

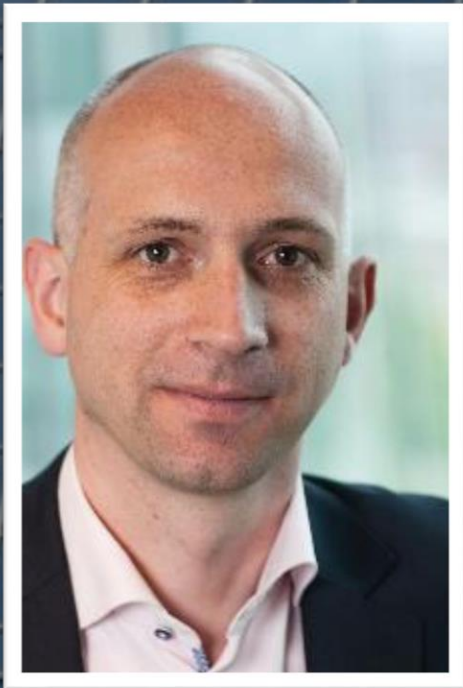


Rabobank

The Rural Opportunity

Lessons learned in building strong financial services for rural and agri markets

Congreso de acceso a servicios financieros y medios de pago
Cali Colombia, 2019



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Rabobank – at a glance

The Netherlands

101 local Rabobanks



420
offices

1.9mn
members

6.5
million private
customers

0.8mn
corporate
customers

Domestic Retail Banking

20%

Mortgages

€ 192bn

€ 59bn

Private sector lending to TIS

€ 27bn

Private sector lending to F&A

33%

Private savings

€ 120bn

International

38 countries



WRR & DLL loan portfolio per region in € bn

€ 63bn

Private sector lending to F&A*

€ 41bn

Private sector lending to TIS*

€ 29bn

Private sector lending by Leasing*

Credit ratings

Rabobank is one of the few banks with NPS rated in the 'A-AA' range

Jun 2018	PS	NPS	T2	AT1	Issuer/outlook
S&P Global	A+	A-	BBB+	-	A+/Positive
Moody's	Aa3	A3	Baa1	Baa3	Aa3/Stable
FitchRatings	AA-	AA-	A	BBB-	AA-/Stable
DBRS	AA	-	-	-	AA/Stable

ESG ratings



SUSTAINALYTICS

86 out of 100 points
Industry ESG Leader

ROBECOSAM

We are Sustainability Investing.

89 out of 100 points

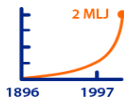
Building on a strong foundation of 110 years of growth



Based on Raiffeisen's model, agricultural credit was extended through savings and credit unions, bringing scarce capital within reach of farmer entrepreneurs



Enabling access to financial services gave a strong boost to investments in agriculture, enabling higher yields

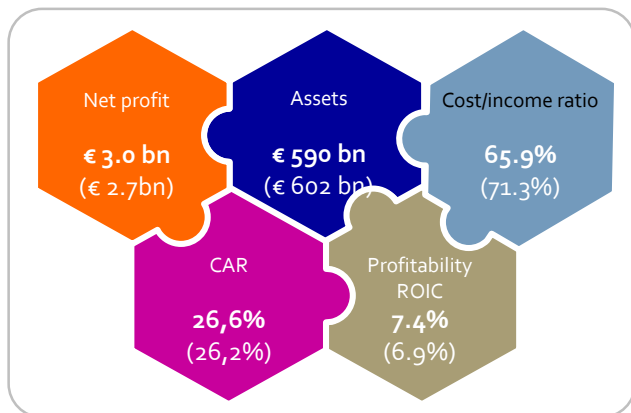


Growth in agricultural gave strong boost to economic development in the Netherlands, bringing welfare, prosperity and stability



Nowadays, The Netherlands is world's second largest exporter of agri produce, leader in chemical industry, high-tech, logistics and life sciences.

Results 2018



**Strong recovery since
debt crisis and still
great challenges
ahead**

obank

Rabobank

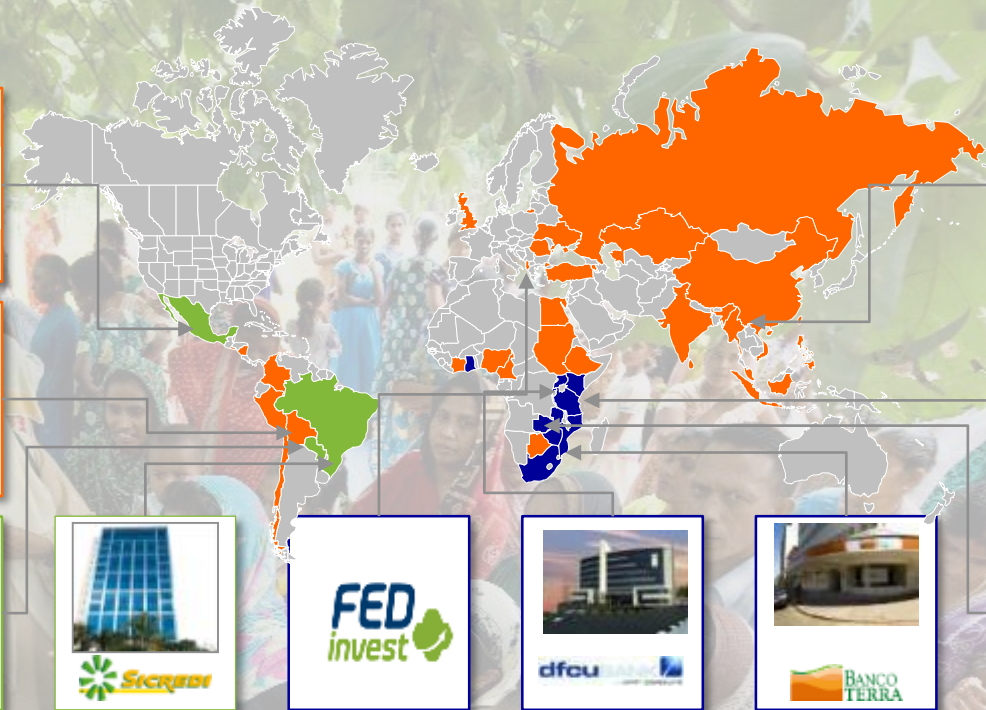
Direct investments



Investments via Arise



Advisory projects



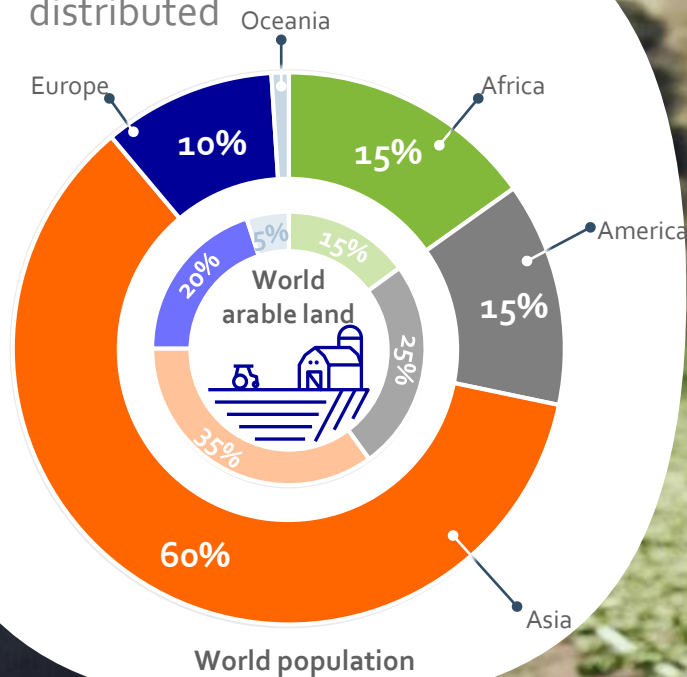
Rabo Partnerships B.V. - since 1989 Rabobank has a special arm developing financial markets in rural and emerging countries

Rabobank remains committed to the global F&A challenges

Growing demand towards 2100



Arable land is not equally distributed



Growing a better world together

Still there is a world to cover as financial inclusion matters for rural economies in emerging countries

Today more than four billion people worldwide do not have access to financial services



People who do not have access to financial services live in rural areas

Rural growth primarily means growth in agriculture



People must have access to sufficient, safe and nutritious food at all times

Agricultural development is important for balanced economic growth in many countries



Banking sectors in emerging economies typically show skewed interest in rural development and services

Often commercial banks in emerging markets do not provide rural banking



Access to financial services is many times confined to certain segments of the urban population

And as such can play a pivotal rural accelerating growth




Banks contribute to the development of the formal economy through all finance

The financial sector has a pivotal role to play in achieving economic growth





There are a number of common barriers hindering financial inclusion and rural entrance of the financial sector



Lack of infrastructure
precludes efficient
outreach to customers

Poor financial and
business literacy, weak
business culture

Suspicious enabling legal
environment: collateral
value is questionable, land
titles are often an issue

Poor supply chain
organization: power is
with the traders

Lack of scale at farm
level

Banking environment
sometimes distorted by
donors, government and
development banks



BANKS

GOV'T

**Banks and government can and should
improve the pace of rural development**

What have we
learnt from 30
years of practice?



Rabobank

Government based support program are crucial for rural development, if and when properly designed and positioned

Policies should be geared to improve access to financial services and improve an economically sound credit culture and a private sector level playing field.

Government based direct delivery of credit can not be sustainable in the long run as it lacks economic focus, infrastructure and expertise to deliver services consistently.

Subsidized credit programs not only affect credit culture, but also savings culture – a credit program should also have an exit policy.

Government needs to be a reliable partner in terms of (change to) tax system, legalisation and policies, such as collateral, land registration and foreclosure.

The role of SMEs in the growth of the economy (should not underestimated as required follow-up to agri growth – GDP, risk and job perspective.

Clients with insufficient payment capacity can only be assisted through income-support mechanisms, meaning grants, education and jobs, not loans.




**Going rural for banks means
rethinking your business
strategy along 5 key principles**



Going Rural is a Strategic Choice

Going rural cannot be done half-hearted. No short term gain as you need to overcome many barriers, building a strong knowledge base takes experience and time to develop – to mitigate risk and define a long term commercial gain.

A person wearing a red beanie with a white logo is looking over a vast green field under a blue sky. The person's face is partially visible, looking towards the right. A large white oval containing text is superimposed over the lower half of the image.

Diversify risks - rural and urban

Work on both sides of the balance sheet. Mix urban/rural/wholesale funding and define sector limits. Primary risk strategy is selecting the right clients and defining proper solutions to support their needs. Don't go only rural or for just one sector.

A woman with dark hair in a ponytail, wearing a white button-down shirt, is looking down at something in her hands. A man in a red shirt is standing next to her, also looking down. In the background, there is a bank lobby with a counter where several people in white shirts are working. The floor is dark and polished, reflecting the lights. A red wall is visible on the right side of the frame.

Start with transactional relationship

A (rural) client relationship starts with a current account, not a loan. Build transactional relationships before on-boarding the client with risks of non-repayment through loans. Be an all-finance all-round player for your client. Cash flows rule!

Rural is partnering business

Use strategic investors as partner. Create last mile delivery (e.g. cash) through a network, work on business literacy together, arrange first loss buffers and risk relief through donors. Use government as partner for policy support and knowledge partners to overcome barriers.





Innovate to a viable business model

Use innovation to drive economies of scale, Find new combinations of existing technologies. Build holistic customer views and solutions and be obsessed with the client's problem. Core to getting the client is the channel, not the product.

DATA - DATA - DATA

Translating into a successful rural operating model: Rabo Partnership's 3 lenses

Financial
services

Networking

Knowledge



dfou Women in Business
Enabling women to achieve their business and personal financial goals
• Training • Networking • Access to finance

dfouBANK



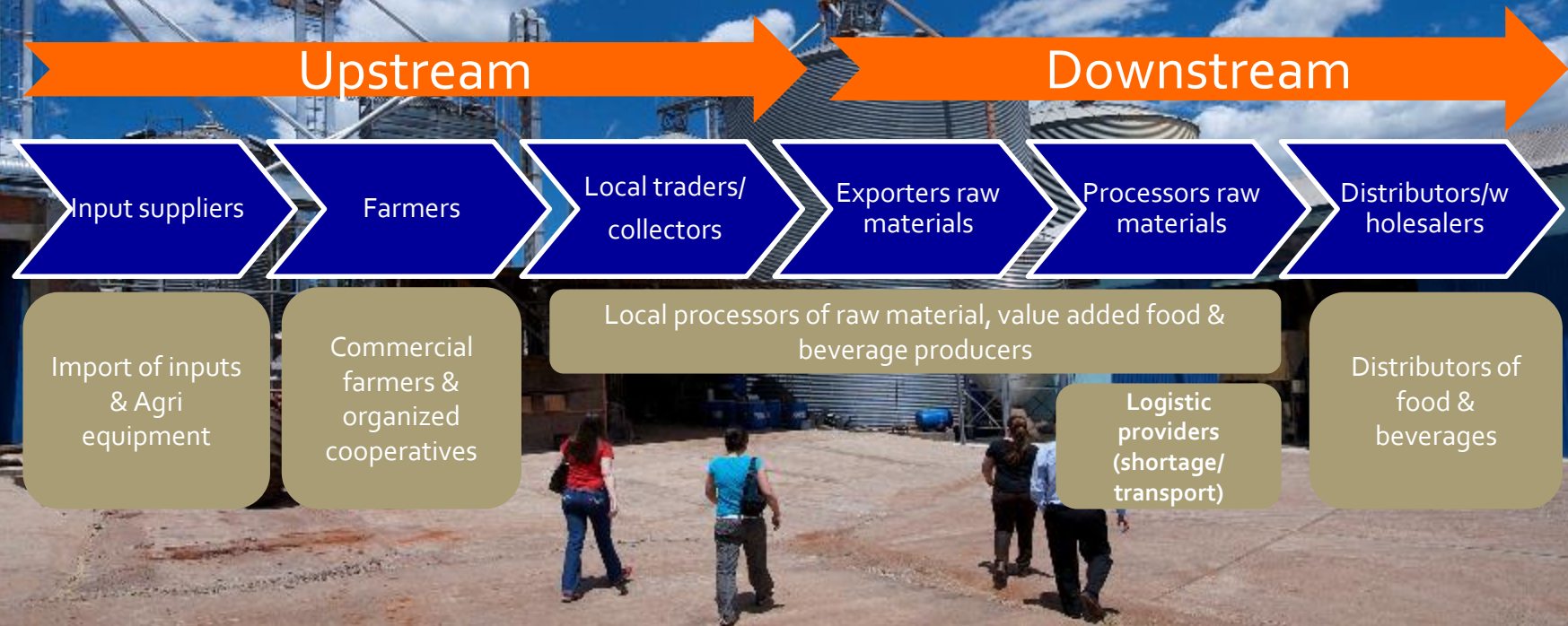
Networking

Being at the center of the business community, seeking opportunities to connect and build the client's business



Networking

F&A goes beyond farming – look through the chain



Networking and support



Royal
Netherlands
Embassy



Rabobank Foundation

Financial institutions



Expertise and F&A business



DIAGEO



FrieslandCampina

Local policy and delivery support



Dairy Association of China



中国乳制品工业协会
CHINA DAIRY INDUSTRY ASSOCIATION



Networking

Be a thought and community leader for your clients

Brexit likely to inflate UK food prices

The UK is a food importing country. Its isolation from the internal EU market after the 9 products, while it



Bloomberg



MARS

incorporated

Mars: Enhancing the M&A dialogue



Acquisition of Syngenta by ChemChina



AB InBev acquisition of SABM



Nordzucker

EU

Working with Markets team to engage EU clients on sugar hedging options after the 2017 policy reform

Cargill

Project Zebra

Elephant deal: sale of Cargill Oilseed assets in Europe to Bunge



FINANCIAL TIMES

UK COMPANIES MARKET: OPENING UP A CHANGING LANDSCAPE

Japan Suntory & Co. Limited

Beam Suntory: A volatile Japanese-US blend

Combining the corporate cultures of the two drinks groups after \$10bn merger has proved a headache

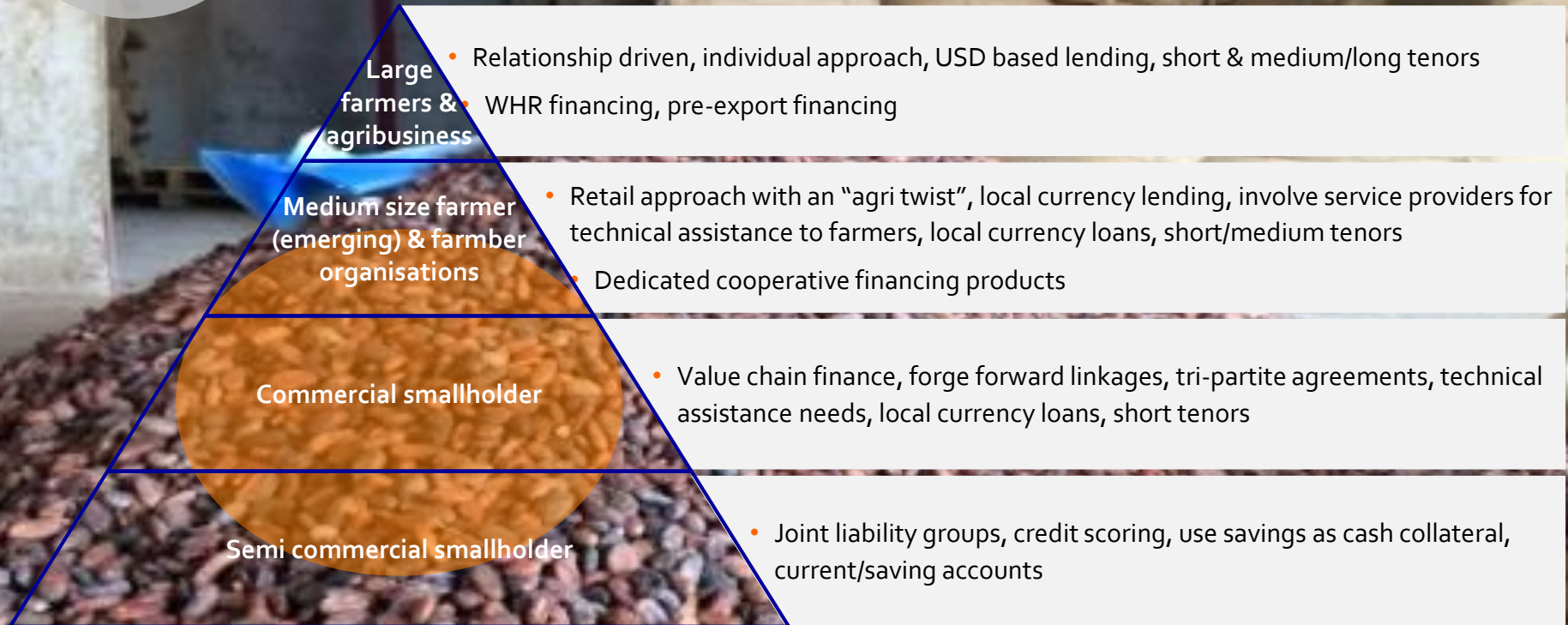
The Jakarta Post

Financial Services

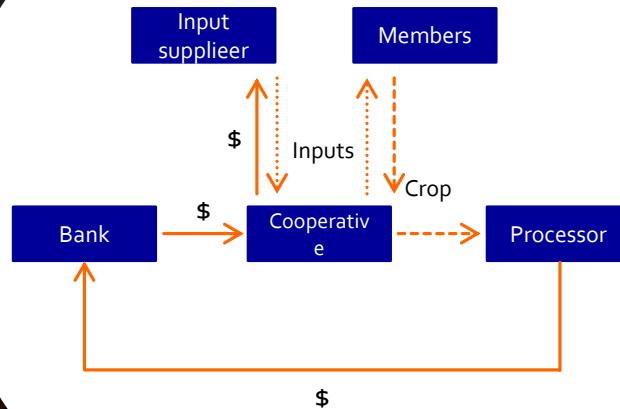
Providing financial solutions to your
clients making their dreams and
plans possible in the most
convenient and cost efficient way



Segment your service model along the client's need while respecting efficiencies



Example Value Chain Model: Indirect VCF model - servicing the association



Key agreements

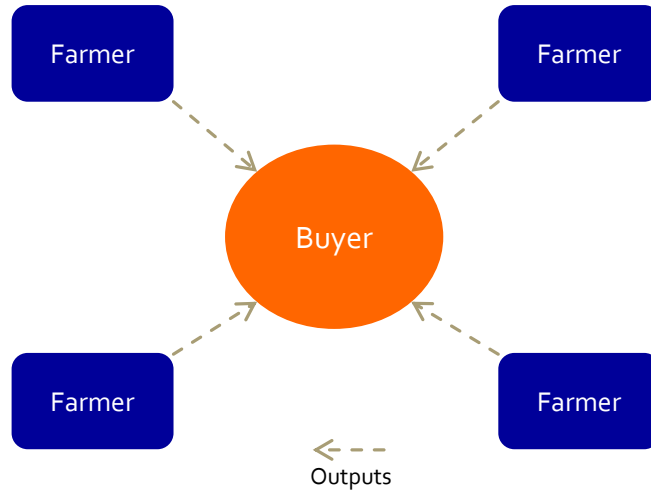
- 1 Loan application
- 1 Tripartite agreements
- 1 Loan agreement
- 1 Pledge/Mortgage agreement

Loan process

- Loan: max 50-60% of expected yield
- Tenor: max 12 months
- Collateral: farms/coop level
- Check business plan and past records
- Outstanding debts
- Check management capacity and admin system of coop

Financial
services

Example Value Chain Model: Informal Out-grower schemes



Speculative, seasonal sourcing on ad-hoc or semi-formal basis with minimal firm/farmer coordination; little to no inputs or services provided to little to no product specification by buyers.

- Based on spot market transactions
- Limited firm/farmer coordination
- Little to no product specification
- Buyer sources directly from individual farmers








Knowledge

Know your client's business almost better than he does, innovate and show financial craftsmanship



Knowledge

Sector policies are key to define risks and opportunities

Consumer foods	Beverages	Dairy	Animal protein	Grains, Oilseeds & Sugar	Farm inputs	Supply chain
<ul style="list-style-type: none">Food ServicesBakeryConfectioneryGroceryOther value added processing	<ul style="list-style-type: none">BeerCoffeeDistributionJuicesSoft drinksSpirits	<ul style="list-style-type: none">Dairy	<ul style="list-style-type: none">Pork & BeefSeafoodPoultry	<ul style="list-style-type: none">GrainsOilseedsSugar	<ul style="list-style-type: none">Agro chemicalsAnimal nutrition & healthEquipmentFertilizersSeeds	<ul style="list-style-type: none">Food LogisticsPackaging
						

Disseminating knowledge as USP

Knowledge



Knowledge

Full digital services



New business models



Digital DNA



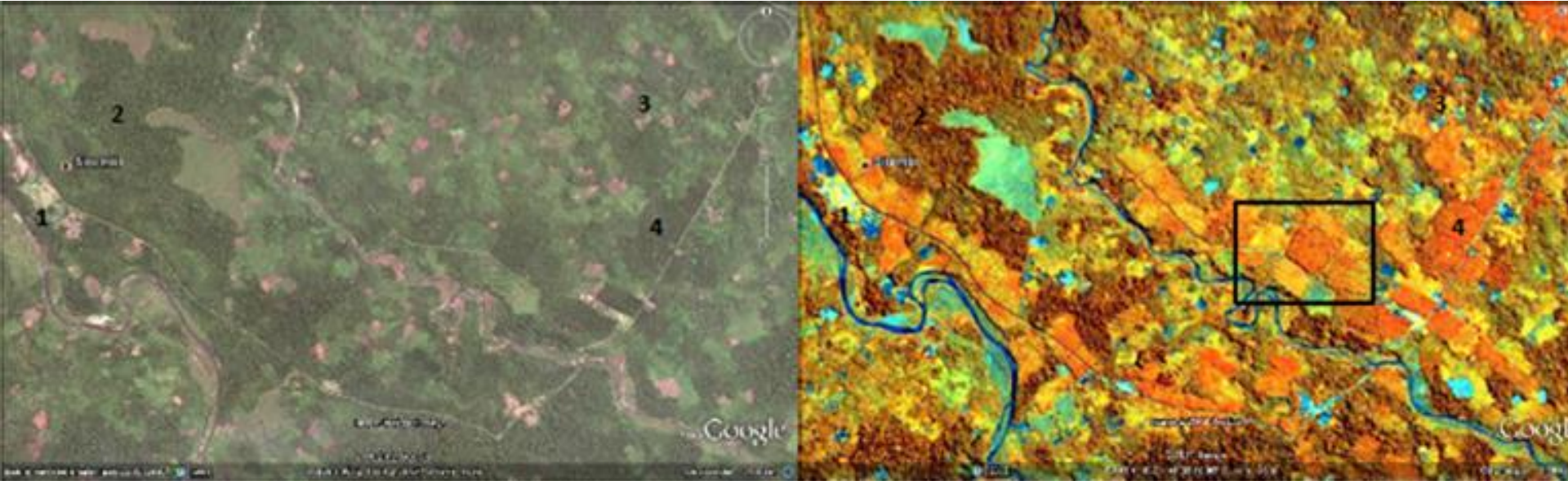
Innovate with clients



Innovate and reinvent yourself and your clients

Knowledge

Try and combine technologies



Example of innovation: using satellite data for climate smart agriculture

Knowledge

Use technology to create last mile delivery. Example: dealer portal in Myanmar



Yoma Bank funded MMK153bln of equipment loans
Contributed to multiple of 13
6,530 tractors financed during the lifetime of the AFP
200,000 additional rural families benefited
Additional income: rental services provided by owners
LIFT program provided a loan loss buffer

Growing a better world together

The Financial Sector

Government

Private Sector

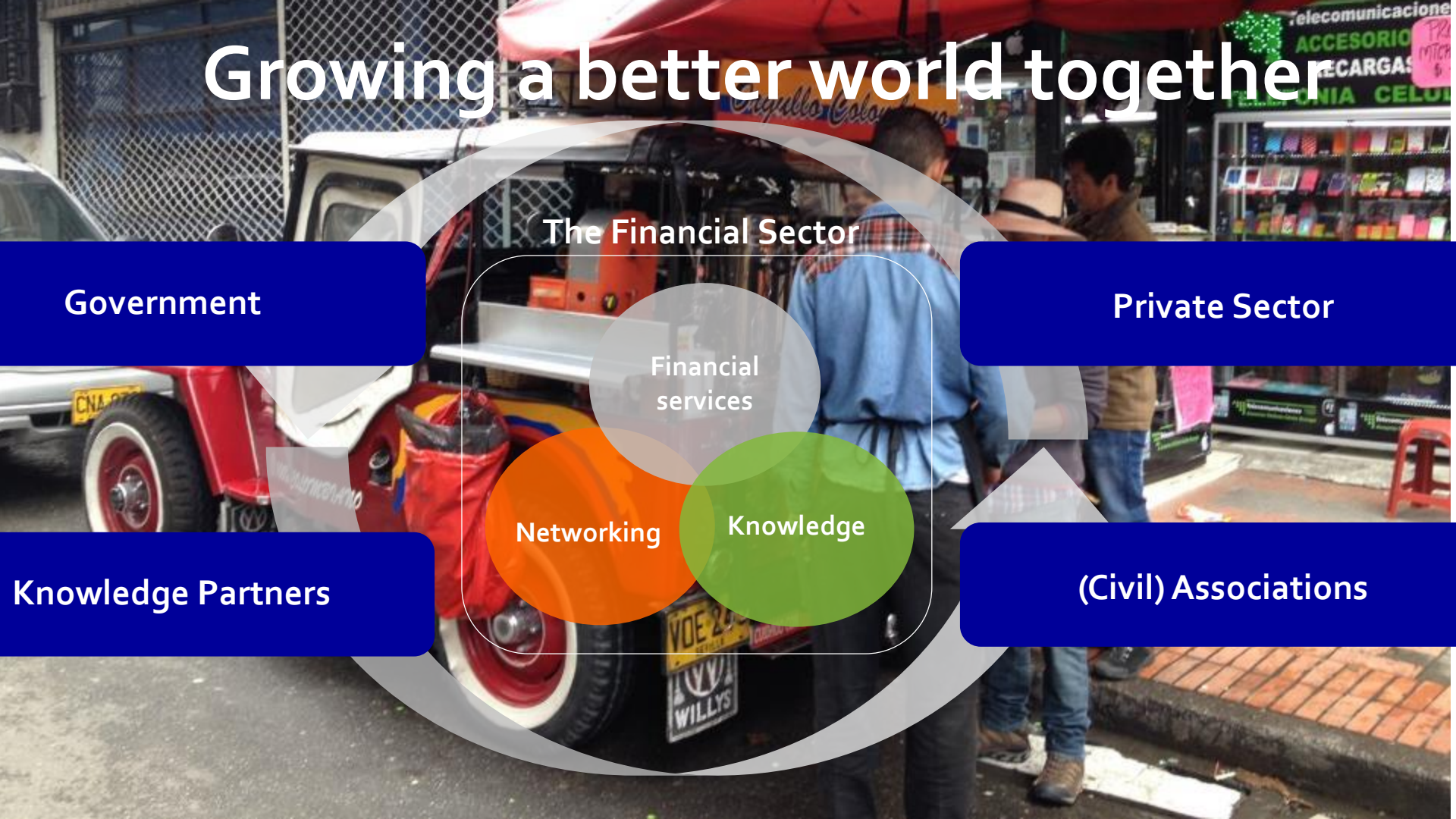
Financial
services

Networking

Knowledge

Knowledge Partners

(Civil) Associations





ExploringNewFrontiers.com

Thank you!

Contact me!

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**Rabo
Partnerships**

Growing a better world together.