Interim results 2016

Media call presentation

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18 August 2016

Rabobank

Strategic Framework 2016-2020 enables Rabobank to strengthen its cooperative mission

Performance improvement levers

1. Excellent customer focus

We strive to be nearby at key moments by putting proximity and true customer focus at the heart of our service

2. Flexibility and balance sheet reduction

We make our balance sheet more flexible and reduce its use while maintaining and increasing our client outreach

3. Improving performance

We improve performance significantly in the core of the bank, both in terms of revenues and in costs

Enablers

- Empowered employees
- Cultural change
- Better cooperative organisation

1.
Excellent customer focus

Making progress on improving client satisfaction and interaction

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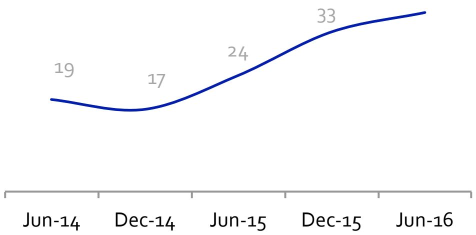
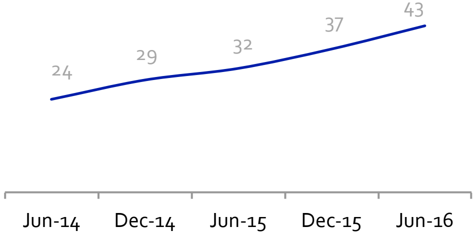
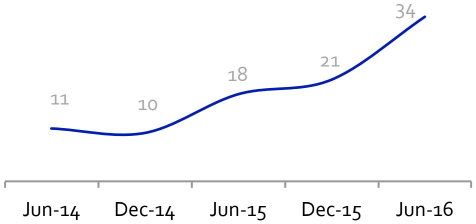
NPS retail customers



NPS private banking customers



NPS business customers



Excellence in customer service

Mortgage in one week

Highest ranked investment app

Kepler Cheuvreux

Partnership with Kepler Cheuvreux for ECM-transactions

The 'New Nearby'

Numerous new flexible contact points

GlobalFarmers

Linking pin role for customers' needs

Rabo Meet & Grow

FoodBytes! by Rabobank

Rabo & Co
online platform

2.
Flexibility and balance sheet reduction

Progress in reducing and making balance sheet more flexible

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18-07-2016
Obvion sells a portfolio of Dutch mortgages worth € 340 million to BinckBank

14-07-2016
FGH Bank sellsreal estate loans
FGH Bank, a subsidiary of Rabobank, sold a portion of a portfolio of quality real estate to a large Dutch institutional investor. The transaction will create financing capacity for new real estate loans.

04-08-2016
Norfund, FMO and Rabobank join forces
Invest in financial institutions to support growth in Africa

27-07-2016
Rabobank sells part mortgage portfolio to Delta Lloyd
Rabobank has sold a share of its mortgage portfolio for € 500 million to Delta Lloyd.

18-07-2016
Obvion reduces balance sheet by securitising € 1 billion of its mortgage portfolio off-balance

31-03-2016
Rabobank reduces balance sheet by selling part of mortgage portfolio
Rabobank has sold a share of its mortgage portfolio worth € 1 billion to the insurance company VIVAT Verzekeringen.

01-07-2016
DLL Sharpens Focus on Global Vendor Finance Business
Sale of Athlon to Daimler Financial Services announced

3. Improving performance

Cost reduction programme accelerates with lower head count as a major contributor

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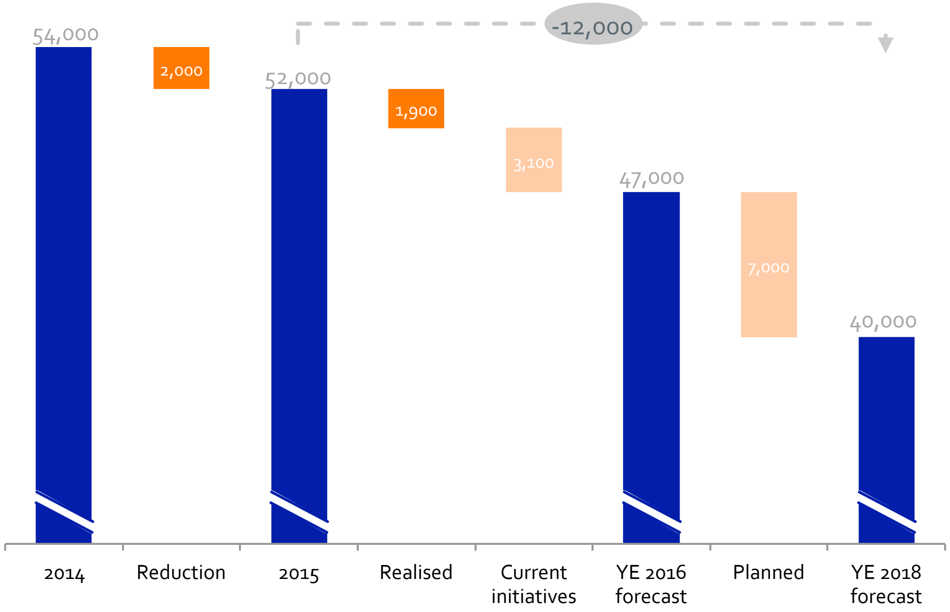
Number of staff
(in FTEs, incl. external hires)



2016: a year of acceleration

- Targeted reduction of staff: 12,000 FTEs by 2018
- Realised H1 2016: ~1,900 FTEs (excluding ~500 FTEs of redundancies still in the resignation process)
- Current initiatives have been accelerated to achieve 5,000 FTEs reduction in 2016 (versus initial target of 4,000 FTEs)
- More efficient processes and automation, combined with simplified structures and delayering

Solid net profit driven by robust recurring income and low loan impairment charges as economic recovery continues

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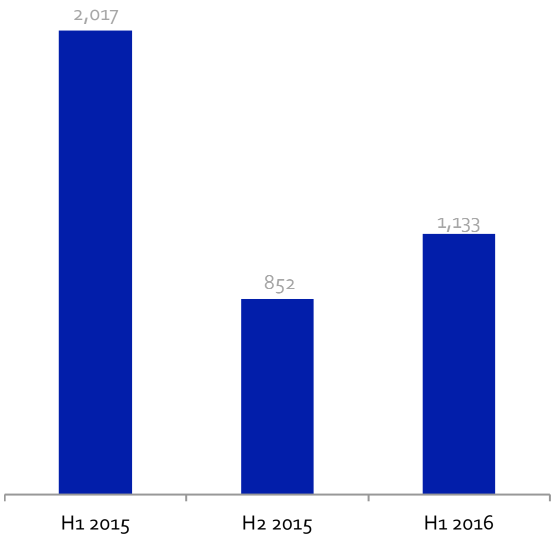
Profit & Loss account

in €mn	*H1 2015*	*H2 2015*	*H1 2016*
Net interest income	4,482	4,657	4,375
Net fee and commission income	962	930	982
Other income	1,483	500	446
Total income	**6,927**	**6,087**	**5,803**
Operating expenses	-3,833	-4,312	-4,276
Regulatory levies	-121	-223	-246
Impairment losses on goodwill	-600	-23	0
Loan impairment charges	-356	-677	-148
Operating profit before tax	**2,017**	**852**	**1,133**
Tax	-495	-160	-209
Net profit	**1,522**	**692**	**924**

Operating profit before tax
(in €mn)



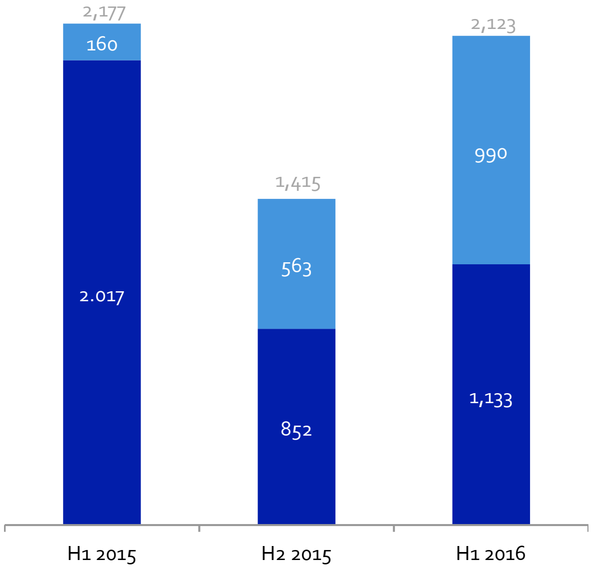
Market volatility impacts other income, while operating expenses include some elevated charges

Exceptional items included in operating profit before tax

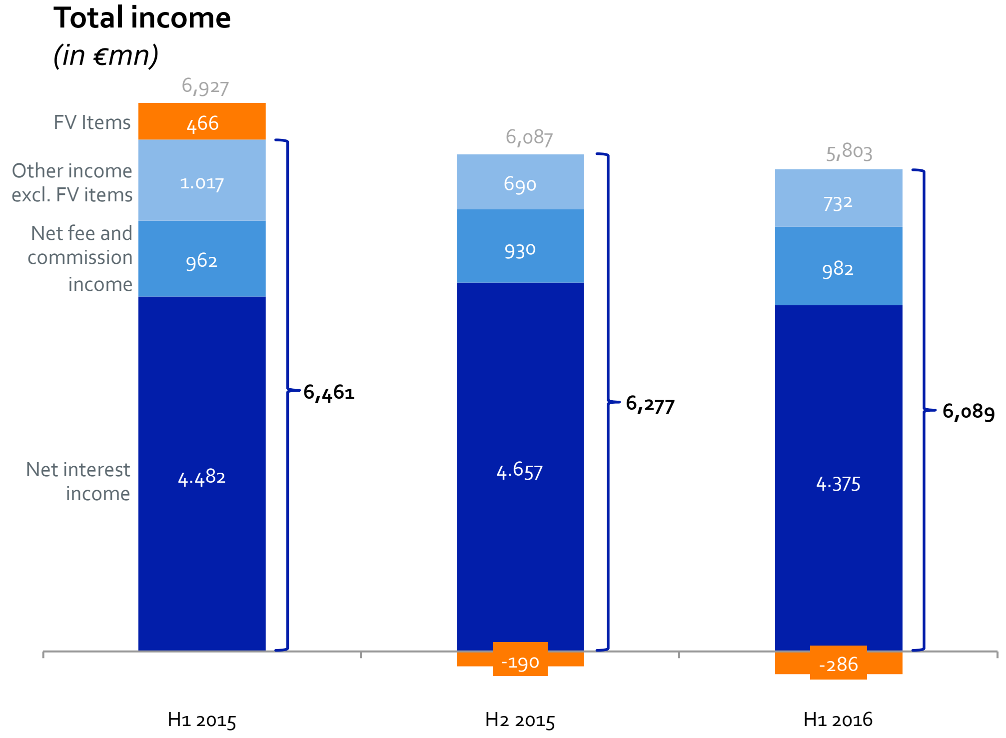
In €mn	*H1 2015*	*H2 2015*	*H1 2016*
Goodwill impairment RNA	-600	-3	
Restructuring	-26	-219	-190
Derivatives Framework*		-150	-514
Fair Value items**	466	-190	-286
Total effect	**-160**	**-563**	**-990**

* Interest Rate Derivatives Recovery Framework (IRDF) € 21mn charged to the P&L in 2014.
** Results on the fair value of issued debt instruments (structured notes) and hedge accounting

Underlying profit before tax
(in €mn)



Core income items remain stable



Interest income down, fee and commission up

- Net interest income: -2% vs. 1H 2015; net interest margin stable
- Net fee and commission income: +2% vs. H1 2015:
  - Domestic Retail: higher commission income on payment services
  - WRR: higher net fee and commission income in line with strategy of more fee-generating business
  - Leasing: growth of the loan portfolio contributed to higher income
- Other income (excl. fair value items): -28% vs.H1 2015:
  - WRR: other income returned to more historic levels after a very good H1 2015 (e.g. positive revaluations in the private equity portfolio and sale of large part of our stake in ABC)
  - Result from our participation in Achmea was lower

Impact low interest rate environment still limited

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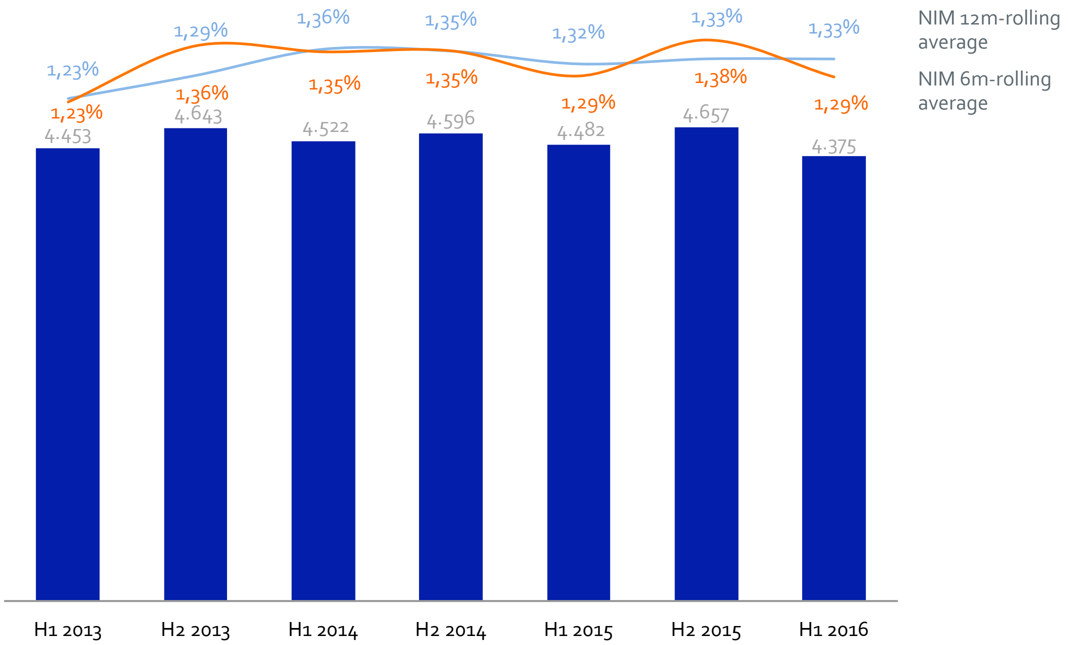
Net interest income (NII) and net interest margin (NIM)

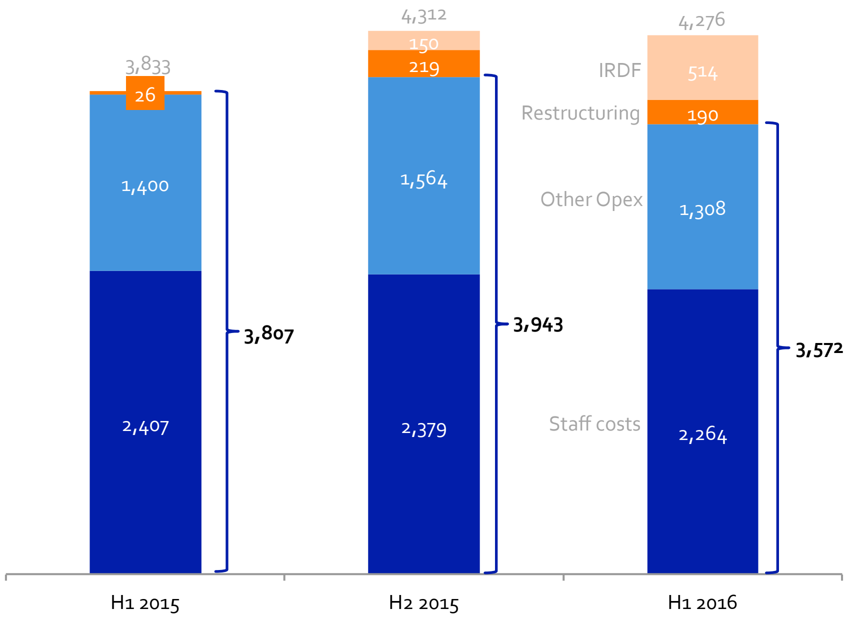


Main drivers lower net interest income

- Domestic Retail: net interest income was down 1% caused by a lower loan portfolio, and lower margins on payment accounts vs . H1 2015
- WRR: net interest income decreased due to lower results in the Treasury area, partly as a result of the current rate environment
- Leasing: stable net interest income and margin
- Real Estate: -14% due to a decline in FGH Bank's loan portfolio

Restructuring measures are bearing fruit

Operating expenses
(in €mn)



Underlying operating expenses develop favorable

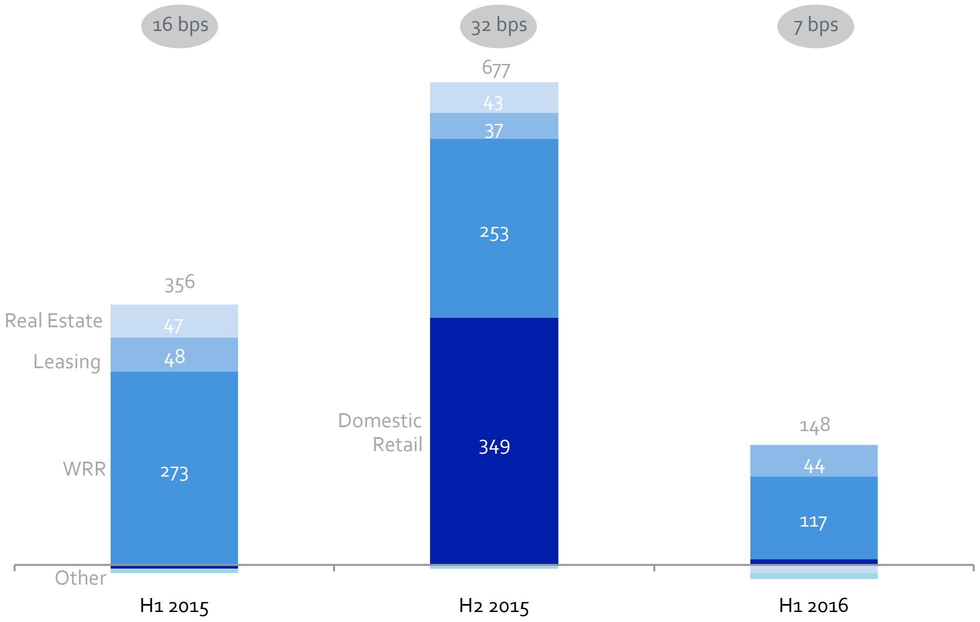
- Staff costs are on a downward trend due to restructuring efforts; in H1 2016 headcount was reduced by ~1,900 FTEs
- In addition, employee benefits were cut back
- Release of a provision contributed to a decline in other operating costs

Cost/income ratio development

	H1 2015	*H2 2015*	*H1 2016*
C/I excl. regulatory levies	55	71	74
Underlying C/I excl. regulatory levies	59	63	59

Loan impairment charges reach 10-year low

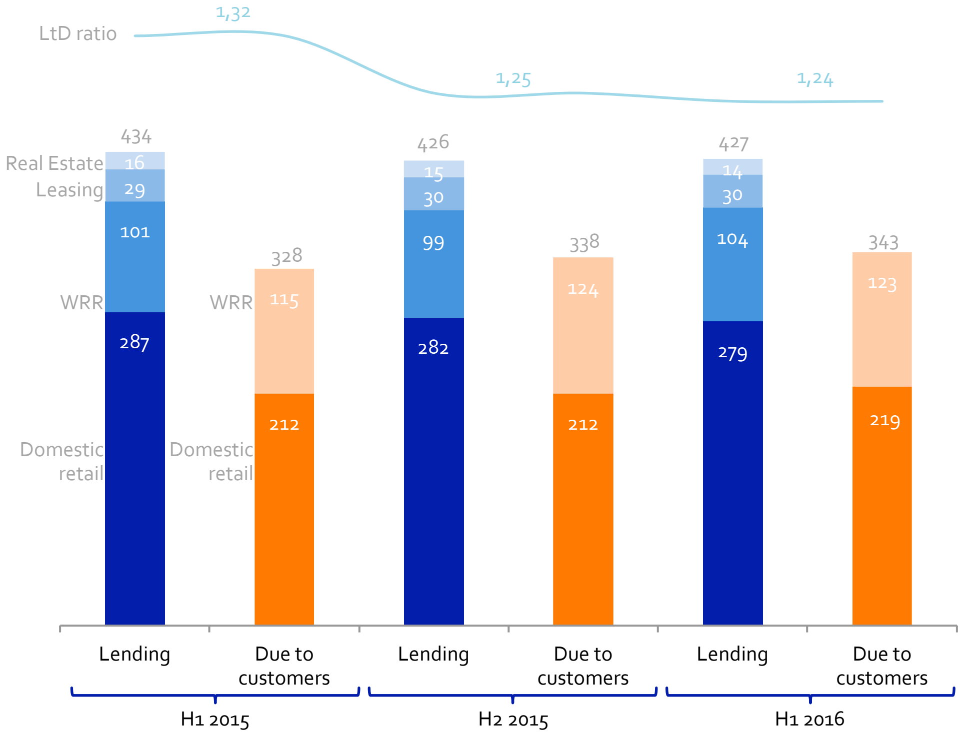
Loan impairment charges (LIC)
(in €mn and in bps of average lending)



All segments benefit from economic recovery

- Various sectors benefited from the economic growth and the accompanying higher consumer spending and exports
- Domestic residential mortgage loans continue to perform well with LIC at 4 bps
- Very low LIC in domestic business lending due to positive development of all the industries that Rabobank finances, except for greenhouse horticulture and shipping
- Despite structural problems in some parts of the Dutch CRE market, the overall quality of the CRE loan book improved further. LIC were negative due to more releases than additions to allowances for loan losses
- LIC at WRR more than halved (23 bps), mainly due to lower losses in the Netherlands (Wholesale)
- Long term (10-year) average LIC stood at 36 bps of average lending

Loan-to-deposit ratio improved slightly



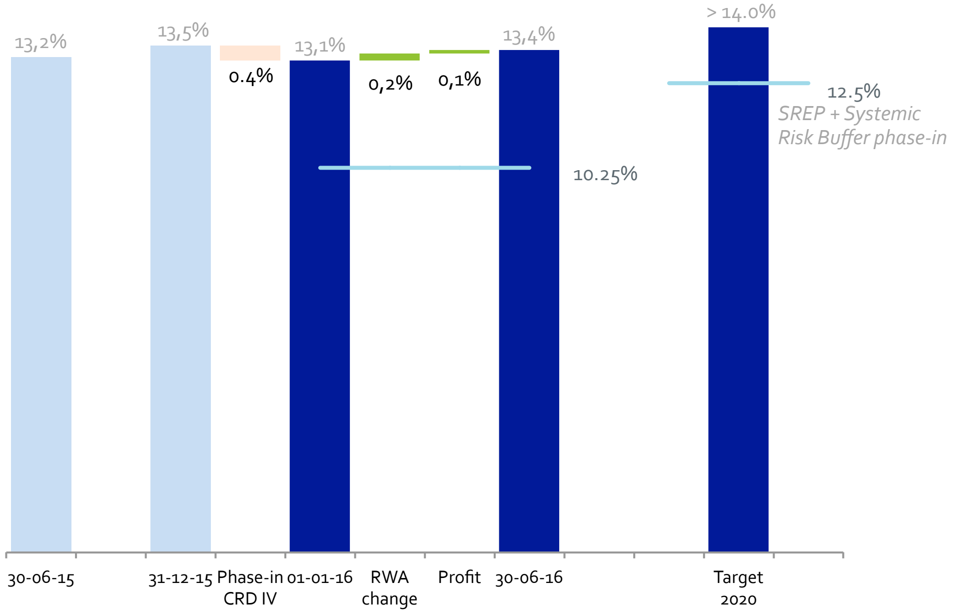
Main drivers improvement in loan-to-deposit ratio

- Loan portfolio increased by € 1bn compared to year-end 2015:
  - Domestic Retail: residential mortgage loan portfolio decreased by € 2bn due to loan sales and extra repayments, whereas loans to businesses were € 1bn down
  - WRR: loan portfolio increased by € 5bn. Amongst others growth in Rural Banking and Trade & Commodity Finance
  - Leasing: loan portfolio slightly up on the back of better economic conditions
  - Real Estate: loan portfolio decreased by € 1bn

- Due to customers increased by € 5bn compared to 2015:
  - Domestic Retail: due to customers up € 7bn partly as a result of holiday allowances received in May and an increase in current accounts held by business clients.
  - WRR: due to customers almost € 2bn lower. At FYE 2015 Rabobank had a large inflow of money from Wholesale-customers. Part of these deposits were withdrawn at the beginning of 2016.

Common Equity Tier 1-ratio well above regulatory requirements

Common Equity Tier-1 (CET1) Ratio
(in %)



Main developments

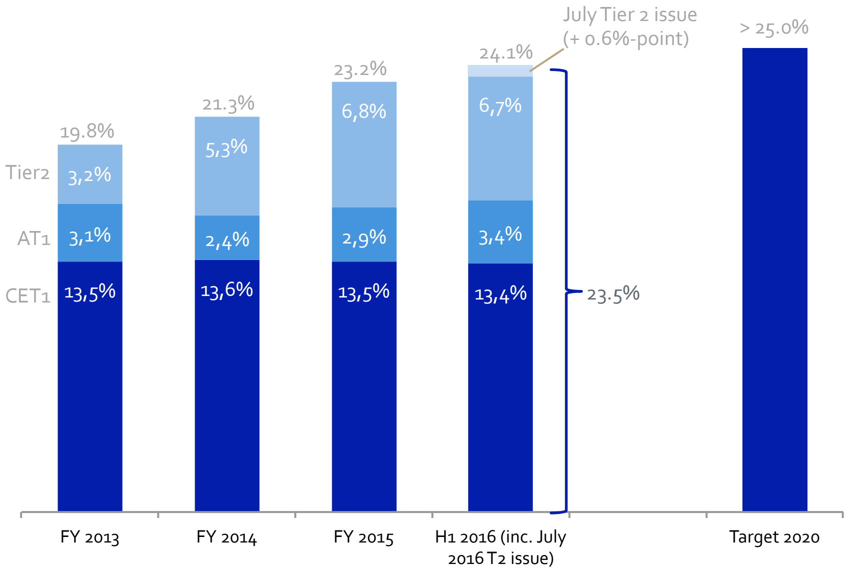
- Transitional CET1 ratio 30 June 2016: 13.4%
- Fully loaded CET1 ratio 30 June 2016: 12.4%
- CRD IV impact 1 January 2016: - 0.4%-point
- Pro-forma impact sale Athlon (to be finalised in H2 2016): + 0.4%-point
- In July 2016 the EBA confirmed that Pillar 2 requirements will be split between requirements (P2R) and guidance (P2G)

Targets

- Rabobank targets a 14% minimum CET1 ratio, which offers a minimum management buffer of 1.5%-point over and above fully phased in minimum requirements of 12.5%
- Current CET1 ratio of 13.4% implies a buffer of 3.15%-point (€ 6.5bn) over minimum CET1 requirements
- As at 30 June 2016 distributable items were € 25.4bn

Rabobank well on track to reach > 25% Total Capital target

Capital structure
(in %)



Highlights

- Rabobank is an outperformer in terms of its Total Capital Ratio
- Rabobank targets high capital ratios to protect senior bond holders against the (unlikely) event of a bail-in
- Rabobank is well on track in meetings its Total Capital target and MREL requirements
- Indicative MREL requirements expected by the end of 2016
- Rabobank strongly supports the 'French Proposal' for creditor hierarchy in Europe
- In H1 2016, Rabobank successfully issued € 1.25bn of PerpNC5 Additional Tier 1
- In July 2016 Rabobank issued US$ 1.5bn of 10y bullet Tier 2 securities pro-forma adding 0.6%-point to the Total Capital Ratio
- Transitional ratios as at 30 June 2016:
  - Tier 1 ratio 16.8%
  - Total Capital ratio 23.5%
  - Leverage ratio 5.1%

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