



Rabobank



# Interim results 2009 - Rabobank Group

Press conference  
26 August 2009

# Financial developments

- Financial results
  - Net profit EUR 1.3 billion
  - Tier I ratio 13%
  - Return on equity 9%
  - Efficiency ratio 59%
  - Bad debt costs 55 basis points
- Balance sheet
  - Loan portfolio EUR 415 billion
  - Due to customers EUR 285 billion
  - Equity EUR 37 billion

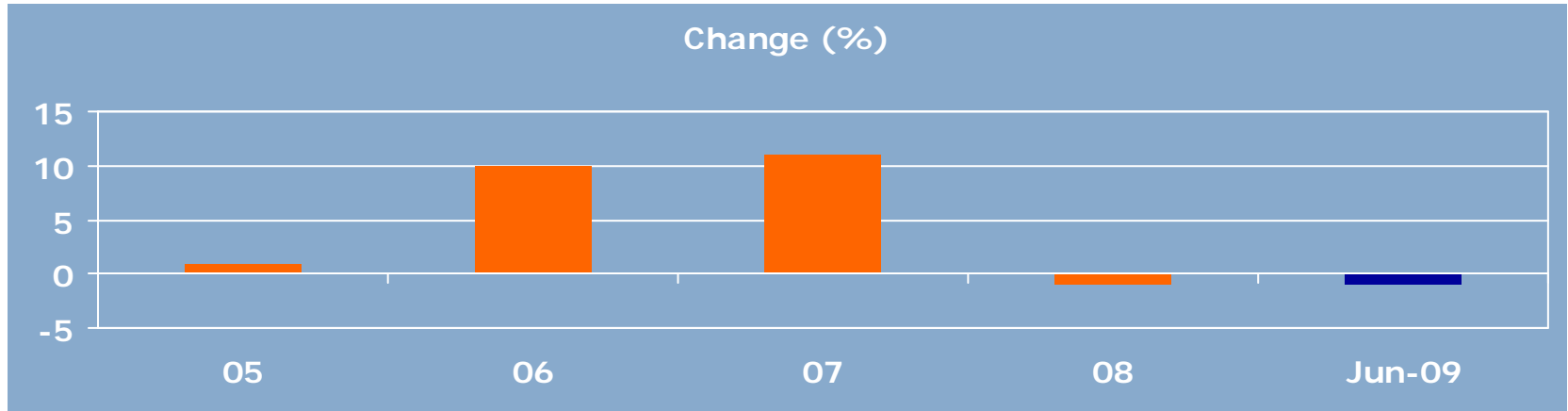


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# Developments during 1st half of 2009

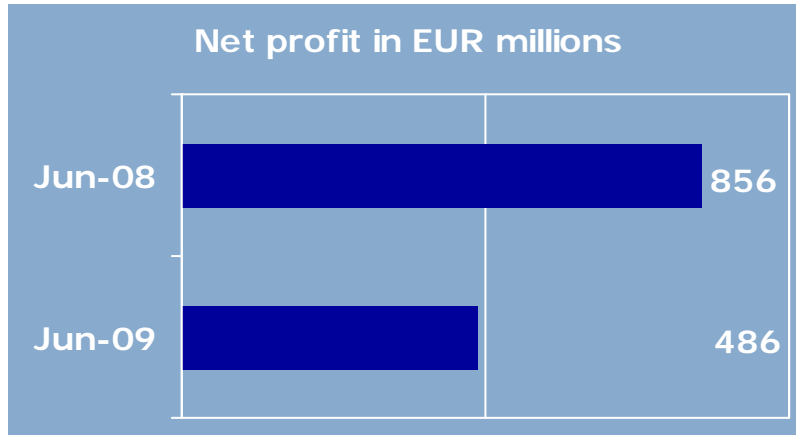
- Market shares
  - Mortgages 30%
  - Savings 40%
  - SME 41%
  - Large corporates 28%
- Corporate Social Responsibility
  - Food & Agri business principles
  - Robeco embeds ESG factors in investment process
  - Sarasin: 20 years of sustainable investment
- Staff
  - Stable at more than 60,000 FTEs
  - Around 70% employed in the Netherland, with 30% abroad

# Cost trend

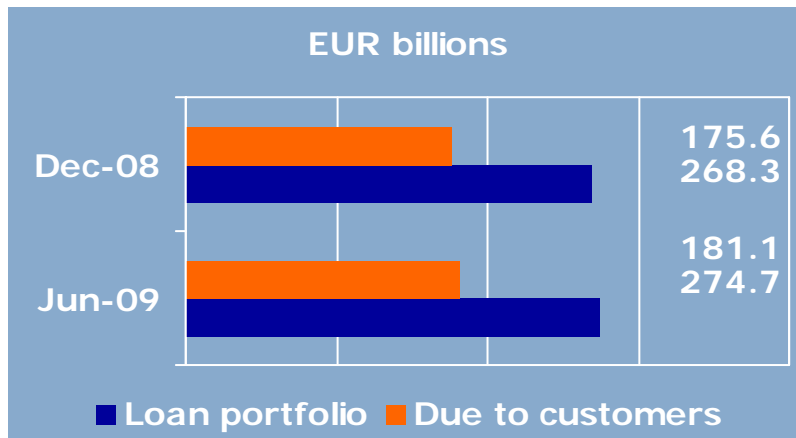


- Cost level stable since 2007
- In the first half of 2009:
  - Local Rabobanks curbed cost growth from 7% to 1%
  - Restructuring at Robeco and Rabo Real Estate Group
  - Cost reductions at Rabobank Nederland and other entities
- Additional cost reductions initiated

# Domestic retail banking

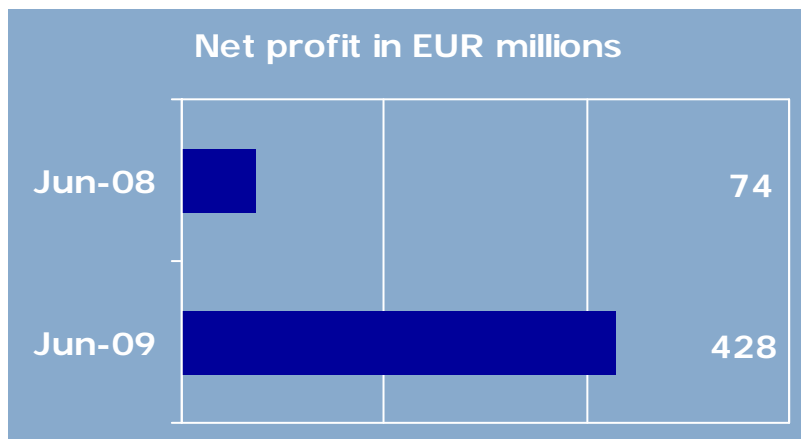


- Net profit EUR 486 million
  - Fierce competition in the savings market
  - Increase in bad debt costs

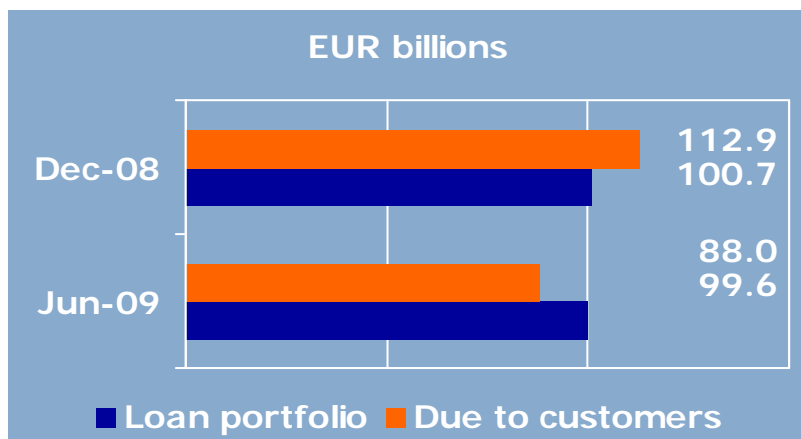


- Loan portfolio up 2% to EUR 268.3 billion
  - SME portfolio up 5%
- Amounts due to customers up 3% to EUR 181.1 billion
  - Savings up 5%

# Wholesale banking and international retail banking

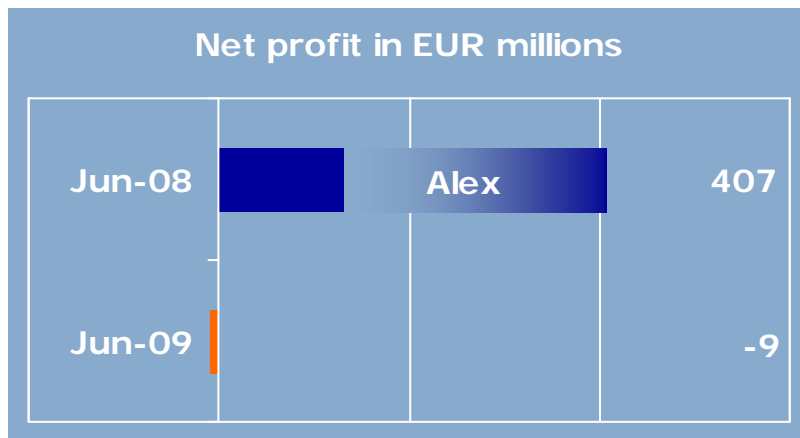


- Net profit EUR 428 million
  - Higher income from treasury activities
  - Bad debt costs at a lower level than in the second half of 2008

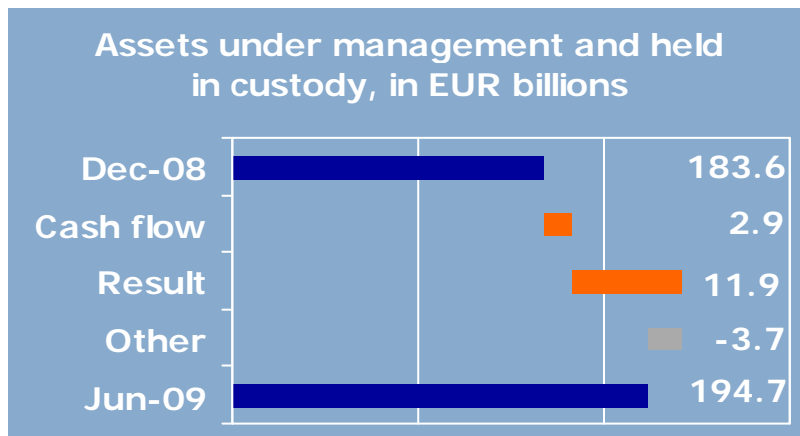


- Loan portfolio down 1% to EUR 99.6 billion
  - More loans to food & agri and Dutch clients, fewer to non-core clients
- Amounts due to customers down 29% to EUR 112.9 billion
  - Decline in corporate time deposits

# Asset management and investment

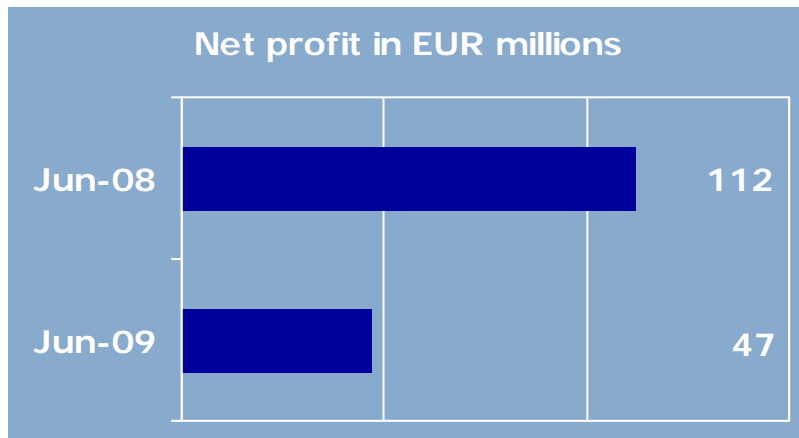


- Net loss EUR 9 million
  - In 2008, the sale of Alex contributed to results
  - Lower commission income from asset management

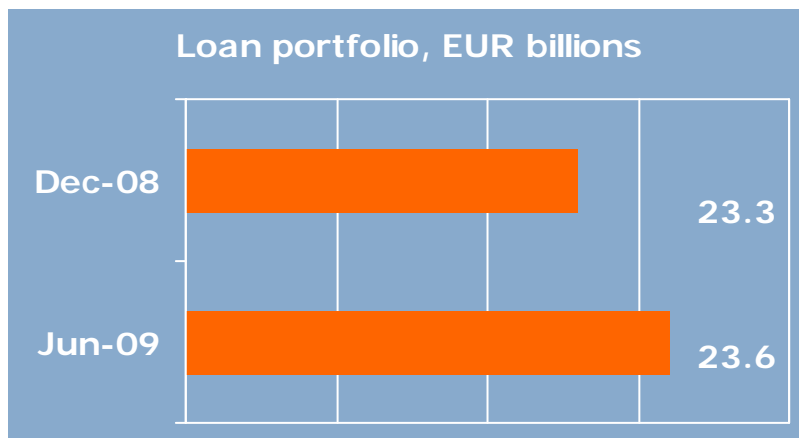


- Assets under management and held in custody up 6%, to EUR 194.7 billion
  - Cash flow at EUR 2.9 billion
  - Investment results EUR 11.9 billion

# Leasing

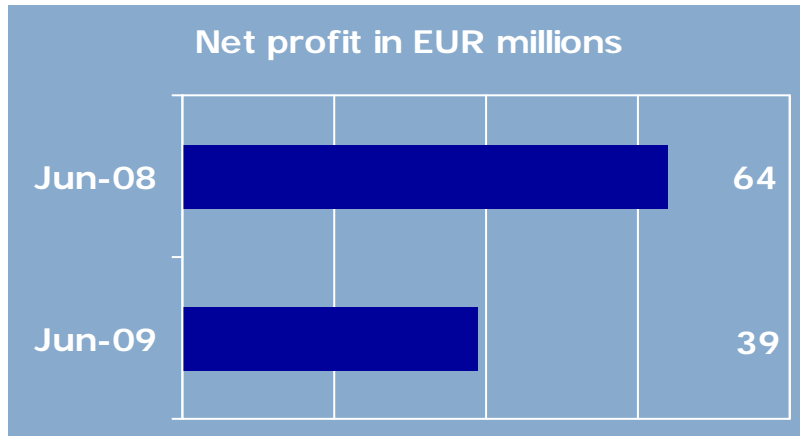


- Net profit EUR 47 million
  - Decline in the second-hand car market
  - Margins on new contracts improved
  - Higher bad debt costs

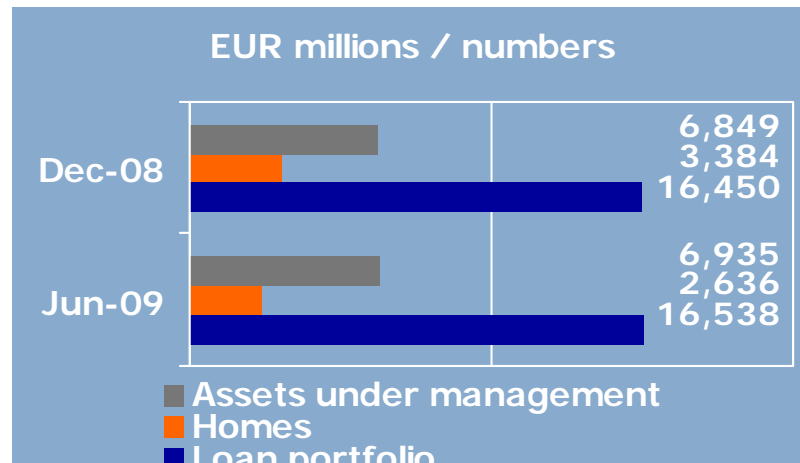


- Loan portfolio up 1% to EUR 23.6 billion
  - Higher share of food & agri

# Real estate

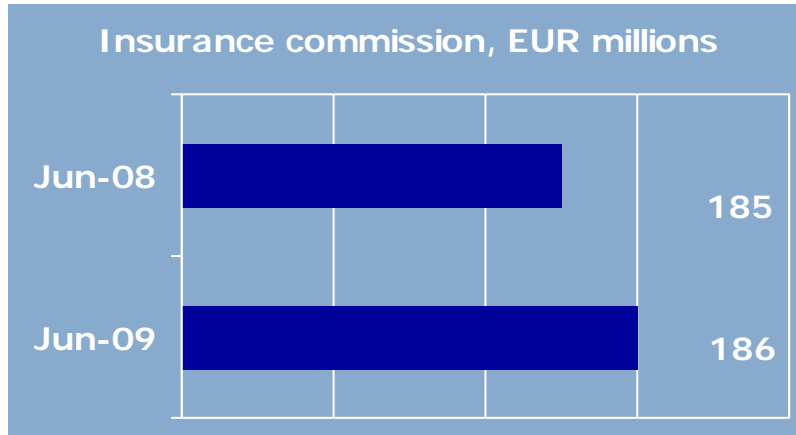


- Net profit EUR 39 million
  - Fewer homes sold, at lower average margin
  - Improved margins on new loans

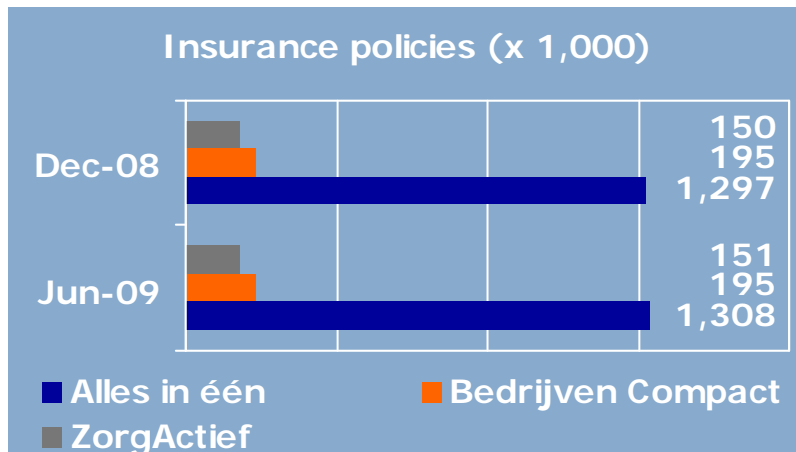


- Loan portfolio up 1% to EUR 16.5 billion
- Number of homes sold down 22% to 2,636
- Assets under management up 1% to EUR 6.9 billion

# Insurance



- Insurance commission up 1% to EUR 186 million
  - More commission from non-life, less from life insurance policies

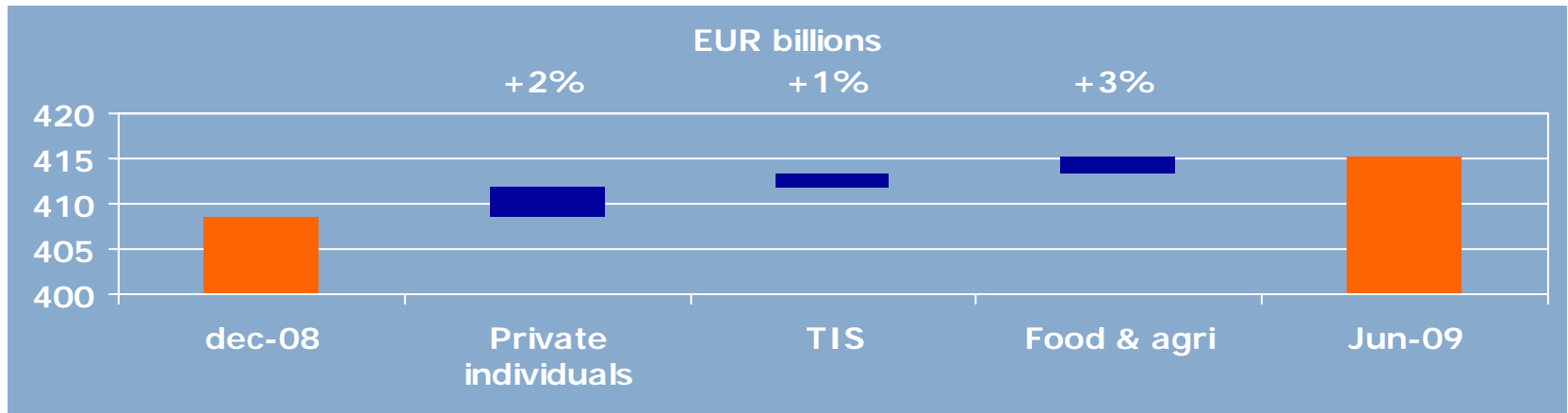


- Insurance policies
  - Alles in één Polis insurance policies up 1% to 1,308,000
  - Bedrijven Compact insurance policies 195,000
  - ZorgActief insurance policies up 1% to 151,000

# Balance sheet

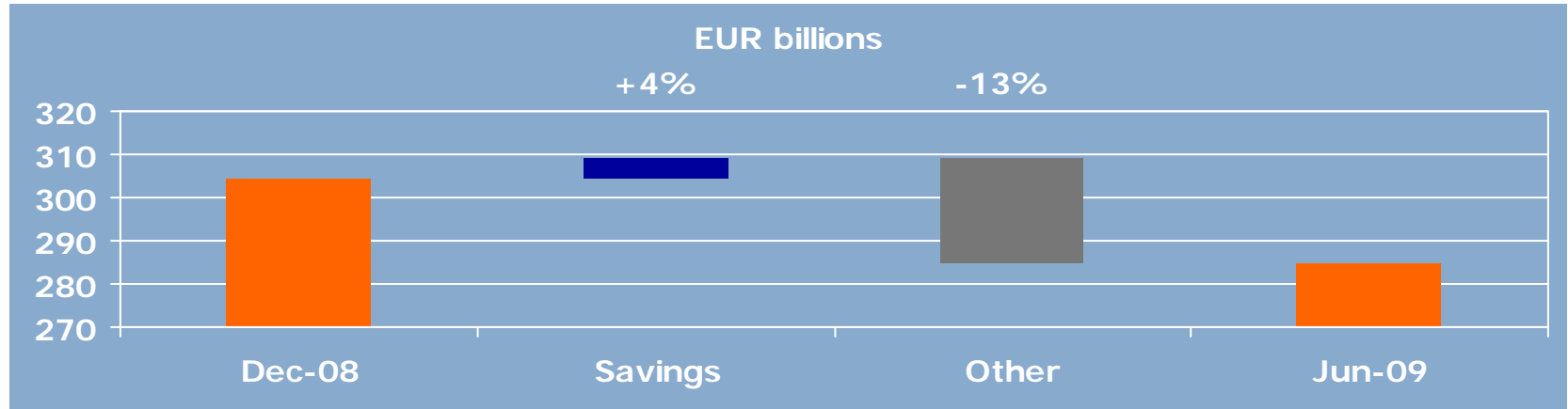
EUR billions	Jun-09	Dec-08		Jun-09	Dec-08
Cash and cash equivalents	15.1	7.1	Due to customers	284.9	304.2
Loans to customers	435.8	426.3	Debt securities in issue	169.1	135.8
Financial assets	54.7	51.6	Due to other banks	25.7	23.9
Due from other banks	35.7	33.8	Derivative financial instruments and other trade liabilities	55.5	77.2
Derivative financial instruments	45.0	66.8	Other liabilities	43.4	37.5
Other assets	29.1	26.6	Equity	36.9	33.5
<b>Total assets</b>	<b>615.4</b>	<b>612.1</b>	<b>Total equity and liabilities</b>	<b>615.4</b>	<b>612.1</b>

# Loan portfolio



- Loan portfolio up 2% to EUR 415.2 billion
  - Recession causes lower growth in both the mortgages portfolio and corporate loan portfolio
  - Rabobank International and De Lage Landen extend loans to food & agri clients
  - Growth in SME portfolio of local Rabobanks; Rabobank International extends more loans to Dutch clients

# Due to customers



- Amounts due to customers down 6% to EUR 284.9 billion
  - Inflow of funds into local Rabobanks causes savings to grow by 4% to EUR 119.7 billion
  - Outflow of corporate time deposits from Rabobank International due to lower interest rate; also, clients need these funds themselves

# Equity

EUR billions

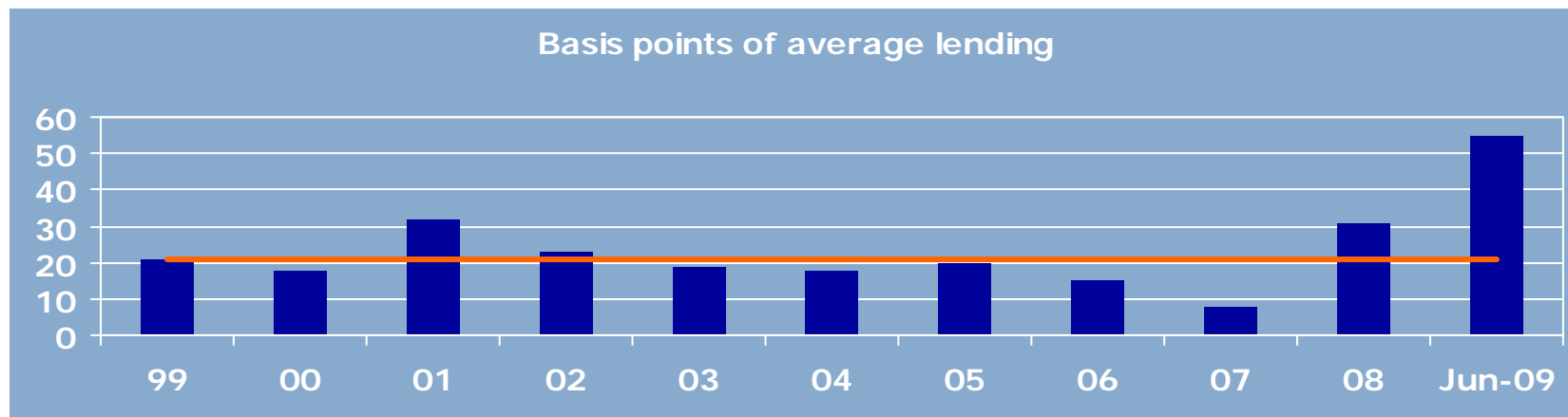
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<b>Equity at Dec-08</b>	<b>33.5</b>
Retained earnings	+1.3
Capital Securities issue	+2.2
Other changes	-0.1
<b>Equity at Jun-09</b>	<b>36.9</b>

# Results

EUR millions	Jun-09	Jun-08	Change
Interest income	3,885	3,919	-1%
Fees and commission	1,216	1,473	-17%
Other income	1,156	361	
<b>Income</b>	<b>6,257</b>	<b>5,753</b>	<b>+9%</b>
Operating expenses	3,695	3,717	-1%
Bad debt costs	1,119	158	
Taxation	127	265	
<b>Net profit</b>	<b>1,316</b>	<b>1,613</b>	<b>-18%</b>

# Bad debt costs



- Bad debt costs at 55 basis points
  - Higher than long-term average due to adverse developments worldwide
  - Increase in losses mainly in Dutch corporates and in the Irish portfolio
  - Losses in Dutch mortgages portfolio for private individuals continue at a very low level

# Financial ratios

	Jun-09	Dec-08	Target
Tier I ratio	13.0%	12.7%	12.5%
Net profit growth	-18%	+2%	+10%
Return on equity	8.7%	9.7%	10.0%

# International growth recovery in part temporary



- Growth in second half of 2009 based on:
  - Monetary policy, lower interest rates
  - Budget policy, higher government spending
  - Low - even negative - inflation
  - Inventory cycle
- First half of 2010
  - Monetary policy continues to favour growth
  - Budget policy less robust in some countries
  - Inflation on the rise again due to higher oil prices
  - Favourable effects of inventory cycle have worn off
  - Significantly higher unemployment
  - Considerably lower wage growth



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# The Dutch economy

- The Dutch economy is in a severe recession, although the worst seems to be over
- Some relief from stabilisation in international trade
- Domestic dynamics: consumers have started to build up savings, investments are showing a steep decline
- Labour market: unemployment set to soar in the months to come
- Negative inflation possible in the Netherlands as well in the coming period

# Problems in the housing market not structural



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- Trust is at the core of the problems in the housing market
- No structural causes of lower house prices
- The Dutch housing market has strong foundations
  - Structural housing shortage
  - Decline in the production of new houses
  - Hardly any speculation
- Dutch mortgages market has a stable basis
  - Hardly any subprime mortgages sold
  - Code of conduct for mortgage financing
  - Relatively long fixed-interest terms
- Volatility in the residential construction market
  - Attempts to solve structural problems affected by economic downturn

# Loans to corporate clients in the Netherlands

EUR billions	Jun-09	Dec-08	Change
SME – local Rabobanks	58.4	55.7	+2.7
Food & agri – local Rabobanks	28.4	28.1	+0.3
NL – Rabobank International	17.0	15.7	+1.3
<b>Total</b>			<b>+4.3</b>

- Rabobank opened EIB facility for corporate loans on 1 July
- Rabobank is actively offering to SME clients the extended arrangements made available by the Dutch Ministry of Economic Affairs
  - Suretyship facility (BMKB) limits have been raised
  - New “Go facility”