

Rabobank: EUR 1,698 million net profit in first half 2018

Progress on all strategic priorities

- **Upward trend in customer satisfaction for 3rd consecutive year**
- **Rabobank was named Industry Leader by Sustainalytics and was the highest scoring major Dutch bank in the latest Sustainable Brand Index**
- **Net profit EUR 1,698 million (+12%)**
- **Negative impairment charges thanks to favorable economic developments and careful credit management**
- **Solid capital position: fully loaded common equity tier 1 ratio up from 15.5% to 15.8%**

In the first half of 2018 Rabobank posted a net profit of EUR 1,698 million, 12% more than in the first half of 2017. This result was underpinned by favorable economic conditions, which contributed to a net release in impairment charges. Income remained more or less stable and costs fell causing the cost/income ratio to improve. The private sector loan portfolio and the deposits from customers increased. Underlying profit before tax, adjusted for the impact of restructuring costs and fair value items, came out 2% higher. Rabobank's capital base is strong: the fully loaded common equity tier 1 ratio rose once again and now stands at 15.8%. The return on invested capital was 8.8%, exceeding the targeted 8.0% (1H 2017: 7.8%).

Chairman of the Managing Board Wiebe Draijer:

“We are on track with the implementation of our Strategic Framework for 2016-2020. We have achieved our goals in many areas. In line with our ambitions, we have improved our customer service and financial performance. We are dedicating great vigor to putting our mission of ‘Growing a better world together’ into practice. We want to ensure that we can build on this momentum in the coming years in a rapidly changing environment. Our employees are center stage in this process. They are the ones making our bank’s transition a reality, and we are deeply grateful for their efforts, especially given the scope and number of changes on the agenda within our organization this year.”

“Once again we have concentrated our efforts on improving our customer focus and making our cooperative bank more robust. Innovation and sustainability are our top priorities. Both in the Netherlands and abroad, our awareness-raising campaigns have focused on social issues like good financial health, the importance of growth for entrepreneurs, and reducing food waste. In addition, we invested great effort in improving sustainability throughout the food chain. Customers are rewarding our efforts with higher customer satisfaction scores, which is a great compliment for our employees.”

Net profit grew by 12% to EUR 1,698 million. Thanks to the favorable economic climate, impairment charges landed at EUR -37 million, which translates into -2 basis points of the average loan portfolio (the long-term average is +34 basis points), positively impacting net profit. While net interest income fell slightly due to the continuing low interest rate environment, total income increased by 2%. The private sector loan portfolio rose by EUR 7.6 billion to EUR 415.7 billion in the first half of 2018. More clients obtained a loan from Rabobank, particularly in the Wholesale, Rural & Retail (WRR) sector and at our leasing subsidiary DLL. The WRR loan portfolio rose by 6% to EUR 106.2 billion. In line with our Banking for Food strategy, 60% of this portfolio was invested in Food & Agri. In the Netherlands, the sale of the FGH Bank's residual loan portfolio completed the winding down of the non-strategic elements of our commercial real estate loan portfolio. Partly due to extra mortgage repayments, we saw Rabobank's total mortgage portfolio decrease in the first half of 2018 to EUR 191.8 billion. Rabobank's market share for new mortgages declined from 22% to 20%. In April, Rabobank successfully introduced Vista Hypotheken. Vista offers annuity and linear mortgages through independent intermediaries and is an excellent addition to our existing mortgage offer and advisory proposition. Vista Hypotheken's innovation is a cooperation with Robeco, which created a mortgage fund for institutional investors. Loans to the Dutch SME market went up to EUR 85.8 billion. Total deposits from customers increased by EUR 3.4 billion to EUR 346.6 billion. Operating expenses declined by 4%, improving the cost/income ratio (including regulatory levies) by 3 percentage points and bringing it to 64.6% (1H 2017: 67.6%), but still falling short of the intended timeline. Partly because ongoing digitalization in the financial sector requires additional investments, we will continue to devote special attention to this priority. Staff levels decreased slightly in the first half of 2018. Many jobs were phased out of local Rabobanks, partly because of the regional clustering of similar positions."

"Rabobank's strong capital position improved even further in the first half of 2018. Rabobank aims to achieve a common equity tier 1 ratio of at least 14% and a total capital ratio of at least 25% in 2020. The fully loaded common equity tier 1 ratio rose from 15.5% to 15.8%. The total capital ratio remained stable at 26.1%. This means that the capital targets for 2020 have already been achieved, putting Rabobank in a strong position to meet the future Basel IV capital requirements on time. We will, of course, continue to further strengthen our buffers."

"It is important to Rabobank to be close to our clients so that outstanding service, both digitally and in person, remains the norm. The continuing digitalization all around us means that our clients' needs and expectations are changing. Rabobank is restructuring its local banking business in the Netherlands so it can keep pace with digitalization. Soon, the local banking business will consist of around 90 local

Rabobanks with hundreds of branches and physical contact points. The local Rabobanks will remain responsible for the daily service provision to retail customers and private banking clients, the SME sector, and large corporates. For specialist knowledge, they will be supported by 14 regional specialist teams located at 14 of the 90 local Rabobanks. This new model maintains the robust local presence which we need to continue making a distinctive impact in society and ensure outstanding customer service digitally and in person."

"In the Netherlands digitalization of our service provision is moving at tremendous speed. In the first half of 2018, we introduced different digital innovations. More and more services are being offered online. In the Netherlands, 59% of our retail customers and 81% of our business clients now do their banking through our digital channels. The Rabo Banking App is extremely popular, with almost 100 million visits recorded each month. The App has high ratings and was recently updated to enable payments to third parties in compliance with PSD2 legislation. Rabobank's IBAN Name Check service has substantially reduced the number of payment transactions made to the wrong account. Account holders of other Dutch systemic banks are now also able to use this tool. Rabobank is the only Dutch bank to participate in the consortium of European banks which developed the We.trade block chain platform on which Rabobank clients have now conducted their first transactions."

"Our F&A Innovation Fund made its first two investments, in Biolumic (New Zealand) and in Vence (U.S.A.). A new initiative called mOOvement, which focuses on digital cattle management, will be piloted in Australia later in 2018. This innovation initiative was originated in our in-house innovation stream. Our FoodBytes! pitch program, which is designed to support client innovations, has now held 12 events on 3 continents involving 1,300 start-ups from over 30 countries. In May 2018, Rabobank organized the third edition of F&A Next, in partnership with the University of Wageningen in the Netherlands. Investors and F&A start-ups from all over the world took part."

"Rabobank has ambitious plans for sustainability in the Netherlands and abroad. We are working hard to make them a reality. In June, Sustainalytics awarded Rabobank the title of 'Industry Leader'. In the latest Sustainable Brand Index, Rabobank was the highest scoring bank of the major Dutch banks (and received 3rd place in the financial services sector). Given our market position, the Food & Agri sector and the real estate market in the Netherlands are our key focus areas for sustainability. Clients who own commercial or residential property need to act quickly to improve their energy efficiency. Rabobank is closely involved in the creation of the Dutch Climate Agreement through its participation in the relevant sector bodies. All Rabobank premises in the Netherlands will have a C or A energy label by 2020 and 2017, respectively. In April we signed a partnership agreement

with Vandebron to incentivize our retail customers to use renewable energy. In June we introduced the Rabo Green Construction Deposit Account to motivate clients to make their homes more energy efficient.”

“Rabobank is doing its utmost to expedite compensation for clients with interest rate derivatives with great care. We deeply regret the delays in this process that have affected many clients.”

“The Dutch Food & Agri sector—in particular arable farming, dairy farming, and horticulture—has recently been affected by persistent drought. It is too early to tell how much damage individual companies will sustain. Those that are basically performing well can count on Rabobank’s help when financial difficulties arise.”

Outlook

“Rabobank has reached the halfway point of implementing its strategy for 2016-2020. The main objectives are providing excellent customer focus, improving our financial results and fulfilling our mission. We expect economic growth to continue in 2018 and into 2019 and the interest rate environment is not likely to change anytime soon. We are dedicating great vigor to digitalization and innovation which requires additional investments and presents an extra challenge to realizing the improvements we envisage for our cost/income ratio. Even though we live in geopolitically unpredictable times, we will confidently continue to implement our strategy, with our mission of ‘Growing a better world together’ as our compass.”

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