

# Press Release

17 August 2017



## **Rabobank posts EUR 1,516 million net profit in first half of 2017**

Transition progress tangible across the bank

**Rabobank posted a net profit of EUR 1,516 million in the first half of 2017 (+52%). The common equity tier 1 ratio increased strongly from 13.5% to 14.7% (fully loaded), due partly to the issuance of Rabobank Certificates. The increase in net profit was underpinned by favourable economic conditions in the Netherlands, which contributed to extremely low loan impairment charges. On balance, the latter item was negative. The underlying operating profit before tax rose by 12% to EUR 2,276 million. The progress of the transition is tangible across all parts of Rabobank.**

### **Chairman of the Executive Board Wiebe Draijer:**

“The progress on our three strategic priorities demonstrates that our transition is impacting all parts of Rabobank. We are seeing customer satisfaction trending upwards, improved financial results and further balance sheet optimisation. However, we are not there yet: we need to do a lot more to keep pace with the rapid changes around us. We are now shaping the next phase of our own change agenda with even more emphasis on far-reaching digitisation and innovation. Our employees are crucial to effecting these changes and we greatly appreciate their hard work and professionalism.”

**“Our customers are expressing ever-growing satisfaction with our service provision.** In the Netherlands, we are seeing this trend mainly with retail customers and entrepreneurs. This reflects the hard work of our employees and the success of our focus on digitisation, innovation and sustainability. Very recently Rabobank announced that it will support Dutch poultry farmers who are affected by the use of a toxic insecticide on laying hens. Businesses which are essentially healthy can count on Rabobank to work with the poultry farmers to come up with solutions appropriate to their individual situation to prevent financial difficulties.

In the first half of 2017, we were also involved in a number of major transactions for customers in food & agriculture. On 1 September, our new top management structure will come into operation<sup>1</sup>. The bank will then be run by a Managing Board of ten members. The explicit representation of all key customer segments, digitisation and HR talent development in the Managing Board will give a vital boost to the Rabobank transition in all areas.”

**“Net profit grew by 52% to EUR 1,516 million.** The return on invested capital rose from 5.4% to 7.8%. Thanks to the favourable economic conditions in the Netherlands, loan impairment charges were extremely low. On balance, this item was EUR 67 million negative. The low interest rate on savings and the housing

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<sup>1</sup> The envisaged appointments are pending regulatory approval.

market dynamics in the Netherlands once again generated high levels of early mortgage repayments in the first half of 2017 (EUR 8.3 billion). Despite this development, net interest income increased by 2%, attributable in part to growth in the international businesses; net fee and commission income also rose. Adjusted for currency effects, the private sector loan portfolio declined by EUR 1.8 billion to EUR 417.8 billion in the first half of 2017. This was mainly due to our bringing down the non-core part of our commercial real estate loan portfolio and a rise in early mortgage repayments. The market share in mortgages remained steady at 20.5% (3% with Obvion). The inflow of savings from retail and private banking customers in the Netherlands caused private savings to grow by EUR 3.2 billion. Total deposits from customers were EUR 343.2 billion, down by EUR 4.5 billion on the level at year-end 2016 as a result of lower balances from corporate customers, which are by nature more volatile than private savings, and due to currency effects. The cost/income ratio improved to 67.6%, due to stable income development and cost reductions achieved through the efficiency measures in our restructuring programme. These measures were also reflected in a fall in the number of employees. In the first half of 2017, total staff level (including external employees) fell by 869 to 44,698 FTEs. Most of the efficiency measures planned for this year will take effect in the second half of 2017, with further job losses as a result.”

“**The underlying operating profit before tax amounted to EUR 2,276 million (+12%).** The calculation of underlying profit includes an adjustment for the fair value items (hedge accounting and structured notes), restructuring costs, the extra provision made in 2016 for compensating commercial customers with an interest rate derivatives contract, and for Athlon's income and expenses. Athlon was sold at the end of 2016.”

“Rabobank further **optimised its balance sheet and strengthened its capital position** in the first half of 2017. The fully loaded common equity tier 1 ratio was 14.7% (13.5%) on 30 June 2017. The transitional common equity tier 1 ratio increased to 15.0 % (14.0%). The total capital ratio was 25.5% (25.0%). This means that Rabobank has already achieved the capital targets we set ourselves for 2020, which we consider appropriate considering the uncertainty surrounding future capital requirements (Basel IV). The issuance of Rabobank Certificates in January 2017 added EUR 1.6 billion to the common tier 1 equity, with a rise in the common equity tier 1 ratio of around 80 basis points as a result. The capital ratios also benefited from the retained earnings and the reduction in risk-weighted assets. In the first half of 2017, the risk-weighted assets fell by EUR 3.6 billion to EUR 207.6 billion. In the context of strengthening and optimising the balance sheet, Rabobank conducted a transaction after the reporting date to further reduce the risk weighted assets by almost EUR 1 billion. This transaction involved transferring the risk of part of the corporate loan portfolio to a third party.”

“For the first time in its history, Rabobank issued EUR 2.5 billion in **covered bonds** in May 2017. In future years, we will be able to issue covered bonds up to a total of EUR 25 billion, with a view to optimising and diversifying Rabobank's funding mix.”

“Our hard work on **digitisation** and **innovation** is showing results and getting us noticed. In June, we joined the Digital Trade Chain, a consortium of seven European banks working to build a block chain platform for entrepreneurs. Rabobank is the only Dutch bank in this consortium. At the Dutch FinTech Awards 2017, Rabobank was voted most innovative traditional bank for FinTech. In the autumn, we will be the first European bank to launch the IBAN name check service which helps customers check whether the name and account number for payments match. This initiative—based on an idea generated in the Rabobank Moonshot campaign held in 2016—helps tackle incorrect and fraudulent payment transactions. Our peer-to-peer lending platform Rabo & Co now matches entrepreneurs with wealthy customers looking to invest, and our new 'Tellow' app is taking the strain out of bookkeeping for self-employed persons without employees.”

“In the first half of 2017, we once again took major steps towards achieving our ambition to be a **meaningful cooperative and a sustainable bank**, through the work of the local banks in the Netherlands and our international networks. We are proud that the Food and Agriculture Organization of the United Nations (FAO) awarded the Jacques Diouf Award to Rabobank Foundation for its unfaltering technical and financial support to small cooperative producer cooperatives all over the world. Rabobank Foundation is an independent foundation with Rabobank as its biggest sponsor and founding father. Closer to home, we joined forces with KPMG and CSR Netherlands to stimulate circular economy action plans in the Dutch business sector. In the first half of 2017, our ‘FoodBytes!’ programme once again tracked down the most innovative concepts in food & agriculture and paired them with the capital needed to bring them to market.”

“We stepped up the pace of the transition at Rabobank in the first half of 2017. Our intensified customer focus proved successful, our profitability improved, our capital ratios came out stronger, and we further shaped our ambition to be a meaningful cooperative. And yet, given the changing environment in which we operate, we still need to do more. Our restructuring programme, which is impacting all parts of the bank, is a step up to the next phase of our transition. Under the leadership of the Managing Board, Rabobank will further boost its development and execute the changes needed to make a successful contribution to welfare and prosperity in the Netherlands and to feeding the world sustainably.”

**Key figures**

<b>Amounts in EUR millions</b>	<b>30-06-2017</b>	<b>31-12-2016</b>	<b>%</b>
Total assets	623,197	662,593	-6
Private sector loan portfolio	417,796	424,551	-2
Due to customers	343,180	347,712	-1
Equity	40,314	40,524	-1
Common equity tier 1 capital	31,080	29,618	5
Total capital	52,926	52,873	0
Number of employees (in FTEs)	44,698	45,567	-2
			<b>%-points</b>
Common equity tier 1 ratio	15.0%	14.0%	1.0
Fully loaded common equity tier 1 ratio	14.7%	13.5%	1.2
Total capital ratio	25.5%	25.0%	0.5
Leverage ratio	5.8%	5.5%	0.3
Loan-to-deposit ratio	122%	122%	0
			<b>%</b>
Income	5,938	5,900	1
Operating expenses	3,755	4,276	-12
Loan impairment charges	-67	148	-
Operating profit before tax	1,992	1,230	62
Underlying operating profit before tax	2,276	2,041	12
Net profit	1,516	997	52
			<b>%-points</b>
Return on tier 1 capital	8.2%	5.7%	2.5
ROIC	7.8%	5.4%	2.4
Cost/income ratio including regulatory levies	67.6%	76.6%	-9.0

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