

Press release

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EMBARGO TILL 11.30 AM



RABOBANK GROUP'S NET PROFIT RISES 12%

Steady profit growth in the first half of 2005

- Net profit up 12%
- Income up 5%
- Expenses down 1%
- Savings up 6%
- Private sector lending up 7%
- Tier 1 ratio 10.9

In the first six months of 2005, Rabobank Group saw its net profit increase by 12%, to EUR 941 (840)¹ million. The healthy growth in lending was due in part to interest rates being at an all time low. The tighter interest margin caused by the competition on the mortgage loan market meant that growth in net interest was limited. In contrast, commission and other income rose sharply. Lower operating expenses in combination with higher income led to a strong increase in net profit. Bert Heemskerk, chairman of the Executive Board of Rabobank Group: "We are satisfied with our results for the first half of the year. The profit growth is in line with our long-term target and we are on course to achieve our strategic goals in the Netherlands and abroad. All group units contributed to the improved results."

Outlook for the full year 2005

Rabobank expects a limited increase in income in the remainder of the year due to shrinking interest margins. "Rabobank Group will have to continue to keep a tight rein on costs for the rest of the year. This should lead to total expenses for the whole of 2005 remaining at the same level as for 2004. Barring unforeseen circumstances, we therefore expect to maintain net profit growth at a minimum of 12% for the full year," said Heemskerk today during the press conference.

¹ The figures between brackets in this press release are the figures for the corresponding period of 2004.

Results (in EUR millions)	2005-I	2004-I	change
Interest	3,667	3,611	2%
Commission	1,299	1,121	16%
Other income	148	119	24%
Total income	5,114	4,851	5%
Staff costs	2,085	2,033	3%
Other operating expenses	1,327	1,405	-6%
Total expenses	3,412	3,438	-1%
Gross result	1,702	1,413	20%
Value adjustment to receivables	249	172	45%
Operating profit before taxation	1,453	1,241	17%
Net profit	941	840	12%

Ratio's			
Efficiency ratio	66.7%	70.9%	
Return on reserves	9.6%	10.4%	

Balance sheet (in EUR billions)	30-jun-05	31-dec-04	
Total assets	509.9	483.8	5%
Private sector lending	270.2	252.2	7%
Savings	83.3	78.3	6%
Total risk weighted assets	208.6	196.2	6%

Capital ratios			
BIS ratio	11.3	10.9	
Tier 1 ratio	10.9	10.9	
FTEs	50,294	50,216	0%

Income

Rabobank Group's total income for the first half of 2005 went up 5% to EUR 5,114 million, mainly thanks to higher commission and other income. Net interest income, which increased by 2% to EUR 3,667 million, was under pressure due to the low interest rates and a flattening yield curve. The growth in lending and higher income from early mortgage repayments on refinancing helped to ensure that net interest income went up. The interest margin fell, however.

Commission income grew by 16% to EUR 1,299 million, mainly thanks to higher asset management fees. Increased commission on funds transfers and services also contributed to this growth.

Other income went up by EUR 29 million to EUR 148 million, partly due to the favourable investment results achieved by Interpolis.

Expenses down

Total operating expenses fell by 1% to EUR 3,412 million, evidence of the strict cost control policy producing benefits. Staff costs rose 3% to EUR 2,085 million, mainly due to the regular salary rises. There was a slight increase in the workforce compared with the end of December 2004. While the number of employees in the Netherlands fell, this was more than offset by the growth in activities abroad.

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Communication Department, P.O. Box 17100, 3500 HG Utrecht, tel. +31 (0)30 216 39 04, fax. +31 (0)30 216 19 16, pressoffice@rn.rabobank.nl

The restructuring of the Rabobank Nederland organisation under the banner 'Operatie Service', which is due to be completed by the end of 2006, is progressing according to plan. Almost half of the planned reduction of the workforce by 1,200 FTEs has already been achieved. A provision of EUR 120 million was formed for 'Operatie Service' in 2004. In the first half of 2005, an addition of EUR 86 million was made to this provision. Despite this addition, other operating expenses fell by 6% to EUR 1,327 million, due in part to higher additions to provisions in the first half of 2004.

The efficiency ratio improved from 70.9% to 66.7% thanks to lower costs and higher income.

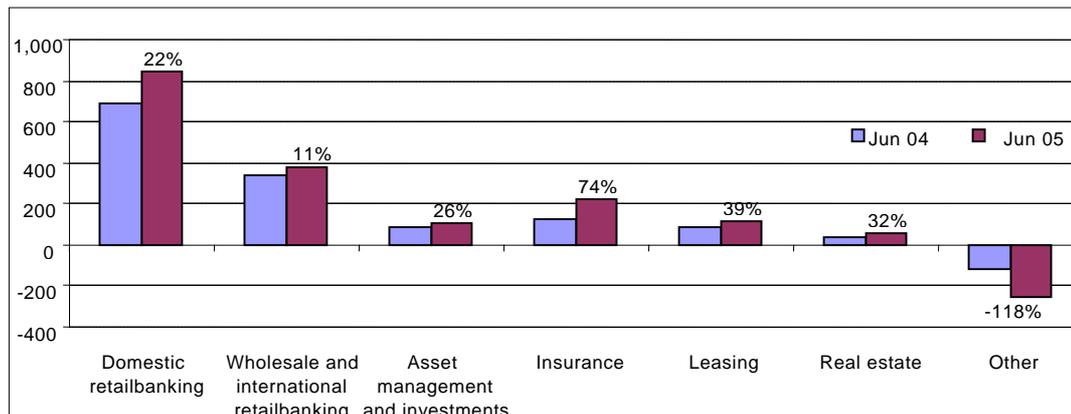
Increase in value adjustments to receivables but stable risk-related costs

The item value adjustments to receivables, which reflects the risk-related costs, increased by EUR 77 million to EUR 249 million as a result of the extremely small additions to the provisions for the wholesale and international retail banking business in the first half of 2004. Calculated on an annual basis, risk-related costs amounted to 25 basis points of average risk-weighted items. This is a few points below the long-term average.

Operating profit before taxation up 17%

Operating profit before taxation went up 17% to EUR 1,453 million, with all group units, except for other activities, contributing to this increase.

Operating profit before taxation by group unit (in EUR millions)



Higher tax burden

A tax charge of EUR 426 million was recorded for the first six months of 2005, representing an effective tax burden of 29.3%, compared with 25.8% in the same period of 2004. The higher tax burden can be attributed to a decrease in tax-free income.

Net profit up 12%

Net profit increased by EUR 101 million to EUR 941 million, a rise of 12%.

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Financial targets

The targets for net-profit growth of 12% and a Tier I ratio of at least 10 were achieved. At 30 June 2005, the Tier I ratio was 10.9, comfortably exceeding the target. The BIS ratio improved from 10.9 to 11.3 due to the issue of a subordinated bond loan of EUR 1 billion.

The target return on equity of 10% was not met. Calculated on an annual basis, the return on equity was 9.6%.

Private sector lending up 7%

Total lending - comprising private sector lending, public sector lending and professional securities transactions - rose by 6% to EUR 292.2 (274.9) billion. The largest component, private sector lending, amounted to EUR 270.2 billion. Growth in this sector was 7% in the past six months. Of the total private sector lending, 52% consists of loans to private individuals, 31% to the trade, industry and services sector and 17% to the food & agri sector. Lending to the food & agri sector covers the entire supply chain from the primary agricultural sector to the food retail businesses. The strong growth in the food & agri sector was mainly due to international retail activities.

Further increase in savings

Funds entrusted fell by 2% in the first half of the year to EUR 174 (177) billion. On the other hand, savings increased by 6% to EUR 83 billion, with the share of the savings market in the Netherlands growing to over 39%. While the internet savings portion of total savings increased from 43% to 46%, this was at the expense of telesavings and traditional savings. The margin earned on savings improved slightly.

As in Belgium, Rabobank is now also offering internet banking services in Ireland under the name RaboDirect. Clients in Ireland are able to open savings accounts, purchase units in investment funds and, in the future, will also be able to purchase other financial products. Rabobank's decision to launch an internet bank in this country was prompted by the expanding Irish economy and the increasing use of the internet.

STRATEGIC DEVELOPMENTS

Increase in interest in Eureko

In April 2005, Rabobank and Eureko announced that Interpolis would merge with Achmea in exchange for an interest in Eureko. These merger plans are without a doubt the most important strategic move made by Rabobank Group in the past six months. Following the merger, Rabobank will have a 37% interest in Eureko. The merger is expected to be completed later this year.

Acquisition of Sekerbank

At the beginning of July 2005, Rabobank Group signed an agreement for the acquisition of 51% of the shares in Sekerbank, involving an amount of EUR 109 million. After purchasing this interest, Rabobank Group plans to acquire a larger majority interest in Sekerbank by means of a public bid for the remaining shares.

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Rabo Development Program successful

The activities of the Rabobank Development Program are proving successful. At the end of August, the government of Tanzania announced that Rabobank, together with several Tanzanian partners, will be allowed in principle to acquire a 49% joint interest in the National Financial Microfinance Bank.

Moreover, Rabobank is in negotiation with a rural cooperative bank in China. These negotiations, originally started together with the International Finance Corporation (part of the World Bank) and the Chinese Hangzhou Rural Credit Cooperative Union, are now reaching completion and are aimed at acquiring a joint interest of 24.9%.

Sale of Effectenbank Stroeve

In April 2005, Rabobank Group announced that it would sell Effectenbank Stroeve to Kredietbank Luxembourgeoise. The grounds for this decision was the extensive overlap of the activities of Effectenbank Stroeve with those of the local Rabobanks and other group entities. The sale was finalised in July.

Sale of Gilde Investment Management

Gilde Investment Management, the investment company of the Gilde group, was sold on 1 August, after the end of the reporting period, to the company's management. The sale has no impact on the holdings held by Rabobank Group in the Gilde funds.

DOMESTIC RETAIL BANKING

The domestic retail banking operations – consisting of the local Rabobanks and Obvion – achieved an operating profit before taxation of EUR 841 million, an increase of 22% on the same period of last year.

<i>Results (in EUR millions)</i>	<i>2005-1</i>	<i>2004-1</i>	<i>change</i>
Interest	2,033	1,918	6%
Commission	673	654	3%
Other income	42	36	17%
Total income	2,748	2,608	5%
Staff costs	924	883	5%
Other operating expenses	874	936	-7%
Total expenses	1,798	1,819	-1%
Gross result	950	789	20%
Value adjustment to receivables	109	101	8%
Operating profit before taxation	841	688	22%
Risk-related costs (in basis points)	17	17	0%
<i>Balance sheet (in EUR billions)</i>	<i>30-jun-05</i>	<i>31-dec-04</i>	
Total assets	209.2	201.8	4%
Private sector lending	193.2	183.9	5%
Savings	76.0	71.9	6%
Total risk weighted assets	129.4	124.9	4%
FTEs	28,764	28,970	-1%

Income up 5%

Despite the fact that the economic recovery in the Netherlands did not materialise, income went up by 5% to EUR 2,748 million. The bulk of this increase was attributable to higher net interest, which increased by EUR 115 million to EUR 2,033 million.

The housing market in the Netherlands continues to be strong, thanks to the interest rates being at an all time low and the persistent shortage of owner-occupied houses for sale. The number of mortgage transactions rose slightly compared with the same period last year, as many borrowers took the opportunity of the low interest rates to refinance their mortgage loan at a lower rate. The total of the refinancing fees, in the form of penalty interest, paid by those clients was significantly higher in the first half of 2005 compared with the same period of 2004. This contributed to the 6% increase in net interest. The interest margin was slightly up on 2004 thanks to the higher penalty interest. However, excluding penalty interest, the interest margin shrank fractionally. The tighter interest margin reflects the fierce competition on the mortgage loan market during the past period, fought mainly through advertising campaigns and special offers in the form of additional discounts.

Commission income rose by 3% to EUR 673 million as a result of higher commission on funds transfers and insurance.

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Fall in operating expenses

Total operating expenses fell by EUR 21 million in the first half of 2005, to EUR 1,798 million. Staff costs went up 5% to EUR 924 million, but this was more than offset by the 7% drop in other operating expenses. The higher staff costs were attributable to regular salary rises and the increased use of temporary staff. The size of the workforce declined by 1%.

The efficiency ratio improved from 69.7% in the first half of 2004 to 65.4% in the first half of 2005.

Virtually no change in risk-related costs

The item value adjustments to receivables went up by EUR 8 million to EUR 109 million. This increase is in line with the growth in lending. As in 2004, the risk-related costs, calculated on an annual basis, amounted to 17 basis points of the average risk-weighted items.

Private sector lending up 5%

Loans granted to the private sector grew 5% in the first half of the year, to EUR 193 billion. At the end of June 2005, loans to private individuals were up 6% on the end of 2004, with total outstanding loans to private individuals amounting to EUR 135.8 (128.0) billion. The greater part of this amount relates to loans secured by mortgages. The share of the mortgage loan market held by Rabobank's domestic retail banking business rose from 25.2% in 2004 to 25.9% in the first half of 2005, of which 21.1% (20.6%) can be attributed to the local Rabobanks and 4.8% (4.6%) to Obvion.

Lending to corporate clients increased by EUR 1.5 billion to EUR 57.4 (55.9) billion, mainly thanks to the trade, industry and services sector. Lending to this sector grew 4% in the first six months of the year to EUR 37.4 (35.9) billion, primarily due to increases in the construction, retail and transport sectors. Lending to the agricultural sector was more or less unchanged, with total loans to this sector amounting to EUR 20.1 (20.0) billion at the end of June.

WHOLESALE BANKING AND INTERNATIONAL RETAIL BANKING

In the first half of 2005, the wholesale banking and international retail banking operations achieved an operating profit before taxation of EUR 374 million, up 11% on the same period of 2004. This increase can be attributed mainly to the impressive 13% growth in income.

<i>Results (in EUR millions)</i>	<i>2005-I</i>	<i>2004-I</i>	<i>change</i>
Interest	663	705	-6%
Commission	210	154	36%
Other income	206	92	124%
Total income	1,079	951	13%
Staff costs	378	343	10%
Other operating expenses	220	260	-15%
Total expenses	598	603	-1%
Gross result	481	348	38%
Value adjustment to receivables	107	12	792%
Operating profit before taxation	374	336	11%
Risk-related costs (in basis points)	49	6	717%
<i>Balance sheet (in EUR billions)</i>	<i>30-jun-05</i>	<i>31-dec-04</i>	
Total assets	351.3	334.7	5%
Private sector lending	51.1	45.0	14%
Total risk weighted assets	46.2	40.1	15%
FTEs	5,711	5,499	4%

Income up 13%

Income increased by 13% to EUR 1,079 million for the first half of 2005, mainly thanks to higher income at Country Banking. Global Financial Markets, too, reported a higher profit, partly due to the growth of structured credit products. Despite fierce competition in Australia and the US, and the resulting lower interest margins, the country banking activities generated more income. Income reported by Corporate Finance was down on the first half of 2004. The structured finance products, in particular, suffered from difficult market conditions and clearly declining interest in the market for this type of product, which led to fewer transactions. This could be offset only in part by the good results reported by Leveraged Finance, which benefited from the low interest rates.

Decrease in operating expenses

Total operating expenses fell by EUR 5 million to EUR 598 million. This decrease is entirely attributable to other operating expenses, which dropped 15% to EUR 220 million mainly as a result of lower non-recurring costs. Staff costs went up by 10% to EUR 378 million, primarily due to regular salary rises, higher pension costs and an increase in the number of FTEs.

Risk-related costs at long-term average

Value adjustments to receivables jumped from EUR 12 million in the first half of 2004 to EUR 107 million in the first half of 2005. Consequently, risk-related costs calculated on an annual basis came to 49 basis points of the average risk-weighted items, in line with the average of the past five years. The addition in the first half of 2004 was exceptionally low as a result of a release of provisions.

Corporate bank of the year

Rabobank has once again been awarded the title 'Corporate Bank of the Year', following a survey by the Dutch financial daily *Het Financieele Dagblad*, Vallstein consultancy and Erasmus University. The survey was conducted among companies with turnover exceeding EUR 10 million. Rabobank scored particularly well on the quality of its services.

Lending shows strong growth

Private sector lending climbed 14% to EUR 51.1 billion, with the food & agri sector showing the strongest growth. Lending to this sector went up by 28% to over EUR 20 billion.

Around half of the increase in total lending was attributable to the international retail banking operations. At 30 June 2005, this business unit had loans outstanding for an amount of EUR 16.1 (13.2) billion, an increase of 22% on the end of 2004. The activities in Australia and the US in particular reported excellent growth of 30% and 33%, respectively. Growth was boosted by higher Australian dollar and US dollar exchange rates.

During the period under review, Rabobank International announced its intention to further reinforce its presence in Brazil, particularly in the field of agricultural loans. In addition, Rabobank recently issued an official public announcement of its interest in the Romanian savings bank Casa de Economii si Consemnatuni.

ASSET MANAGEMENT AND INVESTMENTS

Operating profit before taxation from asset management and investment operations, consisting of Robeco Group, Schretlen & Co, Effectenbank Stroeve, Alex and International Private Banking & Trust, increased by 26% to EUR 106 million, thanks to the strong growth in commission income and a modest increase in expenses.

<i>Results (in EUR millions)</i>	<i>2005-1</i>	<i>2004-1</i>	<i>change</i>
Interest	16	36	-56%
Commission	292	244	20%
Other income	31	31	0%
Total income	339	311	9%
Staff costs	135	132	2%
Other operating expenses	98	94	4%
Total expenses	233	226	3%
Gross result	106	85	25%
Value adjustment to receivables	-	1	
Operating profit before taxation	106	84	26%
Number of orders in the Netherlands (in EUR millions)	2.8	3.1	-10%
	<i>30-jun-05</i>	<i>31-dec-04</i>	
Assets managed and held in custody (in EUR billions)	217	200	9%
For clients	150	140	7%
Investment portfolio	67	60	12%
FTEs	1,841	1,886	-2%

Higher income and limited growth in expenses

Total income rose EUR 28 million to EUR 339 million, an increase of 9%. The 20% increase in commission to EUR 292 million was higher than the entire amount of this growth. In addition to higher asset management fees, there was also a relatively sharp increase in the fees for introducing new products in particular. Net interest slumped EUR 20 million to EUR 16 million due to higher interest expenses.

Operating expenses edged up 3% to EUR 233 million. Regular salary rises were largely offset by a fall in the number of FTEs.

Increase in assets managed and held in custody

Assets managed and held in custody by Rabobank Group increased by 9% to EUR 217 billion. Of this amount, EUR 67 billion relates to the Group's own investment portfolio and EUR 150 billion to assets managed and held in custody for clients.

Assets managed and held in custody for clients increased by EUR 10 billion, mainly thanks to positive investment results and a higher US dollar exchange rate. The inflow of new assets was disappointing, with just a small net inflow achieved. The US activities of Robeco in particular reported a relatively large outflow of assets following the departure of an investment team.

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Of the assets managed and held in custody for clients, 46% consists of shares, 35% of fixed-interest securities and 19% of cash and other asset categories, including hedge funds and private equity.

The key Robeco Group funds, including Robeco and Rolinco, reported good investment results for the first half of the year, with their returns outstripping the benchmark.

Lower number of orders

The number of securities and in-house fund orders handled in the Netherlands fell by 10% in the past six months to 2.8 million. The local banks saw the number of orders for in-house funds rise by 3%, but this was offset by a 12% drop in the number of securities orders. Alex, too, was not able to match the level of orders handled in the first half of 2004 and saw its number of orders drop by 7%.

INSURANCE

Rabobank Group's insurance activities had an excellent six months. Interpolis reported an operating profit before taxation of EUR 223 million, an increase of 74%, thanks to a sharp rise in the result from operations and higher realised price gains on investments.

<i>Results (in EUR millions)</i>	<i>2005-I</i>	<i>2004-I</i>	<i>change</i>
Operating profit before taxation	223	128	74%
Result from operations	149	92	62%
Result from investments	74	36	106%
Premium income	2,236	2,204	1%
Life insurance	1,203	1,270	-5%
Non-life insurance	907	846	7%
Reinsurance	126	88	43%
Income from services	120	124	-3%
Pension services	68	67	1%
Occupational health & safety and reintegration	49	52	-6%
Other	3	5	-40%
	30-jun-05	31-dec-04	
Solvency	233%	225%	
FTEs	5,189	5,173	0%

Impressive increase in result from operations

The result from operations for the first half of the year amounted to EUR 149 million, compared with EUR 92 million for the same period of last year. This represents a rise of 62%. This increase is mainly due to the good results from non-life insurance activities (private individuals and businesses) of EUR 84 (47) million. Growth, combined with lower claims paid and lower costs, led to a sharp increase in profit.

Despite falling premium income, the result on life insurance activities went up by 4% to EUR 27 million. The result achieved by the People & Work sector also increased, mainly due to lower costs and favourable claim amounts paid. This sector focuses on occupational health & safety and reintegration activities and on income protection insurance in the event of illness or disability.

Increase in realised price gains on investments

Realised price gains on investments of EUR 74 million were more than double the amount for the same period of 2004. This increase is attributable to higher realised gains on the bonds and share investment portfolio, partly thanks to the lower interest rates and higher share prices.

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Higher reserves and solvency

Reserves at 30 June 2005 amounted to EUR 2.0 billion, against EUR 1.8 billion at year-end 2004. The increase is attributable to a higher revaluation reserve due to the higher prices on the bond and share markets and the addition of the result for the period. As a result of the reserves increase, the solvency position at the end of June 2005 further improved, reaching 233% of the requirement set by the Dutch Central Bank.

Premium income remains steady

Premium income increased fractionally in the first six months of the year to EUR 2,236 million, compared with EUR 2,204 million for the same period of 2004. The success of the *Alles in één Polis*® and *Bedrijven Compact Polis* policies helped boost the income from non-life insurance activities by 7% to EUR 907 million.

Income from life insurance activities dropped by 5% to EUR 1.2 billion. A shift was visible in life insurance taken out by private individuals from single premium policies to recurring premium policies. The income from single premium policies and immediate annuities stagnated mainly as a result of the stiff competition on these markets.

LEASING

Operating profit before taxation of De Lage Landen, Rabobank Group's leasing subsidiary, increased by 39% in the first half of 2005 to EUR 114 million, thanks to higher income and lower risk-related costs.

<i>Results (in EUR millions)</i>	<i>2005-I</i>	<i>2004-I</i>	<i>change</i>
Interest	248	226	10%
Commission	24	14	71%
Other income	81	74	9%
Total income	353	314	12%
Staff costs	116	102	14%
Other operating expenses	76	75	1%
Total expenses	192	177	8%
Gross result	161	137	18%
Value adjustment to receivables	47	55	-15%
Operating profit before taxation	114	82	39%
Risk-related costs (in basis points)	68	82	-17%
	<i>30-jun-05</i>	<i>31-dec-04</i>	
Lease portfolio (in EUR billions)	14.6	12.9	13%
Europe	7.4	7.0	7%
America	6.9	5.8	20%
Rest of the world	0.2	0.1	36%
FTEs	2,906	2,749	6%

Steady growth in income and expenses

Income went up 12% to EUR 353 million. This growth is in line with that for the past few years. The majority of the increase was attributable to net interest, which went up by 10% to EUR 248 million. The growth in this item was therefore lower than the growth of the lease portfolio, because of the declining interest margins caused mainly by lower interest rates on new loans granted in the US. The higher commission income was due to a reclassification of other income as commission.

Total operating expenses rose by 8% to EUR 192 million. This increase is fully attributable to the 14% rise in staff costs to EUR 116 million, caused by a 6% increase in the workforce due to organic growth, regular salary rises and higher pension costs.

Decrease in value adjustments to receivables

The item value adjustments to receivables decreased by EUR 8 million to EUR 47 million. This decline reflects the improved quality of the lease portfolio, which was already visible in the second half of 2004. Calculated on an annual basis, risk-related costs amounted to 68 basis points of the average lease portfolio, a fall of 14 basis points compared with the first half of 2004.

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Healthy growth of the lease portfolio

The lease portfolio grew by 13% in the first six months of the year to EUR 14.6 billion. Despite sluggish economic growth in Europe, De Lage Landen expanded its portfolio in this region by 7% to EUR 7.4 billion. Excellent growth was achieved in particular in the auto lease and food & agri sectors.

The higher US dollar exchange rate was one of the reasons for the 20% increase in the leasing activities in the US to EUR 6.9 billion. The highest growth rates were reported for the office equipment and food & agri sectors. The joint venture with AGCO, which focuses on the sale of lease contracts in the agricultural sector, is also performing very successfully. In Brazil, the lease portfolio increased by almost 50%.

REAL ESTATE

The real estate operations, comprising FGH Bank and Rabo Vastgoed, performed well in the first half of the year. Operating profit before taxation increased by 32% to EUR 54 million, mainly thanks to strong growth in income.

<i>Results (in EUR millions)</i>	<i>2005-1</i>	<i>2004-1</i>	<i>change</i>
Interest	58	51	14%
Other income	15	7	114%
Total income	73	58	26%
Staff costs	10	9	11%
Other operating expenses	9	7	29%
Total expenses	19	16	19%
Gross result	54	42	29%
Value adjustment to receivables	-	1	
Operating profit before taxation	54	41	32%
Other data	30-jun-05	31-dec-04	
Loans portfolio (in EUR billions)	6.7	6.5	3%
Land portfolio (in hectares)	1,940	1,790	8%
FTEs	301	291	3%

Strong increase in income and expenses

Net interest earned by the real estate operations went up by 14% to EUR 58 million. This increase is fully attributable to the growth of the loan portfolio. Other income doubled to EUR 15 million, thanks to higher commission and project results, as well as higher income from participating interests.

Operating expenses climbed 19% to EUR 19 million, mainly as a result of higher staff costs due to an increase in the number of FTEs and an increase in operating expenses, including higher consultancy fees.

Expansion of loan portfolio

The forecast cautious recovery of the commercial real estate market in the Netherlands did not materialise in the first half of the year. While the demand for office premises did increase slightly, the supply of such premises also remained high. The retail market is also suffering due to lower consumer spending, which puts pressure on income. Despite the continued slump in the commercial real estate market, the loan portfolio of FGH Bank expanded by 3% to EUR 6.7 billion. New business amounted to over EUR 1.2 billion, most of which related to investment financing.

Order portfolio enlarged

The order portfolio of Rabo Vastgoed showed healthy growth. At 30 June 2005, the total land portfolio amounted to 1,940 hectares, an 8% increase compared with year-end 2004. The total land portfolio has a potential capacity of over 27,000 houses and more than 700,000 m² in commercial floor space. The housing construction sector developed favourably for Rabo Vastgoed. Following a drop in sales of new houses in 2004, almost 800 houses were sold in the first half of 2005.

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CORPORATE SOCIAL RESPONSIBILITY

During the presentation of its 2004 Annual Responsibility and Sustainability Report, Rabobank announced its plan to pursue a more businesslike approach to corporate social responsibility (CSR). The pioneering stage, which focused specifically on raising awareness within the Bank, has now been completed. We are now entering the stage of increasing objectivity and review by setting priorities, meeting specific objectives and integrating CSR in the core activities.

Priorities

Priority is being given to the key banking processes. For example, preparations are being made this year for implementing CSR criteria as part of credit risk management, both for large corporates and small and midsize enterprises. This is aimed not only at risk management, but also and predominantly at helping our clients to better anticipate the market opportunities arising from the increased focus of society on sustainability.

Positive assurance report on Annual Responsibility and Sustainability Report

We have also made progress in the reporting of our CSR activities, evidenced by our Annual Responsibility and Sustainability Report 2004. Rabobank Group can boast that it is the first bank in the Netherlands whose Annual Responsibility and Sustainability Report contained a (partially) positive assurance report issued by an external auditor.

Rabobank concludes the largest ever green financing deal

With a market share of 50%, Rabobank has been market leader in the field of tax-friendly green financing for many years. Rabobank once again demonstrated and reinforced this leading role in the first half of 2005 by granting the largest ever green financing loan to Afval Energie Bedrijf of the municipality of Amsterdam. Via a reserved issue of Rabo Green Bonds, our investment clients in Amsterdam and surrounding areas were successfully encouraged to contribute to the financing of this innovative waste-to-energy company.

Greener lease scheme

Finally, as part of our own operations, we have decided to use more environment-friendly leased cars (greener lease scheme). In this way, Rabobank wishes to make its contribution to the reduction of CO₂ emissions.

CONSOLIDATED BALANCE SHEET (after profit appropriation)²

	30/06	31/12
<i>(in EUR millions)</i>	2005	2004
Assets		
Cash	8,006	7,269
Banks	43,646	41,050
Financial assets held for trading purposes	34,458	32,646
Other financial assets carried at fair value with changes in value taken to profit or loss	28,393	32,498
Derivatives	33,326	32,035
Lending	292,168	274,925
Financial assets available for sale	54,480	48,320
Financial assets held to maturity	2,165	2,207
Participating interests	710	712
Goodwill and other intangibles	311	206
Property and equipment in use by the Bank	3,375	3,313
Property not in use by the Bank	444	478
Deferred tax asset	1,210	1,076
Other assets	7,181	6,900
Total assets	509,873	483,635
Liabilities		
Banks	94,569	96,444
Funds entrusted	173,747	177,482
Derivatives and other trading liabilities	37,614	39,171
Liabilities arising from trading activities	6,804	7,090
Debt securities	137,402	106,460
Other liabilities	10,010	7,669
Liabilities arising from insurance activities	19,114	17,882
Provisions	1,102	1,081
Deferred taxation	496	306
Provision for employee schemes	1,965	1,958
Subordinated loans	3,296	2,129
	486,119	460,672
Member Capital	3,851	3,840
Retained earnings and other reserves	14,798	13,978
Trust Preferred Securities III to VI	2,075	1,876
Reserves	20,724	19,694
Third-party interests	3,030	3,269
Group equity	23,754	22,963
Total equity and liabilities	509,873	483,635

² The figures for 2004 have not been audited.

Rabobank Nederland

Communication Department, P.O. Box 17100, 3500 HG Utrecht, tel. +31 (0)30 216 39 04, fax. +31 (0)30 216 19 16,
 pressoffice@rn.rabobank.nl

**CONSOLIDATED PROFIT AND LOSS
ACCOUNT³**

<i>(in EUR millions)</i>	<i>First half of 2005</i>	<i>First half of 2004</i>
Interest	3,667	3,611
Commission	1,299	1,121
Other income	<u>148</u>	<u>119</u>
Total income	5,114	4,851
Staff costs	2,085	2,033
Other administrative expenses	1,185	1,243
Depreciation and capitalised costs	<u>142</u>	<u>162</u>
Total expenses	3,412	3,438
Value adjustments to receivables	249	172
Operating profit before taxation	<u>1,453</u>	<u>1,241</u>
Tax on operating profit	<u>426</u>	<u>320</u>
Operating profit/Group profit after taxation	1,027	921
Third-party interests	<u>86</u>	<u>81</u>
Net profit	941	840

³ The figures for 2004 have not been audited.

MOVEMENTS IN RESERVES⁴

<i>(in EUR millions)</i>	<i>First half of 2005</i>	<i>First half of 2004</i>
Balance reserves at 1 January	19,694	16,280
Net profit	941	840
Payments on Member Capital	(101)	(108)
Payments on Trust Preferred Securities III to VI	(46)	-
Other	236	(10)
Balance reserves at 30 June	<u>20,724</u>	<u>17,002</u>

CASH FLOW STATEMENT⁴

<i>(in EUR millions)</i>	<i>First half of 2005</i>	<i>First half of 2004</i>
Balance of cash and cash equivalents at 1 January	6,862	6,772
Net cash flow from operating activities	(21,538)	(10,905)
Net cash flow from investing activities	(6,906)	911
Net cash flow from financing activities	29,162	12,590
Balance of cash and cash equivalents at 30 June	<u>7,580</u>	<u>9,368</u>

⁴ The figures for 2004 have not been audited.

REVIEW REPORT

Introduction

We have reviewed the interim figures of Rabobank Group⁵ for the six month-period ended June 30, 2005, as set out on page 18 up to and including page 20 of this interim report. These interim figures are the responsibility of Rabobank Nederland's executive board, with its statutory seat in Amsterdam. Our responsibility is to issue a report on these interim figures based on our review.

Scope

We conducted our review in accordance with standards for review engagements generally accepted in the Netherlands. These standards require that we plan and perform the review to obtain moderate assurance about whether the interim figures are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and therefore provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Opinion

Based on our review, nothing has come to our attention that causes us to believe that these interim figures do not comply with the summary of accounting principles set out on page 23 up to and including page 25. This summary describes how International Financial Reporting Standards ('IFRS') have been applied under IFRS 1, including the assumptions the executive board has made about the standards and interpretations expected to be effective, and the policies expected to be adopted, when the executive board prepares its first complete set of IFRS financial statements as at December 31, 2005.

⁵ Rabobank Group consists of Coöperatieve Centrale Raiffeisen-Boerenleenbank BA in Amsterdam, its affiliated Rabobanks, Interpolis NV in Tilburg, Robeco Groep NV in Rotterdam, De Lage Landen International BV in Eindhoven, Schretlen & Co NV in Amsterdam, Effectenbank Stroeve NV in Amsterdam, FGH Bank NV in Utrecht, Rabohypotheekbank NV in Amsterdam, Onderlinge Waarborgmaatschappij Rabobanken BA in Amsterdam and their group companies.

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Emphasis of matter

Without qualifying our opinion above, we draw attention to the fact that the annexe within page 23 up to and including page 25 explains why there is a possibility that due to continued developments in (endorsed) IFRS the interim financial statements may require adjustment before constituting the final IFRS financial statements. Moreover, we draw attention to the fact that, under IFRS, only a complete set of financial statements with comparative financial information and explanatory notes can provide a fair presentation of the company's financial position, and results of operations in accordance with IFRS.

Utrecht, September 1, 2005

For Ernst & Young Accountants

N.M. Pul

Chr.J. Westerman

ANNEXE: Application of IFRS

General

With effect from 1 January 2005, Rabobank Group, in line with listed companies in the European Union, applies International Financial Reporting Standards (IFRS) for external reporting purposes.

Rabobank Group has adopted all IFRS standards endorsed as at 31 December 2004, with the exception of one area. The IASB recently published a new framework on the designation of financial liabilities (and assets) to be valued at fair value via the profit and loss account (fair value option). Rabobank Group applies these revised standards to certain debt instruments. The revised standards have not yet been endorsed by the European Commission, but this is expected to happen later this year. This change enables us to continue to manage such instruments in a manner consistent with our current risk management methods. Given the recent nature of the IASB's proposal, the impact for 2004 is not yet known, and therefore the comparative figures presented could change.

At the beginning of 2006, Rabobank Group will present its 2005 financial statements fully in accordance with IFRS standards then approved by the European Commission. The standards approved at that time may be different from the standards the Bank currently applies. For this reason, the comparative figures as presented might change.

Summary of accounting policies under IFRS

Application dates

IFRS allow a choice of first-time application dates for certain standards. Rabobank has opted for application of IAS 32 and IAS 39 as from 1 January 2004.

Accounting policies

On certain subjects, IFRS offer a choice of accounting treatment. For the main choices, Rabobank has opted for the following treatment⁶:

- Recording on transaction date: all purchases and sales of financial assets for which the transfer of the asset takes place within a set period in line with standard market practice are recognised on the transaction date. Under Dutch GAAP, some of these transactions were recognised on the settlement date.
- Buildings for the Bank's own use, tangible and intangible fixed assets are carried at cost, less accumulated depreciation or amortisation and impairments. Under Dutch GAAP, property in use by the Bank was carried at current cost, derived from their replacement value based on continuity and functionality.
- Interests in joint ventures are consolidated proportionally (same treatment as under Dutch GAAP).
- Investment property is carried at fair value, with changes in value taken to the profit and loss account (same treatment as under Dutch GAAP).

⁶ For some subjects, IFRS are compared with Dutch GAAP for clarification purposes. These accounting policies are set out in Rabobank Group's 2004 financial statements.

- Pensions: Rabobank continues to apply the corridor method under IFRS. The corridor was set at nil on 1 January 2004.
- Under Dutch GAAP, goodwill was charged direct to reserves, whereas under IFRS goodwill is capitalised.
- Under Dutch GAAP, the provision for loan losses was calculated as a general provision. Under IFRS, an impairment adjustment is recognised on receivables if there are indications that this is necessary. For this purpose, IFRS prescribes the discounting of expected future cash flows.
- Under Dutch GAAP, deferred tax items were carried at present value. Under IFRS, a deferred tax item is carried at its non-discounted value. This impact of this change is limited.

A number of IFRS rules are discussed below.

Derivatives

IFRS stipulate that derivatives be recognised on the balance sheet at fair value. Changes in the fair value are taken direct to the profit and loss account. Under Dutch GAAP, only derivatives held for trading purposes were recognised on the balance sheet. Rabobank Group applies the fair value hedge method for derivatives which it uses to limit the interest rate risk of certain assets. Under this method, changes in the fair value of the derivative are added to or deducted from the carrying value of the hedged asset or liability. The additions and deductions are also taken to the profit and loss account, so that the adjustments cancel each other out.

Financial instruments

IFRS identify four categories of financial asset, prescribing a different valuation method for each category:

- Loans and receivables: valued at amortised cost less any necessary impairments, with the regular amortisation taken to profit or loss;
- Investments held to maturity: consisting of instruments with fixed or negotiable payments, which Rabobank definitely intends and is able to hold until maturity. The valuation method is the same as that for loans and receivables;
- Financial assets: carried at fair value, with changes in value taken to profit or loss, comprising:
 - (i) financial assets held for trading purposes, and
 - (ii) financial assets that Rabobank irrevocably recognises at fair value on acquisition, with changes in value taken to profit or loss;
- Financial assets available for sale (residual category): carried at fair value with changes in value taken direct to reserves. On the sale of such assets, the related amounts taken to reserves are recognised in the profit and loss account. Under Dutch GAAP, the swap results on investments were recognised as interest income evenly over the remaining terms to maturity of the corresponding securities.

Financial liabilities are carried at amortised cost, with the exception of derivatives, items in trading portfolios, and a few liabilities for which the fair value option is applied.

Consolidation

Equity interests are consolidated if the substance of the relationship indicates that Rabobank has control over them. Interests in joint ventures – contractual agreements under which Rabobank and other parties enter into an economic activity over which

they exercise joint control – are consolidated proportionally. Investments in associated companies – investments in which Rabobank has significant influence but no control, and usually holds between 20% and 50% of the voting rights – are accounted for using the equity method. Non-consolidated interests held by venture capital companies are carried at fair value, with changes in value being taken direct to the profit and loss account (under Dutch GAAP they are accounted for via the revaluation reserve).

First-time adoption of IFRS

IFRS 1, First-time Adoption of International Financial Reporting Standards, requires a retroactive application of IFRS on the first application. In order to simplify the application of IFRS, the standard includes optional exemptions. Rabobank applies the following exemptions:

Business combinations that were effected before 1 January 2004 will not be restated under IFRS. Accordingly, the goodwill paid and charged to reserves before this date will not be adjusted.

Employee benefits. IFRS offers the possibility to include all the outstanding actuarial profits and losses, which were not yet recognised in the profit and loss account, under reserves in the opening balance sheet. Rabobank applies this option. Rabobank will also apply the corridor method under IFRS (from 1 January 2004), according to which actuarial differences within a defined range are not taken to the profit and loss account.

Cumulative translation differences. The cumulative translation differences for all foreign activities were set to nil on the transition date to IFRS. Any profit or loss made on the disposal of a foreign activity will not take into account translation differences that arose prior to the date of transition to IFRS.