

Press release

27 February 2014



Rabobank

Rabobank reports net profit of EUR 2.0 billion in 2013

- Rabobank Group achieved net profit of EUR 2,012 million in 2013, down EUR 46 million, or 2%, compared with 2012.
- Solvency, measured as the Core Tier 1 ratio, reached a level of 13.5%.
- The liquidity position remains strong, with a buffer of EUR 121 billion.
- Amounts due to customers decreased by 1% to EUR 329 billion. Private savings increased by 1% to EUR 152 billion.
- Private sector lending fell by 4% to EUR 439 billion.
- Libor settlement of EUR 774 million not set off for tax purposes

Rabobank Group's results were significantly affected in 2013 by several non-recurring events. The sale of Robeco and the transition to the new pension scheme benefited earnings. The high impairments at Rabo Real Estate Group and the formation of reorganisation provisions at the local Rabobanks had an adverse impact.

In addition, there was the settlement relating to the Libor investigations, which dominated the year 2013. The amount of the settlement totalled EUR 774 million. Rabobank is entitled, under the applicable tax laws, to set off a very large portion of this amount for tax purposes, both in the Netherlands and abroad. The bank has voluntarily decided not to do so. The full amount will therefore be paid by Rabobank and not the taxpayer.

On balance, net profit amounted to EUR 2,012 million, a limited decrease of EUR 46 million compared with 2012. With a Core Tier 1 ratio of 13.5%, solvency remained strong. The leverage ratio rose to 4.8% (+0.1 percentage points).

The value adjustments in the loan portfolio amounted to EUR 2,643 million, or 59 basis points. That is more than in 2012 and above the long-term average of 28 basis points. Owing to the agreement on the sale of the Polish Bank BGZ to BNP Paribas, both the amounts due to customers and the loan portfolio of Rabobank Group decreased. Amounts due to customers fell by EUR 4.9 billion to EUR 329.4 billion. The private sector loan portfolio decreased by 4% to EUR 439.0 billion. Demand for loans has fallen due to the economic crisis. In addition, customers increased repayments on their mortgages. The appreciation of the euro versus various currencies also led to a decrease of the loan portfolio.

Progress on achievement of financial targets

Rabobank Group progressed as follows towards achieving its strategic financial targets for returns, solvency and liquidity.

- The return on Tier 1 capital – for which purposes net profit is related to the Tier 1 capital at the start of the year – reached 5.2% (5.4%) in 2013. A full commitment to pursuing the virtualisation of services and the group's business segments' focus on profitability is expected to improve the return to 8% by 2016.
- The Core Tier 1 ratio expresses the Core Tier 1 capital as a percentage of risk-weighted assets. This ratio increased from 13.1% to 13.5% in 2013. The capital ratio showed a larger increase because Tier 2 capital also rose. This ratio, which relates the qualifying capital to the risk-weighted assets, stood at 19.8% (19.0%). Rabobank Group is aiming for a Core Tier 1 ratio of 14% and a capital ratio of at least 20% by the end of 2016.
- Both lending and amounts due to customers decreased in 2013. Lending fell more sharply than the amounts due to customers. The loan-to-deposit ratio, which reflects the relationship between lending and amounts due to customers, therefore improved to 1.35 (1.39). The targeted improvement of the loan-to-deposit ratio to 1.3 by 2016 will require an increase in amounts due to customers, both in the Netherlands and abroad.

Net profit of EUR 781 million in domestic banking

Although the recession ended in the second half of 2013, consumer confidence and business investments remained low. In addition, repayments on private home mortgages increased. The value adjustments, at EUR 1,384 million, were around 4% higher than in 2012. Bad debt costs in the food and agri sector are concentrated in the greenhouse horticulture sector. In trade, industry and services the real estate sector and sectors focusing on the domestic market are experiencing challenging conditions. In the transport sector, inland shipping in particular is experiencing economic headwinds. In addition, concerns in non-food retailing, the construction industry, the hotel and restaurant sector and the automotive sector are continuing. Rabobank's market share in trade, industry and services continued to grow, to 44.1%, the market share for mortgages fell to 26.0% and the market share for savings edged down to 37.8%. The market share in the food and agri sector remained stable at 85%. The implementation of the Vision 2016 programme led to a planned workforce decrease of around 1,700 FTEs in domestic retail banking. Up to the end of 2016, 8,000 jobs are expected to be eliminated at local banks. Net profit in domestic retail banking fell to EUR 781 million in 2013, partly due to the reorganisation provisions at the local Rabobanks.

Net profit of EUR 52 million in wholesale banking and international retail banking owing to Libor settlements

The net profit of wholesale banking and international retail banking amounted to EUR 52 million in 2013. The decrease of EUR 652 million compared with 2012 is attributable to a significant extent to the settlements agreed by Rabobank in connection with the Libor investigations. Excluding the amount paid for the settlements, profit was up. Loans that no

longer form part of the core sectors were further reduced in 2013. In addition, an agreement was reached for the sale of the Polish Bank BGZ. Completion of this transaction is contingent on the required regulatory approvals. In combination with the depreciation of the US dollar and the Australian dollar and other currencies, these developments contributed significantly to the decrease of the total loan portfolio by EUR 15.4 billion to EUR 92.1 billion. It was decided to phase down the regular services provided to customers by ACCBank in Ireland and to continue its reorganisation. The aggregate savings deposits of the international internet savings banks grew by 23%, to EUR 29.1 billion.

Net profit of EUR 422 million in Leasing

The net profit of the leasing segment rose to EUR 422 million due to a moderate growth of the lease portfolio and cost reductions. The lease portfolio grew to EUR 30.2 billion and the share of food and agri within this increased to 30%. The diversification of the portfolio across countries and sectors and strict risk management limited the increase in value adjustments. Bad debt costs were 59 basis points of the average loan portfolio, 9 basis points below the long-term average.

Net loss of EUR 817 million at Rabo Real Estate Group

It became clear in the course of 2013 that the recovery of the Dutch real estate markets in particular will take longer than expected. This had a highly negative impact on the earnings of Rabo Real Estate Group. Owing to the substantial impairments on land holdings and revaluations of land operations and the sharp increase in value adjustments in financing operations, a loss of EUR 817 million was incurred. Priority was given in 2013 to risk management, management of the loan portfolio and cost reductions. The Collective Labour Agreement was scaled back, for instance, and no variable remuneration was awarded. It was also decided to reduce the development activities of commercial real estate by MAB Development. Bouwfonds Property Development achieved a total of 5,169 residential property transactions, a decrease of 18% compared with 2012. The loan portfolio at real estate financier FGH Bank remained virtually stable at EUR 19.4 billion and the managed assets at Bouwfonds Investment Management increased to EUR 5.9 billion.

2014

Rabobank is operating in a market characterised by continuing difficult conditions and an uncertain outlook. Rabobank is expecting fewer non-recurring items in 2014 than in 2013. Targeting the necessary systematic improvement in profitability, Rabobank has taken a range of cost-saving initiatives that will contribute to the operating result. The value adjustments remain at a high level in 2014. Rabobank is optimistic about its long-term earnings outlook.

Rabobank is expecting very limited economic growth in the Netherlands in 2014. Export growth is set to continue, but growth will be slowed by a further decline in private consumption. Given this outlook, only a marginal growth in lending is expected. The recovery in the housing market appears to be continuing and the outlook for the development of the housing market in 2014 is favourable. Rabobank expects a moderate growth of transaction numbers compared with 2013. Amounts due to customers will increase slightly, partly due to the growth of the International Direct Retail Banking activities.

Key figures

Amounts in millions of euros	31-12-13	31-12-12	%
Total assets	674,139	750,710	-10
Private sector loan portfolio	438,975	458,091	-4
Amounts due to customers	329,400	334,271	-1
Equity	40,037	42,080	-5
Tier 1 capital	35,092	38,358	-9
Core Tier 1 capital	28,551	29,253	-2
Number of employees (in FTEs)	56,870	59,628	-5
			percentage points
Capital ratio (BIS ratio)	19.8%	19.0%	0.8
Core Tier 1 Ratio	13.5%	13.1%	0.4
Leverage ratio	4.8%	4.7%	0.1
Loan-to-deposit ratio	135%	139%	-4
	2013	2012	%
Income	13,020	13,616	-4
Operating expenses	9,765	9,003	8
Value adjustments	2,643	2,350	12
Net profit	2,012	2,058	-2
			percentage points
Return on equity	5.2%	5.4%	-0.2
Efficiency ratio	75.0%	66.1%	8.9
Rabobank Nederland			%
Total assets	479,544	550,721	-13
Net profit	1,179	994	19

For questions:

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More information:

The Annual Summary 2013 and the presentation are available on www.rabobank.com/results.