Press release

8 March 2006

RABOBANK GROUP ON TRACK: NET PROFIT UP 16%

Executive Board Chairman Bert Heemskerk: 'All Rabobank Group business units contributed to the profit growth'.

- **Net profit: +16%**
- **Income: +2%**
- **Expenses: fractionally lower**
- **Savings: +10%**
- **Private-sector lending: +12%**
- **Tier 1 ratio: 11.6**

With 16% growth in net profit, Rabobank Group exceeded its long-term target of 12% in 2005. Bert Heemskerk, chairman of the Executive Board: 'We're on track. Despite the changeable economic climate, Rabobank Group has exceeded its profit target. Our commercial operations accounted for the bulk of the profit growth, to which all business units contributed across the Group. We also made significant advances at the strategic level, in the Netherlands and internationally.'

Rabobank Group posted a significant financial result in 2005, with net profit rising to EUR 2,083 (1,793)* million. Income was up 2% and total expenses were fractionally lower. Rabobank strengthened its equity position in 2005 with the issue of new Member Certificates. As with previous issues of Member Certificates, demand was so high that the issue was oversubscribed. Thanks partly to the successful issue of Member Certificates III, the Tier I ratio improved from 10.9 to 11.6. Private-sector lending was 12% higher, at EUR 278 (249) billion, and funds entrusted increased by 5% to EUR 186.4 (177.5) billion.

Last year saw further progress towards the achievement of Rabobank Group's strategic objective for the Dutch market: to be the leading financial services provider across the board. Interpolis was sold to Eureko in exchange for an additional holding in the latter, taking Rabobank's stake in Eureko from 5% to 37% and giving it a substantial interest in the largest insurance company in the Netherlands.
The merging of the local Rabobanks, to create larger units which are better equipped to serve their markets, is on schedule. The number of local banks decreased in 2005 from 288 to 248.

At the international level, too, Rabobank Group is on track to become the bank for the global food & agri sector. With the completion last month of the acquisition of Central Coast Bancorp in California, announced in 2005, Rabobank has also become the owner of the subsidiary Community Bank of Central California, which operates an extensive branch network.
Rabobank expanded its operations in Brazil, with the opening of eight branches to service the larger agricultural enterprises. In Tanzania, a consortium consisting of Rabobank and

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**The figures in brackets in this press release are the figures for the same period in 2004.*

three local partners took a 49% interest in National Microfinance Bank (NMB) under the Rabobank Development Program.

Outlook
Bert Heemskerk is optimistic about the prospects for 2006 and expects the Dutch economy to sustain the recovery which started in the second half of 2005. ‘I predict economic growth of around 2,75% this year, with both consumer spending and business investment at a higher level. Exports will also grow, following the economic upturn which has started elsewhere in Europe. That’s good news for Dutch business and for the consumer. As a bank, we expect to benefit from the economic growth,’ he says.

With the economy picking up and inflation starting to rise across Europe, some increase in both short-term and long-term interest rates is predicted, but Rabobank expects interest rates in the eurozone to remain low, viewed in a historical perspective. Bert Heemskerk: ‘With interest rates staying low, and given the intense competition between banks in key segments such as the SME and mortgage loan markets, we expect the interest margin to remain under pressure.’

Rabobank also takes a fairly optimistic view of the global economy, with sustained growth in the US and China, albeit at a slower rate, and a return to modest growth in Europe. Bert Heemskerk: ‘This will create good opportunities for the further expansion of Rabobank Group’s international business, particularly in the area of leasing, wholesale banking and international retail activities. Our aim is to expand our operations in other countries through organic growth and selective (smaller) acquisitions.’

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GROUP RESULT

Results (in EUR millions)	**2005**	**2004**	**change**
Interest	6,407	6,195	3%
Fee and commission	2,217	1,872	18%
Other income	739	1,155	-36%
Total income	**9,363**	**9,222**	**2%**
Staff costs	3,880	3,683	5%
Other operating expenses	2,284	2,494	-8%
Total expenses	**6,164**	**6,177**	**0%**
Gross result	**3,199**	**3,045**	**5%**
Value adjustments	517	479	8%
Operating profit before taxation	**2,682**	**2,566**	**5%**
Net profit	**2,083**	**1,793**	**16%**

Ratio's			
Efficiency ratio	65.8%	67.0%	
Return on equity	9.1%	9.0%	

Balance sheet (in EUR billions)	**31.12.05**	**31.12.04**	
Total assets	506.2	483.6	5%
Private sector lending	278.1	249.0	12%
Savings	86.2	78.3	10%
Total risk weighted assets	213.9	196.1	9%

Capital ratios			
BIS ratio	11.8	10.8	
Tier 1 ratio	11.6	10.9	
FTEs	**45,580**	**50,216**	**-9%**

Income +2%
Total income rose 2% to EUR 9,363 (9,222) million. Commission income in particular increased sharply in 2005, while other income was lower.

Net interest income was EUR 212 million higher at EUR 6,407 million, an increase of 3%. This was lower than the growth in lending and savings, reflecting the significant narrowing of the interest margin under pressure from increased competition and the flattening of the yield curve.

Total net commission income in 2005 was EUR 345 million, or 18%, higher at EUR 2,217 (1,872) million. This increase was due mainly to higher commission income from asset management and other commission income, which includes fee and commission from Global Financial Markets.

Other income was down 36% at EUR 739 (1,155) million. This item includes the insurance and trading results, the bank's share in the results of associates and the results on available-for-sale financial assets. The results of insurance and of associates were both excellent. The trading results, the results on available-for-sale financial assets and a large proportion of the other income are relatively volatile, because these items are heavily influenced by exchange-rate and interest-rate movements, and should therefore be considered in their totality and not individually. Compared with 2004, these results were lower in 2005.

Expenses fractionally lower
Total expenses decreased fractionally in 2005, down EUR 13 million to EUR 6,164 million, due entirely to lower other administrative expenses. Staff costs and depreciation were slightly higher.

Staff costs were up 5% at EUR 3,880 (3,683) million, mainly reflecting higher pension expenses. Wages and salaries were 3% higher. The number of FTEs decreased in 2005 by 4,636 to 45,580, largely as a consequence of the sale of Interpolis to Eureko. Adjusted for this effect, there was an increase of just over 1%, reflecting the growth in the bank's international operations.

Other administrative expenses, which include IT costs, rents and the like, were 10% lower, down EUR 220 million at EUR 1,953 million. This decrease reflects in part the sale of equity investments by Gilde funds, which are therefore no longer included in the consolidation. Operation Service also yielded the first cost savings. An additional provision of EUR 85 million was formed for Operation Service in 2005, on top of the provision of EUR 120 million formed in 2004.

Value adjustments +8%
Value adjustments, which comprise loan losses and losses on financial assets, were 8% higher at EUR 517 million, equivalent to 25 basis points of the average risk-weighted items (unchanged compared with 2004). Risk-related costs in 2005 were incurred largely as a result of the growth of the international activities of the wholesale and international retail business unit, where value adjustments were higher last year as a result of the formation of several new provisions for activities in other countries. Value adjustments for the Dutch retail banking business were lower, reflecting the very low risk profile of the loan portfolio, which consists predominantly of personal lending.

Operating profit before tax +5%
Operating profit before tax rose 5% in 2005 to EUR 2,682 (2,566) million.

Lower taxes
Taxation in 2005 amounted to EUR 599 (773) million, equivalent to an effective tax rate of 22.3% (30.1%). The lower tax burden was due chiefly to the lower rate of Dutch corporation tax and incidental tax income.

Net profit +16%
Net profit in 2005 turned out 16% higher at EUR 2,083 (1,793) million. After the deduction of minority interests and payment of the fee to holders of Rabobank Member Capital and Trust Preferred Securities, in so far as these are counted as equity, the remaining sum of EUR 1,577 (1,392) million has been appropriated to equity.

Lending +11%
Total lending to clients increased 11% in 2005 to EUR 304 (274) billion. This figure comprises lending to the public sector, lending relating to professional securities

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transactions, adjustments to loans in connection with hedge accounting and lending to the private sector.

Lending to the public sector as at year-end 2005 amounted to EUR 2.5 (4.2) billion and the amount outstanding in respect of professional securities transactions was EUR 22.0 (18.6) billion. Rabobank Group uses derivatives to hedge its interest-rate risk on lending to clients. These derivatives are marked to market and lending to clients is carried at amortised cost. Rabobank Group employs hedge accounting to prevent movements in these derivatives being reflected directly in the profit and loss account, which resulted in 2005 in a revaluation of the loan portfolio of EUR 1.8 (2.2) billion. Lending to the private sector, which accounts for the largest share (55%) of total assets, increased 12% to EUR 278.1 (249.0) billion, mainly due to the substantial growth in mortgage lending.

The Netherlands accounted for the bulk (79%) of the lending volume, with the rest of Europe taking 9%, North and South America 8%, Australia and New Zealand 4% and the rest of the world 1%. Of the lending to the private sector, 53% was to private individuals, 30% was to the trade, industry and services sectors and 17% was to the food & agri sector.

Savings +10%

Funds entrusted, comprising savings, funds relating to professional securities transactions and other funds, were 5% higher in 2005 at EUR 186.4 (177.5) billion. Funds relating to professional securities transactions amounted to EUR 5.4 (3.9) billion and the other funds totalled EUR 94.9 (95.2) billion. Savings were 10% higher in 2005, increasing by EUR 7.9 billion to EUR 86.2 (78.3) billion. Internet savings accounted for most of the growth, increasing by EUR 7 billion and taking the share of Internet savings in total savings from 43% to 46%, at the expense of the traditional *Rendementsrekening* savings account and *TeleSparen* telephone savings account. The share of fixed-term deposits increased from 7% to 10%, which was somewhat surprising, given that save-as-you-earn account holders in the Netherlands had been allowed access to a large proportion of their savings balances. Contrary to expectations, many account holders decided for tax reasons not to exercise that freedom.

Modest growth in staff numbers outside the Netherlands

The number of FTEs decreased from 50,216 at year-end 2004 to 45,580 at the end of 2005, largely due to the sale of Interpolis [5,173 FTEs]. Excluding the effect of this disposal, there was modest growth, mainly in wholesale and international retail banking [461 FTEs] and at De Lage Landen [296 FTEs].

STRATEGIC DEVELOPMENTS

NATIONAL

Interest in Eureko increased to 37%
The most important strategic advance made by Rabobank Group last year was undoubtedly the sale of Interpolis to Eureko in exchange for an additional holding in the latter, taking Rabobank's stake in Eureko from 5% to 37% and giving it a substantial interest in the largest insurance company in the Netherlands.

Successful placing of Member Certificates
Member Certificates III to the value of EUR 2.0 billion were placed with members in 2005. As with previous issues, the new certificates were in great demand and the issue was oversubscribed.

New services
Many new, class-leading services were introduced, including *Rabobank TV*, *Beleggers TV*, *iDeal* (a new internet payment standard), *Rijdende Geldautomaat* (mobile ATMs) and *Rabo Contact* (helpdesks within health care institutions and homes for the elderly).

Sale of Effectenbank Stroeve and Gilde Investment Management
Effectenbank Stroeve and Gilde Investment Management were sold in 2005.

INTERNATIONAL

Expansion of activities in Brazil
Rabobank further expanded its activities in Brazil, with the opening of eight branches to serve the larger agricultural enterprises.

Acquisition of Central Coast Bancorp in California completed
With the completion last month of the acquisition of the quoted holding company Central Coast Bancorp in California, which was announced in 2005, Rabobank has also become the owner of the subsidiary Community Bank of Central California (CBCC). CBCC operates an extensive branch network in California which fits well with Rabobank's existing operations.

Progress with Rabobank Development Program
The Rabobank Development Program is designed for entrepreneurs in the rural areas of developing countries and gives them access to affordable financial services. In Tanzania a consortium consisting of Rabobank and three local partners acquired a 49% interest in National Microfinance Bank (NMB) in 2005. The Rabobank Development Program is also active in China.

DOMESTIC RETAIL BANKING

The domestic retail banking operation, consisting of the local Rabobanks and Obvion, did not have an easy year. Market share was eroded by the intense competition on the mortgage market, which also translated into slightly narrower margins. Net profit for the domestic retail banking business was 35% higher at EUR 1,024 million, partly due to non-recurring results.

Results (in EUR millions)	**2005**	**2004**	**change**
Interest	4,176	3,949	6%
Fee and commission	1,205	1,156	4%
Other income	50	68	-26%
Total income	**5,431**	**5,173**	**5%**
Staff costs	1,990	1,836	8%
Other operating expenses	1,745	1,918	-9%
Total expenses	**3,735**	**3,754**	**-1%**
Gross result	**1,696**	**1,419**	**20%**
Value adjustments	175	247	-29%
Operating profit before taxation	**1,521**	**1,172**	**30%**
Net profit	**1,024**	**757**	**35%**
Risk-related costs (in basis points)	**14**	**21**	**-33%**
Balance sheet (in EUR billions)	**31.12.05**	**31.12.04**	
Total assets	219.8	201.5	9%
Private sector lending	200.7	183.6	9%
Savings	77.7	71.9	8%
Total risk weighted assets	132.8	124.9	6%
FTEs	**28,909**	**28,970**	**0%**

Income +5%

Although the tentative economic recovery which started in the Netherlands in 2004 did not resume until the second half of 2005, income was 5% higher at EUR 5,431 million. Net interest, which accounts for most of the income, rose 6% to EUR 4,176 (3,949) million. Largely due to the narrow margins resulting from increased competition on the mortgage market, the growth in net interest income was unable to keep pace with the growth in lending and savings. With many private and business borrowers taking advantage of the low mortgage interest rates last year to refinance on more favourable terms, interest income benefited from one-off payments of penalty interest. To prevent future loss of income, the derivatives contracts linked to the mortgage loans were settled prematurely, generating net interest income. Interest income for 2004 includes a non-recurring charge on discontinuation of the amortisation of gains on the investment portfolio.

Commission income was up 4% at EUR 1,205 (1,156) million, reflecting the improved stock market climate which generated higher commission income from securities. Commission income from funds transfer and insurance was also higher.

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Lower expenses
Total expenses were 1% lower at EUR 3,735 (3,754) million, reflecting a decrease in other operating expenses. Staff costs rose 8% to EUR 1,990 (1,836) million, due to higher pension expenses, regular salary adjustments and increased expenditure on temporary staff. The number of internal FTEs decreased marginally to 28,909 in 2005. Other operating expenses were EUR 173 million lower at EUR 1,745 million, due to a decrease in expenses charged by Rabobank Nederland to the affiliated banks and lower depreciation.

The efficiency ratio (total expenses/total income) improved in 2005 from 72.6% to 68.8%. The domestic retail banking operation therefore meets Rabobank Group's long-term target.

Risk-related costs down
Value adjustmentswere EUR 72 million lower at EUR 175 million. Risk-related costs amounted to 14 basis points of the average risk-weighted assets. This is 7 basis points lower than in 2004, in line with the improvement in the loan portfolio, which consists predominantly of personal lending.

The operating result before tax increased 30% to EUR 1,521 (1,172) million. Adjusting for the non-recurring results referred to above, the increase amounted to 13%.

Lending +9%
Lending to private individuals by the domestic retail banking operation increased 9% to EUR 200.7 (183.6) billion, of which over 70% was to personal borrowers, 19% to the trade, industry and services sectors and 11% to the agricultural sector.

Personal lending grew 11% in 2005 to EUR 141.7 (128.0) billion, with most of the growth in mortgage lending, which increased by EUR 14 billion to EUR 137.8 billion. With the market growing faster than the lending volume, the local Rabobanks' market share declined from 20.6% to 18.9%. Obvion, the Rabobank/ABP joint venture which sells mortgages via intermediaries, lost 0.5 percentage points of market share to 4.1%. The net effect was a decrease in the combined market share of the local Rabobanks and Obvion in 2005 to 23.0% (25.2%).

Lending to the trade, industry and services sector increased 5% in 2005 to EUR 37.5 (35.6) billion. Above-average growth was recorded in lending to the transport, health care, recreation and real estate sectors, but lending to the wholesaling and construction sectors was lower. There was a marked increase in lending to the food & agri sector, which rose 8% to EUR 21.5 (20.0) billion. The primary agricultural sector, where lending volume increased 15% to EUR 17.8 (15.4) billion, accounted for most of this growth, which was concentrated mainly in the arable, dairy and horticultural segments.

WHOLESALE BANKING AND INTERNATIONAL RETAIL BANKING

The wholesale banking and international retail banking operations reported net profit growth of 3%, at EUR 573 (555) million, achieved in a highly competitive market where margins are under heavy pressure.

Results (in EUR millions)	**2005**	**2004**	**change**
Interest	1,415	1,374	3%
Fee and commission	511	342	49%
Other income	301	545	-45%
Total income	**2,226**	**2,261**	**-2%**
Staff costs	760	749	1%
Other operating expenses	517	608	-15%
Total expenses	**1,277**	**1,357**	**-6%**
Gross result	**950**	**904**	**5%**
Value adjustments	259	119	118%
Operating profit before taxation	**690**	**785**	**-12%**
Net profit	**573**	**555**	**3%**
Risk-related costs (in basis points)	**55**	**30**	**81%**
Balance sheet (in EUR billions)	**31.12.05**	**31.12.04**	
Total assets	368	334	10%
Private sector lending	54	45	20%
Total risk weighted assets	55	40	36%
FTEs	**5,960**	**5,499**	**8%**

Income –2%
Total income was down 2% at EUR 2,226 (2,261) million, mainly due to fewer major exits by Gilde funds compared with 2004. Income was higher at Global Financial Markets, thanks to the issue of structured products such as the *Rabo Performance Clicker* and the *Asset Backed RentePlus Obligatie*. Corporate Finance reported lower income in 2005, but in international retail operations, the growth in lending more than outweighed the effects of narrower margins and income in 2005 was higher. Over 20% of total income is now generated by retail banking.

The food & agri sector accounted for 26% of total income and 55% of total income was generated in Europe, 29% in North and South America and the remainder in Asia, Australia and New Zealand.

Expenses 6% lower
Total expenses decreased 6% to EUR 1,277 (1,357) million. Because it occurred mainly in the closing months of 2005, the increase in the number of FTEs from 5,499 to 5,960 had only a limited effect on staff costs. Other operating expenses were lower, due to the deconsolidation of a number of equity investments by Gilde funds. The efficiency ratio improved from 60.0% to 57.3%.

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Risk-related costs at long-term average level
Value adjustments increased last year from EUR 119 million to EUR 259 million. Risk-related costs amounted to 55 (30) basis points of the risk-weighted assets. Risk-related costs were low in 2004 from a historical perspective, but were slightly above the long-term average in 2005, due to the formation of several new provisions for non-domestic operations.

Vigorous growth in lending
Total lending to the private sector increased by EUR 9.2 billion to EUR 54.2 (45.0) billion Most of this growth was generated in North and South America, where lending was over 30% higher, largely due to the stronger dollar.

Lending to the agricultural sector increased by EUR 7.0 billion in 2005 to EUR 23.1 (16.1) billion, representing 43% of total lending. Lending to the trade, industry and services sectors increased 7% to EUR 28.5 (26.6) billion.

At the end of 2005, North and South America accounted for 27% of total lending, Europe for 50%, Australia and New Zealand for 18% and Asia for 5%.

ASSET MANAGEMENT AND INVESTMENTS

Rabobank Group's asset management operations, which comprise Robeco Group, Schretlen & Co, Alex, International Private Banking & Trust and, until recently, Effectenbank Stroeve, achieved their objectives and targets for 2005 by a wide margin. Net profit increased 26% to EUR 174 (138) million. The significant improvement in the investment climate for equities translated into a strong rise in share prices, yielding excellent investment results.

Results (in EUR millions)	**2005**	**2004**	**change**
Interest	61	72	-15%
Fee and commission	600	512	17%
Other income	57	69	-17%
Total income	**718**	**653**	**10%**
Staff costs	278	276	1%
Other operating expenses	190	190	0%
Total expenses	**468**	**466**	**0%**
Gross result	**250**	**187**	**34%**
Value adjustments	-	1	
Operating profit before taxation	**250**	**186**	**34%**
Net profit	**174**	**138**	**26%**

Number of orders in the Netherlands (in EUR millions)	**6.1**	**5.6**	**9%**

	31.12.05	**31.12.04**	
Assets managed and held in custody (in EUR billions)	**224**	**223**	**0%**
For clients	156	140	11%
Investment portfolio	68	83	-18%

FTEs	**1,798**	**1,886**	**-5%**

Income higher and total expenses stable

The greatly improved result was the product of 10% growth in income and stable total expenses. Higher commission revenues, which rose 17% to EUR 600 (512) million, were responsible for the entire income growth of EUR 718 (653) million. The improved investment climate in the Netherlands, especially in the second half of the year, generated higher management and custody fees. Placing fees were also higher, thanks to the successful placing of several new products.

Total expenses turned out at EUR 468 (466) million. The staff costs were EUR 2 million higher at EUR 278 million. Higher pension expenses and regular salary increases were largely offset by the sale of Effectenbank Stroeve in mid-year, which reduced the number of FTEs by 5% to 1,798. Discounting this disposal, the number of FTEs showed little change in 2005. Other operating expenses were stable in 2005, at EUR 190 million.

Growth in assets under management and in custody

Assets managed and held in custody by Rabobank Group at the end of 2005 totalled EUR 224 (223) billion, of which EUR 68 (83) billion related to Rabobank's own investment portfolio and EUR 156 (140) billion to client assets. The decrease in the bank's own investment portfolio was largely due to the deconsolidation of Interpolis. The assets of Interpolis and Effectenbank Stroeve, in so far as they have not been placed with Robeco, are no longer included in client assets.

The growth in assets under management was the product of net investment gains of EUR 18 billion, an exchange effect of EUR 3 billion due to the appreciation of the dollar and EUR 5 billion in the new assets, less EUR 8 billion due to the sale of Effectenbank Stroeve and Interpolis. The remainder relates to other movements, including dividend and interest payments. The inflow of new assets in the United States was relatively low, for which the departure of an investment team was largely responsible. The European operations performed significantly better, and in the fourth quarter Robeco was awarded a new EUR 1 billion mandate by the French civil-service pension fund.

Sharp increase in orders

The number of securities orders and in-house fund orders executed in the Netherlands by Rabobank Group rose 9% to 6.1 (5.6) million in 2005, reflecting the strong recovery on the stock market in the second half of the year. Having fallen 10% in the first six months, the number of orders executed increased 32% in the second half. Securities orders, which were 15% higher, accounted for most of this growth, with the number of executed in-house fund orders remaining stable. Although there are signs that investor confidence is returning, it is too early to speak of a structural recovery.

LEASING

De Lage Landen again performed well last year, with double-digit growth in both net profit and portfolio value. The leasing subsidiary's net profit was 16% higher at EUR 178 (154) million and its portfolio grew 19% to EUR 15.4 (12.9) billion in 2005.

Results (in EUR millions)	**2005**	**2004**	**change**
Interest	514	458	12%
Fee and commission	47	36	31%
Other income	158	147	7%
Total income	**719**	**641**	**12%**
Staff costs	244	218	12%
Other operating expenses	148	145	2%
Total expenses	**392**	**363**	**8%**
Gross result	**327**	**278**	**18%**
Value adjustments	92	86	7%
Operating profit before taxation	**235**	**192**	**22%**
Net profit	**178**	**154**	**16%**

Risk-related costs (in basis points)	**65**	**68**	**-5%**

	31.12.05	**31.12.04**	
Lease portfolio (in EUR billions)	**15.4**	**12.9**	**19%**
Europe	7.5	7.0	7%
America	7.6	5.8	31%
Rest of the world	0.3	0.1	68%

FTEs	**3,045**	**2,749**	**11%**

Stable growth in income and expenses

Revenues were up 12% at EUR 719 (641) million, mainly due to higher interest income. Despite a slight narrowing of the interest margin in 2005, net interest income recorded healthy growth of 12%, rising to EUR 514 (458) million.

Total expenses were EUR 29 million higher at EUR 392 million, largely as a consequence of higher staff costs. The other operating expenses increased a little to EUR 148 (145) million. The staff costs were up 12% at EUR 244 million, the combined effect of 11% growth in the number of FTEs and regular salary increases.

Lower value adjustments

Value adjustments, which are a measure of the risk-related costs, increased by EUR 6 million to EUR 92 million, which equates to 65 (68) basis points of the average lease portfolio.

Growth in lease portfolio

De Lage Landen's portfolio grew 19% in 2005 to EUR 15.4 (12.9) billion. Eliminating the contribution made by the stronger dollar, portfolio growth still turned out at 10%, outstripping the growth in the global leasing market by a substantial margin.

Thanks to the expansion achieved in North and South America in recent years and the stronger dollar, the lease portfolio in this region is marginally greater than the European portfolio. The split is now: North and South America 49%, Europe 49% and Asia, Australia and New Zealand 2%.

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REAL ESTATE

Rabobank Group's Real Estate division, which was formed in 2005, made good progress last year. Effective cooperation between the various real estate entities and other units within the Group brought benefits in the form of growth in FGH Bank's loan portfolio and the acquisition by Rabo Vastgoed of a number of attractive projects. Profit after tax increased 22% to EUR 78 million.

Results (in EUR millions)	**2005**	**2004**	**change**
Interest	96	76	26%
Other income	54	50	8%
Total income	**150**	**126**	**19%**
Staff costs	25	20	25%
Other operating expenses	16	12	33%
Total expenses	**41**	**32**	**28%**
Gross result	**109**	**94**	**16%**
Value adjustments	1	-	
Operating profit before taxation	**108**	**94**	**15%**
Net profit	**78**	**64**	**22%**
Other data	**31.12.05**	**31.12.04**	
Loans portfolio (in EUR billions)	7.8	6.7	16%
Land portfolio (in hectares)	2,000	1,790	12%
FTEs	**331**	**291**	**14%**

Income and expenses higher

The dramatic growth achieved by the Real Estate Division last year translated into higher income and higher expenses. Income rose 19% to EUR 150 (126) million and net interest income was EUR 20 million higher at EUR 96 million, reflecting the vigorous growth in the loan portfolio. The interest margin showed little change, thanks partly to the higher level of redemptions and related penalty interest payments by clients. Other income, which includes lease and rental income and project results, was 8% higher at EUR 54 (50) million.

Total expenses rose 28% to EUR 41 (32) million. Due to the growth in the number of FTEs and higher pension expenses, staff costs increased by EUR 5 million to EUR 25 million. Other operating expenses turned out EUR 4 million higher at EUR 16 million, reflecting the significant organic growth achieved by the Real Estate division last year, and in particular the increased investment in the back office.

Growth in loan portfolio

FGH Bank can look back on an excellent year, setting a new production record once again of EUR 2.7 billion boosting the bank's loan portfolio by 16% to EUR 7.8 (6.7) billion. At EUR 1.4 billion, repayments were high compared with past years, mainly due to the heightened competition which prompted more borrowers to refinance. Investment finance accounts for around 71% of the loan portfolio. Of the remainder, 10% relates to internal corporate financing, 6% to financing the sale of rented property to sitting tenants (*uitpondfinancieringen*), 7% to land purchase and construction financing and 6% to other lending, such as home loans and trade financing.

Expanding order portfolio

Rabo Vastgoed's land portfolio grew by 210 hectares to 2,000 (1,790) hectares in 2005. The land portfolio has potential for 32,000 residential units and 721,000 m^2 of commercial space. A total of 1,767 (1,144) homes were sold last year, equivalent to a 5% share of the new owner-occupied housing market. The order portfolio of approved and current residential and commercial real estate projects increased 7% to EUR 3.8 (3.6) billion, largely due to the higher housing demand. Because Rabo Vastgoed operates with extreme caution on the difficult office market, the commercial property portfolio contracted last year.

Inner-city redevelopment is an important new activity for Rabo Vastgoed. Work started in 2005 on its first major projects in this area, in The Hague, Amsterdam and Utrecht.

CORPORATE SOCIAL RESPONSIBILITY

Ethical business practices, transparency and accountability – these are Rabobank's watchwords. At the time of presentation of its 2004 Annual Responsibility and Sustainability Report, Rabobank announced plans to place its approach to this issue on a more professional footing. The annual corporate social responsibility (CSR) review found that the bank had achieved most of its targets for 2005 and Rabobank retained its position as the most sustainable European bank in the survey carried out by the Sustainable Asset Management Group in Switzerland.

CSR objectives
Each Group business unit has identified two CSR objectives which are relevant to its primary function, marking another significant step towards anchoring CSR firmly throughout the organisation.

Rabo Groen Bank
With a market share of 50%, Rabobank retained its leading position on the green financing market in 2005. Rabo Groen Bank's total assets amounted to EUR 2.7 billion and gross advances increased by EUR 550 million. Last year also saw the first issue of 'green bonds' where the investors were informed in advance of the projects for which the issue proceeds were in principle earmarked. Funding of EUR 53 million was raised with these 'green bonds' in 2005 to finance Afval Energie Bedrijf's new waste-to-energy plant.

Sustainable operation
A key element of CSR policy is to promote sustainable operation within Rabobank itself. Many initiatives have been developed in recent years, such as reducing paper consumption, buying only green power, adopting sustainable practices in office construction and promoting sustainable transport for staff.

Note to editors:
The press conference will be broadcast in Dutch and English via our websites: www.rabobankgroep.nl and www.rabobank.com.

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