

Newsletter Investor Relations

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Rabobank keeps up strong financial results...

- Net profit up 2% to EUR 2.8 billion
- Negative effects of credit crisis on net profit: EUR 0.7 billion in 2nd half of 2008 and EUR 0.5 billion in 1st half of 2008
- One-off gains, including the sale of Alex and the consolidation of Bank BGZ
- Tier I ratio at 12.7%
- Return on equity 9.7%
- Equity up 7% to EUR 33.5 billion
- Income up 6%, operating expenses down 1%; efficiency ratio improved to 65.3%

... and, in a turbulent year for the financial sector, is there for its clients

- Private loan portfolio up 11% to EUR 408.6 billion
- Lending to Dutch SME sector up 21% to EUR 55.7 billion
- Amounts due to customers up 10% to EUR 304.2 billion
- Savings up 13% to EUR 114.7 billion
- Market share in savings increased to 43% and in mortgages to 30%

Chairman of the Executive Board of Rabobank Group Bert Heemskerk commented: **"2008 may rightly be called a historic year. The subprime crisis in the United States escalated to become a deep and world-wide financial crisis. Regrettably, it has meanwhile developed into an economic crisis. The banking sector suffered unprecedented and far-reaching consequences. Across the globe - and in our country, too - bankruptcies, government interventions and nationalisations were of the order of the day. It is in difficult times like these that the benefits of a cooperative bank clearly come to the fore. Our societally oriented business culture, which is based on the Rhineland model, our democratic consultative structure, our prudent risk management, our sustainable remuneration policy - all these factors, combined with our strong financial performance and solvency, have contributed to Rabobank Group's continuing stable performance. In addition, we continued to serve our clients without the help of others."**

Rabobank Group

Despite all the turbulence in the financial markets, Rabobank Group's Tier I ratio of 12.7% still outstripped the desired high level of 12.5%. Return on equity was 9.7% and Rabobank Group realised a 2% increase in net profit. Although the bank failed to achieve its targeted net profit growth, this still is a strong performance, given the conditions in the market. The growth in corporate lending in the Netherlands was an important factor in the 11% increase, to EUR 408.6 billion, in the private loan portfolio. Given the amendments to IAS 39 and IFRS 7 were applied in 2008, Rabobank Group decided to reclassify a portion of its assets worth EUR 12.0 billion to loans to customers and due from other banks. To ensure a correct view of the various trends, the comparative figures at year-end 2007 were restated in our reports by taking this reclassification into account. For comparative and analysis purposes, therefore, the year-end 2007 figure for loans to customers is EUR 385.7 billion, rather than EUR 373.0 billion. There was a strong, 10% growth in amounts due to customers, to EUR 304.2 billion. The general choice for security in turbulent times yielded many new clients and a lot of new funds. Due mainly to the higher interest result, income was 6% higher, at EUR 11.7 billion. Because of the stronger focus on cost reduction, operating expenses were 1% lower at EUR 7.6 billion. The strong performance of Rabobank Pensioenfondsen resulted in lower pension charges. Thanks to these developments, the efficiency ratio improved by 4.2 percentage points to 65.3%. All told, Rabobank Group realised a net profit of EUR 2.8 billion, with RAROC at 12.5%. Influenced by the financial crisis, trading results at Rabobank International declined, as did project results at Rabo Vastgoedgroep. Income from the participation in Eureko was negative. Rising credit prices caused interest margins to improve however, particularly for Rabobank International. The continuing turbulence in the financial markets had a negative effect of EUR 1.2 billion on net profit. One-off gains, including the sale of Alex and the consolidation of Bank BGZ, made a positive contribution to the result. Growing loan losses, which were associated with the worsening economic conditions, caused loan losses, at 31 basis points of average lending, to be higher than the long-term average of 21 basis points. Helped by retained earnings and the issue of hybrid capital, equity showed a 7% increase to EUR 33.5 billion in 2008.

Domestic retail banking

Despite the great dynamics in the financial sector in 2008, the domestic retail banking business - the local Rabobanks, Obvion and Bizner - showed a strong performance. A stable market party, Rabobank welcomed many new clients. Services were expanded further. Driven by corporate lending, the loan portfolio grew by 10% to EUR 268.3 billion. The SME market share increased to 39%. Rabobank Group strengthened its position as the market leader in a contracting mortgages market with a market share of 30%. Rabobank's stability gave rise to a large inflow of assets, boosting its market share in the savings market from 41% to 43%. Our primary focus on customer value was rewarded, as it was a year ago, by high customer satisfaction among both private individuals, private-banking clients and corporate clients. The Rabobank 2010 programme, which focuses on improvements in customer service through differentiated distribution channels, was optimised further and was continued energetically. Net profit from domestic retail banking was 13% higher, at EUR 1.6 billion. Because income growth outstripped operating expenses, the efficiency ratio improved by 1.7 percentage points to 63.2%.

Wholesale and international retail banking

Partly due to the increase in lending in the international retail banking business, the loan portfolio increased by 11% in 2008, to EUR 100.7 billion. The phasing-out of activities in the financial markets resulted in a lower increase of total assets. Savings at the Direct Banking activities were 30% higher, at EUR 6.6 billion. The volume of international retail banking activities increased because we increased our stake in the Polish Bank BGZ to a 59% majority interest. The financial crisis caused wholesale banking and international retail banking's net profit of EUR 334 million to EUR 27 million. Particularly, income from Global Financial Markets and the impairment losses suffered negative effects.

Asset management and investment

The turbulence in the stock exchanges in 2008 also affected Robeco, Sarasin and Schretlen & Co. The fall in share prices caused a 21% decline in assets managed and held in custody, to EUR 184 billion. The total inflow of funds amounted to EUR 13 billion. The gain from the sale of Alex and the strong performance of Robeco's alternative investments boosted net profit from asset management activities by 21%, to EUR 438 million. Robeco wound down its fixed-income business in the United States and strengthened both its presence in Asia and its distribution activities in the Middle East. Sarasin realised a record inflow of assets. It also received several awards for its excellent investment results and expanded its activities in Europe and the Middle East further.

Leasing

Lease subsidiary De Lage Landen faced changed market conditions in 2008, that forced it to be more selective in its acceptance of new financing applications. Despite this, the loan portfolio grew by 13% to EUR 23.3 billion. The number of lease cars in the portfolio rose by 6% to 211,000. In the Netherlands, De Lage Landen was voted the most customer-focused provider of business finance. Internationally, De Lage Landen won recognition through the 'Vendor Lessor of the Year Award'. Higher margins on new contracts reflected scarcity of funding and higher risks. At EUR 235 million, net profit was virtually unchanged from 2007.

Real Estate

Rabo Vastgoedgroep faced worsened market conditions in 2008. Consumer confidence in the housing market decreased while owner-occupied houses became less affordable. This had a negative effect on the number of owner-occupied houses sold. In 2008, Bouwfonds Property Development sold 8,746 owner-occupied houses, compared with 13,173 in 2007. At FGH Bank, the loan portfolio grew by 22% to EUR 16.5 billion and at Bouwfonds REIM, assets managed were up 35%, at EUR 6.8 billion. In all, the generally deteriorated conditions resulted in a decrease in net profit for Rabo Vastgoedgroep, to EUR 86 million.

Insurance

The local Rabobanks sell non-life, health and life insurance policies, most of which are supplied by Interpolis. Thanks in part to the constructive collaboration with Eureko, the number of Alles in één, Bedrijven Compact and ZorgActief insurance policies sold increased further.

Total insurance commission earned fell by 6% to EUR 354 million as fewer life insurance policies were sold. Non-life insurance commission was up 5%, to EUR 314 million.

The year 2008 saw the launch of the new 'Glashelder' advertising campaign with 'Helder Moment' as the motto, through which Rabobank and Interpolis aim to make clients consider more carefully the things they should and should not insure.

The new insurance solution 'InterpolisZekerVanJeZaak' for small businesses enjoyed a successful launch.

Economic recovery possibly not until 2010

In 2009, virtually all western economies will have to cope with a recession, and many emerging markets will see a slowdown. An economic downturn occurring in so many countries simultaneously must lead to a fall in international trade. It is anticipated that the impact of the oil price shock in 2008 will be followed in 2009 by the consequences of the continuing state of unrest in financial markets. Naturally, all this will not leave the open economy of the Netherlands unaffected. Although the Netherlands had a relatively good starting position when the recession set in - a high gross domestic product and a low unemployment rate - this bright picture suddenly darkened during the fourth quarter of 2008. It has since become evident that, with a rising unemployment rate in the offing, the Netherlands, too, is going through a recession. It is difficult to predict how deep this recession is going to be and how long it will last. Much will depend on recovery in the financial markets. If these show an upswing, the world economy could begin to slowly recover in 2010. And then the Dutch economy too, driven by growing exports, could find the way up again.

Effects on Rabobank Group in 2009

There is no doubt that in 2009, Rabobank Group will feel the consequences of the unfavourable economic climate in the Netherlands and the sombre prospects for the world economy. Our solvency and liquidity are expected to remain strong. In the Netherlands, the competition for savings is likely to continue. The recession will impact our growth in lending and will lead to impairment losses that maybe above the long-term average. In these exceptional circumstances, cooperative banking demands extra care in balancing risk against return. It is necessary for us to maintain our robust capital position if we wish to keep on serving our clients well, also in the long term. In 2009, we shall continue to fulfil our role as a socially committed bank that operates responsibly.

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↑ [Top](#)

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