

Press Release

1 September 2003



Net profit rose by 8% to EUR 748 million Rabobank Group achieved "nice" result

- Private sector lending + 4%
- Funds entrusted + 4%
- Assets managed and hold in custody +4%
- Insurance premium income + 25%
- Lease Portfolio + 4%
- Income + 3%
- Operating result + 7%

H. (Bert) Heemskerk, chairman of the Executive Board: 'We achieved a nice result for the first half of 2003, something we can be satisfied with. We realised an increase in income under difficult market conditions. We also kept costs under control, which creates confidence for the future in which we will continue a tight control of costs.'

Outlook for 2003

Heemskerk is optimistic about the outlook for 2003: 'In the current uncertain economic conditions, it is difficult to make a firm statement about the expected profit for the whole of 2003. Nevertheless we expect a clear increase in operating profit. Given current stock market levels, and barring unforeseen circumstances, we also expect a clear growth in net profit.'

Financial services performance				
			Amount	Change
Banking				
Private sector lending	EUR	222	billion	+ 4% ¹⁾
Funds entrusted	EUR	181	billion	+ 5% ¹⁾
Investing				
Assets managed ³⁾	EUR	175	billion	+ 4% ¹⁾
Securities and option orders through local banks		877	thousand	+ 4% ²⁾
Insurance				
Premium income	EUR	2,357	million	+ 25% ²⁾
- Life	EUR	1,637	million	+ 31% ²⁾
- Non-life	EUR	720	million	+ 12% ²⁾
Services income	EUR	136	million	+ 17% ²⁾
Leasing				
Lending portfolio	EUR	11.5	billion	+ 4% ¹⁾
¹⁾ As a percentage of figure at year-end 2002				
²⁾ As a percentage of figure for the first half of 2002				
³⁾ Owing to a change in definition, the figure for assets managed does not correspond to the amounts published earlier.				

BANKING

Lending

Private sector lending grew by 4% during the first six months of the year to EUR 222 billion, exceeding the increase of 2% for the first half of 2002. The increased lending was largely to the private sector. Private clients borrowed 7% more during the first half of the year, compared with 5% in the first half of 2002. Lending to the agricultural sector increased fractionally by 1%. Lending to the trade, industry and service sector grew by 3%.

Funds entrusted

Funds entrusted were up 5% in the first half of the year to EUR 181 billion, of which EUR 69 billion was in the form of savings. Savings grew relatively strongly by 4%, partly because of low consumer confidence and the weak stock market climate.

Mortgage market

Rabobank Group remains the clear market leader for private mortgage lending. The market share at 30 June 2003 was 25%, with local banks accounting for 21% and Obvion for 4%.

Retail banking

Retail banking's result improved in the first half of the year. We held costs steady, partly thanks to the efficiency programmes implemented earlier, which resulted in further staff reductions. The number of FTEs fell by 1,027 in the first half year to 30,643. Income climbed by 4%, which is excellent given the adverse market conditions.

Wholesale banking

Wholesale banking, comprising Rabobank International (including foreign retail banks), Group Treasury and Corporate Clients, achieved a limited increase in profit. To finance ordinary activities, Group Treasury issued a significant amount in new debt securities in the first half of the year. Bonds and notes increased in amount by EUR 5 billion to EUR 39 billion, and certificates of deposits by EUR 10 billion to EUR 34 billion.

INVESTMENTS

Orders

The number of securities and option orders processed by local banks increased in the first half of 2003 by 4% to 877 (844) thousand. By contrast, the number of orders processed for investments in the banks own funds dropped by 20%. The shift from advice orders to orders placed through direct channels continued unabated in 2003. The orders processed over the internet reached 48% compared with 40% in 2002. The number of orders through advisers at local banks fell to 34 (40)% and through Rabo Orderlijn to 18 (19)%. Alex, which focuses on the active internet investor, processed 38% more transactions in the first half year. The total number of Alex transactions was 1 million, with 47% related to options.

Assets managed

The volume of assets managed by Rabobank Group rose 4% during the past half year to EUR 175 (168) billion. This includes assets that Interpolis manages for third-party pension funds. Total assets managed breaks down as EUR 123 (117) billion from clients and EUR 52 (51) billion from the Group's investment portfolio.

INSURANCE

Premium income up 25%

In the first half of the year, Interpolis realised premium income of EUR 2,357 (1,890) million. This represents an increase of 25% on the same period of 2002. The increase is mainly due to the successful activities concerning single premium contracts and immediate annuities. The life insurance premium income rose 31% to EUR 1,637 (1,246) million. Non-life business also performed well in terms of premium income. The growing number of All-in-One Policies and Business Compact Policies and the higher average number of categories insured raised non-life premium income by 12% to EUR 720 (644) million.

Income from services up 17%

Income from pensions, industrial health and safety, and return-to-work services increased by 17% to EUR 136 (116) million.

LEASING

De Lage Landen's services grew by only 4% in the first half of the year. The weaker US dollar meant that the lending portfolio was only able to grow by EUR 0.5 billion to EUR 11.5 billion. At 30 June 2003, 25% of services originated from the Netherlands, 30% from the rest of Europe and 45% from other countries, mainly in North America and South America.

CLIENT SERVICES

Rabobank Group expanded its services further in the first half year, for example by launching Generatiehypotheek, a mortgage product to help first-time buyers, assisted by their parents, to realise their dreams of home ownership. We also began streamlining our securities services to tailor them more clearly to the individual needs of our 650,000 private investor clients. For clients who invest actively, the service has been expanded with the internet broker Alex. In addition, we initiated a special pilot project to test a speaking Chipknip (electronic purse) loading point for the blind and visually impaired.

The average take-up of retail banking services by adults increased slightly during the first six months of the year from 2.48 to 2.51. For corporate clients, too, the average take-up increased, in their case from 3.05 to 3.06. The take-up by members of local Rabobanks is significantly higher, being 3.60 at the end of June 2003.

At 30 June 2003, 1,241,000 clients were members of a local Rabobank, which exceeds the target of 1.2 million by year-end 2003.

STAFF DEVELOPMENTS

The number of FTEs at Rabobank Group shrank by 629 in the first half year to 51,238. For the subsidiaries and foreign activities of Rabobank Nederland, acquisitions led to an increase in FTEs.

Efficiency ratio

The efficiency ratio improved from 66.5% to 65.0%. This ratio expresses the relationship between operating expenses and total income.

Net profit up 8%

Net profit for the first half of 2003 was EUR 748 (695) million, which represents an increase of 8% on the same period of 2002.

Financial objectives

Rabobank Group aims at realising customer value, with financial stability and employee value as preconditions. To ensure this financial stability, Rabobank Group has formulated three long-term and three short-term financial targets. For the long term, they are net profit growth of 12%, a return on equity of 10% and a Tier I ratio of 10. Owing to the weak economic conditions, the short-term targets are currently different. These are a net profit growth of 8%, a return on equity of 8% and a Tier I ratio of 10. Rabobank Group met all three short-term objectives for the first half of 2003: the return on equity was 10%, net profit growth was 8% and the Tier 1 ratio was 10.2.

Jan Dost, Press Office Rabobank Nederland

31 30 216 24 11 / 31 6 53 14 98 77, j.p.k.dost@rn.rabobank.nl

NOTES TO THE BALANCE SHEET

Rabobank Group's consolidated balance sheet total grew by EUR 28 billion in the first half of 2003 to EUR 402 billion, an increase of 7%. At 30 June 2003, the Tier I ratio was 10.2 and the BIS ratio 10.3.

Private sector lending increased by 4% during the first six months of the year to EUR 222 billion. Apart from the increase in lending, a significant contributor to the balance sheet growth was the increase in interest-bearing securities. The expansion in these activities was largely financed by an increase in debt securities of EUR 15 billion.

THE ASSETS SIDE OF THE BALANCE SHEET

Lending

Rabobank Group's loan portfolio increased by 5% in the first six months of 2003 to EUR 237.2 (225.3) billion. The portfolio consists of:

- public sector lending;
- professional securities transactions;
- private sector lending.

Lending to the public sector increased to EUR 2.0 (0.8) billion. Professional securities transactions climbed to EUR 13.5 (12.1) billion.

Private sector lending

In the first half of 2003, lending to the private sector rose by 4% to EUR 221.7 (212.3) billion. The growth percentage was under pressure from a weaker US dollar.

The private sector comprises private individuals, the agricultural sector and the trade, industry and services sector. Of the total amount lent, 50% is to private individuals, 35% to the trade, industry and services sector, and 15% to the agricultural sector.

Trade, industry and services

At the end of June, the amount lent to corporate clients in the trade and industry and the services sector (TIS) stood at EUR 78.1 (75.8) billion, representing an increase of 3% compared with year-end 2002. Lending by local banks was up 3%. For wholesale banking, lending was unchanged on balance. For the other business units, including leasing, lending grew by 11%.

Agricultural sector

Lending to the private sector was virtually unchanged from year-end 2002. Total lending amounted to EUR 33.7 (33.4) billion.

Private individuals

The strongest growth in private sector lending was in the form of loans to private individuals. At 30 June 2003, their net borrowing stood at EUR 109.9 billion. This was EUR 6.9 billion up on year-end 2002, a rise of 7%. Of the total, EUR 106.2 (99.8) billion relates to mortgage loans.

Banks

The item banks represents funds lent to credit institutions. Compared with year-end 2002, this item fell by EUR 2.8 billion to EUR 44.5 billion, a drop of 6%. Of the total amount, EUR 30.2 (40.1) billion concerns professional securities transactions.

Other assets

At 30 June 2002, Rabobank Group had interest-bearing securities totalling EUR 82.8 (71.3) billion on its balance sheet. EUR 13.6 (11.1) billion was invested in shares and EUR 2.6 (1.8) billion in short-term government paper.

THE LIABILITIES SIDE OF THE BALANCE SHEET

Funds entrusted

Funds entrusted, comprising savings, professional securities transactions and other funds entrusted, increased by 5% in the first half year to EUR 180.9 (171.6) billion. Professional securities transactions fell to EUR 10.5 (6.0) billion. Other funds entrusted rose to EUR 101.3 (99.3) billion.

Savings

Savings rose EUR 2.8 billion in the first half year to EUR 69.1 billion, an increase of 4%. The size of this increase was due to reduced consumer confidence combined with a persistently unfavourable stock market climate. Clients prefer security these days, and are accordingly placing their surplus funds in a savings account.

Other liabilities

The item banks was down 1% at EUR 84.9 (85.9) billion. Once again, funds were raised on the capital market. As a result, the item debt securities grew by 24% to EUR 76.5 (61.7) billion. Provisions increased slightly by EUR 0.6 billion in the first six months to EUR 18.9 billion. Of this amount, EUR 16.1 (15.4) billion concerns technical reserves relating to the insurance business of Interpolis.

Increase in Group equity

Rabobank Group's reserves increased by EUR 0.6 billion to EUR 15.5 (14.9) billion. Group equity rose by EUR 0.8 billion, totalling EUR 22.0 billion at 30 June 2003. In addition to the bank's reserves, this item consists of subordinated loans, the fund for general banking risks and third-party interests.

Off-balance-sheet activities

Off-balance-sheet activities include guarantees, irrevocable facilities and derivatives. Guarantees issued totalled EUR 7.4 (7.7) billion and irrevocable facilities EUR 28.6 (27.2) billion. The notional amounts of the derivatives outstanding totalled EUR 1,912 (1,700) billion, which corresponds to a net weighted lending amount of EUR 3.2 (3.1) billion.

Tier I ratio: 10,2

The Tier I ratio and the BIS ratio are the most commonly used ratios in the financial world to measure solvency. The Tier I ratio expresses the relationship between the core capital and the total risk-weighted assets. At 30 June 2003, the Tier I ratio stood at 10.2 (10.3), exceeding the long-term target of 10.0. The minimum requirement set

by the external supervisors is 4.0. The high solvency ratio is one of the reasons for Rabobank Group's triple A rating from the rating agencies Moody's and Standard & Poor's. Total risk-weighted items increased by EUR 9.1 billion to EUR 175.0 billion, largely the result of the rise in lending. The Tier I capital increased by EUR 0.7 billion to EUR 17.8 billion.

BIS-ratio: 10,3

The BIS ratio is calculated by dividing the total of Tier I and Tier II capital by the total of risk-weighted assets. The BIS ratio was 10.3 (10.5), which comfortably exceeds the minimum requirement of 8.0 set by the external supervisors.

NOTES TO THE PROFIT AND LOSS ACCOUNT

Operating result grew 7% in first half 2003 to EUR 1,573 million. The strict expense policy has been continued successfully in 2003.

INCOME

Total income in the first half of 2003 was up EUR 131 million to EUR 4,493 million, a rise of 3%.

Net interest income up 8%

Net interest income increased by EUR 210 million in the first six months of 2003 to EUR 2,952 million. This 8% increase is the result of growth in lending and savings. Moreover, because of the low capital market interest rate, private individuals repaid many mortgage loans early, which produced additional revenue.

Commission down 5%

In the first half of 2003, commission was down 5% to EUR 869 million. Commission income from securities and asset management was under pressure owing to the ongoing depression in the stock markets. This was offset to an extent by an increase in commission income from funds transfers and services.

Other income

Results on financial transactions stabilised at EUR 69 (70) million. Income from securities and participating interests decreased EUR 130 million in the first half year to EUR 228 million. The 2002 figures include non-recurring income of EUR 87 million from the sale of International Private Banking activities. Other income was up EUR 98 million to EUR 375 million. Other revenue includes the underwriting results of Interpolis.

EXPENSES

Operating expenses rose 1% in the first half year to EUR 2,920 (2,899) million, an increase of EUR 21 million.

Staff costs down 2%

Staff costs fell during the reporting period by 2% to EUR 1,822 (1,859) million. The pay increases under the Collective Labour Agreements were more than offset by a decrease in the size of the workforce and the smaller number of external staff hired in. The Rabobank Group's workforce was 51,238 FTEs at 30 June 2003.

Other administrative expenses up 7%

Other administrative expenses rose by 7% to EUR 921 (857) million. Depreciation decreased by EUR 6 million (3%) to EUR 177 million.

Value adjustments to receivables

This item is used to account for loan losses. These rose in the first half of 2003 by EUR 12 million to EUR 275 million. Given the economic conditions and the size of the loan portfolio, both the increase in this item and its size are relatively small.

Value adjustments to financial fixed assets

Value adjustments to financial fixed assets were EUR 69 (27) million. The increase was due to unrealised price losses on the Interpolis share portfolio and downward value adjustments to temporary participating interests. At the end of June, the revaluation reserve amounted to EUR 237 million.

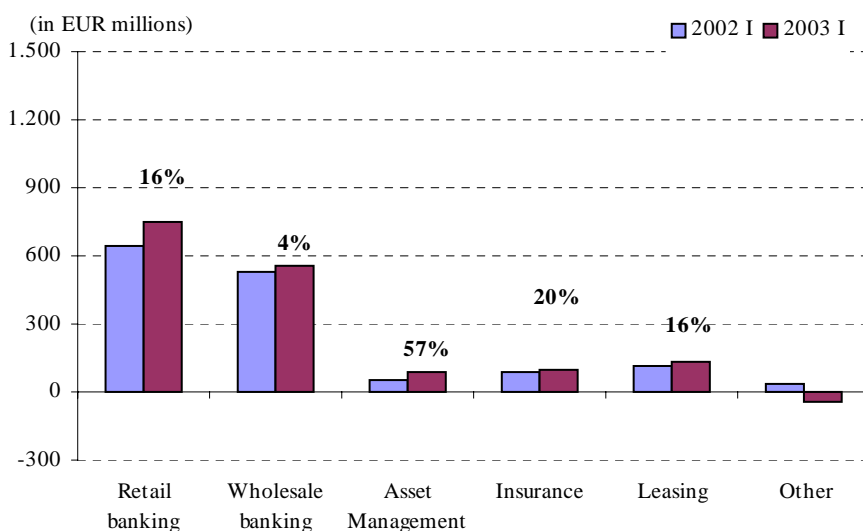
NET PROFIT

The tax burden was 29%. Third-party interests increased by EUR 7 million to EUR 125. Net profit increased by EUR 53 million to EUR 748 million, a growth of 8%

OPERATING RESULT BY GROUP UNIT

The operating result was EUR 1,573 (1,463) million, 7% up on the first half of 2002.

Operating result by Group unit



Retail banking

Retail banking had an excellent first half year. The operating result increased by EUR 104 million to EUR 749 million, a rise of 16%. Income grew by 4% to EUR 2,384 (2,282) million, while operating expenses at EUR 1,635 (1,637) million were virtually unchanged from last year. The higher income was almost entirely due to higher net interest income. This increased by 8% thanks to the growth in loans and savings, and to the additional income from mortgage refinancing. Despite a greater number of securities orders, commission fell by 8%. This was partly the result of clients increasingly placing orders via less expensive channels, such as the internet. Owing to a drop in the number of FTEs, operating expenses were unchanged from the previous year. The number of FTEs shrank by 1,027 in the first half year to 30,643.

Wholesale banking

Wholesale banking achieved an operating profit of EUR 555 (532) million, an increase of 4%. Income increased by 2% to EUR 994 (975) million, whereas operating expenses decreased by 1% to EUR 439 (443) million. Rabobank International and

Corporate Clients performed well during the first half of the year, with the profit from Corporate Finance and Capital Markets being particularly pleasing. Group Treasury's operating result was down compared with the same period last year, the fall being partly attributable to a cautious risk policy. In addition, the flat interest curve and the marked rise in the euro both had an adverse impact on the result.

Asset management

The profit from asset management activities grew by 57% to EUR 84 (54) million. Investment conditions remained poor in the first half of 2003. The poor results for the first half 2002 were improved on substantially, thanks in particular to non-recurring profits on co-investing and the profit on financial transactions. Cost savings were also achieved.

Insurance

The operating result of Interpolis was up 20% to EUR 101 (84) million. The increase is largely attributable to the improved operating result on non-life insurance business.

Leasing

De Lage Landen increased its operating profit by 16% to EUR 129 (111) million.

Other units

The combined result of the Group units included under Other fell by EUR 82 million to produce a loss of EUR 45 million. The difference can be fully explained by the gain on the sale of International Private Banking activities in 2002.