	200	(38)	989	4,680
Other administrative expenses	3,165	919	235	135	353	(1,331)	3,476
Depreciation	117	94	31	4	50	142	438
<b>Operating expenses</b>	<b>5,102</b>	<b>2,116</b>	<b>872</b>	<b>339</b>	<b>365</b>	<b>(200)</b>	<b>8,594</b>
Impairment losses on goodwill and investments in associates	-	-	-	-	700	-	700
Loan impairment charges	32	255	94	(75)	4	-	310
Regulatory levies	282	152	22	4	23	-	483
<b>Operating profit before tax</b>	<b>1,715</b>	<b>1,135</b>	<b>827</b>	<b>270</b>	<b>(1,119)</b>	<b>(110)</b>	<b>2,718</b>
Taxation	446	369	170	70	(333)	(28)	694
<b>Net profit</b>	<b>1,269</b>	<b>766</b>	<b>657</b>	<b>200</b>	<b>(786)</b>	<b>(82)</b>	<b>2,024</b>
Cost/income ratio excluding regulatory levies (in %) <sup>1</sup>	71.5	57.8	48.0	63.0	n/a	n/a	67.1
Cost/income ratio including regulatory levies (in %) <sup>2</sup>	75.5	62.0	49.3	63.8	n/a	n/a	70.9
Loan impairment charges (in basis points of average private sector loan portfolio) <sup>3</sup>	1	25	32	(141)	n/a	n/a	7
External assets	291,859	156,286	31,797	6,332	176,319	-	662,593
Goodwill	322	136	77	-	2	-	537
Private sector loan portfolio	285,175	108,596	27,632	2,663	485	-	424,551

1 Operating expenses divided by Total income.

2 Operating expenses plus regulatory levies divided by Total income.

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

# Financial results Rabobank and business segments

## Financial results of Rabobank

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

## Notes to the financial results of Rabobank

### Net profit landed at EUR 2,674 million

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

### Underlying performance further improved

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

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

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

## Income decreased by 6%

### *Net interest income resilient*

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

### *Net fee and commission income stable*

In 2017, net fee and commission income increased to EUR 1,915 (2016: 1,826) million in 2017. At the local Rabobanks, net fee and commission income on payment accounts increased. At WRR, net fee and commission income decreased. In 2016, WRR Markets division's net fee and commission income reflected high activity levels with more transactions than in 2017. Net fee and commission income at DLL remained stable (corrected for the deconsolidation of Athlon).

### *Other results down 42%*

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

## Operating expenses decreased 6%

### *Staff costs down 4%*

In 2017, the total number of employees (including external hires) at Rabobank decreased by 1,757 FTEs to 43,810 (2016: 45,567) FTEs mainly because of the large restructuring programme currently underway in the Netherlands. The largest reduction in staff in 2017 was at the local Rabobanks. Overall staff costs decreased to EUR 4,472 (2016: 4,680) million. The decrease in staff costs was moderated by the release of a provision connected to the sobering of fringe benefits in 2016. The costs associated with the 2% pension accrual guarantee given to the pension fund covering the 2014-2020 period increased to EUR 160 (2016: 30) million in 2017. The maximum guaranteed amount of EUR 200 million was almost reached in 2017.

### Other administrative expenses decreased by 9%

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

### Depreciation down 7%

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

### Loan impairment charges at minus 5 basis points

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

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

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

### Decrease in private sector loan portfolio largely caused by currency effects

The weakening of the US dollar was the main driver behind currency effects' downward impact on the lending book expressed in euros (negative impact around EUR 11 billion). At domestic retail banking the mortgage portfolio decreased due to a relative high level of repayments and the sale of some small parts of the portfolio. In October 2017 a share of our mortgage portfolio (around EUR 0.6 billion) was sold to La Banque Postale and in December Rabobank sold its Roparco mortgage loan business (around EUR 0.5 billion) to RNHB, a former label of Rabobank subsidiary FGH Bank. The commercial real estate loan exposure of Rabobank is actively managed down and amounted to EUR 22.9 billion (EUR 23.8 billion). Excluding currency effects, WRR's loan portfolio and the portfolio of Rabobank's leasing subsidiary DLL saw modest growth.

#### Loan portfolio

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

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

### Decrease in private savings

Total deposits from customers decreased by 2% to EUR 340.7 (2016: 347.7) billion. This was mainly due to balances from corporate customers, which are inherently more volatile than private savings. Deposits from customers in domestic retail banking increased to EUR 228.8 (2016: 223.3) billion. Deposits from customers at other segments decreased by EUR 11.8 billion to EUR 111.9 (2016: 124.4) billion. This decrease was for around EUR 5 billion due to currency effects. Nevertheless, private savings at domestic retail banking increased by EUR 0.8 billion to EUR 117.0 (2016: 116.2) billion, while total private savings decreased by EUR 0.1 billion to EUR 142.1 (2016: 142.2) billion.



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

## Equity

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

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

## Development of equity

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

## Development capital ratios

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

Our leverage ratio – that is, our tier 1 capital divided by balance sheet positions and off-balance-sheet liabilities - is calculated based on the definitions provided in the CRR/CRD IV. As at 31 December 2017, our fully loaded leverage ratio was 5.4% (2016: 4.6%), while our actual or transitional leverage ratio was 6.0% (2016: 5.5%). Our actual leverage ratio is well above the minimum leverage ratio of 3% required by the Basel III guidelines.

## Capital ratios

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

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

<b>Results</b>			
<i>in millions of euros</i>	31-12-2017	31-12-2016	Change
Net interest income	5,581	5,730	-3%
Net fee and commission income	1,398	1,343	4%
Other results	74	58	28%
<b>Income</b>	<b>7,053</b>	<b>7,131</b>	<b>-1%</b>
Staff costs	1,430	1,820	-21%
Other administrative expenses	2,783	3,165	-12%
Depreciation	98	117	-16%
<b>Operating expenses</b>	<b>4,311</b>	<b>5,102</b>	<b>-16%</b>
<b>Gross result</b>	<b>2,742</b>	<b>2,029</b>	<b>35%</b>
Loan impairment charges	(259)	32	-909%
Regulatory levies	270	282	-4%
<b>Operating profit before tax</b>	<b>2,731</b>	<b>1,715</b>	<b>59%</b>
Taxation	703	446	58%
<b>Net profit</b>	<b>2,028</b>	<b>1,269</b>	<b>60%</b>
Loan impairment charges (in basis points)	(9)	1	-1000%
<b>Ratios</b>			
Cost/income ratio exclusive regulatory levies	61.1%	71.5%	
Cost/income ratio inclusive regulatory levies	65.0%	75.5%	
<b>Balance sheet (in EUR billion)</b>			
External assets	285.9	291.9	-2%
Private sector loan portfolio	280.0	285.2	-2%
Deposits from customers	228.8	223.3	2%
Number of internal employees (in FTEs)	12,466	16,475	-24%
Number of external employees (in FTEs)	1,169	1,402	-17%
Total number of employees (in FTEs)	13,635	17,877	-24%

### Underlying profit before tax increased by 11%

<b>Development of underlying operating profit before tax</b>			
<i>Amounts in millions of euros</i>		2017	2016
<b>Income</b>		<b>7,053</b>	<b>7,131</b>
<b>Operating expenses</b>		<b>4,311</b>	<b>5,102</b>
Adjustments on expenses	<i>Restructuring</i>	(52)	(325)
	<i>Derivatives Framework</i>	(51)	(514)
<b>Underlying expenses</b>		<b>4,208</b>	<b>4,263</b>
Regulatory levies		270	282
Loan impairment charges		(259)	32
<b>Operating profit before tax</b>		<b>2,731</b>	<b>1,715</b>
<b>Total adjustments</b>		<b>103</b>	<b>839</b>
<b>Underlying profit before tax</b>		<b>2,834</b>	<b>2,554</b>

### Underlying performance improved

The underlying performance of domestic retail banking improved in 2017, as illustrated by the development of the underlying operating profit before tax, which increased by EUR 280 million to EUR 2,834 million. In calculating this underlying profit before tax, corrections were made for restructuring costs and the addition to the provision for the SME interest rate derivatives recovery framework. The lower salary costs and a decrease in loan impairment charges contributed to the net profit improvement.

### Income decreased 1%

The total income of Rabobank's domestic retail banking business decreased to EUR 7,053 (2016: 7,131) million in 2017. As in 2016, we observed a positive impact from loan repricing. At the same time, the volume of early interest rate revisions in our mortgage book remained high. Combined with the decrease in lending volumes due to early repayments, net interest income was pressured and decreased to EUR 5,581 (2016: 5,730) million. Higher commissions on payment accounts contributed to an increase in net fee and commission income to EUR 1,398 (2016: 1,343) million. In 2016 as well as in 2017, the sale of mortgages to institutional investors had an upward effect on other results. On balance, other results landed at EUR 74 (2016: 58) million in 2017.

## Operating expenses decreased by 16%

Total operating expenses for domestic retail banking decreased to EUR 4,311 (2016: 5,102) million. Staff costs fell to EUR 1,430 (2016: 1,820) million as the virtualisation and centralisation of services impacted the size of the workforce. The number of internal and external employees in the segment decreased to 13,635 (2016: 17,877) FTEs in 2017. Part of this decrease is the result of employees moving from local Rabobanks to the central organisation to create economies of scale. Other administrative expenses decreased to EUR 2,783 (2016: 3,165) million, mainly because they were inflated in 2016 by the provision for adopting the SME interest rate derivatives recovery framework which was significantly higher than the addition to this provision in 2017 of EUR 51 million. Lower restructuring costs also contributed to a decrease in other administrative expenses. Due to lower occupancy rates, the negative revaluation of property for own use was somewhat lower than in 2016 and amounted to EUR 49 (2016: 112) million. As a result of the closing down of offices following our restructuring activities, depreciation decreased to EUR 98 (2016: 117) million.

## Loan impairment historically low

The limited number of newly defaulted loans and high releases on the loan impairment allowances are mainly the result of the favourable conditions of the Dutch economy. Loan impairment charges decreased to minus EUR 259 (2016: 32) million during 2017. This translates to minus 9 (2016: 1) basis points of the average loan portfolio – far below the long-term average of 23 basis points. Releases are mainly in the sectors that have previously experienced a downturn, like transport (sea and coastal shipping), glass horticulture and commercial real estate. The loan impairment charges on mortgages amounted to EUR 0 million.

## Loan portfolio decreased by 2%

In 2017, the housing market continued to flourish due to low interest rates, a high consumer confidence and favourable economic conditions. This resulted in a higher volume of new mortgage loans granted as well as a high volume of repayments on existing loans. The persisting low interest rate on savings continued to encourage clients to make extra repayments on their loans. In 2017, clients' extra mortgage repayments – all those on top of the mandatory repayments – at local Rabobanks and Obvion totalled approximately EUR 19.8 (2016: 17.3) billion. Of this amount EUR 3.6 (3.9) billion is related to low interest rates and EUR 16.2 (2016: 13.4) billion comprised of repayments of the full mortgage, which is mainly the result of moving house. On 31 December 2017, the total volume of Rabobank's residential mortgage loan portfolio was

EUR 193.1 (2016: 195.9) billion. The volume includes Obvion's loan portfolio, valued at EUR 28.5 (2016: 28.0) billion. The total domestic retail banking loan portfolio (including business lending) fell by EUR 5.2 billion to EUR 280.0 (2016: 285.2) billion.

### Loan portfolio by sector

<i>in billions of euros</i>	<i>31-12-2017</i>	<i>31-12-2016</i>
Volume of loans to private individuals	195.4	198.3
Volume of loans to TIS	57.7	58.6
Volume of loans to Food & Agri	27.0	28.2
<b>Total private sector loan portfolio</b>	<b>280.0</b>	<b>285.2</b>

The integration of FGH Bank within Rabobank started in November 2016. In 2017, a large part of the commercial real estate loan portfolio of FGH Bank was integrated into the domestic retail banking segment. Also, Financial Solutions was transferred from DLL to the domestic retail banking segment. At 31 December 2016 Financial Solutions' loan portfolio totalled EUR 4.1 billion. For a like-for-like comparison we have restated the private sector loan portfolio of the domestic retail banking segment at 31 December 2016 (reflecting these two transfers) from EUR 275.8 billion to EUR 285.2 billion.

## Housing market characterised by high confidence and low interest rates

### The housing market

Growth in the Dutch housing market continued unabated in 2017. Both the House Price Index and the number of residential property transactions rose compared to 2016. High consumer confidence, low interest rates and favourable economic conditions contributed to these developments. Mortgage interest rates are expected to remain low for the time being.

### Market share

Rabobank's share of the Dutch mortgage market increased to 22.0% (2016: 20.5%) of new mortgage production in 2017 (source: Dutch Land Registry Office (Kadaster)). The local Rabobanks' market share rose to 18.0% (2016: 17.3%) and Obvion's increased to 4.0% (2016: 3.2%).

### Mortgage loan portfolio

The quality of Rabobank's residential mortgage loan portfolio remained very high thanks to the recovery of the Dutch economy and the strong Dutch housing market. In 2017, financing backed by the National Mortgage Guarantee (Nationale Hypotheek Garantie, (NHG)) remained relatively stable at 20.0% of the mortgage loan portfolio. The weighted average indexed loan-to-value (LTV) of the mortgage loan portfolio is 69% per 31 December 2017.

### Loan impairment charges and write-offs mortgage loan portfolio

Loan impairment charges relating to residential mortgage loans amounted to minus EUR 0.1 million (0 basis points) in 2017, which is lower than in 2016. Improved asset quality helped keep loan impairment charges low, as shown by the positive development of the non-performing loans ratio.

<b>Residential mortgage loans</b>		
<i>Amounts in millions of euros</i>	<i>31-12-2017</i>	<i>31-12-2016</i>
Mortgage portfolio	193,110	195,909
Weighted-average LTV	69%	69% <sup>1</sup>
Non-performing loans (amount)	1,112	1,526
Non-performing loans (in % of total mortgage loan portfolio)	0.58%	0.78%
More-than-90-days arrears	0.34%	0.48%
Share NHG portfolio	20.0%	20.6%
Loan impairment allowances	169	227
Coverage ratio based on non-performing loans	15%	15%
Loan impairment charges	0	9
Loan impairment charges (in basis points, including non-recurring effects)	0.0	0.5
Write-offs	77	119

1 As a result of a change in the method for determining the current indexed LTV, the current LTV is not comparable to the LTV at year-end 2016.

### Deposits from customers increased by EUR 5.5 billion

The private savings market in the Netherlands grew 1% to EUR 339.4 (2016: 337.1) billion in 2017. Rabobank's market share was 33.6% (33.5%). Deposits from customers rose 2% to EUR 228.8 (2016: 223.3) billion. Private savings for domestic retail banking increased EUR 0.8 billion to EUR 117.0 (2016: 116.2) billion, notwithstanding the fact that low saving rates on private saving triggered extra repayments on mortgage loans. Other deposits from customers rose due to an increase in current accounts.

## Financial results of Wholesale, Rural and Retail

<b>Results</b>			
<i>in millions of euros</i>	31-12-2017	31-12-2016	Change
Net interest income	2,367	2,355	1%
Net fee and commission income	432	491	-12%
Other results	861	812	6%
<b>Income</b>	<b>3,660</b>	<b>3,658</b>	<b>0%</b>
Staff costs	1,011	1,103	-8%
Other administrative expenses	1,312	919	43%
Depreciation	56	94	-40%
<b>Operating expenses</b>	<b>2,379</b>	<b>2,116</b>	<b>12%</b>
<b>Gross result</b>	<b>1,281</b>	<b>1,542</b>	<b>-17%</b>
Loan impairment charges	95	255	-63%
Regulatory levies	171	152	13%
<b>Operating profit before tax</b>	<b>1,015</b>	<b>1,135</b>	<b>-11%</b>
Taxation	416	369	13%
<b>Net profit</b>	<b>599</b>	<b>766</b>	<b>-22%</b>
Loan impairment charges (in basis points)	9	25	
<b>Ratios</b>			
Cost/income ratio exclusive regulatory levies	65.0%	57.8%	
Cost/income ratio inclusive regulatory levies	69.7%	62.0%	
<b>Balance sheet (in EUR billion)</b>			
External assets	131.9	156.3	-16%
Private sector loan portfolio	101.5	108.6	-7%
Deposits from customers	111.4	123.7	-10%
Number of internal employees (in FTEs)	7,441	7,474	0%
Number of external employees (in FTEs)	468	348	34%
<b>Total number of employees (in FTEs)</b>	<b>7,909</b>	<b>7,822</b>	<b>1%</b>

## Notes to the financial results

### Underlying profit before tax increased by 12%

<b>Development of underlying operating profit before tax</b>			
<i>Amounts in millions of euros</i>		2017	2016
<b>Income</b>		<b>3,660</b>	<b>3,658</b>
<b>Operating expenses</b>		<b>2,379</b>	<b>2,116</b>
Adjustments on expenses	<i>Restructuring</i>	2	(14)
	<i>Provision RNA</i>	(310)	0
<b>Underlying expenses</b>		<b>2,071</b>	<b>2,102</b>
Regulatory levies		171	152
Loan impairment charges		95	255
<b>Operating profit before tax</b>		<b>1,015</b>	<b>1,135</b>
<b>Total adjustments</b>		<b>308</b>	<b>14</b>
<b>Underlying profit before tax</b>		<b>1,323</b>	<b>1,149</b>

### Increase in income tax

Income tax at WRR increased by 13% to minus EUR 416 million, while the operating profit before tax decreased. This is the result of the change in tax rates in the United States, which are unfavorable for WRR.

### Underlying performance improved

The underlying performance of WRR improved in 2017, as illustrated by the development of the underlying operating profit before tax, which increased to EUR 1,323 million. This is an increase of EUR 174 million compared to 2016. In calculating this underlying profit before tax, corrections were made for restructuring costs and the provision of EUR 310 million taken by RNA in December 2017.

### Income remained stable

WRR total income increased to EUR 3,660 (2016: 3,658) million in 2017. For Wholesale, a robust increase in income is mainly being seen in Europe (specifically the Netherlands) and in Africa. At WRR, underlying commercial interest margins stabilised and net interest income rose to EUR 2,367 (2016: 2,355) million. Net fee and commission income decreased to EUR 432 (2016: 491) million. In 2016, the Markets division's net fee and commission income reflected the higher levels of activity in that period, with more transactions than in 2017. The Markets division's trading results improved due to better market conditions than in 2016. Consequently, other results increased to EUR 861 (2016: 812) million.

### Operating expenses increased by 12%

Operating expenses at WRR went up to EUR 2,379 (2016: 2,116) million in 2017. Due to the centralisation of IT services in 2016, WRR staff was relocated to the central organisation, reducing staff costs but increasing recharges from the central organisation, and consequently raising other operating expenses. Staff costs

fell to EUR 1,011 (2016: 1,103) million, a 8% decrease compared to last year. Other administrative expenses increased to EUR 1,312 (2016: 919) million, mainly due to the previously mentioned provision of EUR 310 million taken by RNA. Also the release of a provision for legal issues lowered other administrative expenses in 2016. Depreciation was down to EUR 56 (2016: 94) million.

### **Loan impairment charges down by 63%**

WRR loan impairment charges decreased to EUR 95 (2016: 255) million in 2017. Decrease of loan impairment charges can be largely assigned to the overall improvement of weather circumstances and sector developments. Despite the overall decrease, loan impairment charges remained relatively high in Asia and increased in the Netherlands. However, the portfolio in Asia stabilised and Dutch loan impairment charges remained below the long-term average on the back of positive economic developments. Total loan impairment charges went down to 9 (2016: 25) basis points of the average loan portfolio, well below the long-term average of 57 basis points.

### **Excluding currency effects, WRR loan portfolio saw modest growth**

In 2017, WRR's total loan portfolio decreased by 7% to EUR 101.5 (2016: 108.6) billion, largely linked to the depreciation of the US dollar. Currency effects had a downward effect on the loan portfolio of approximately EUR 9 billion. The volume of lending provided to the Food & Agri sector decreased to EUR 60.9 (2016: 63.9) billion and accounted for 60% (2016: 59%) of WRR's total loan portfolio. Loans to the Trade, industry and services (TIS) sectors declined to EUR 38.4 (2016: 42.3) billion. Lending to private individuals landed at EUR 2.2 (2016: 2.4) billion.

The integration of FGH Bank within Rabobank started in November 2016. In 2017, part of the commercial real estate loan portfolio of FGH Bank was integrated into the WRR segment. For a like-for-like comparison we have restated the private sector loan portfolio at 31 December 2016 by EUR 3.4 billion to EUR 108.6 billion from EUR 105.2 billion.

## Financial results of leasing

<b>Results</b>			
<i>in millions of euros</i>	31-12-2017	31-12-2016	<i>Change</i>
Net interest income	1,008	917	10%
Net fee and commission income	75	82	-9%
Other results	207	816	-75%
<b>Income</b>	<b>1,290</b>	<b>1,815</b>	<b>-29%</b>
Staff costs	487	606	-20%
Other administrative expenses	227	235	-3%
Depreciation	28	31	-10%
<b>Operating expenses</b>	<b>742</b>	<b>872</b>	<b>-15%</b>
<b>Gross result</b>	<b>548</b>	<b>943</b>	<b>-42%</b>
Loan impairment charges	106	94	13%
Regulatory levies	22	22	0%
<b>Operating profit before tax</b>	<b>420</b>	<b>827</b>	<b>-49%</b>
Taxation	(71)	170	-142%
<b>Net profit</b>	<b>491</b>	<b>657</b>	<b>-25%</b>
Loan impairment charges (in basis points)	36	32	
<b>Ratios</b>			
Cost/income ratio exclusive regulatory levies	57.5%	48.0%	
Cost/income ratio inclusive regulatory levies	59.2%	49.3%	
<b>Balance sheet (in EUR billion)</b>			
Lease portfolio	30.8	30.5	-1%
Number of internal employees (in FTEs)	4,302	4,062	6%
Number of external employees (in FTEs)	335	305	10%
Total number of employees (in FTEs)	4,637	4,367	6%

## Notes to financial results

<b>Development of underlying operating profit before tax</b>			
<i>Amounts in millions of euros</i>		2017	2016
<b>Income</b>		<b>1,290</b>	<b>1,815</b>
Adjustments on income	<i>Regular income Athlon</i>	0	(271)
	<i>Book profit on sale Athlon</i>	0	(251)
<b>Underlying income</b>		<b>1,290</b>	<b>1,293</b>
<b>Operating expenses</b>		<b>742</b>	<b>872</b>
Adjustments on expenses	<i>Restructuring</i>	1	(10)
	<i>Regular expenses Athlon</i>	0	(160)
Underlying expenses		743	702
Regulatory levies		22	22
Loan impairment charges		106	94
<b>Operating profit before tax</b>		<b>420</b>	<b>827</b>
<b>Total adjustments</b>		<b>(1)</b>	<b>(352)</b>
<b>Underlying profit before tax</b>		<b>419</b>	<b>475</b>

### Negative income tax

Income tax at the leasing segment decreased from EUR 170 million to minus EUR 71 million. This negative income tax line is the result of the change in tax rates in the United States, which are favorable for DLL.

### Income stable

Total income from the leasing segment decreased by 29% to EUR 1,290 (2016: 1,815) million in 2017. However, this decrease can be attributed to the December 2016 sale of Athlon, DLL's mobility solutions entity, including all its subsidiaries. Athlon was still contributing to the income of the leasing segment in 2016. On a like-for-like basis, excluding Athlon results from the 2016 figures, total income was stable at EUR 1,290 (2016: 1,293) million. Net fee and commission income decreased to EUR 75 (2016: 82) million. Other results mainly consisted of sales results on end-of-lease assets. In 2016, the income from operational lease contracts from Athlon was accounted for in other results, which resulted, together with an impairment for one of the foreign businesses, in a decrease in other results to EUR 207 (2016: 816) million in 2017.

### Operating expenses up slightly

Total operating expenses in the leasing segment decreased to EUR 742 (2016: 872) million. However, excluding Athlon results and related restructuring expenses from the 2016 figures, operating expenses increased by 6% to EUR 742 million. Staff costs increased in line with the higher number of employees. Other administrative expenses increased in line with the administrative completion of the Athlon sale and the transfer of Financial Solutions to Rabobank. Depreciation amounted to EUR 28 (2016: 31) million.

### **Loan impairment charges increased slightly**

Loan impairment charges for the leasing segment increased to EUR 106 (2016: 94) million in 2017, corresponding with 36 (2016: 32) basis points of the average loan portfolio, well below the long-term average of 60 basis points. As DLL's lease portfolio is spread over more than 30 countries and 8 industries, the credit risk associated with this portfolio is geographically diverse and well balanced across all industry sectors. In 2017, there were no new significant individual default cases.

### **Lease portfolio increased slightly**

The lease portfolio increased slightly to EUR 30.8 (2016: 30.5) billion. Currency effects negatively impacted portfolio growth by approximately EUR 2 billion. DLL promotes Rabobank's Banking for Food and Banking for the Netherlands strategies by supporting manufacturers, distributors and end-user clients within the Food & Agri sector, both internationally and within the Netherlands. In 2017, DLL's Food and Agriculture share of the portfolio remained stable at EUR 11.8 (2016: 11.8) billion and now represents 38% (2016: 39%) of the DLL portfolio.

As of April 2017, the portfolio of DLL's Financial Solutions division (leasing and consumer finance products offered to Rabobank customers in the Netherlands) was transferred to Rabobank's domestic retail banking business segment. For a like-for-like comparison, the lease portfolio at 31 December 2016 was adjusted by EUR 4.4 billion and restated to EUR 30.5 billion from EUR 34.9 billion.



## Financial results of real estate

<b>Results</b>			
<i>in millions of euros</i>	31-12-2017	31-12-2016	Change
Net interest income	57	143	-60%
Net fee and commission income	59	16	269%
Other results	479	379	26%
<b>Income</b>	<b>595</b>	<b>538</b>	<b>11%</b>
Staff costs	180	200	-10%
Other administrative expenses	154	135	14%
Depreciation	7	4	75%
<b>Operating expenses</b>	<b>341</b>	<b>339</b>	<b>1%</b>
<b>Gross result</b>	<b>254</b>	<b>199</b>	<b>28%</b>
Loan impairment charges	(116)	(75)	55%
Regulatory levies	4	4	0%
Operating profit before tax	366	270	36%
Taxation	73	70	4%
<b>Net profit</b>	<b>293</b>	<b>200</b>	<b>47%</b>
BPD	151	106	42%
Rabo Real Estate Group	71	27	163%
FGH Bank	135	165	-18%
Other (includes changes in segment reporting*)	(64)	(98)	-35%
Loan impairment charges (in basis points)	(521)	(141)	
<b>Ratios</b>			
Cost/income ratio exclusive regulatory levies	57.3%	63.0%	
Cost/income ratio inclusive regulatory levies	58.0%	63.8%	
<b>Balance sheet (in EUR billion)</b>			
Loan portfolio	1.8	2.7	-33%
Assets under management	4.0	5.9	-32%
Number of houses sold	10,897	9,905	10%
Number of internal employees (in FTEs)	1,091	1,065	2%
Number of external employees (in FTEs)	88	300	-71%
<b>Total number of employees (in FTEs)</b>	<b>1,197</b>	<b>1,365</b>	<b>-14%</b>

<b>Development of underlying operating profit before tax</b>			
<i>Amounts in millions of euros</i>	2017	2016	
<b>Income</b>	<b>595</b>	<b>538</b>	
<b>Operating expenses</b>	<b>341</b>	<b>339</b>	
Adjustment on expenses <i>Restructuring</i>	(29)	(15)	
<b>Underlying expenses</b>	<b>312</b>	<b>324</b>	
Regulatory levies	4	4	
Loan impairment charges	(116)	(75)	
<b>Operating profit before tax</b>	<b>366</b>	<b>270</b>	
<b>Total adjustments</b>	<b>29</b>	<b>15</b>	
<b>Underlying profit before tax</b>	<b>395</b>	<b>285</b>	

\* Due to changes in segment reporting part of the result of FGH Bank was transferred to the segments domestic retail banking and WRR.

## Notes to financial results

### Income increased by 11%

In 2017, the total income of the real estate segment increased to EUR 595 (2016: 538) million. Corrected for integration of parts of the loan portfolio of FGH Bank within Rabobank, FGH Bank's average loan portfolio was smaller. Consequently, net interest income fell to EUR 57 (2016: 143) million. Net fee and commission income increased to EUR 59 (2016: 16) million due to higher performance fees at Bouwfonds IM, which are related to the reduction of non-strategic activities. The increase in the number of houses sold had an upward effect on other results at the real estate segment which increased by EUR 100 million to EUR 479 (2016: 379) million.

### Operating expenses remained stable

Total operating expenses in the real estate segment remained stable at EUR 341 (2016: 339) million in 2017. Staff costs decreased by EUR 20 million to EUR 180 (2016: 200) million. The increased commercial activity led to a small increase in the number of employees at BPD and the number of employees at FGH Bank decreased as part of the integration into Rabobank. The number of employees at Bouwfonds IM decreased as a result of the sale of several significant portfolios. The other administrative expenses increased to EUR 154 (2016: 135) million in 2017 due to higher expenses at all divisions. Depreciation landed at EUR 7 (2016: 4) million.

### Loan impairment charges remain negative

Just like in 2016, favourable economic developments in the Netherlands had a positive impact on the loan impairment charges in the real estate segment. Over 2017, the loan impairment charges amounted to minus EUR 116 (2016: minus 75) million, which entails a release of loan impairment allowances. Loan impairment charges amounted to minus 521 (2016: minus 141) basis points of average lending. The long-term average is 80 basis points.

### Loan portfolio decreased by 33%

The loan portfolio of the real estate segment, especially that of FGH Bank, decreased by EUR 0.9 to EUR 1.8 (2016: 2.7) billion. In 2017, a large part of the FGH Bank clients were transferred from the real estate segment to the domestic retail banking segment and wholesale (part of the WRR segment). The comparative 31 December 2016 figure has been adjusted for these transfers.

# Risk management

## Loan impairment charges and allowances for loan impairments

In 2017 loan impairment charges were negative, especially for the Dutch portfolio. The economic recovery was the key factor, resulting in few new defaults, recovery of existing defaults or realisation of collateral at better than expected collateral values, and release of part of the allowances for existing impaired clients due to increased collateral values.

<b>Loan impairment charges and loan impairment allowances</b>							
<i>in millions of euros</i>	2017			2016			
	<i>Loan impairment charges</i>	<i>Loan impairment charges in basis points</i>	<i>Allowances</i>	<i>Loan impairment charges</i>	<i>Loan impairment charges in basis points</i>	<i>Allowances</i>	
Domestic retail banking	(259)	(9)	2,544	32	1	3,318	
Wholesale, Rural & Retail	95	9	2,148	255	25	3,153	
Leasing	106	36	247	94	32	260	
Real estate	(116)	(521)	548	(75)	(141)	797	
Other	(16)	n/a	0	4	n/a	15	
<b>Rabobank Group</b>	<b>(190)</b>	<b>(5)</b>	<b>5,486</b>	<b>310</b>	<b>7</b>	<b>7,542</b>	

Loan impairment charges were minus 5 basis points of the average private loan portfolio, a historic low. The ten-year average (period 2007-2016) of the loan impairment charges is 36 basis points.

<b>Development of loan impairment allowance</b>						
<i>in millions of euros</i>						
<i>Allowance</i>	<i>Write-down</i>	<i>Net increase</i>	<i>Other</i>	<i>Allowance</i>	<i>Received after write-down</i>	<i>Loan impairment charges</i>
31-12-2016	2017	2017	2017	31-12-2017	2017	2017
(I)	(III)	(IV)	(V)	(VI)	(VII)	(VIII=IV+VII)
7,542	(2,018)	(38)	1	5,486	(152)	(190)

## 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 Special Asset Management department. Debtors in the private sector loan portfolio to whom forbearance measures are applied must also be included in the Special Asset Management 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'.

### Forborne assets at 31-12-2017

<i>in millions of euros</i>	<i>Private sector loan portfolio</i>	<i>Forborne assets (gross carrying amount)</i>	<i>Performing forborne assets</i>	<i>of which (a): instruments with modifications in terms and conditions</i>	<i>of which (b): refinancing</i>	<i>Non-performing forborne assets</i>	<i>of which (a): instruments with modifications in terms and conditions</i>	<i>of which (b): refinancing</i>	<i>Allowances for non-performing forborne assets</i>
Domestic retail banking	280,028	6,456	2,325	2,250	75	4,131	3,929	202	1,047
Wholesale, Rural & Retail	101,506	4,580	1,057	568	489	3,523	2,156	1,366	1,059
Leasing	27,159	193	43	39	4	150	97	54	31
Real estate	1,807	1,446	131	131	0	1,315	1,297	18	445
Other	464	-	-	-	-	-	-	-	-
<b>Rabobank Group</b>	<b>410,964</b>	<b>12,675</b>	<b>3,556</b>	<b>2,988</b>	<b>568</b>	<b>9,119</b>	<b>7,479</b>	<b>1,640</b>	<b>2,583</b>

Non-performing loans amounted to EUR 18,315 (18,873) million at 31 December 2017. The coverage ratio is 30.0% (40.0%) when the allowance is related to the non-performing loans. Expressed as a percentage of the private loan portfolio, non-performing loans accounted for 3.5% (3.4%) at 31 December 2017.

### Non-performing loans

<i>in millions of euros</i>	<i>31-12-2017</i>	<i>31-12-2016</i>
Domestic retail banking	10,036	8,193
Wholesale, Rural & Retail	6,329	6,754
Leasing	450	576
Real estate	1,500	3,350
<b>Rabobank Group</b>	<b>18,315</b>	<b>18,873</b>

# 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 2016 Rabobank, unless described otherwise. The Consolidated Financial Statements for 2017 are in progress and may be subject to adjustments from subsequent events. The Consolidated Financial Statements 2017 will be published on 15 March 2018.

All figures in this document are unaudited.