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Rabobank posts net result of EUR 1,096 million for 2020 in the face of a Covid-19-dominated year for society, customers and employees

Covid-19 and its economic turbulence impacted Rabobank's customers significantly in 2020. Rabobank supported them while maintaining its solid capital and liquidity position. This has provided evidence of the bank's ability to absorb the 2020 Covid-19 impact and shows the bank is ready for forthcoming impacts in 2021. Rabobank posted a net result of EUR 1,096 million in 2020.

Chairman of the Managing Board Wiebe Draijer

"Covid-19 was and is the most significant health crisis of our generation. Its effects on our customers, our employees and societies at large have been dramatic. And this is still ongoing. From health threats to lockdowns, Covid-19 continues to dominate people's lives, businesses and the global economy. Crises call for rapid response and adaptation. And this is what Rabobank has demonstrated during 2020 and will continue to do in 2021.

Our primary focus has been the availability of our banking services and supporting our customers in their immediate continuity needs. In these extreme times, Rabobank adapted to customer demands, providing temporary financial relief for those in need. We've been able to support around 8,000 private customers and 79,000 business clients. Despite the immediate effects these circumstances have had on the bank in financial terms, Rabobank proved to be well capable of dealing with this situation.

At the same time the severe Covid-19 crisis demanded the very essence of what a cooperative bank with a mission stands for: to contribute substantively to the significant transitions that are shaping the world we live in. As a meaningful cooperative our contribution to society last year was first and foremost to focus on the immediate needs of our clients. But we were also able to accelerate the delivery of our strategy during the pandemic. We improved digital service to our clients and members with new innovations in our Rabo App, building on the foundations laid in recent years. Next to that, as a bank committed to making global food supply chains more sustainable, we played an important role in the green financing of our global clients and supported farmers around the world in their shift to more sustainable food production. We also intensified and accelerated our contribution to sustainable housing in the Netherlands.

At the heart of many of our achievements in this past year was the contribution and leadership of our more than 40,000 employees around the world. They adapted, worked from home and are still coping with the consequences. Our people deserve extra gratitude for their role and contribution in this difficult year."

Financial performance

Covid-19 significantly affected the financial performance of Rabobank. The 2020 net profit is a reflection of that. At EUR 1,096 million in profit, our 2020 net profit dropped by 50% compared to last year. The effect of Covid-19 was primarily visible in the level of impairment charges, which rose to EUR 1,913 million (2019: 975 million), equivalent to 46 basis points of the average loan portfolio. The timely and collective action of governments, regulatory bodies and Rabobank itself was instrumental in mitigating and delaying the immediate effect of Covid-19 on our clients. The bank does expect, however, a deterioration in the credit quality in the business loan portfolio in the course of 2021, which is reflected in the higher level of impairment allowances. The credit quality of Rabobank's residential mortgage loan portfolio remained strong. And apart from a number of subsectors, the Food & Agri sector seems to be less impacted by this crisis.

Total income was down as a result of lower economic activity and negative asset revaluations, but the decline can also be attributed to the persistent low interest rate environment. Despite the fact that Rabobank was able to further reduce its costs, the cost/income ratio has increased to 65.8% (2019: 63.3%). The Return on Equity decreased to 2.7% (2019: 5.3%).

The loan portfolio decreased slightly from EUR 418 to 409 billion, mainly because of currency fluctuations. In real terms, the Food & Agri portfolio remained stable at EUR 105 billion. Furthermore, Rabobank remained market leader in the Dutch residential mortgage market with a market share of new production of 22%. Deposits from retail and wholesale customers rose sharply by 7%, which is in line with the general trend in the Dutch savings market as a consequence of Covid19.

Thanks to a longstanding strategy of strengthening the balance sheet, Rabobank's financial buffers have proven able to withstand an economic downturn with large-scale impacts on clients. Even after a year of the pandemic, the capital position remains rock-solid and secure. The CET 1 ratio increased to 16.8%. Due to the extraordinary circumstances, Rabobank made an exceptional distribution to certificate holders in the form of Rabobank Certificates instead of a cash payment.

On December 15, 2020 the European Central Bank (ECB) issued a recommendation to banks to refrain from or limit dividends until at least September 30, 2021. Rabobank announced on December 21, 2020 that it will adhere to the recommendation, and that it will discuss the prudence of any distributions on Rabobank Certificates prior to September 30, 2021 with the ECB. Rabobank hereby announces its intention at its full discretion, to make a quarterly distribution of EUR 0.13674 per Rabobank Certificate on March 29, June 29 and September 29, 2021 respectively. Rabobank has the intention to revert to its payment policy in case the ECB withdraws any recommended limitations on dividend distribution. At that time Rabobank will - at its full discretion – decide on any future distributions thereby considering whether it is prudent to make a distribution, and if so, the level of such distribution.

Outlook

In his outlook, Wiebe Draijer stresses the importance of further strengthening the core of the bank while continuing to expand and leverage our franchise: "The pandemic is far from over, with the virus mutations causing a new surge of casualties and governmental measures. It will have a burdensome impact on everyone. Many of our customers will be in need of financial support. Rabobank stands ready to support these customers with fitting solutions.

The low interest rate environment, tightened legislation and digitization also affect the banking landscape deeply. In the context of this difficult environment, we will maintain focus on further improving our operational and financial performance. In order to better serve our customers at lower

costs, we launched a program of continuous improvement for the coming years by which we will optimize our cost/income ratio. The foreseen transition is an extension of the ongoing improvements we have been making in recent years. This is expected to result in an average annual reduction of our workforce by 1,000 FTE over the next 5 years. A mix of regular outflow, reduction of external FTEs, whereas redeployment within Rabobank will partly mitigate the impact on forced leaves.

It's part of Rabobank's ongoing change and improvement process to respond to the current challenges and prepare for the future. We will accelerate use of digital channels and invest in innovative solutions and mobile service locations and concepts. Accordingly, we will downsize our traditional branch network in the Netherlands in the coming years. In our Wholesale & Rural business we will further simplify and enhance our operating model and footprint. We foresee growth opportunities in Food and Agri and leasing, focusing on the transitions in food, the energy sector and sustainability at large. Above all, we will stay close to our clients in their communities, all around the world.

Our role as gatekeeper of the financial system is still our top priority. The total number of specialists dedicated to Know Your Customer (KYC) activities worldwide increased to 4,000. In 2021, we further invest in our KYC activities and advanced technology, which will increasingly enable us to detect transaction patterns that were not visible before. We will also expand our collaboration with other banks and public-private partnerships. In September 2018 Rabobank received an injunction (Last onder Dwangsom) from the Dutch Central Bank (DNB) ordering Rabobank to improve its KYC. Commencing from 1 April 2020, DNB carried out an investigation and concluded that Rabobank did not meet the requirements of the injunction. As a result, a penalty (dwangsom) of EUR 500.000 has been forfeited. We already took a provision for this amount in H1 2020. Building a robust and futureproof KYC organization that meets all aspects of regulations is an ongoing process and has our utmost attention.

If there is any certainty about the year ahead, it is that further adaptation to the changes following the Covid-19 developments will be needed. As a leading bank in the transition to a sustainable world, we will continue to help our clients in this difficult second year of Covid-19, but also focus on accelerating the profound sustainable transitions in food, energy and housing.

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