

# Press Release



**Rabobank**

*Rabobank Group half-year figures for 2011*

## ***Rabobank: solid earnings at a time of modest economic recovery***

• Net profit	EUR 1.9 billion (+13%)
• Tier 1 ratio	16.2% (+0.5 percentage points)
• Lending	EUR 441 billion (+1%)
• Amounts due to customers	EUR 305 billion (+2%)
• Assets managed and held in custody	EUR 269 billion (+0%)
• Bad debt costs	29 basis points (2010: 29 basis points)
• Equity	EUR 43 billion (+4%)

In the first six months of 2011, the global economic recovery was modest. Increased global demand and growing exports meant that Dutch manufacturers started investing again, albeit on a limited scale. The public debt crisis in a number of European countries and tensions surrounding the federal debt ceiling in the US dampened economic recovery. In the Netherlands, this was exacerbated by the stagnant housing market, all of which resulted in low consumer confidence.

On balance, it has been a good half year for Rabobank. Net profit was up 13% to EUR 1,854 million, which was largely used to further strengthen our equity. Equity growth is needed to keep our buffers at a robust level. The tier 1 ratio was up 0.5 percentage points, reaching 16.2%, because of retained earnings and the issue of hybrid capital. The equity position was further strengthened and the liquidity position also remained strong. Rabobank managed to retain its market shares in its key markets.

There was limited growth in lending and in amounts due to customers at Rabobank Group. The performance of nearly all group entities was up on that in the first half of 2010. The risk profile of Rabobank Group's loan portfolio improved somewhat. Rabobank took its responsibility as a cooperative bank by taking a flexible approach and offering assistance to customers affected by the EHEC bacteria outbreak in Germany. The fall-out from the outbreak for Dutch greenhouse vegetable growers and the late-cyclical nature of the construction industry affected bad debt costs. Rabobank has only limited net exposure to European government bonds (PIIGS) that are currently perceived by the markets as being subprime.

### **Capital ratios bolstered further**

Like lending, amounts due to customers showed a modest growth, increasing by 2% to EUR 305 billion at group level. There was a further increase in savings deposits at foreign direct banks.

Fuelled by higher interest income and a rise in other income, Rabobank Group's net profit increased by 13% in the first half of 2011, landing at EUR 1,854 million. Return on equity stood at 10.8%. The Tier 1 ratio was up 0.5 percentage points, reaching 16.2%, because of retained earnings and the issue of hybrid capital. The net profit growth caused RAROC to rise by 2.0 percentage points to 16.8%. The efficiency ratio improved to 59.7% and equity was up 4%, rising to EUR 43 billion. At EUR 690 million, Rabobank Group has very limited net exposure to European government bonds issued by what are known as the PIIGS countries, which are perceived by the markets as being subprime. Cumulative value adjustments on Greek bonds were EUR 104 million at 30 June 2011.

### **Growth in lending**

Economic growth resulted in a better investment climate in the Netherlands. The mortgage portfolio also showed limited growth. On balance, Rabobank Group's private sector lending was up 1% in the first half of 2011, growing to EUR 441 billion. The local Rabobanks and Obvion recorded growth in lending, as did De Lage Landen and Rabo Real Estate Group.

### **Stable volume of assets managed and held in custody for clients**

Many stock exchanges dropped slightly in the first half of 2011 and bond yields showed a moderately positive picture on average despite the debt crisis. Positive cash flows, currency losses and negative investment returns more or less balanced out to keep assets managed and held in custody for clients virtually stable at EUR 269 billion in the first half of 2011. Robeco manages over half of the assets, Sarasin is responsible for managing a quarter, and the remaining assets are managed by Schretlen & Co, Rabo Real Estate Group and the local Rabobanks.

### **Bad debt costs at 29 basis points**

Despite the economic recovery, which had a positive effect on developments in value adjustments, various factors nevertheless fuelled a limited increase in value adjustments. The continuingly poor property market, for instance, caused an increase in value adjustments at the real estate activities and the local Rabobanks recognised an additional provision for greenhouse vegetable growers as a result of the EHEC outbreak. At Rabobank International, value adjustments continued to be high because of Irish-based ACC Bank. For the first six months of 2011, value adjustments at group level stood at EUR 618 million. As a measure of average lending, bad debt costs remained, at 29 basis points, stable compared to 2010.

### **Reform of the housing market**

An upturn in the housing market could give an important boost to the recovery of consumer confidence and a further economic upswing. With this in mind, Rabobank launched an integrated plan to reform the housing market. The temporary cut in the property transfer tax rate as of 1 July may represent a good first step, but Rabobank believes more needs to be done to secure the continuing recovery of the housing market and restore confidence.

### **Laws and regulations**

Rabobank believes the proposals under Basel III, which are aimed at bolstering capital buffers and improving liquidity, will contribute to increased financial stability. However, various other laws and regulations are on the cards as well. Expectations are that, taken together, these developments will weigh heavily on the future financial position of the Dutch banking industry. Care should be taken to ensure that this accumulation will not affect the Dutch banks' ability to maintain adequate reserves and, hence, provide sufficient loans. This could hamper economic recovery. For this reason, it is imperative that the various policy proposals be consistent, that they be viewed in conjunction, and that they not jeopardise the financial system's stability and its ability to continue to provide loans.

### **Outlook**

Owing to the problems caused by the international public debt crisis, which will be with us for some time to come, the growth rate of the Dutch economy will be relatively low in the second half of 2011 as well, and the uncertainties in the markets and shared by our clients will remain sizeable. We expect growth in lending and in amounts due to customers to remain moderate. Despite the current turmoil in the financial markets, Rabobank is optimistic about the level of its profits for the full year 2011, assuming no further worsening of the current economic conditions. We use these, as we always do, to maintain our equity position at an appropriate level, so we can continue to serve our customers on a long-term basis going forward.

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### **Questions? Please contact the Rabobank Group Press Office:**

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### **More information**

The Interim Report and the presentation are available on [www.rabobank.com/results](http://www.rabobank.com/results) and through the Rabobank Annual Reports App. The key figures are available for mobile phone users on [m.keyfiguresrabobank.com](http://m.keyfiguresrabobank.com). The online Interim Report will be available on August 26, on [www.rabobank.com/annualreports](http://www.rabobank.com/annualreports).