

# Press Release

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## ***Rabobank interim financial information 2013: Sound bank at continuing recession***

- **Rabobank Group posted net profit of EUR 1,112 million in the first half of 2013 at a continuing recession. This is EUR 175 million or 14% less than in the first half of 2012.**
- **Solvency, measured as Core Tier 1 ratio, stood at 12.9%; a level that far exceeds the requirements of Basel III.**
- **The liquidity position is strong with a buffer of EUR 131 billion.**
- **Amounts due to customers rose by 2% to EUR 340 billion. Customer savings deposits increased by 4% to EUR 156 billion.**
- **Private sector lending decreased by 1% to EUR 454 billion.**
- **Implementation of Vision 2016; Rabobank will continue to be the nearby bank for its customers in the future.**

### **Piet Moerland, Chairman of the Executive Board:**

“Rabobank can look back on a difficult first half of 2013. The Dutch economy remained in recession and the prospects for recovery continue to be poor. The prolonged nature of the economic downturn is particularly taking its toll. This led, for instance, to an increase in the number of bankruptcies and a rise in unemployment. Our customers’ financial situation did not improve in general. This had a negative effect on our net profit. Value adjustments on our loans remained at a high level at EUR 1,106 million. On an annualised basis, this amounts to a loss item of 49 basis points, which is the same level as last year. Rabobank formed a provision in the first half of 2013 within the context of the LIBOR case. The transition to the new pension scheme effective 1 January 2013 had, combined with the before mentioned provision, on balance, an important one-off positive effect on earnings. Rabobank Group realised, at a continuing recession, a net profit of EUR 1,112 million in the first half of 2013, which is EUR 175 million (14%) less than in the first half of 2012.

The loan portfolio decreased by 1% to EUR 454 billion in the first half of 2013. There was limited demand for loans and customers made more repayments on mortgages in the first half of 2013. Amounts due to customers rose by 2% to EUR 340 billion. The amount of net profit that remains after payment of reimbursement on Rabobank Member Certificates (MC) and on hybrid capital has been used to strengthen the capital position. Solvency remains robust, with the Core Tier 1 (“CT1”) ratio standing at 12.9%. The CT1 ratio fell by 0.3 of a percentage point, partly due to approximately EUR 400 million of MC being acquired in the first half of 2013. The value of the Treasury Stock amounts to EUR 602 million per 30 June 2013. Rabobank will withdraw these MC from the Treasury Stock, thus ensuring the continued tradability of outstanding MC. This is part of the capital strategy, whereby the share of MC in the core capital will be reduced to a size that is appropriate in the present market circumstances.

Our liquidity position also remained extremely strong.

**Domestic retail banking: net profit practically stable**

Net profit at the domestic retail banking division ended up at EUR 615 million, a small decrease of 3% compared to the first half of 2012. Value adjustments remained at a high level in the first half of 2013 due to the lack of Dutch economic recovery. Provisions had to be formed for our loans to customers particularly in the commercial real estate sector, the construction sector, greenhouse horticulture and inland navigation. The additional investments in virtual customer service had a negative influence on earnings. The partial recovery of the interest margin was a factor that provided some compensation. The volume of the loan portfolio remained more or less stable at EUR 305 billion. We expanded our market shares in trade, industry and services to 44%. The market share in the mortgage market and in the savings market remained stable at respectively 31% and 39%. Amounts due to customers nonetheless rose by 2% to EUR 218 billion.

**International: good underlying profit development**

The wholesale banking and international retail banking division posted net profit of EUR 496 million, a decrease of 9%. Value adjustments on loans stood at EUR 228 million, which is considerably lower than in the first half of 2012. The fact that net profit was higher in the first half of 2012 is attributable to factors including the EUR 59 million book profit on the sale of the shares in the Indian-based Yes Bank. Due in part to the scaling down of lending to non-core customers, Rabobank International's loan portfolio decreased by 2% to EUR 105 billion in the first half of 2013. Lending to Dutch wholesale clients grew, as a segment of this portfolio, by 5% to EUR 16 billion due in part to the acquisition of the clients of Friesland Bank. Rabobank continued the successful operation of its direct banks in the first half of 2013. RaboDirect is present in six countries: Belgium, Germany, Poland, Ireland, Australia and New Zealand, and its total savings deposits rose by 12% to EUR 27 billion.

**Varied results at our subsidiaries**

With net profit of EUR 232 million, the leasing segment once again made a fine contribution to our group profit. De Lage Landen's lease portfolio grew by 2% to more than EUR 30 billion. Rabo Real Estate Group continues to face extremely difficult market conditions and had to take substantial impairments on land. Due to the fact that value adjustments also increased further, a net loss of EUR 198 million was posted. Rabobank announced in May that the activities in the field of commercial real estate development will be phased out. Robeco contributed fully to group profit in the first half of 2013. Net profit from discontinued operations was EUR 98 million. The sale of Robeco to Orix was finalised in July 2013 and the book profit of approximately EUR 1.5 billion will be recognised in our earnings in the second half of 2013.

**Economic outlook calls for decisive action**

We expect the contraction of domestic spending in the Netherlands to persist in the second half

of 2013. Private consumption in the Netherlands is declining both due to a further decrease in disposable income and in light of the drop in Dutch government spending due to the announced budget cuts. Companies that depend primarily on domestic spending for their sales will consequently be more reluctant to make investments. Export demand is expected to provide greater support for the Dutch economy in the second half of 2013 than it did in the first half. With respect to Rabobank Group, we expect that value adjustments will also remain at a high level in the second half of 2013. Domestic lending will decrease further due to falling demand and rising repayments.

We must continue to focus very expressly on our costs in order to keep our profit and capital position up to standard. This is why, following intensive negotiations, Rabobank entered into a new subdued Collective Labour Agreement in the first half of 2013, which will remain in effect until 1 January 2016. The more subdued employment benefits will be noticeable to all employees in the organisation, including the senior management.

### **Vision 2016**

In the first half of 2013, Rabobank got off to a flying start with the implementation of a far-reaching restructuring: the Vision 2016 programme. The bank is focusing fully on the virtualisation of its services because customers today prefer to take care of their banking via their personal computer, tablet or mobile phone. This will be accompanied by a substantial drop in the costs of the domestic banking division because fewer physical branch offices will be required and there will be far fewer employees. An estimated 8,000 of the 28,000 jobs will be eliminated at the local Rabobanks in the coming years. Costs will be reduced by a total of EUR 1 billion. This enables us to respond to the necessity of realising a structural improvement in the earnings of the domestic retail banking division. Rabobank is a cooperative bank comprised of 136 autonomous local Rabobanks. Approximately one hundred local Rabobanks are expected to remain in 2016.

The cooperative model will remain the foundation on which the Rabobank organisation stands, also with fewer banks and fewer employees. Nearly two million customers have given shape to their involvement by becoming members of their local Rabobank. Members join in the thought and decision-making process concerning the policy of their bank and ensure that their Rabobank stays in touch with the community in which it is a part. Rabobank continues to be the bank with the greatest branch density in the Netherlands and remains the country's largest private employer. Rabobank is committed to continuing to be the nearby bank for its customers in the future".

**Key figures**

<b>Amounts in millions of euros</b>	<b>30-06-13</b>	<b>31-12-12</b>	<b>%</b>
Total assets	698,388	750,653	-7
Private sector loan portfolio	454,419	458,091	-1
Amounts due to customers	339,844	334,271	2
Equity	40,658	42,253	-4
Tier 1 capital	37,377	38,412	-3
Core Tier 1 capital	28,433	29,307	-3
Number of employees (in FTEs)	59,506	59,628	
			<b>%-point</b>
Total capital ratio	18.7%	19.0%	-0.3
Core Tier 1 ratio	12.9%	13.2%	-0.3
			<b>%</b>
	<b>2013-I</b>	<b>2012-I</b>	<b>%</b>
Income	6,445	6,883	-6
Operating expenses	4,243	4,391	-3
Value adjustments	1,106	1,096	1
Taxation	82	180	-54
Net profit	1,112	1,287	-14
			<b>%-point</b>
Return on equity	5.8%	6.8%	1
Efficiency ratio	65.8%	63.8%	2

**For enquiries:**

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**More information:**

The 2013 interim report and the presentation are available on [www.rabobank.com/annualreports](http://www.rabobank.com/annualreports).