

Press release

February 15, 2018



Rabobank posts EUR 2,674 million net profit in 2017

Solid foundation for next step in transition

- Net profit EUR 2,674 million (+32%). The underlying net profit rose in both the Dutch and international businesses.
- Successful launch digital innovations; further rise in customer satisfaction across all segments.
- Position in Food & Agri further reinforced both in the Netherlands and international.
- Solid capital position: common equity tier 1 ratio (fully loaded) jumps from 13.5% to 15.5%.
- Local Rabobanks allocated a cooperative dividend of EUR 45 (2016: 40) million from their net profit to investments in local community initiatives in the Netherlands.

Wiebe Draijer, Chairman of the Managing Board:

“We are committed to being a meaningful cooperative bank, making a substantial contribution towards achieving welfare and prosperity in the Netherlands and to resolving the food issue worldwide. We are shaping our mission of “Growing a Better World Together” with passion and this is bearing fruit. In 2017 we accelerated our efforts to reach the goals set in our Strategic Framework 2016-2020. We further reinforced our position in Food & Agri in the Netherlands and around the world. The future Rabobank is taking shape with more satisfied clients, ground-breaking innovations, a stronger balance sheet and improved financial results.”

“We are proud that we are on track to achieve our goals. Yet our ambitions go beyond this. We must pick up even more speed, particularly in our digital transition and innovation efforts, to continue offering our clients the best possible service. We laid a solid foundation for this in 2017.”

“Our employees make the difference. They are the people bringing about the bank’s transition and we very much appreciate their efforts. Attention for talent is now represented at the highest management level. We are extremely gratified that the results of recent surveys show a rise in employee motivation to work for Rabobank. Thanks in part to our new mission “Growing a Better World Together”. Our mission confirms the course we are taking and guides our actions as a cooperative bank.”

“The rise in net profit was due in part to positive trends in the Dutch economy, to the favourable international F&A markets, and to lower operating expenses. Loan impairment charges fell by EUR 500 million to EUR -190 million, or -5 basis

points of the average loan portfolio (the long-year average is 36 basis points). Net interest income remained stable, despite the low interest rate environment. The loan portfolio decreased by EUR 14 billion to EUR 411 billion, mainly as a result of the appreciation of the euro and flanked by transactions designed to reduce the balance sheet. Our market share in the mortgage sector in the Netherlands rose from 21% to 22% (including 4% Obvion). The mortgage loan portfolio decreased by EUR 2.8 billion to EUR 193.1 billion, due to a higher level of early repayments on mortgage loans and the sale of parts of the portfolio. In addition, we further reduced non-strategic elements of the commercial real estate portfolio. Excluding currency effects, the loan portfolio at Wholesale, Rural & Retail grew, as did the DLL leasing portfolio. Amounts due to customers fell by EUR 7 billion to EUR 341 billion. Around EUR 5 billion of this reduction was the result of currency effects. Private savings were stable at EUR 142 billion. Assets under management at local banks in the Netherlands rose by EUR 4 billion to EUR 44 billion. Staff expenses fell, due primarily to the restructuring programme in the Netherlands. The efficiency ratio including regulatory levies was 71.3% (2016: 70.9%). This is due in part to the agreement reached with the American authorities to settle past compliance matters at our American subsidiary Rabobank, National Association. The cost of compensating SME customers in the Netherlands with an interest rate derivatives contract was also higher than expected. We will continue to focus intensively on cost control to achieve structural efficiency gains. The return on invested capital was 6.9% (2016: 5.2%), a major improvement, but still below our target of 8%.”

“Rabobank aims to achieve a common equity tier 1 ratio of at least 14% and a total capital ratio of at least 25%. The common equity tier 1 ratio (fully loaded) jumped from 13.5% to 15.5% in 2017. The total capital ratio improved from 25.0% to 26.2%. This means that the capital targets for 2020 have already been achieved. The capital base improved in 2017 due to a number of factors including: the issue of new Rabobank Certificates for a nominal amount of EUR 1.5 billion, the allocation of part of the net profit to the reserves, and a number of transactions to optimise the balance sheet. Just as in 2016, parts of the mortgage portfolio and the commercial loan portfolio were transferred to institutional investors. Our expectation is that the risk-weighted assets may increase by between 30% and 35% due to the introduction of Basel IV measures. This estimate is based on the balance sheet at 31 December 2017, while Basel IV will not be fully phased-in until 2027. Rabobank will meet the new capital requirements on time and will, of course, continue to strengthen its buffers.”

“Rabobank issued EUR 2.5 billion in covered bonds in May 2017, and issued another EUR 1.25 billion in January 2018. In the coming years, we could issue up to a total of EUR 25 billion in covered bonds, in line with our objective to diversify and optimise the funding mix.”

“In 2017 we launched several digital innovations for our clients. Peaks is a new app which rounds up small purchase amounts and automatically invests the change. Tellow is another successful innovation which takes the strain out of bookkeeping for self-employed persons without employees. In January we joined the Digital Trade Chain, a consortium of currently nine European banks working to build a block chain platform for entrepreneurs. Rabobank is the only Dutch bank in the consortium. In the autumn we were the first Dutch bank to launch the IBAN name check service, which helps customers check whether the name and account number of a beneficiary is correct. Customers receive a warning if something doesn't add up. This initiative - like Peaks and Tellow generated through our employee ideas initiative ‘Rabobank Moonshot’ - helps tackle incorrect and fraudulent payment transactions. Over 20 million transactions have since been checked by this service. Dutch clients rate the Rabo Banking App as the best in the market.”

“As the leading Food & Agri bank which lends around EUR 98 billion to corporate clients in the Food & Agri-sector, we are uniquely positioned to help our clients produce more and better-quality food in a more sustainable way, while using fewer resources. Just as in previous years, the activities of Rabo Development and Rabobank Foundation helped some five million smallholder farmers in developing countries achieve self-reliance. The Food and Agriculture Organization (FAO) of the United Nations recognised the activities of Rabobank Foundation in 2017 by awarding it the prestigious Jacques Diouf award. As part of our efforts to contribute to the UN Sustainable Development Goals, we continued our cooperation with the World Wildlife Fund (WWF) and joined the World Business Council for Sustainable Development (WBSCD). In October we launched our Kickstart Food programme through a partnership with the UN Environment Programme and the launch of a one-billion-dollar fund to catalyse sustainable food production. In 2017 local Rabobanks allocated a cooperative dividend of EUR 45 (2016: 40) million from their net profit to investments in local community initiatives in the Netherlands.”

Outlook

“In 2017 Rabobank laid a solid foundation for the next step in its transition. The environment is changing at lightning speed and we will boost our digitalisation and innovation efforts so that we can continue to offer optimal service to our clients. Our employees play a key role in this process. We will also continue our efforts to improve cost efficiency. The favourable economic developments of 2017 are expected to continue in 2018. The interest rate environment remains challenging, the geopolitical stage is unpredictable and the amount of regulation and legislation (on data and privacy for instance) continues unabated. Against this backdrop of continuous change, we will continue to invest intensively in our adaptivity and follow our mission of

"Growing a better world together". This mission forms the compass for our employees and gives us direction as a cooperative bank, responding to client needs and taking a stand on issues which impact our clients today and tomorrow.

Key figures

Amounts in EUR millions	2017	2016	%
Total assets	602,991	662,593	-9.0%
Private sector loan portfolio	410,964	424,551	-3.2%
Due to customers	340,682	347,712	-2.0%
Equity	39,610	40,524	-2.3%
Common equity tier 1 capital	31,263	29,618	5.6%
Qualifying capital	51,923	52,873	-1.8%
Employee numbers (in FTEs)	43,810	45,567	-3.9%
			%-points
Common equity tier 1 ratio	15.8%	14.0%	1.8%
Fully loaded common equity tier 1 ratio	15.5%	13.5%	2.0%
Capital ratio	26.2%	25.0%	1.2%
Leverage ratio	6.0%	5.5%	0.5%
Loan-to-deposit ratio	120%	122%	-2.0%
	2017	2016	%
Income	12,001	12,805	-6.3%
- Net interest income	8,843	8,835	0%
- Net fee and commission income	1,915	1,826	4.3%
- Other income	1,243	2,144	-42.0%
Operating expenses	8,054	8,594	-6.3%
Loan impairment charges	-190	310	-161.3%
Operating profit before taxation	3,632	2,718	33.6%
Underlying operating profit before taxation	4,465	3,979	12.2%
Net profit	2,674	2,024	32.1%
			%-points
Return on tier 1 capital	7.2%	5.8%	1.4%
ROIC	6.9%	5.2%	1.7%
Efficiency ratio inclusive regulatory levies	71.3%	70.9%	0.4%

Click [here](#) for more information.

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