

# Press release



25 August 2010 – EMBARGOED to 11:00 CET

**Rabobank**

*Half-year profit back at 2008 level*

## ***Rabobank Group: robust position, customer confidence and tentative economic upswing lead to strong results first half of 2010***

- Clients experience tentative economic recovery
- 50% reduction in bad debt costs
- Net profit up 26% to nearly EUR 1.7 billion
- Equity up to more than EUR 40 billion
- Robust tier 1 ratio: up to 14.9%
- Liquidity position remains strong
- Annual budget for long-term funding already realised

‘Although the economic recovery continues to be fragile, the Dutch economy is now also showing a tentative upswing, which is helping many of our clients to improve their financial performance,’ said Piet Moerland, Chairman of the Executive Board of Rabobank Group. ‘Nevertheless, a number of sectors still found themselves in difficulty in the first half of 2010. In these circumstances, we, at Rabobank, continue to support our clients as long as this is justifiable, based on mutual trust and our long-standing relations. As a result of the tentative economic recovery, bad debt costs decreased by approximately 50 percent at Rabobank.’

Thanks to our robust capital position, stable market shares, the trust of our clients and the fragile economic recovery, Rabobank Group’s net profit for the first half of 2010 was up 26%, rising to EUR 1,661 million against EUR 1,316 million for the first half of 2009. Our liquidity position continued to be strong and equity increased further to over EUR 40 billion. The tier 1 ratio was up 1.1 percentage points, at 14.9%, and return on equity stood at 10.3%.

‘With this strong performance, Rabobank Group has returned comfortably to a sustainable profitability level that will be required in the long term,’ said Piet Moerland. ‘We need a robust capital position to be able to continue to offer our retail and wholesale clients the best possible services with a view to maintaining good relations with them in the near and more distant future as well. One of our main areas of focus will remain operational efficiency, never losing sight of the interests of our clients and members. And, as a cooperative bank, we will remain committed to our innovation efforts and our role in society.’

### **Growth in lending at target level**

In the Netherlands, customers were hesitant to take out new mortgages because of the economic and political climate. In combination with many businesses putting off their investments, these factors contributed to lower growth in lending at the 143 local Rabobanks and at Obvion. Partly as result of repayments, domestic retail banking grew by 1%. Rabobank nevertheless managed to maintain its

leading position in the Netherlands: its share of the residential mortgages market even saw a limited increase to 31% and its share of the SME market stood at 41%.

At the same time, Rabobank continued – also in 2010 – to grant loans to businesses to help them to achieve their ambitions. Given the economic situation, our staff went out of their way to provide businesses with extensive support and guidance.

Loans to the food and agri sector continued to increase at Rabobank International and De Lage Landen. The loan portfolios of these divisions grew thanks, in part, to the rise in the US dollar. Within the first six months of 2010, lending at group level was up 5% to EUR 435 billion.

#### **Increase in amounts due to customers and assets under management**

Rabobank attracted more client deposits during the first half of 2010, as a result of which amounts due to customers were up 4% at group level, reaching EUR 298 billion. Retail clients entrusted more money to their local Rabobanks, which led to a 3% rise in savings deposits to EUR 125 billion.

Rabobank Group's share of the savings market was more or less stable at 39%.

The inflow of assets and the rise in the US dollar and the Swiss franc led to a 9% increase in assets under management and held in custody for clients to EUR 250 billion. Owing to the mood in the financial markets, investment returns for clients were negative on average.

#### **Higher interest and commission income**

At the local Rabobanks, volume growth contributed to the increase in interest income for the first half of 2010. Fee income rose sharply at Rabobank International, partly due to an increase in the number of refinancing transactions. At Robeco and Sarasin, growth in assets under management resulted in an increase in asset management fees. De Lage Landen also saw its interest income rise. At Rabo Real Estate Group, interest income was up and more homes were sold.

#### **Ongoing focus on cost control**

Cost reduction is a priority throughout Rabobank Group. Operating expenses continued to decrease, not only at the local Rabobanks, but at Robeco and Rabo Real Estate Group as well. Greater use will be made of virtual distribution channels in this respect, in response to demand from clients. In addition, processes will continue to be streamlined.

#### **Improved capital position and liquidity position continually robust**

Thanks to the economic recovery, additions to the provision for loan losses were down, particularly at the local Rabobanks and Rabobank International. At group level, bad debt costs fell from 55 to 27 basis points of average lending, i.e. an approximately 50% reduction against the same period last year.

In line with its risk profile, Rabobank has only very limited exposure to European government bonds that are currently perceived by the market as less creditworthy. The stress testing exercise initiated

by the Committee of European Banking Supervisors (CEBS) confirmed Rabobank's relatively low risk profile and the bank's large buffers to protect against potential losses.

The capital position was further strengthened; equity rose by 6% to over EUR 40 billion thanks, in particular, to retained earnings. The entire annual budget for long-term funding had already been realised in the first half of 2010. An amount of EUR 1.25 billion was raised via the issue of innovative Senior Contingent Notes and Rabobank Nederland issued EUR 900 million in *Rabo Extra Ledenobligaties* (member bonds). The liquidity position continued to be strong.

### **International growth strategy**

As part of our strategic focus on food and agri business, Rabobank International and other group entities have explored the possibilities of forming an alliance with the Agricultural Bank of China over the past few months.

In the United States, the international retail banking activities were broadened with the acquisition of Napa Community Bank. Butte Community Bank and Pacific State Bank were added recently, creating a network of 120 branches in California.

The cautious growth strategy in key food and agri countries offers interesting prospects, particularly for our globally operating wholesale clients. As part of this strategy and given the expansion potential in India, preparations were made to obtain our own banking licence in India. With this in mind, Rabobank scaled down its equity stake in Yes Bank to 4.9% in the first half of 2010.

### **Global recovery in first half of 2010**

The global economic recovery that started to manifest itself in mid-2009 continued into the first half of 2010. In most emerging economies outside Europe, the economic growth was strong enough to catch up on the production volumes that were lost during the recession. The recovery in Asia was particularly impressive. The economic recovery in the United States, Japan and many European countries was still too feeble to offset the consequences of the recession. Global economic growth will probably level off in the second half of 2010. Governments and central banks in emerging markets want to prevent the economy from overheating, while in western economies the positive effect of stimulus packages that are part of monetary and budgetary policy will continue to decline.

### **Financial markets back in calm waters?**

Doubts about the creditworthiness of a number of governments led to unrest in the financial markets, but the latter rallied in response to a substantial rescue package put together by the European Union and the IMF. Nevertheless, the borrowing costs of Ireland and the southern European countries remain relatively high, and all these countries have been forced to introduce sharp cuts this year. They will be joined by a number of other countries next year, as a result of which the economic recovery will probably continue to be moderate in 2011.

### **Moderate economic recovery in the Netherlands**

The Dutch economy, which is export-oriented, is benefiting from the global economic recovery. Thanks to a sharp rise in exports in the first half of 2010, export volumes are now higher than they were before the crisis. The increase in global demand also led to a strong recovery in industrial production. However, as the recovery was affected by weak domestic economic dynamics, economic activity is still substantially below 2008 levels. Retail and wholesale clients are holding back investment decisions owing to the weak labour market and uncertainty about imminent cuts. Given the slowdown in global economic growth in the second half of the year, the Dutch economy is expected to continue to recover very gradually.

### **Outlook for second half of 2010**

The expected tentative economic recovery in the second half of 2010 will lead to a modest increase in activity levels at our clients, as a result of which growth in lending will remain limited. We expect that while bad debt costs will still exceed the long-term average, they will be lower than in 2009. Rabobank Group expects to be able to further improve its capital position and maintain its strong liquidity position in the second half of the year.

---

### **More information**

The Interim Report (PDF) is now available on [www.rabobank.com/reports](http://www.rabobank.com/reports).

On 1 September, the online Interim Report will be published on [www.rabobank.com/annualreports](http://www.rabobank.com/annualreports)

The key figures for mobile phones will be available on [m.keyfiguresrabobank.com](http://m.keyfiguresrabobank.com)

### **Questions: Rabobank Group Press Office**

Roelina Bolding, +31 (0)30 216 4304 or [r.bolding@rn.rabobank.nl](mailto:r.bolding@rn.rabobank.nl)

René Loman, +31 (0)30 216 2622 or [r.loman@rn.rabobank.nl](mailto:r.loman@rn.rabobank.nl)

Or log on to [www.rabobank.com/perscentrum](http://www.rabobank.com/perscentrum)