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**RABOBANK'S FINANCIAL MARKETS OUTLOOK FOR 2010
- WORLD ECONOMY RECOVERING, ALBEIT SLUGGISHLY,
FROM BIGGEST POST-WAR SLUMP
- CYCLICAL FACTORS TO BOOST REGION'S GROWTH**

Media Release – For Immediate Release

Singapore, 15 September 2009 – Rabobank International (“Rabobank”), a Triple-A rated privately-owned bank, and also ranked as the world’s sixth safest bank by *Global Finance* magazine, today gave a presentation on the Financial Markets Outlook for 2010.

Mr. Jan Lambregts, Global Head of Financial Markets Research for Rabobank said, “The world economy is recovering from the biggest post-war slump, but it will be a sluggish recovery for the year ahead. Easing inflation has enabled central banks to cut rates to record lows. Governments have strengthened their grips on the financial sector and economic stimulus packages were introduced. However, interbank lending activity remains thin. This is partly reflected in a combination of ultra low base rates and excess liquidity due to central bank measures. Rising delinquency/foreclosure rates are still weighing on valuations of mortgage-based instruments.

“The GDP growth for the U.S. has already shown a clear easing of the recession: -1.0% in Q2 with Purchasing Managers Indices (PMIs) recovering to neutral levels. The housing market has also turned around with price rebound in Q2 as well. As for the Eurozone, the pace of contraction is slowing: -0.1% quarter-on-quarter in Q2. We expect the economy to embark on a sustainable recovery only over the course of 2010. Japan’s Q2 GDP rose 0.9% quarter-on-quarter, which is the highest among major economies. However, output is still down: -7.5% as compared to Q1 peak,” Mr. Lambregts added.

Growth & Inflation Outlook

Inflation is expected to remain subdued in the coming years with risks skewed towards higher inflation in the longer run.

Rabobank predicts that GDP growth in the US will register -2.9 and 1.4 per cent in 2009 and 2010 respectively. Projected GDP growth rates for Eurozone and China are -4.2 and 8.0 per cent in 2009 respectively, as well as 0.3 per cent and 8.0 per cent in 2010 respectively. Additionally, Rabobank foresees 2009 inflation rates of -0.5, 0.3 and -1.3 per cent for the US, the Eurozone and China respectively. However, inflation rates in 2010 are expected to rise to 2.1, 0.9 and 2.5 per cent respectively.

Rabobank believes that Japan’s GDP will experience a contraction of -5.3 per cent in 2009 and positive growth of +2.3 per cent in 2010, – indicating a turnaround. Correspondingly, inflation is projected to come in at -1.3 per cent this year before rising slightly to 0.6 per cent next year.



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Unemployment rate will remain high with the U.S. registering 9.5 per cent in 2009 and 10.4 per cent in 2010. The rate is also similar for the Eurozone: 9.6 per cent in 2009 and 10.9 per cent in 2010. As for Japan, the unemployment rate will be 5.3 per cent in 2009 and 5.7 per cent in 2010.

Central Banks

The U.S. government has strengthened its grips on the financial sector. As a result, regulatory framework overhaul is underway. The US Federal Reserve (Fed) has focused on record low rates as well as extending and expanding liquidity and swap-lines to get the economy going.

In the Eurozone, industrial sector will benefit from the rebuilding of inventories and a recovery in the global trade in the second half of 2009. Although GDP probably grew slightly in Q3, Rabobank expects the economy to embark on a sustainable recovery which will happen over the course of 2010. The recent strength of the euro should not pose a major impediment to growth as exports will play a key role in propelling growth.

Although Japan registered a strong second quarter performance, this should not be interpreted as Japan leading the rest of the world out of the recession. Japan is among the hardest hit economies, thus, having more room for a rebound. It will be external rather than internal demand which will be the key driver for Japan's gradual recovery.

EUR/USD, USD/JPY

The USD initially benefited from a flight to quality. Subsequently, there was an inverse correlation between stock gains and USD weakness. Cyclical USD rebound into 2010 comes against long term structural negatives such as a weak fiscal position. EUR/USD is unlikely to retrace to Rabobank's estimate of 'fair value' of around US\$1.22.

The return of deflation, unemployment at record highs and a low jobs-to-applicant ratio augur badly for JPY fundamentals. The likely USD/JPY peak will see the pair enter overvalued territory compared to long term 'fair value' levels which are estimated to be around Y90.

Equity Markets

According to Ms. Victoria Mio, Senior Portfolio Manager of Robeco Group, a subsidiary of Rabobank Group specialising in asset management, equities in Japan and emerging markets are preferred over US and Europe. This is because the centre of the world is moving towards east. Asian's weight in the global market capitalization accounts for only 21 per cent. For Asia, there is less leverage which will mean stronger recovery potential.

The European equity markets will have limited attraction as economies remain sluggish. Europe has largely the same problems as Japan but its equity markets are more expensively valued. The market can only move high if euro starts to depreciate.



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Valuations of the U.S. equity market look good versus interest rates. Aggressive government intervention supports economic recovery. With a weak dollar, it is positive for U.S. exports. Robeco sees the time is right for investors to invest in the U.S. equity market.

Japan's equity market is perceived as the "world's cheapest developed market". Domestic and overseas investors will re-allocate towards Japanese equity market. Another factor in favour of Japan is Yen broke 100 versus the dollar as a safe haven currency.

China's economic recovery is on firm footing and consumers are confident. As a result, money has been invested in stocks and it has now moved to the real economy and property.

Robeco's forecast is that Asia will be the most attractive equity region for 2010. Domestic investors' interest will be a driving force and to expect short-term correction to be followed by 2010 rally. Robeco is also bullish on Taiwan, Thailand and Indonesia equity markets with Japan being a good buy for the patient investors. Outside Asia, Robeco prefers the U.S. equity market over Europe.

Commodities

Global non-oil commodity prices have partly recovered from the 2008H2 slump. Commodity prices are largely driven by seasonal and weather-related factors. The inventory rationale is less important for non-oil commodity prices. Overall, Rabobank believes that prices are likely to remain at structurally elevated levels in the coming years.

Oil Outlook

Following the sharp drop in oil prices alongside the broad based commodities price slide of 2008H2, oil prices have partly recovered. Inventory levels are still at historical highs, reflecting sluggish demand and a steep forward curve. Some of the recent recovery in oil prices may have been driven by speculative demand. Given these factors, Rabobank doubts oil prices to have much upward potential. However, growth in oil demand in India and China will be an important driver of oil prices.

China

China's economic recovery is underway, said Dr. Adrian Foster, Asia Head of Financial Markets Research for Rabobank. "China's GDP bottomed at 6.1 per cent in 1Q2009 and back to 7.9 per cent year-on-year in 2Q09. Hence we expect that the government's target of 8.0% growth will be achieved this year. Imports should recover more strongly which is in line with robust domestic demand. However, net trade contribution will be a drag on 2009 GDP growth and it will be a neutral for 2010.

"Confidence was boosted by large government stimulus measures in particular infrastructure investments, income transfers and fiscal spending incentives. Deflation raises real income in China. We forecasts that job creation will pick up in 2010," added Dr. Foster.



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China left the currency out of the stimulus equation, returning to a de facto USD/CNY peg. Rabobank anticipates that the USD/CNY will be stable at 6.83 until mid-year 2010 and will hit 6.77 by year end of 2010 with a 1 per cent appreciation.

Singapore

Singapore's growth weakened sharply to -9.5 per cent year-on-year in 1Q. The finance and manufacturing sectors bore the brunt of the downturn. However, the economy rebounded 20.7% in 2Q2009. With this rebound, the Government has raised the 2009 GDP forecast to -4 to -6 per cent.

Rabobank's forecast for Singapore's GDP is -1.9 per cent in 2009 and +4.8 per cent in 2010.

Singapore's property sector has rebounded with the value of residential sales transactions increased six fold since September 2008. However, this is still 34 per cent below the December 2007 peak.

Inflation is of lesser interest in Singapore due to Monetary Authority of Singapore (MAS)'s focus on the currency and the importance of economy-wide competitiveness in their policy framework.

The MAS re-centred the trade weighted index (TWI) exchange rate at the level prevailing in April 2009. As a result, movements in major currencies versus the USD will be the driver of USD/SGD through the TWI mechanism.

Conclusion

"In April 2009, the IMF estimated that the potential worldwide losses would amount to US\$4 trillion, of which US\$2.7 trillion were for the banks. This suggests that there is still some way to go although the recent recovery in the markets may lead them to lower this estimate. Illiquid and bad assets have not been removed. Growth of credit has slowed sharply. This reflects a decline in the demand for credit. Concerns are now focused on the ability of the banking sector to supply fresh credit once demand picks up. In summary, while we see green shoots appearing, the recovery ahead will be sluggish," concluded Mr. Lambregts.

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About Rabobank

Rabobank Group is a full-range financial services provider founded on a stable co-operative structure committed on long-term relationships with clients in the Food & Agribusiness sector.

Headquartered in Utrecht, The Netherlands, the Group employs more than 60,000 staff in 45 countries, servicing the needs of more than nine million clients worldwide. Rabobank Group's operations include retail banking, wholesale banking, asset management, leasing and real estate. Food & Agribusiness is the international prime focus of the Rabobank Group.

Rabobank International ("Rabobank") is the Group's wholesale bank and international retail bank, providing customised banking and finance solutions to businesses involved in all aspects of food and agribusiness. Rabobank's Triple A credit rating from both Moody's and Standard & Poor's since 1981, specialised market knowledge and group diversity have created an excellent combination to grow and strengthen Rabobank's Asia business and performance.

From our century-old roots as a finance cooperative founded in 1898 by Dutch farmers, Rabobank Group has grown today into the 29th largest bank worldwide in terms of total assets by The Banker Top 1000 World Banks 2009, with total assets of EUR 612 billion and a net profit of EUR 2.75 billion in 2008.

In terms of Tier 1 capital (the core measure of a bank's financial strength from a regulator's point of view), Rabobank Group is among the world's 22th largest financial institution by The Banker Top 1000 World Banks 2009. Furthermore, our solidity and stability are evidenced by being ranked 6th in the World's 50 Safest Banks 2009 list by Global Finance magazine, and the 165th largest corporation in the world as per the Fortune Global 500 ranking on global companies in 2009.

More information about the Rabobank Group can be obtained from our website: www.rabobank.com

About Robeco

Founded in 1929 in Rotterdam, the Netherlands, Robeco is one of the largest pure-play asset managers in Europe with 80 years of investment experience. As of June 30 2009, Robeco managed around USD 161 billion globally. To serve 1.5 million private investors, over 700 institutional clients and 100 distribution partners around the world, Robeco has a global presence with offices in Europe, the United States, Middle East and Asia-Pacific including Australia, Bahrain, Belgium, France, Germany, Hong Kong, India, Japan, Korea, Luxembourg, Singapore, Shanghai, Spain, Switzerland and the United States.

In 2008, Robeco was named as "Dutch Asset Management Firm of the Year" in the annual Pan-European Awards for Excellence in Institutional Asset Management. In 2009, Fitch Ratings upgraded Robeco to "M2+". The rating has reflected the support and financial strength of Robeco's parent company, Rabobank Group and Robeco's long track record in managing third-party assets. It has also taken into account Robeco's high standard of corporate governance practices and risk management.