

# Rabobank

H1 2019 results – Analyst presentation



15 August 2019



Growing  
a better world  
together.

Rabobank

# Key messages



**Rabobank**

- Continued progress on most of our strategic objectives, despite challenging conditions
- Net profit of € 1.2bn
  - Resilient underlying NII (- 1%), 2% growth in Net Fee & Commission income
  - Expenses decreased by 5%, improved C/I ratio of 64.4%
  - Impairment charges trending towards long-term average
- Capital position remains strong with CET<sub>1</sub> ratio at 15.8%
- Loan portfolio increased by € 5bn and deposits from customers by € 12bn
- Further reduction of non-core activities
- Customer satisfaction and reputation further improved
- Substantial increase in efforts to mitigate financial crime risks, increased cooperation needed

# Excellent customer focus

Highlights H1 2019



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## Growing a better world together



**Banking for the Netherlands**



**Banking for Food**



**Excellent customer focus**

**Meaningful cooperative**

**Rock-solid bank**

**Empowered employees**



### ✓ **Focus on better service and digitalization supported by higher customer satisfaction scores**

- NPS scores private banking and private customers further increased
- Rabobank continues to hold the strongest reputation of all large Dutch banks measured by RepTrak
- Successful implementation Banking 3.0, which has resulted in a further optimized operating model in the Netherlands



### ✓ **Continuously delivering innovative products for our clients**

- Launch of Fundr, Rabobank's digital lending platform for SMEs in May 2019
- Peaks is the first fintech company to receive a PSD2 license from the Dutch Central Bank
- Rabo Frontier Ventures Fund invests in AgroStar, India's largest marketplace for farmers



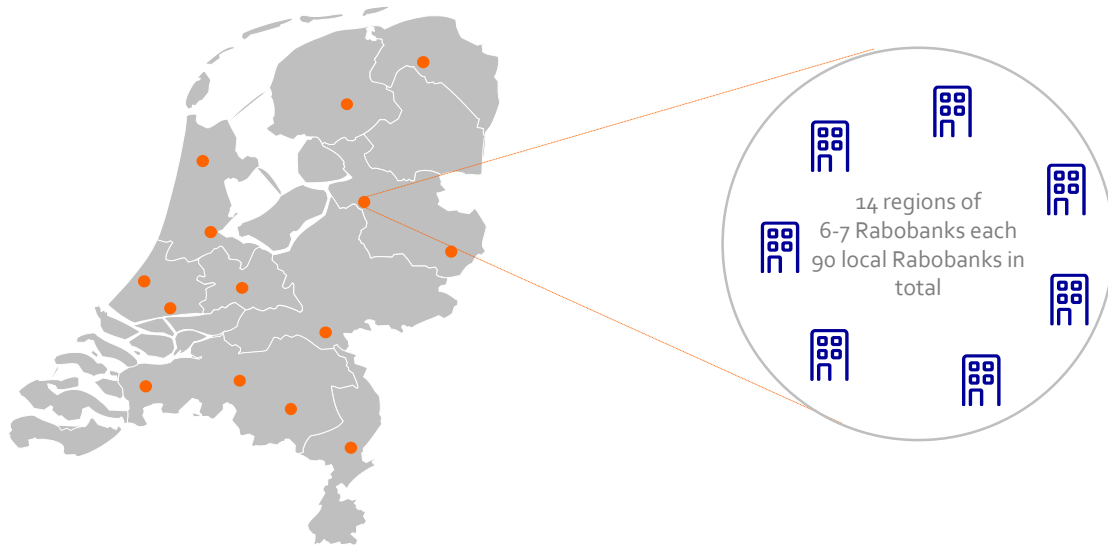
### ✓ **Further growth in private sector loan portfolio and deposits**

- Private sector loan portfolio grew by € 4.7bn (excluding impact sale of RNA), mainly in WRR and Leasing segments
- Total deposits from customers increased by € 12.3bn (excluding impact sale of RNA), mainly in DRB
- In line with our Banking for Food strategy lending to F&A increased by 2.3% to 25% of the total loan portfolio

# Domestic operating model further optimized



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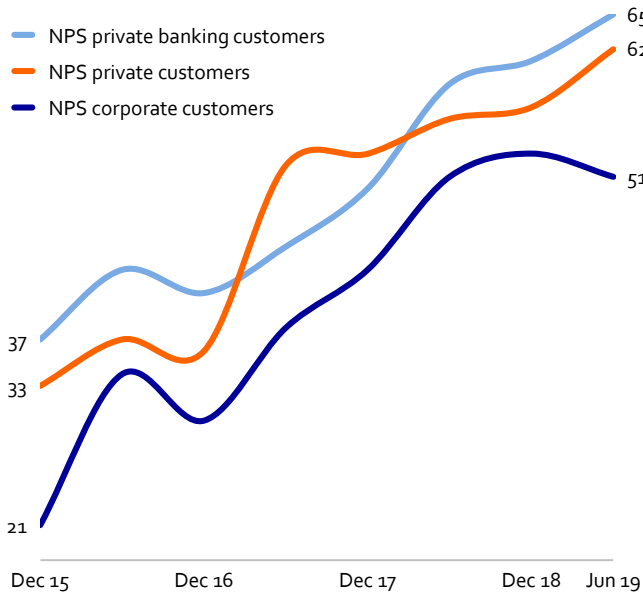


# Ongoing increase in customer satisfaction

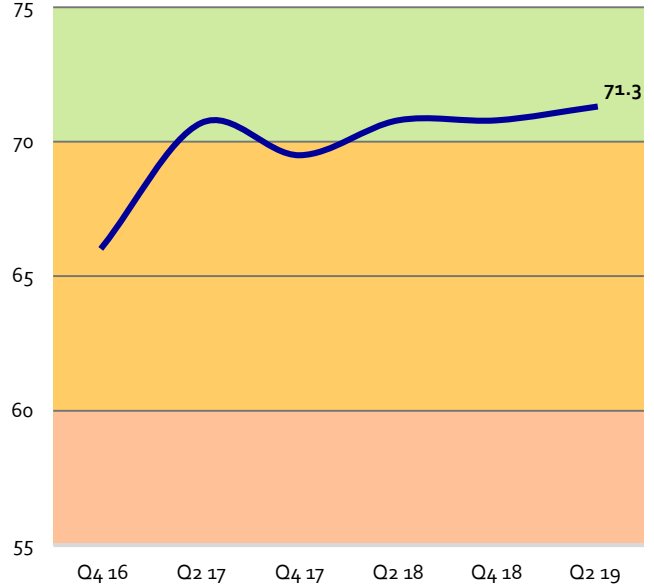


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**Net Promotor Score (domestic market)**



**Reputation (RepTrak® Pulse)**



# Meaningful cooperative

Highlights H1 2019



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### ✓ Sustainability integrated in our core business

- Continued focus on sustainability performance of business clients a.o. via client photo and client engagement
- Rabobank ranks 2<sup>nd</sup> on ESG Rating and ESG Risk Rating by Sustainalytics
- Introduction of Circular Business Desk to help business customers benefit from a more circular business model



### ✓ Rabobank's ambition to be the leading bank of the energy transition fits within our mission

- To actively explore opportunities to contribute to the energy transition, Rabobank forms consortium with KKR Infra fund in relation to the sale of Dutch energy producer Eneco
- Rabobank committed to (i) mandatory reporting on climate impact of loan portfolio and investments from 2020 onwards and (ii) having action plans in place by 2022 that contribute to reducing CO<sub>2</sub> emissions of its clients



### ✓ Strong commitment to local initiatives

- Local Rabobank initiative 'Bankieren4brainport': investing € 1bn in businesses in Brainport, the leading top technology region in Europe
- To structurally support local communities Rabobank allocated € 19mn of its net profit in H1 2019 to local initiatives
- Rabobank largest sponsor in the Netherlands. Over 1,000 sport and culture associations and clubs receive our support

# Rock-solid bank

Highlights H1 2019



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### ✓ **Resilient results though normalizing impairment charges**

- Net profit of €1.2bn, decrease compared to H1 2018 mainly due to higher impairment charges
- Net interest income stable (-1%), despite persistently low interest rates
- Continued downward trend in Operating expenses (-5%) due to ongoing restructuring efforts



### ✓ **Strong capital position and further reduction of non-core activities**

- CET1 ratio at 15.8% and well positioned to absorb impact of future regulation
- Stronger earnings retention capacity due to redemptions of Capital Securities
- Further reduction of non-core activities (sale ACC loan portfolio, RNA and run-off retail business in Indonesia) is creating room for growth in core operations of the bank



### ✓ **Rabobank strongly committed to act as gatekeeper to the financial sector**

- In constructive dialogue with regulators Rabobank substantially increased its efforts to deal with the challenge to prevent money laundering and terrorist financing
- Strong supporter of public-private partnerships to fight financial crime and achieve a comprehensive sector wide approach
- Rabobank continues to further invest in compliance, risk management, IT and KYC capabilities

# Empowered employees

Highlights H1 2019



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## Growing a better world together



**Banking for the Netherlands**



**Banking for Food**

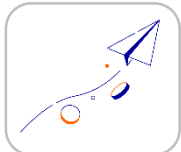


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### ✓ **Continued increase in Employee Engagement score**

- Overall results show a slight increase in the engagement scan scores in H1 2019
- 83% of employees indicate "I enjoy going to work"



### ✓ **Focus on diversity & inclusion is paying-off**

- 33% of senior management positions are fulfilled by women
- Going forward even more focus on cultural diversity, including the set up of a specific cultural diversity taskforce and mentoring program



### ✓ **Future of work**

- Based on Rabobank's view on the Future of Work a set of 12 critical skills were defined that apply to all employees across Rabobank worldwide
- Implementation of Simplify@Scale for ~2,500 employees; a way of working to simplify and accelerate our digitalization and resulting in shorter time-to-market, faster decision making and ownerships in teams



# Capital & funding targets already met

*C/I target out of reach despite enhanced efficiency*



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## Financial targets and results

		Jun 2018	Dec 2018	Jun 2019	Ambition 2020
<b>Capital &amp; MREL</b>	CET1 ratio	15.8%	16.0%	15.8%	> 14%
	MREL buffer	26.5%	28.2%	27.8%	~28.58%*
<b>Profitability</b>	ROIC	8.8%	7.4%	6.4%	> 8%
	C/I ratio	64.6%	65.9%	64.4%	53-54%
	Underlying C/I ratio	62.9%	63.9%	62.3%	
<b>Funding</b>	Wholesale funding	€ 164bn	€ 153bn	€ 152bn	~ € 150bn

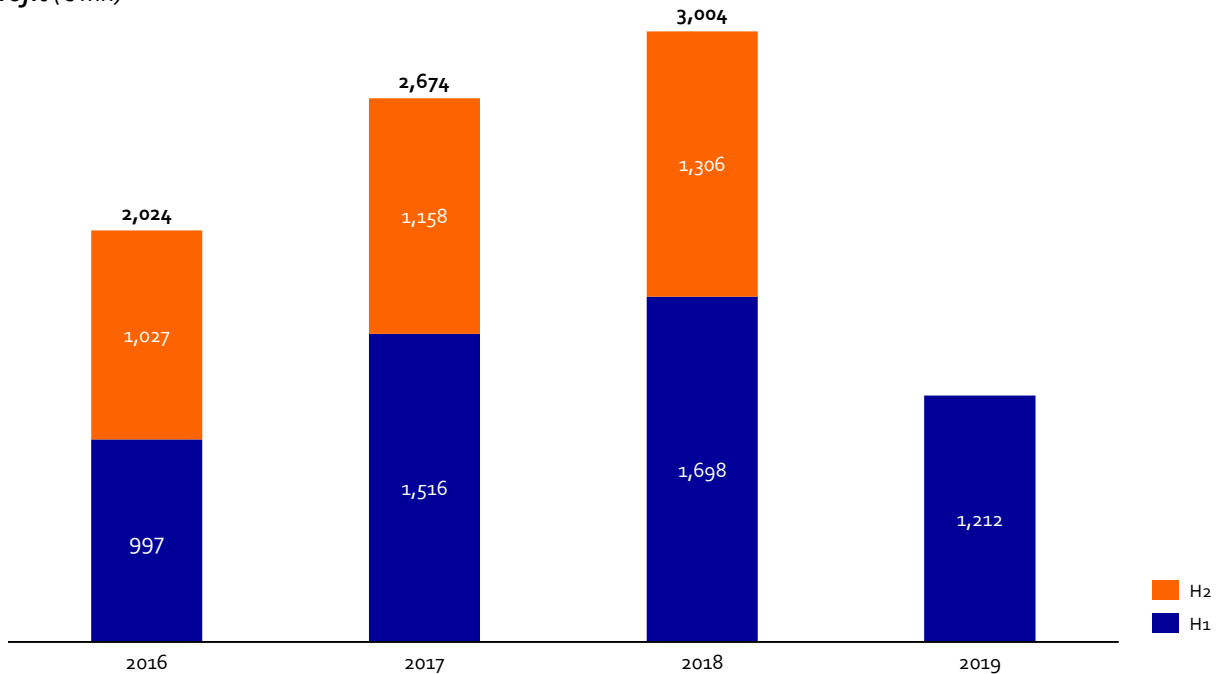
\* 2019 MREL requirement

# Rabobank H1 2019 Net profit of € 1,212mn



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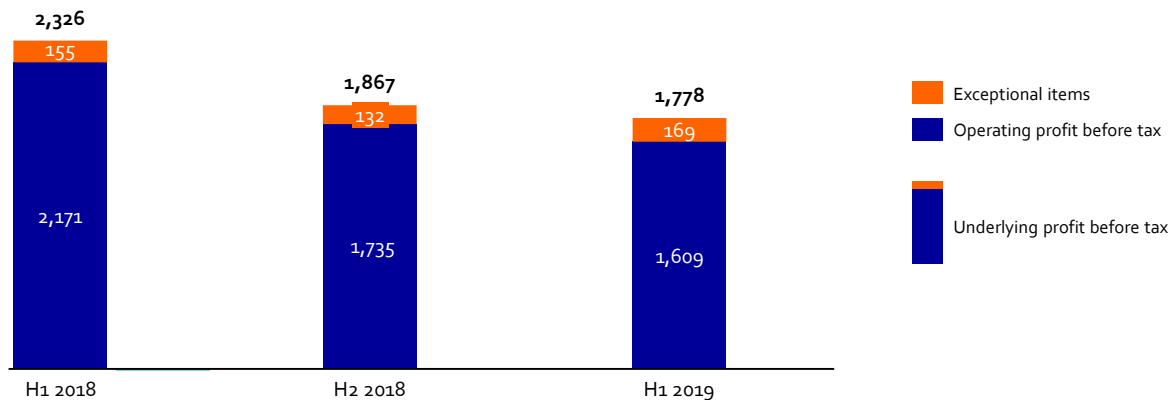
*Net profit (€ mn)*



# Decrease in underlying gross performance mainly result of higher impairment charges



*Underlying profit before tax (€ mn)*



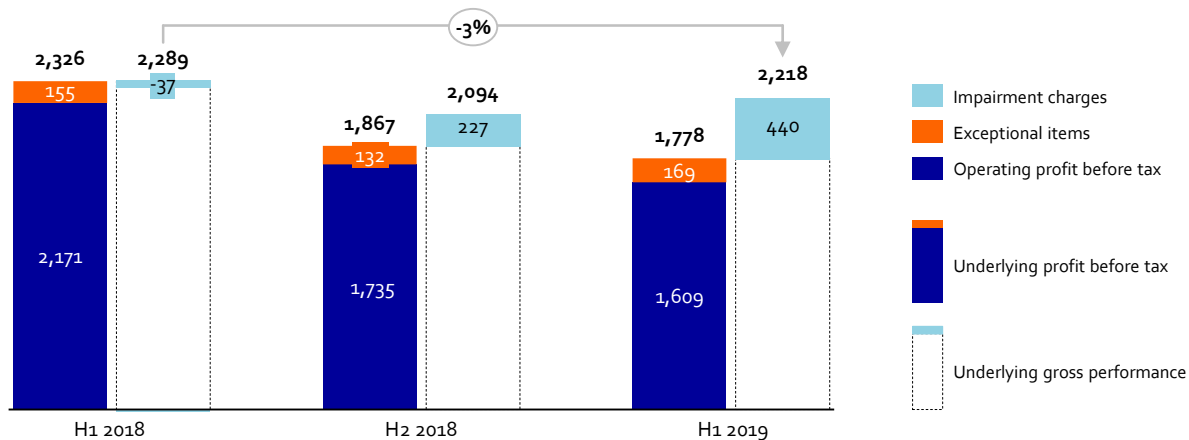
## *Exceptional items*

<i>in € mn</i>	<i>H1 2018</i>	<i>H2 2018</i>	<i>H1 2019</i>
Fair value items	-133	18	-126
Derivatives Framework	0	-52	-15
Restructuring costs	-22	-98	-28
<b>Total effect</b>	<b>-155</b>	<b>-132</b>	<b>-169</b>

# Decrease in underlying profit before tax mainly result of higher impairment charges



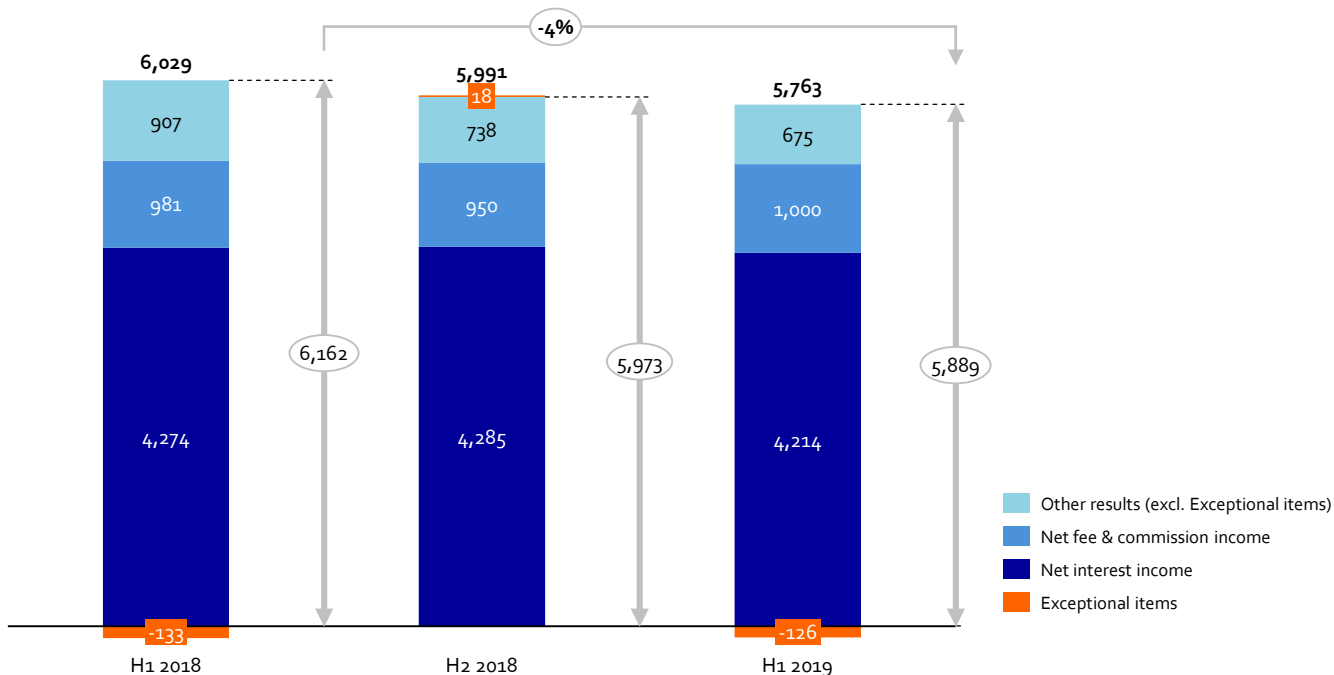
*Underlying profit before tax (€ mn)*



# Resilient Net interest income despite low interest rate environment



Underlying income (€ mn)

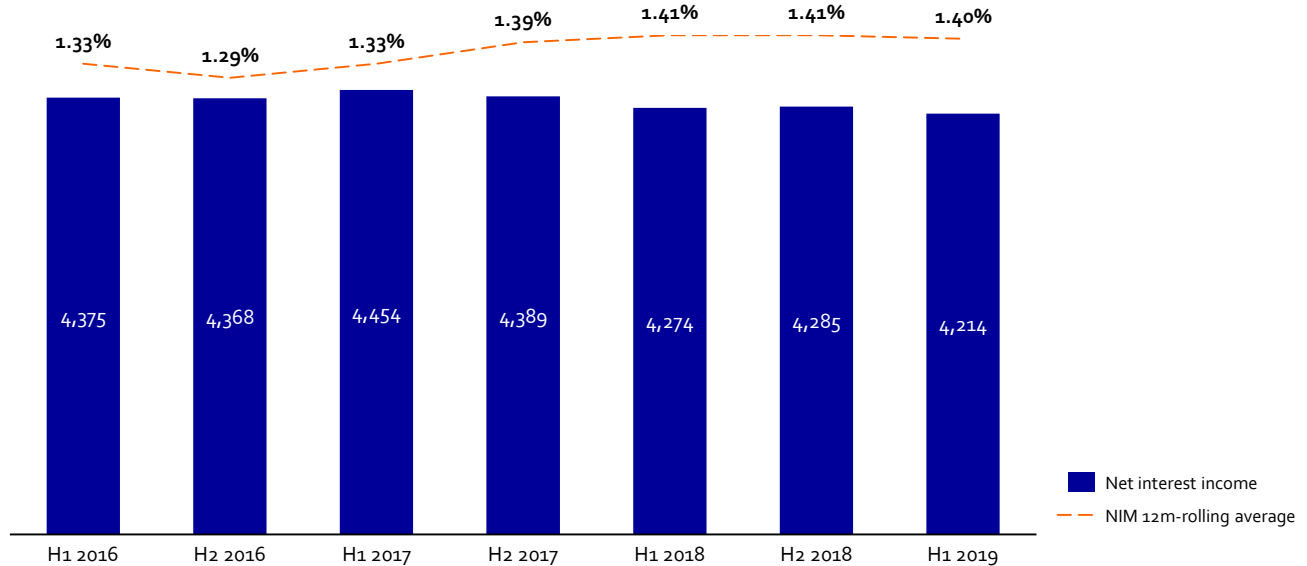


# Resilient net interest income



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*Net interest income (in € mn) and net interest margin (in % of average balance sheet total)*

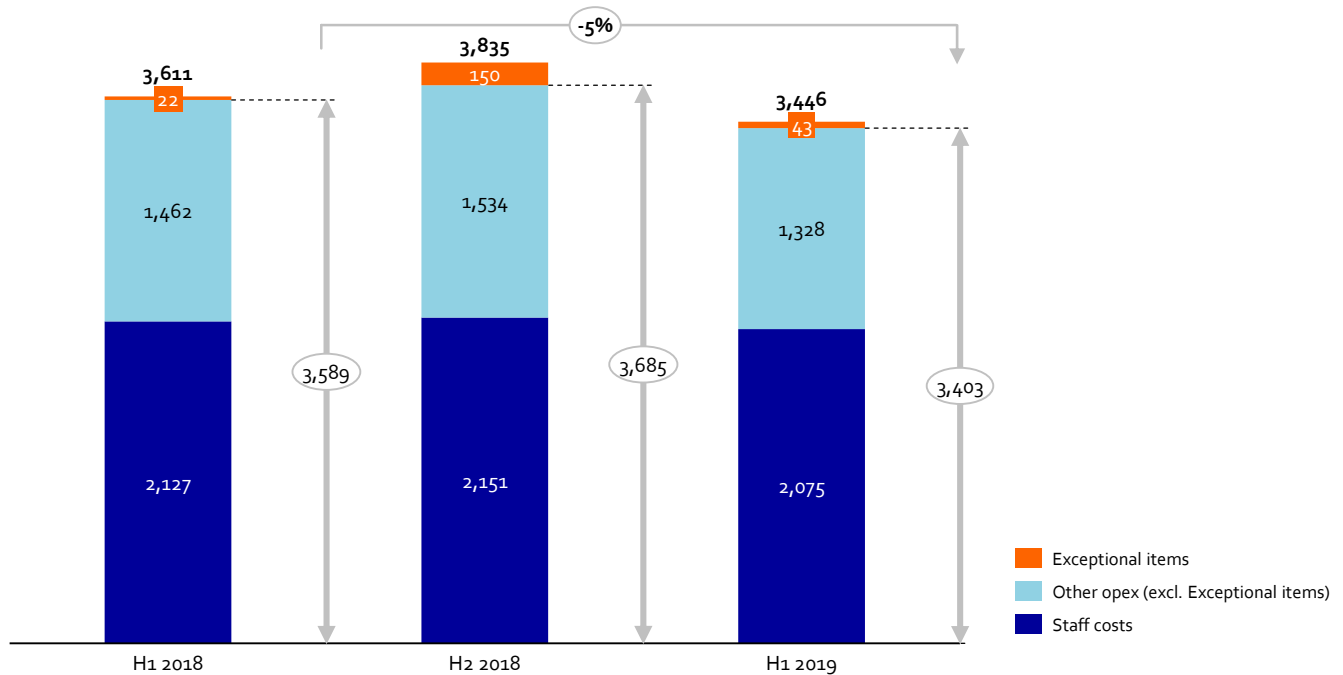


# Further reduction in underlying costs



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Underlying costs (€ mn)

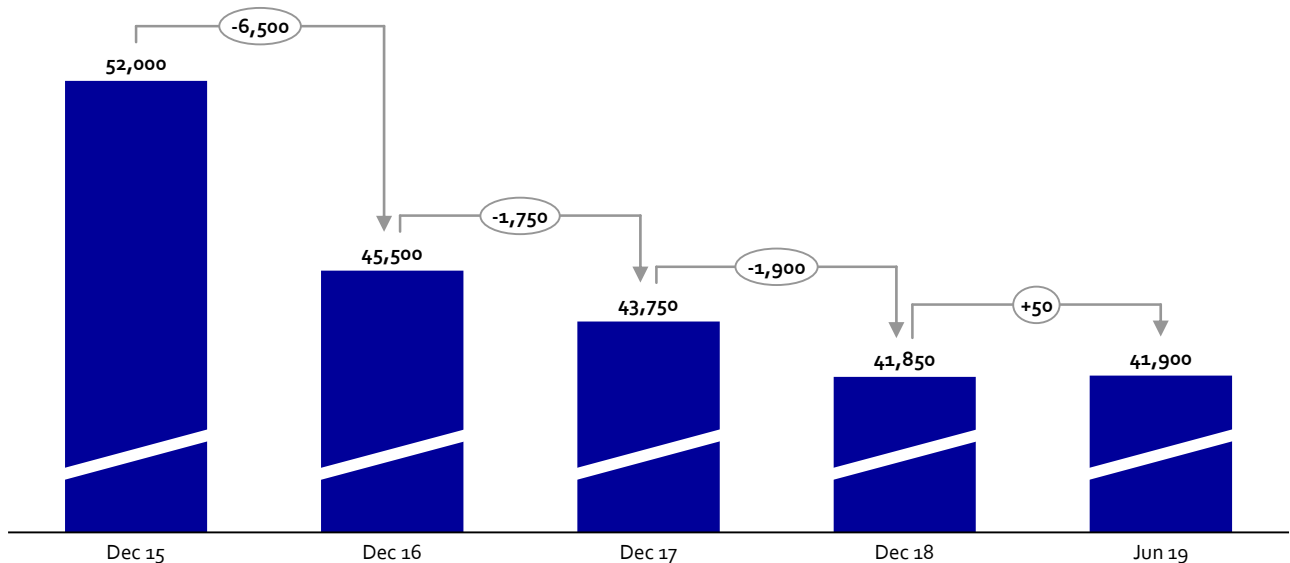


# Staff level slightly increased due to legacy files and business growth



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## FTE development Rabobank Group



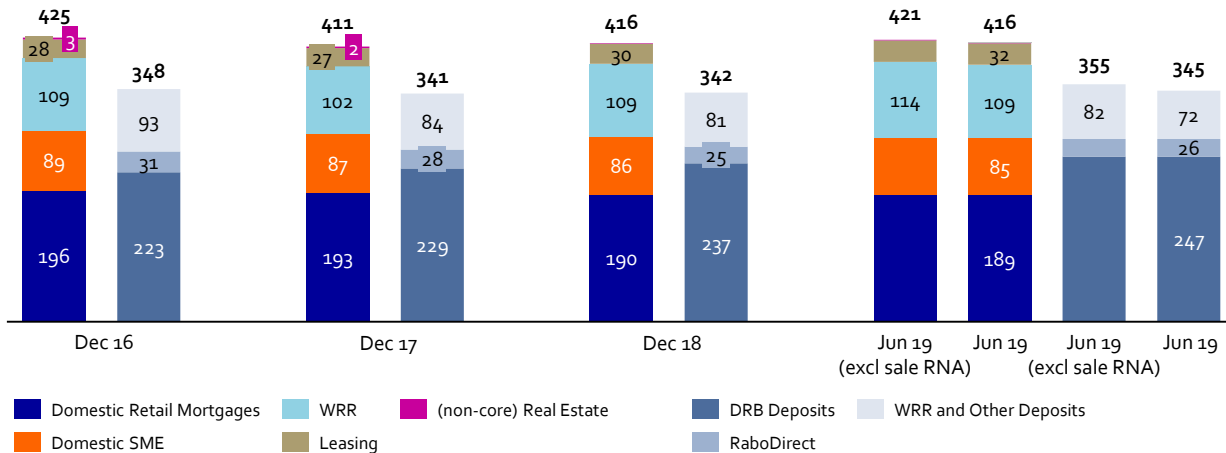


# Growth of loan portfolio in WRR and Leasing



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Private sector loan portfolio & deposits (€ bn)

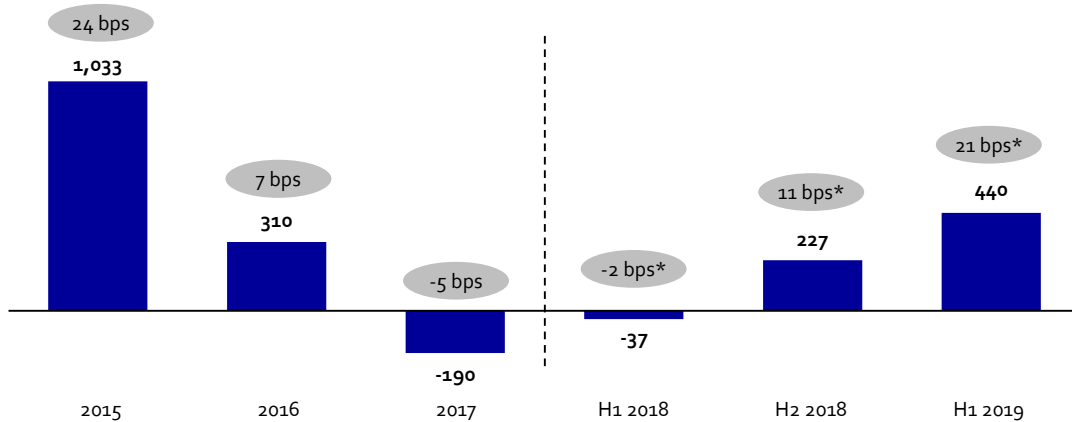


# Impairment charges trending upwards



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*Impairment charges (in € mn and in bps of average lending)*



\* Full-year extrapolated data

















# Optimization of Rabobank's balance sheet is on track

Creating room for further growth of the core operations of the bank



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## Non-exhaustive selection of balance sheet initiatives

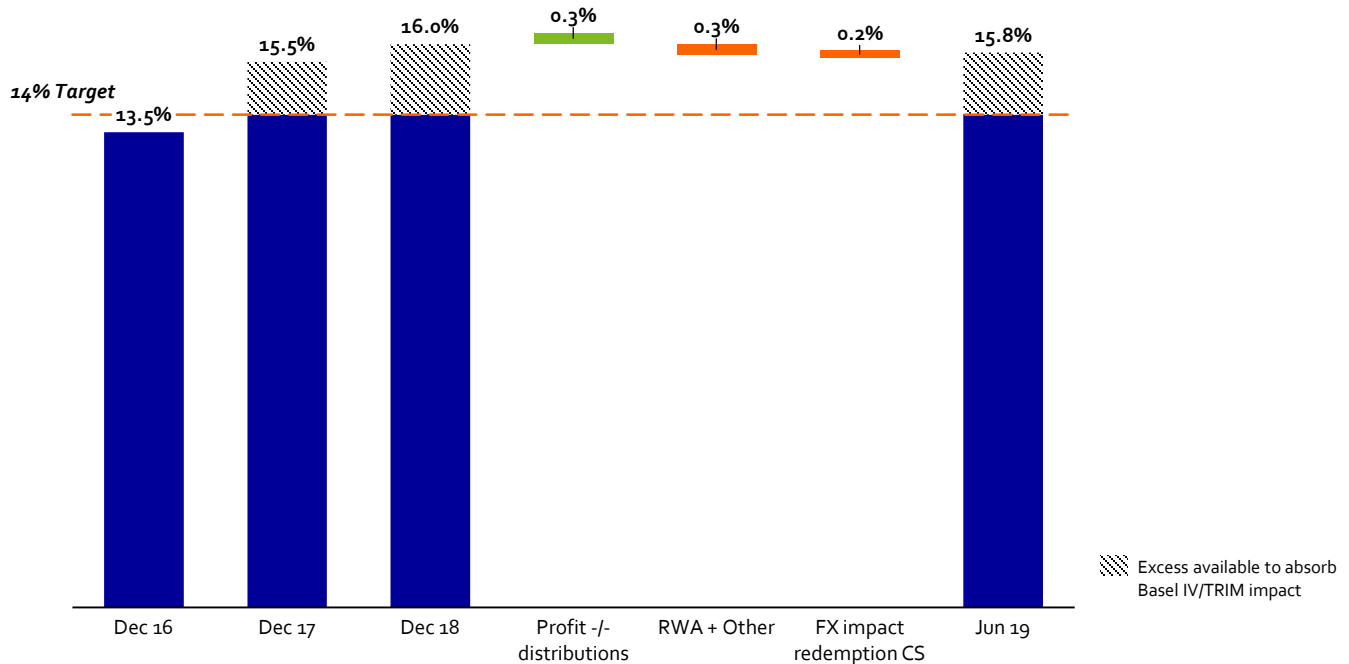
 Funding diversification	<ul style="list-style-type: none"> <li>• € 11.0bn raised through <b>Covered Bond</b> program and € 2.8bn of <b>DLL ABS</b> issued since 2017</li> </ul>	<b>H1 2019</b>		
 Balance sheet flexibility	<ul style="list-style-type: none"> <li>• € 6.5bn of <b>mortgage portfolios</b> sold since March 2016</li> <li>• € 5.0bn of <b>capital relief transactions</b> structured since July 2017</li> <li>• Launch <b>Vista</b> mortgage label</li> </ul>	 £ 306mn asset backed securities	 \$ 500mn asset backed securities	 € 600mn Green STORM 2019
 Balance sheet optimization	<ul style="list-style-type: none"> <li>• <b>Reduction of non-core activities</b></li> <li>• Making room for <b>new strategic initiatives</b></li> </ul>	 € 1.0bn subscription by APG	 € 740mn mortgage portfolio sale	 € 45bn Retained Covered Bond program
 Strengthening capital base	<ul style="list-style-type: none"> <li>• <b>Well positioned to absorb the impact of Basel IV</b></li> <li>• € 5.0bn equivalent of <b>Non Preferred Senior</b> securities (MREL eligible) issued since August 2018</li> </ul>	 Sale of Rabobank N.A. for \$ 2.1bn	 Sale of ACC loan portfolio for € 800mn	 Phase-out of retail activities
		 € 1.25bn NPS (MREL eligible)	 ¥ 63.5bn NPS (MREL eligible)	 € 1.0bn NPS (MREL eligible)

# CET1 ratio well above target and capital requirements



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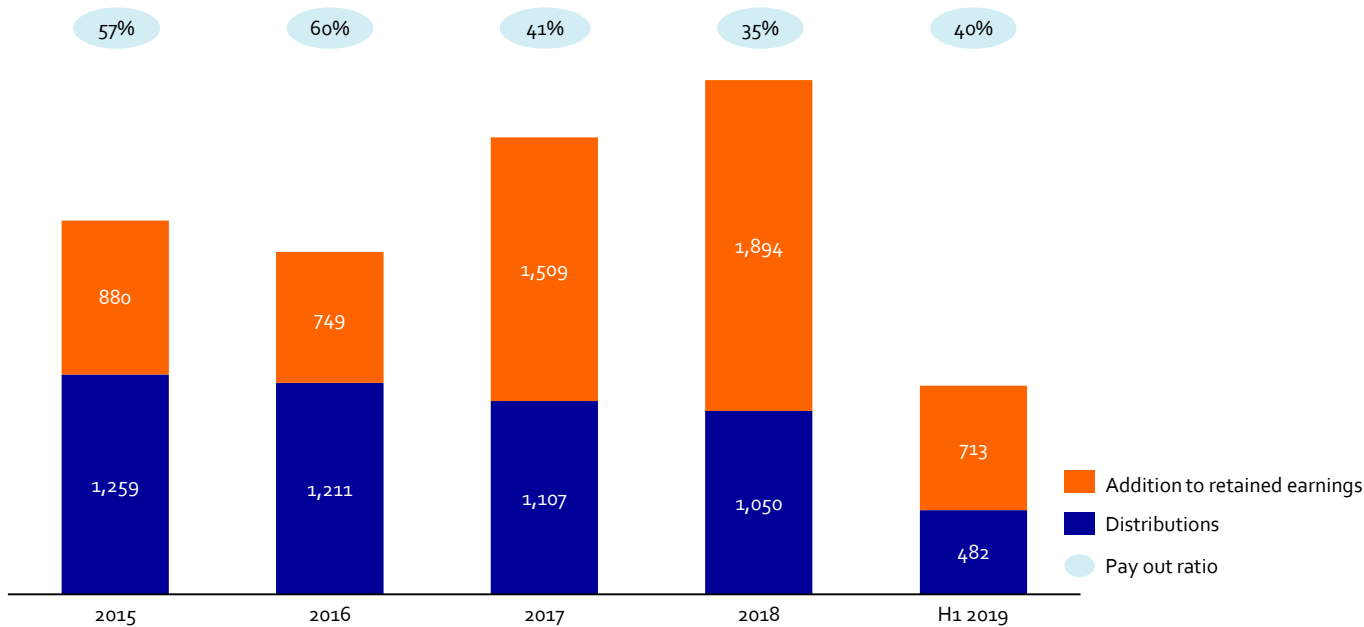
## CET1 ratio development



# In both absolute and relative terms distributions came down due to redemptions of Capital Securities



**Breakdown Net profit\* into distributions & addition to retained earnings (€ mn)**

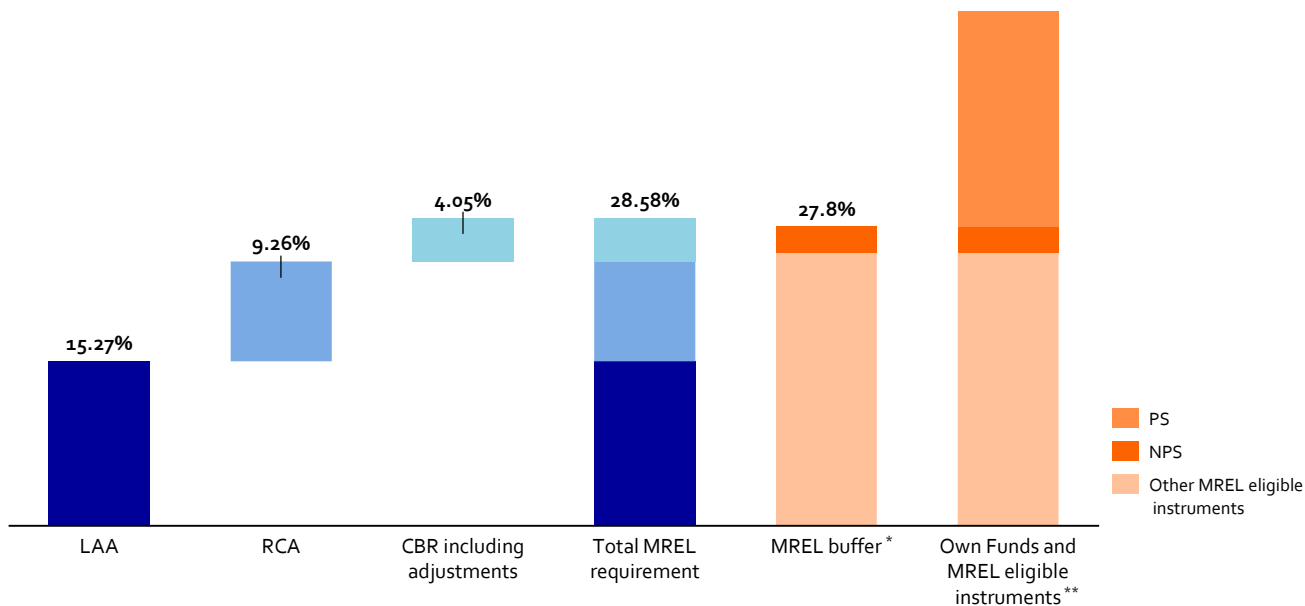


\* Net profit excluding minority interests

# Rabobank strongly positioned for MREL



**MREL calibration** (in % of RWA)



\* MREL buffer: Own Funds including amortized Tier 2 with a maturity > 1 year and NPS

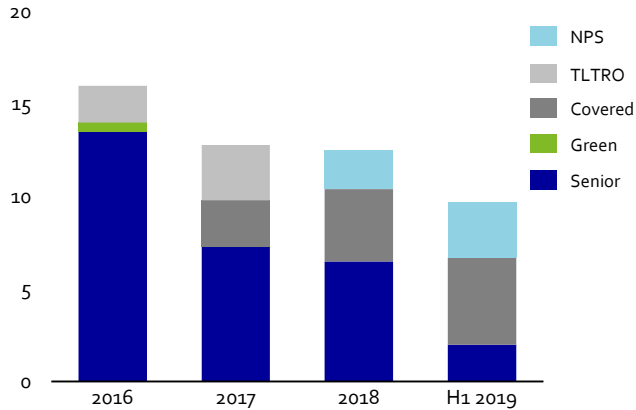
\*\* Under BRRD1 Preferred Senior (PS) is MREL eligible and included in calculations

# Funding strategy: optimization and diversification

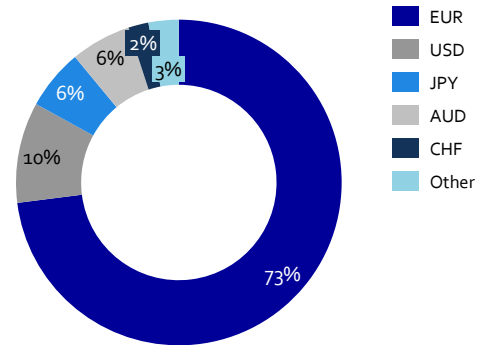


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Overview annual issuances per product type (in €bn)



Currency diversification



# Wrap up



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