

Press Release

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Rabobank Posts EUR 1.2 Billion Net Profit in First Half-Year of 2019

In a challenging environment, Rabobank has made progress on achieving most of its strategic objectives in the first six months of the year. Net profit for the first half-year was EUR 1.2 billion.

From the Chairman of the Managing Board, Wiebe Draijer

'In the first six months of 2019 Rabobank posted a net profit of EUR 1.2 billion. During the first half-year international developments continued to threaten stability and growth prospects worldwide. Take for example the escalating trade war between the United States and China, the growing likelihood of a hard Brexit and the persistent low interest rate environment. Given this continuing uncertainty, it is with satisfaction that we can look back and observe the important strides we have taken toward achieving our strategy and our mission as a cooperative bank. None of this would have been possible without the efforts and dedication of our employees, all of whom deserve our express thanks.'

Financial Performance

Compared to the historically high performance over the first half-year of 2018, net profit declined by 29%. The decrease is mainly attributable to a rise in impairment charges compared to their extremely low level over the same period last year. At the current level impairment charges are trending upward toward the long-term average. Income declined, mostly as the result of the derecognition of income from divested non-strategic activities (FGH Bank and BPD Marignan). The persistent low interest rate environment also affected income, but to a lesser extent.

Rabobank succeeded in cutting costs further. Compared to the first half-year of 2018, expenses decreased by 5% as a result of ongoing restructuring efforts. As a result, the cost/income ratio improved from 65.9% (over the full year 2018) to 64.4% over the past half-year. We remain focused on improving the cost/income ratio. The rate of improvement will partly be influenced by interest rate developments and increased investments for digitalization and compliance.

Rabobank maintains its strong capital position: the common equity tier 1 (CET 1) ratio stands at 15.8%, well above Rabobank's target of at least 14%. The slight decline of 0.2% (compared to December 31, 2018) is partially a consequence of growth of our loan book. This capital position leaves Rabobank well prepared for the impact of Basel IV and TRIM.

Focus on Core Activities Creates Room for Growth

Rabobank has sold a number of international non-core activities in North America (RNA) and Ireland (ACC loan portfolio) and is downscaling its retail operations in Indonesia. These changes contribute toward our targeted balance sheet optimization.

In line with our Food & Agri strategy, lending to international clients rose by EUR 5 billion on a like-for-like basis (i.e. disregarding the sale of RNA). Part of this growth is achieved within our leasing subsidiary DLL. In addition, deposits from customers increased by EUR 12 billion on a like-for-like basis.

By consolidating our RNA agribusiness operations in Rabo AgriFinance, Rabobank is now the fourth largest agribusiness financier in North America, which is the biggest agriculture market in the world. This gives us a strong foundation to expand its market position.

Rabobank slightly increased its market share in the Dutch residential mortgage market to 21.4% and remains market leader.

Progress on Digitalization

During the past six months, Rabobank ran the program “simplify@scale” with around 2,500 employees working agile to develop faster, better (digital) products and services for customers. New functionalities include visualizing the development of current account balances during a selected time period and a tool to allocate payments to expense categories. These are examples that provide customers great overview of their finances in the updated Rabobank app, which is now an even better financial coach with these additions. As of June 30, 2019, 63% of private customers and 81% of business clients are active via the app or online.

Rabobank also introduced a new platform for SMEs, called Fundr. This is a lending platform that gives entrepreneurs insight into how much they can borrow in just 15 minutes. It’s a user-friendly way for them to apply for a loan quickly and securely.

In the past half-year, under the revised Payment Services Directive (PSD2) Rabobank became the first bank in the Netherlands to enable the extension of several API connections to other providers, for example, payment initiation and sharing account details. The investment app Peaks, one of Rabobank’s early fintechs, was the first non-banking institution in the Netherlands to be granted a license by the Dutch Central Bank to offer its services to customers of all banks now.

Greater Local Impact, More Satisfied Customers

The new operating model for local Rabobanks has been fully implemented now: our local impact is clearly high with 90 local banks, supported by 14 centers of expertise and 382 branches across the Netherlands. A fine example is Banking4brainport: Rabobank in the Eindhoven region has made EUR 1 billion available for financing companies in Brainport, the leading technology and innovation region in the Netherlands. In the first half-year of 2019, Rabobank allocated EUR 19 million of its net profit as a cooperative dividend to local projects.

The steady rise in NPS scores in the Netherlands demonstrates that customer satisfaction is still improving. We have further enhanced our member involvement, as well as Rabobank's general reputation score.

Outlook

Looking ahead at the next half-year, Wiebe Draijer adds: 'In line with our strategy, our efforts are focused on further expanding our cooperative services and strengthening connections with our members. We want to make an important contribution to improving the living environment of our customers and members, fully aligned with our cooperative nature. We are going the extra mile in the energy transition by offering our private customers more options when it comes to making their homes more sustainable. We are stepping up our efforts globally to improve sustainability in the agriculture sector and throughout the food chain. With 1,600 customer due diligence (CDD) specialists worldwide, we have prioritized our social role as a gatekeeper to the financial system. In our view, customer integrity forms a basis of good customer service. CDD enables us to protect customers and society from the risks posed by money laundering, fraud and terrorist financing. We are investing in increasingly advanced technology and are poised to continue collaborating with sector and government parties to fight increasingly complex forms of fraud and financial crime.

We are well on track to give further shape and purpose to our mission of 'Growing a Better World Together'.'

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