



Rabobank

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Rabobank posts net result of EUR 2,160 million for first half of 2021 supported by a strong economic recovery

The positive economic growth rates and rebound from the financial impact of Covid-19 are clearly visible in Rabobank's financial performance. The strong net result of EUR 2,160 million in the first half of 2021 is driven by a net release of loan impairment charges and positive asset revaluations resulting from improved market conditions, next to solid business performance. Despite the improved operating conditions, structural challenges such as the low interest rate environment have not disappeared and continue to affect banking sector results.

Chairman of the Managing Board Wiebe Draijer

“The pandemic still holds a firm grip on society. Although the initial lifting of Covid-19 restrictions in several countries marked the end of a difficult period, some of them have returned now that new variants are thriving. We are very aware that the pandemic is far from over and Covid-19 will continue to impact our clients, colleagues, societies and Rabobank in the foreseeable future.

“There are two sides of the story when looking at the first half of 2021. One is that we see clients benefitting from the economic recovery. Our transaction data show that consumer spending increased. Also, Food & Agri sectors proved to be resilient. On the other hand, although a number of the sectors impacted by Covid-19 have recovered, we see that some clients are still struggling. And some are expected to face financial difficulties in the second half of the year as various government support measures end in the Netherlands. Next to that, we have to take into consideration extreme climate events such as droughts and floods that are impacting our clients, as are shortages in, for instance, chips, construction materials, and the labor force.

“We have progressed with our mission of ‘Growing a better world together’ within the changing financial landscape. Our customers increasingly interact with us via new digital services, and we kept on innovating and adjusting to their needs. Accordingly, the announced restructuring of our traditional branch network in the Netherlands is underway. In this landscape, we now report a strong result, which is partly driven by a rebound of the negative swing in 2020. Our operations are solid, but they have to be stronger considering the structural challenges to the banking sector. The extensive regulations for banks, competition from new (digital) non-banks, cyber risks, and low interest rates will continue to put pressure on the traditional banking model.

“Our role as a gatekeeper to the financial system is a top priority for the bank. Since the start of 2021, we have onboarded and trained an additional workforce of more than 500 KYC employees in the Retail Netherlands domain, increasing the total number of individuals dedicated to KYC activities

worldwide to approximately 4,500. Also, collective transaction monitoring in Transaction Monitoring Netherlands (TMNL) started with commercial payment transactions, which will strengthen the stance of Dutch society in the fight against money laundering and terrorist financing.

“An exciting new development is that last February we started activities in our Rabo Carbon Bank and launched its first project enabling thousands of smallholder farmers to remove carbon, with more projects to come. In our mortgage branch, we have made decarbonization of homes more accessible: 36,500 clients used our new online scanning tool which offers them advice and concrete offers to improve their houses. Another highlight is that we were able to reopen our green savings product for new customers in April. With a significant growth of 13% in total savings through the end of June, we can now invest EUR 2,313 million in green initiatives. This is our mission at its core: connecting clients, our knowledge and financial instruments to help solve societal challenges, from the climate and energy transition to the transitions toward sustainable living and sustainable food.

“Is it enough? Surely not. There is a long path ahead of us, where our ambition is to continue developing climate-friendly ways of working, together with our clients. We feel this as our responsibility for the future. I’m proud of the efforts our employees made on this road to change, while also meeting the challenges of the pandemic and our daily work. I thank all my colleagues for their contribution and commitment.”

Financial performance

Rabobank’s financial performance in the first six months of 2021 was strong with a net profit of EUR 2,160 million, significantly higher compared to the same period last year. Next to solid business performance in the first half of 2021, the improved market conditions contributed to the bank’s financial results. Last year, Covid-19 had a significant impact on the economy, Rabobank’s clients, the financial sector, and the bank itself. This unprecedented situation resulted in materially higher impairment charges and pressure on income.

Despite further lockdown restrictions, there has been a sharp economic recovery in the first half of 2021 due to the growing availability and rollout of vaccines. The expected deterioration in credit quality has not materialized thus far, which is mainly the result of this recovery, the resilience of Food & Agri sectors, and the (extension of) various government support measures in the Netherlands. These developments have resulted in a further decrease of sectors considered “vulnerable” and in a net release of impairment charges on financial assets of EUR 274 million in the first half of 2021 (minus 13 bps of the average loan portfolio), which is EUR 1,716 million lower than in the same period last year. Although uncertainties around future recovery have diminished, they have not disappeared completely. The end of government support measures for businesses as well as a potential resurgence of infections due to new coronavirus variants require the bank to remain cautious. The credit quality of Rabobank’s business loan portfolio could still be impacted in the second half of 2021 or in 2022.

The persistent low interest rate environment continued to impact net interest income. Nevertheless, total income increased by 17%. Reasons for this performance include the benefit from Rabobank’s participation in the *TLTRO III programme* of EUR 192 million in H1 2021, as well as improved market conditions resulting in positive revaluations of the bank’s equity participations. Net fee and commission income also rebounded compared to H1 2020 and was EUR 128 million higher. The improved financial performance is visible across all business lines, with Rabo Investments performing especially well.

The increase in income more than offset the slight rise in expenses, resulting in an improved cost/income ratio of 58.0% (2020: 65.3%). At the same time the Return on Equity improved to 10.4% (FY 2020: 2.7%).

The loan portfolio increased by EUR 4.8 billion to EUR 414.2 billion, partly driven by FX effects. The Food & Agri portfolio increased by 4% to EUR 104.8 billion. Furthermore, Rabobank remained market leader in the Dutch residential mortgage market with a 23% market share of new production. Deposits from retail and wholesale customers increased by 4% which is in line with the increase of the Dutch savings market and which can be mainly attributed to the impact of Covid-19.

Driven by the strong H1 2021 results the CET 1 ratio increased to 17.2%. Rabobank's capital position therefore remains rock solid.

Outlook

Looking ahead, Wiebe Draijer states that further costs of the pandemic may follow: "It might be later and less than commonly expected, but still, we have clients in financial peril. We will give them our utmost attention and will continue to support them where we can. For example we have created a Post-Covid Growth Fund in the Netherlands together with other parties that can strengthen the equity position of companies in need.

"Uncertainty persists given the development of the virus. We therefore remain cautious as the credit quality of our business loan portfolio could still be impacted in the near future. Also the low interest rate environment will continue to put pressure on our results, as will our investments in KYC.

"We strive to be transparent in our reporting on sustainable growth. Over the years, we have maintained our top spot in the ESG risk rating by sustainability rating agency Sustainalytics. Our policies on sustainability are sound. We've been acting as a frontrunner, but we need to speed up the pace, considering our portfolio and the development of the climate crisis. This is what urged us to launch a pilot in July offering a discount for sustainable Dutch dairy farmers. Next to that, we kicked off our Rabo SmartBuilds initiative, the construction of 12,000 flexible and climate-neutral rental homes over the next ten years in the Netherlands which also helps stimulate financial well-being for our customers.

"As a cooperative bank, we will continue to put maximum effort toward achieving our societal priorities: investing in our role as gatekeeper of the financial system and advanced KYC technology, supporting the Sustainable Development Goals, and helping solve the housing shortage in the Netherlands."

[For interim results and further details, visit Rabobank.com](#)
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