



**Rabobank**



Report 2009

***Rabobank Group***

# Report 2009

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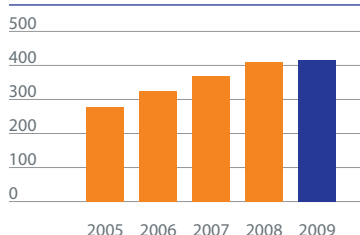
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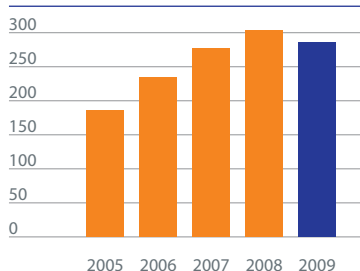
The financial information on pages 100 through 106 is based on Rabobank Group's Consolidated Financial Statements 2009. The independent external auditor issued an unqualified audit opinion on these financial statements on 4 March 2010.

# Key figures

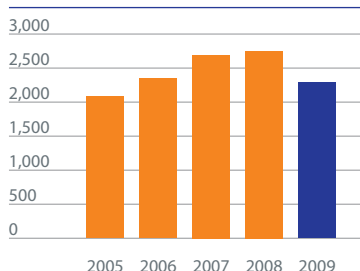
Loan portfolio  
in billions of euros



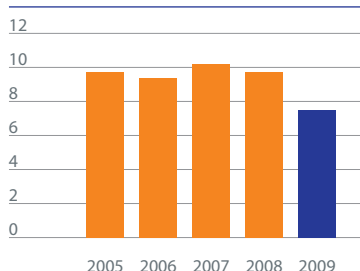
Amounts due to customers  
in billions of euros



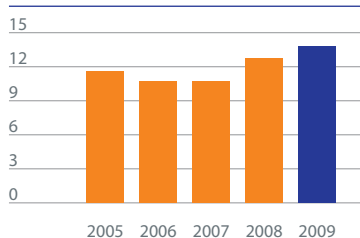
Net profit  
in millions of euros



Return on equity  
in %



Tier I ratio  
in %



Amounts in millions of euros	2009	2008	2007	2006	2005
<b>Volume of services</b>					
Total assets	607,698	612,120	570,491	556,455	506,573
Private sector loan portfolio	415,748	408,620	368,709	324,110	278,095
Amounts due to customers	286,338	304,214	276,610	234,917	186,427
Assets under management and held in custody for clients	230,400	183,600	231,800	219,300	156,200
<b>Capital position and solvency</b>					
Equity	38,098	33,459	31,409	29,377	26,349
Tier I capital <sup>1</sup>	32,190	30,358	28,518	26,391	24,860
Qualifying capital <sup>1</sup>	32,831	30,912	29,190	27,114	25,272
Risk-weighted assets <sup>1</sup>	233,372	238,080	266,573	247,458	213,901
<b>Profit and loss account</b>					
Income	11,867	11,652	11,022	10,049	9,363
Operating expenses	7,304	7,611	7,663	6,887	6,242
Value adjustments	1,959	1,189	266	450	517
Taxation	316	98	397	367	521
Net profit	2,288	2,754	2,696	2,345	2,083
<b>Ratios</b>					
Tier I ratio <sup>1</sup>	13.8%	12.7%	10.7%	10.7%	11.6%
BIS ratio <sup>1</sup>	14.1%	13.0%	10.9%	11.0%	11.8%
Net profit growth	-17%	2%	15%	13%	16%
Return on equity	7.5%	9.7%	10.2%	9.4%	9.7%
Efficiency ratio	61.5%	65.3%	69.5%	68.5%	66.7%
<b>Nearby</b>					
Local Rabobanks	147	153	174	188	248
Offices	1,010	1,112	1,159	1,214	1,249
Cash-dispensing machines	3,063	3,097	3,107	3,139	3,116
Members (x 1,000)	1,762	1,707	1,638	1,641	1,551
Client satisfaction private individuals	7.6	7.7	7.5	7.5	7.4
Foreign places of business	624	569	349	330	267
<b>Market shares (in the Netherlands)</b>					
Mortgages	30%	30%	28%	26%	23%
Savings	40%	41%	41%	39%	39%
SMEs	41%	39%	38%	38%	38%
Food and agri	84%	84%	84%	84%	83%
<b>Ratings</b>					
Standard & Poor's	AAA	AAA	AAA	AAA	AAA
Moody's Investor Service	Aaa	Aaa	Aaa	Aaa	Aaa
DBRS	AAA	AAA	AAA	AAA	AAA

1 These figures have been based on Basel II requirements since 2008.

Amounts in millions of euros	2009	2008	2007	2006	2005
<b>Personnel data</b>					
Number of employees (in FTEs)	59,311	60,568	54,737	50,573	45,580
Staff costs	3,869	4,290	4,400	4,115	3,880
Employee satisfaction	88%	86%	85%	87%	81%
Absenteeism	3.7%	3.8%	3.8%	3.6%	3.7%
Females employed	54.8%	55.1%	55.4%	55.6%	56.3%
Females in senior positions (> scale 7)	23.2%	22.1%	20.7%	19.9%	19.0%
WIA-influx	0.13%	0.20%	0.15%	0.18%	-
Training expenses	86.8	99.9	98.0	76.9	68.7
Training expenses in EUR per FTE	1,464	1,649	1,790	1,518	1,509
<b>Sustainable assets under management and held in custody</b>					
Total sustainable assets under management and held in custody for clients	16,438	11,506	14,024	3,604	3,011
Rabo Green Bonds (cumulative)	3,643	3,622	3,518	3,130	2,644
Robeco sustainable assets	3,992	3,166	5,604	296	210
Sarasin sustainable assets	8,345	4,363	4,778	-	-
Third party sustainable investment products	209	168	124	65	-
<b>Assets subject to engagement</b>					
Robeco sustainable capital subject to engagement	15,400	9,555	15,125	5,249	-
Sarasin sustainable capital subject to engagement	4,571	1,069	-	-	-
Other sustainable capital subject to engagement	126	-	-	-	-
<b>Sustainable financing</b>					
Total sustainable financing	6,455	6,228	5,188	4,257	-
Green financing (outstanding)	3,168	3,373	2,882	2,409	2,184
Loans with state guarantee	1,349	1,222	1,163	1,042	-
Stimulation loans and Growth & Innovation loans (SGR)	489	451	367	267	-
Sustainable project finance	372	313	155	105	-
Sustainable mortgages and mortgages for starting home owners	565	482	227	58	-
<b>Savings</b>					
Green savings	360	125	106	-	-
<b>Fund Management</b>					
Capital Public funds of Fund Management	2,713	2,700	2,300	2,000	-
<b>Supporting local communities</b>					
Rabobank Foundation, loans and donations	24.3	16.8	10.6	15.9	10.1
Project Funds, donations	0.8	3.7	1.1	1.3	1.6
Cooperative dividend local Rabobanks (donations)	25.8	20.4	20.3	-	-
Donations Rabobank Netherlands, Rabobank International and other	-	-	-	-	-
... Group entities	3.3	3.8	-	-	-
<b>Business operations</b>					
CO <sub>2</sub> -emissions attributable to business operations (x 1,000 tonnes CO <sub>2</sub> )	170.5	182.8 <sup>5</sup>	176.2	-	-
CO <sub>2</sub> -emissions per FTE (tonnes CO <sub>2</sub> )	2.8	3.1 <sup>5</sup>	3.1	-	-
Electricity usage (kWh per FTE) <sup>2</sup>	5,283	5,050	4,705	4,580	4,276
Share of green electricity <sup>2</sup>	73%	85%	85%	86%	96%
Gas usage (in m <sup>3</sup> per m <sup>2</sup> gross floor area) <sup>3</sup>	6.7	9.6	8.3	8.1	8.7
Share of green gas	48%	-	-	-	-
A4 Paper usage (kg per fte) <sup>4</sup>	33.7	39.1	45.2	48.7	50.6

2 These data cover 95% of the number of FTEs of the Rabobank Group.

3 These data cover 95% of the number of FTEs of the Rabobank Group.

4 These data cover 99% of the FTEs of Rabobank Netherlands, local Rabobanks and group entities Netherlands related to the share that is purchased centrally.

5 Restated in accordance with calculation method for 2009.



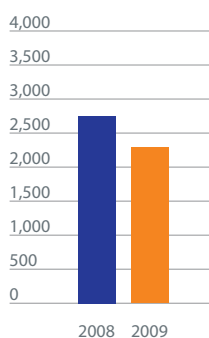
# Rabobank Group at a glance

## Rabobank Group

Rabobank Group is an international financial services provider operating on the basis of cooperative principles. It offers retail banking, wholesale banking, asset management, leasing and real estate services. Focus is on achieving market leadership as an all-finance bank in the Netherlands and on building on the bank's leading position as a food and agri bank internationally. Rabobank Group is comprised of independent local Rabobanks and Rabobank Nederland, their umbrella organisation, as well as a number of subsidiaries and associates. Rabobank Group's employee base numbers approximately 59,000 FTEs, which are spread over 48 countries.

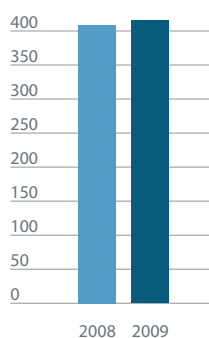
Net profit at  
EUR 2,288 million

in millions of euros



Loan portfolio up 2%

in billions of euros



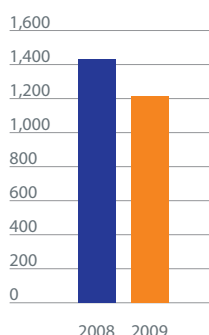
*Bad debt costs increased at Rabobank Group due to the poor economic situation. The drop in activity level led to cost cuts throughout the group. The tier 1 ratio increased by 1.1 percentage point to 13.8% in 2009 due to retained earnings and the issue of hybrid capital instruments. The economic situation caused demand for loans to drop, with lending growth levelling off, particularly in the second half of 2009. Businesses and retail clients deposited more money with local Rabobanks, while at Rabobank International amounts due to customers decreased.*

## Domestic retail banking

Rabobank Group is not only the largest mortgage lender, savings bank and insurance broker in the Netherlands, but it is also market leader in the SME sector. The 147 autonomous local Rabobanks have 1,010 branches, 3,063 cash-dispensing machines and an employee base of approximately 28,000 FTEs. They serve about 6.7 million retail clients and around 0.8 million corporate clients in the Netherlands, offering a comprehensive range of financial services. Obvion, a joint venture with APG, is also a division of domestic retail banking operations. This mortgage lender teams up with independent mortgage brokers.

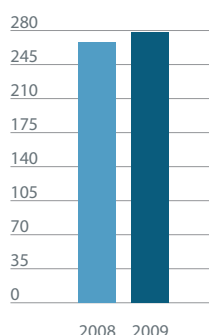
Net profit at  
EUR 1,213 million

in millions of euros



Loan portfolio up 4%

in billions of euros



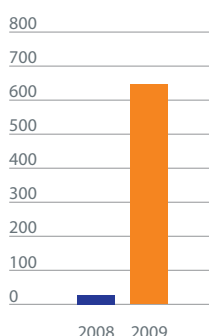
*Profit was down at domestic retail banking in 2009 due to fierce competition in the savings market and an increase in bad debt costs. Rabobank managed to expand its position in the corporate and mortgage markets. The local Rabobanks were able to entirely self-fund the growth in lending using the increase in amounts due to customers. They are now in the process of implementing the Rabobank 2010 Programme, the aim being to revamp and improve client services at lower cost.*

## Wholesale banking and international retail banking

Rabobank International is Rabobank Group's wholesale banking and international retail banking division. Within the Netherlands, Rabobank International operates in every market sector, giving priority to providing the best and broadest possible service offering to large corporate clients. Outside the Netherlands, Rabobank International focuses on serving food and agri clients. It has a worldwide office network, with branches in 30 countries and an employee base of about 14,500 FTEs globally. Through its partner banks in six developing countries, Rabo Development helps strengthen Rabobank's international position in the food and agri market.

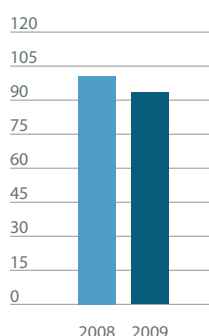
Net profit at  
EUR 646 million

in millions of euros



Loan portfolio down 7%

in billions of euros



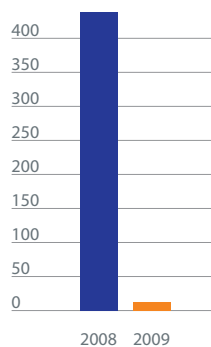
*The lending volume dropped at Rabobank International due to the scaling down of loans to non-food and agri clients outside the Netherlands. The share of food and agri in the portfolio increased. Income from wholesale banking benefited from developments in interest rates, although their impact levelled off in the second half of 2009. The poor economic conditions resulted in impairments on some private equity interests and in an increase in bad debt costs.*

## Asset management and investment

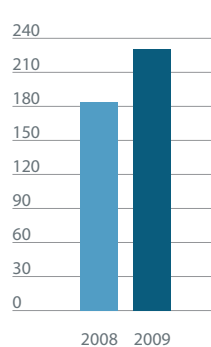
Rabobank Group's asset management business is handled by Robeco, an asset manager with international operations, as well as the Dutch private bank Schretlen & Co and the Swiss private bank Sarasin. Through these group entities, Rabobank enables its clients to invest in a large number of investment funds and to avail themselves of a broad range of asset management services. These group entities employ a total of approximately 3,500 FTEs.

Net profit at  
EUR 13 million

in millions of euros



Assets under  
management and held  
in custody up 25%  
in billions of euros



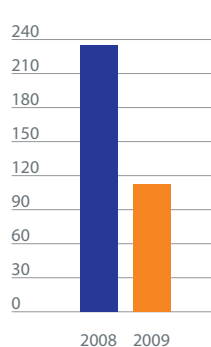
*In 2008, the gain from the sale of Alex had been a significant boost to profit. Besides this, the lower result for 2009 was mainly due to lower performance related commission fees at Robeco's subsidiary Transtrend. The positive cash flow and the recovery in equity prices caused an increase in assets under management and held in custody for clients. At Robeco, a cost reduction programme that had been initiated in 2008 resulted in lower costs and lower staffing levels. Due to the poor economic situation, Sarasin adjusted its growth rate in terms of hiring additional client relationship managers.*

## Leasing

De Lage Landen, which is responsible for Rabobank Group's leasing operations, uses the vendor finance concept to support manufacturers and distributors in their sales in more than 30 countries. Athlon Car Lease, its car-leasing division, is active in nine European countries. In the Netherlands, De Lage Landen offers a broad package of lease, trading and consumer loan products, including Freo, an online label. De Lage Landen has an employee base of approximately 4,700 FTEs.

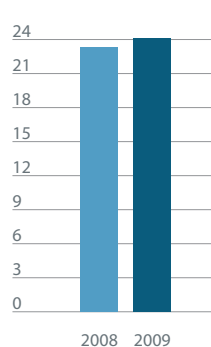
Net profit at  
EUR 112 million

in millions of euros



Loan portfolio up 3%

in billions of euros



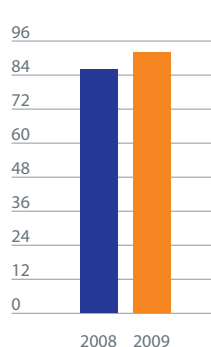
*De Lage Landen increased their margin on new business in 2009. Athlon Car Lease's profitability came under pressure as result of the poor market for second-hand cars, which started to pick up again towards the end of 2009, however. The economic crisis was to blame for an increase in bad debt costs; it also caused growth in lending to level off. Athlon Car Lease stepped up its car-leasing operations in Italy. This was a factor in the 2% rise in the lease fleet to 216,000. De Lage Landen received the European Vendor Partnership of the Year Award.*

## Real estate

Rabo Real Estate Group is responsible for Rabobank Group's private and corporate real estate operations. Its three core areas are development of residential and commercial properties, property financing and service provision to property investors. Rabo Real Estate Group operates the labels of Bouwfonds Property Development, MAB Development, FGH Bank and Bouwfonds REIM. Rabo Real Estate Group has an employee base of about 1,500 FTEs. Besides being active in the Dutch market, it operates mainly in Germany and France.

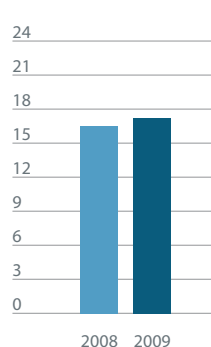
Net profit at  
EUR 92 million

in millions of euros



Loan portfolio up 5%

in billions of euros



*Rabo Real Estate Group was adversely affected by the poor conditions in the property market in 2009. It sold 7,341 homes, which was 16% less than in 2008, as well as completing fewer commercial properties. FGH Bank showed controlled growth in lending, improved its margin on new property loans and saw its bad debt costs increase. At Bouwfonds REIM assets under management increased 2% to EUR 7.0 billion.*

# Chairman's foreword

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The credit crisis and the recession that followed had a major impact on the financial sector. 2009 was a difficult year for banks and Rabobank did not escape the consequences either. On a positive note, the local Rabobanks did manage to strengthen their position in the Dutch corporate and mortgage markets. They also attracted more savings deposits from retail clients. Rabobank International and De Lage Landen granted more loans to food and agri clients.

The poor economic situation caused growth in lending to level off, thereby repressing income growth. 2009 was a challenging year for the Dutch corporate sector. Bad debt costs at Rabobank Group were higher as a result of the economic situation and net profit was down 17% to EUR 2.3 billion. Our liquidity position remained robust and our capital position continued to improve. Our tier 1 ratio increased by 1.1 percentage point to 13.8%.

In order to sustain our profitability and capital position in 2010 as well, we will focus on excellent client services, sound margins and ongoing cost cuts.

## Investing in trust

Rabobank Group delivered a solid performance in 2009 and managed to maintain its robust capital position despite the economic headwinds. At Rabobank, clients and members are our primary focus. This means that we invest in earning and maintaining the trust of our clients. We did not shy away from our responsibility and continued to grant loans to Dutch SMEs and our agri clients. Rabobank kept fulfilling its social role, pursuing a prudent risk policy and an appropriate remuneration policy. Rabobank Group attaches particularly great importance to its duty of care; clients can depend on us to offer high-quality, transparent products, provide appropriate expert advice and handle complaints properly. Clients in turn need to carefully consider their financial requirements and the risks they are prepared to accept.

## Continued growth in lending

The poor economic situation led to falling demand for loans, particularly in the second half of 2009, causing growth in lending to level off. In the Netherlands, Rabobank bolstered its leading position in the mortgage market, as well as increasing its share in the corporate market. The local Rabobanks and Obvion experienced growth in lending. The lease portfolio saw an increase as well. Lending was down at Rabobank International. Private sector lending was up 2% on balance at group level, rising to EUR 416 billion in 2009.

## Clients save more and benefit from recovery

The local Rabobanks received more savings deposits from retail clients. Total savings deposits were up 6% to EUR 121 billion. Robeco saw a drop in savings deposits, which was the main reason for the slight decline in Rabobank Group's share of the Dutch market. Amounts due to customers were down 6% to EUR 286 billion, due to a drop in corporate time deposits at Rabobank International.

Clients' equity investments benefited from the recovery in the stock markets after the disastrous investment year 2008. Assets under management at Robeco and Sarasin were up thanks to an inflow of assets and positive returns on equity investments. Assets under



Piet Moerland, Chairman of the Executive  
Board of Rabobank Nederland.

management and held in custody continued to increase at the local Rabobanks and Schretlen & Co as well. Assets under management and held in custody for clients rose by 25% to EUR 230 billion on balance.

### Increase in income and group-wide focus on cost cuts

Margins on savings products fell due to fierce competition in the Dutch savings market. Margins on new mortgage loans, business loans, lease transactions and property loans recovered. Rabobank International saw its profit increase thanks to a rise in income from wholesale banking. The drop in income from asset management was due in particular to a decline in performance-related commissions at Robeco. Income was up at Rabo Real Estate Group thanks to an increase in interest income in particular. There was a group-wide focus on cost cuts. We formed a provision within the scope of the deposit guarantee scheme. The efficiency ratio improved by 3.8 percentage points on balance, landing at 61.5%. The drop in activity level led to headcount reductions at nearly all divisions.

The poor state of the economy made 2009 a difficult year for Dutch business and industry. This resulted in an increase in bad debt costs at the local Rabobanks. Also at Rabobank International and De Lage Landen bad debt costs were at a high level. At group level, bad debt costs stood at 48 basis points of average lending; the long-term average is 21 basis points. On balance, return on equity amounted to 7.5%. Retained earnings and the issue of hybrid capital instruments were to thank for a 14% increase in equity to EUR 38 billion.

### Responsible banking

Rabobank has defined Food & Agribusiness Principles and a related draft value chain policy to further integrate sustainability into our lending practices in dialogue with all stakeholders. These principles were shared and discussed with clients, non-governmental organisations and other stakeholders on a global level in 2009. Rabobank also talked about the draft value chain policy with clients following which it was fleshed out.

Furthermore, we will be making our investment services more sustainable. It is Rabobank's ambition to make responsible investing part and parcel of its regular investment services. The group entities concerned – i.e. Rabobank Private Banking, Robeco, Schretlen & Co, Sarasin and Rabobank International – are bringing their investment services in further alignment with the United Nations Principles for Responsible Investment.

Rabo Real Estate Group continued to work towards investing in the future during 2009 and De Lage Landen developed several sustainable innovations in the areas of food and agri, and cleantech. The Dutch Greentech Fund and the Mainport Innovation Fund were established to encourage investments in sustainable techno start-ups. Group-wide initiatives were undertaken to promote energy efficiency and achieve climate neutrality in our operations. In 2009, local Rabobanks donated more than EUR 25 million in support of local communities.

### Cautious economic recovery

The global recession ruled rampant at the beginning of 2009. The extreme stress on the financial system left deep marks on production and trade and on the transportation sector. Although 2009 will be remembered as 'the year of the great recession', most countries have now left the slump behind them. The recovery of a number of emerging economies, particularly in Asia, is remarkable. Economic recovery is much more moderate in industrialised countries.



The recovery will remain limited in these countries in 2010 also; it will certainly not be enough to make up for the contraction in the market that we have experienced over the past few years. We have governments and central banks to thank for the fact that we can even talk about economic recovery. After all, they bailed out the financial sector, citizens and businesses when they were about to topple over. This did lead, however, to high budget deficits, which caused the national debt to mount rapidly in these countries. Concerns about the solvency of businesses have been replaced by concerns about the financial soundness of governments. In 2010, governments will have to provide clarity about how they plan to reduce their soaring budget deficits. Central banks will also make the first attempts at scaling down their emergency measures.

The Dutch economy contracted by 4% in 2009 compared with 2008, the highest rate of contraction in one year ever recorded by Statistics Netherlands. There were an increasing number of business failures and the unemployment rate was up. Thanks to the recovery of the world economy, exports helped the Netherlands take the first step away from the recession in the third quarter of 2009. Domestic spending and investments were low throughout the year.

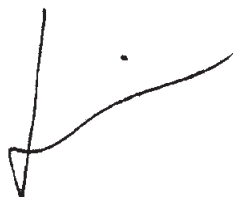
The Dutch economy will begin to show growth again in 2010, driven by an upswing in world trade. Although the unemployment rate will continue to rise, it will not go as high as initially feared. As consumers' purchasing power and, thus, consumer spending will still be weighed down, the recovery will be moderate. The Dutch property market is expected to return to calmer waters in 2010. Prices are stabilising and the number of transactions will see a slight increase.

#### Limited growth in lending due to low activity level and stricter regulation

Assuming that the economy will recover at a moderate pace, our clients' activity level will remain low. In addition, banks are expected to have to grapple with more stringent solvency and liquidity requirements in the future. These developments will repress growth in lending. Bad debt costs for Rabobank Group are expected to drop compared to 2009, but they will likely remain above the long-term average in 2010. In order to maintain our robust capital position, which is a precondition for upholding our client service level in the future, Rabobank Group needs to achieve sound margins and continue to focus on curbing costs in 2010. Our headcount will be aligned to the expected activity level. Costs will be reduced also by greater leveraging of virtual channels and by further process standardisation. At Rabobank, we will continue to put the interests of our clients and members centre-stage, never losing sight of our role in society.

#### Word of thanks to Bert Heemskerk

We said goodbye to Bert Heemskerk during the Annual General Meeting of Shareholders of 18 June 2009. The former Chairman of the Executive Board retired from the bank to enjoy his pension as of 1 July 2009. Mr Heemskerk has been a key player in the development of Rabobank Group over the past nearly seven years. I also speak for my colleagues when I express my sincere gratitude and immense appreciation for his efforts.

A handwritten signature in black ink, consisting of a stylized 'P' followed by a horizontal line and a small dot.

Piet Moerland, Chairman of the Executive Board of Rabobank Nederland

# Banking in a changing environment

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The credit crisis has left deep marks on the environment within which Rabobank carries on its banking operations. Confidence in the financial sector has been adversely affected. In the Netherlands, the banking landscape has changed drastically and the economic outlook has deteriorated. Moreover, banks are facing stricter regulation in the areas of solvency and liquidity, making it harder for them to increase lending. Limits to the growth opportunities have resulted in an even greater focus on core activities at Rabobank Group.

## Investing in confidence

Financial institutions around the world have had to contend with an image problem since the credit crisis began. The financial sector has been accused of not fulfilling its duties in the area of risk management, operating a bonus policy that the rest of society cannot understand, and failing to ensure that it performs its social role properly. Furthermore, the transparency of financial products had to be improved. Much of the criticism voiced in response to the credit crisis has been aimed at banking institutions that mainly operate in Anglo-Saxon nations, but there has also been criticism of European banks. The challenge for all involved is to find a way to re-establish the sector's relationship with society and politicians.

Rabobank Group has also been affected by the credit crisis, although it has maintained its sound capital position. Rabobank Group continues to enjoy the confidence of the financial world, and in particular institutional investors, as shown by its success in raising over EUR 40 billion in long-term funding at relatively favourable rates during 2009.

Rabobank will continue to invest in retaining, and where necessary regaining, the trust of its clients, particularly now the industry's image is damaged. Rabobank Group attaches great importance to its duty of care towards its clients, who can depend on it to offer high-quality, transparent products, provide appropriate expert advice and handle complaints properly. Clients in turn need to carefully consider their financial requirements and the risks they are prepared to accept. By following the Dutch Ombudsman for Financial Services' recommendations concerning OpMaatHypotheek-C (to-measure mortgage), Rabobank has tried to ensure its clients ongoing confidence in the services provided by the bank.

## Changing banking landscape

The Dutch banking landscape has not escaped the credit crisis unscathed. Financial institutions have been nationalised by the government, received injections of capital and/or obtained guarantees for part of their investment portfolios, while at the same time they have made use of state guarantees for issuing debt securities. Rabobank did not make any use of arrangements of this kind. The bank has been able to operate in the market entirely independent, although it should be noted that a complete level playing field can hardly be said to exist anymore in such circumstances. The biggest banks that currently receive state aid are expected to focus on the Dutch market to a significant extent, and this will lead to fiercer competition in the domestic market.

### Stricter regulation

The Dutch Banking Association (NVB) has encouraged self-regulation by the banking sector with the introduction of its Banking Code. Rabobank already acted in accordance with the spirit of the code to a great extent.

Prompted by the credit crisis and the failure of self-regulation, the Basel Committee on Banking Supervision has looked at how banks are currently regulated. On balance, it seems likely that rules relating to solvency and liquidity will become considerably stricter. Rabobank Group has traditionally had a strong position in both these areas. However, extra efforts will be required in order to maintain this position in relation to new standards, since Rabobank Group aspires to maintain its high creditworthiness even when standards governing banking operations change.

### Limited economic recovery

The economic circumstances in which banks operate reached a low point in 2009. Following a period during which losses on investment portfolios had to be written off due to the credit crisis, banks are now forced to form relatively substantial provisions for their loan portfolios owing to the economic crisis. This latter tendency is also visible in trends in bad debt costs at Rabobank.

The economy is expected to show some signs of recovery in 2010. However, the need to cut government spending drastically will limit economic growth in the next few years. The steps that are expected to be necessary to boost banks' balance sheets and improve solvency and liquidity will restrict the extent to which banks will be able to lend in the coming years, and as a consequence the extent to which the economy can recover will also be limited.

### Changing social environment

As far as corporate social responsibility is concerned, civil society organisations and the media are more vigilant than ever, raising questions, demanding transparency, entering into dialogues and conducting campaigns. Key issues that have been discussed concern remuneration policy, diversity, animal welfare, the arms industry and the role played by banks in relation to new forms of energy. Rabobank has opted for engagement, joining forces with clients to look for ways in which its business operations, nature, the environment and social justice can be brought into balance. Here, the aim of Rabobank Group is to be one of the world's leading sustainable banks.

### Greater strategic focus

The opportunities for expansion open to Rabobank Group have become more restricted than ever before. In view of developments, Rabobank Group is increasing its strategic focus on its core activities. These centre on the operations of the local Rabobanks, which are at the heart of the organisation and perform the primary task of providing customer value to members and clients. Rabobank Group will continue to closely monitor any developments.

The bank's strategic starting points are its cooperative identity, its ambition to become the Dutch market leader in all-finance services and an international food and agri bank, the retention of a high credit rating, and high standards in respect of CSR policy. It has therefore set the following core objectives:

- become the Dutch all-finance market leader (or retain this position, as appropriate);
- build on its position as the world's leading international food and agri bank;
- achieve greater commercial synergy with subsidiaries.

Since Rabobank Group needs an adequate tier 1 ratio and stable profit growth in order to maintain its high credit rating and be able to serve members and clients on an ongoing basis, it has set the following long-term financial targets:

- a tier 1 ratio of at least 12.5%;
- a minimum return on equity of 8%;
- 10% net profit growth.

Adjusting the target return on equity from 10% to 8% is in keeping with the increase in our capital position that we wanted to bring about since 2008, the anticipated lower growth in lending, and the shift towards activities with a more moderate risk/return profile.

# Financial developments

## Rabobank Group profitable with higher capital ratios

### *Net profit at EUR 2,288 million*

- Efficiency ratio at 61.5%, a 3.8% percentage point improvement
- Bad debt costs above long-term average at 48 basis points
- RAROC at 10.3%

### *Balance sheet*

- Loan portfolio up 2% to EUR 415.7 billion
- Amounts due to customers down 6% to EUR 286.3 billion
- Equity up 14% to EUR 38.1 billion

### *Financial targets*

- Tier 1 ratio up 1.1 percentage point to 13.8%
- Net profit down 17%
- Return on equity at 7.5%

Rabobank Group's tier 1 ratio of 13.8% in 2009 was comfortably higher than the ambitious target of 12.5%. Return on equity was 7.5% with net profit falling by 17% to EUR 2,288 million. The poor economic conditions caused an increase in bad debt costs by 17 basis points to 48 basis points, with dropping demand for loans. As a result, the local Rabobanks saw their growth in lending level off and Rabobank International saw a decrease in lending. As a result, the private sector loan portfolio was up 2% at group level, rising to EUR 415.7 billion. The local Rabobanks received more savings deposits from retail clients, which resulted in a 6% increase in total savings deposits to EUR 121.4 billion. Local Rabobanks also attracted more client deposits from corporate clients. At group level, however, amounts due to customers were down 6% to EUR 286.3 billion due to the drop at Rabobank International. There was a group-wide focus on cost-cutting. The efficiency ratio improved by 3.8 percentage point to 61.5% thanks to an increase in income combined with a reduction in expenses. RAROC stood at 10.3%.

## Financial targets

Rabobank Group has three financial targets: a tier 1 ratio of 12.5% or more, an increase in net profit by at least 10%, and return on equity of at least 8%. At year-end 2009, the tier 1 ratio, i.e. the ratio between tier 1 capital and risk-weighted assets, stood at 13.8% (12.7%<sup>6</sup>), which is amply above our ambitious target of 12.5%. Tier 1 capital was up 6% on balance, rising to EUR 32.3 (30.4) billion thanks to retained earnings and issues of hybrid capital instruments. The rise came in spite of an increase in deductible capital items. Changes in client ratings, fine-tuning of risk models and progress in implementing the advanced internal rating based approach were the reasons why the risk-weighted assets decreased by 2% to EUR 233.4 (238.1) billion on balance. Net profit in 2009 was down 17% on 2008. Return on equity stood at 7.5% (9.7%).

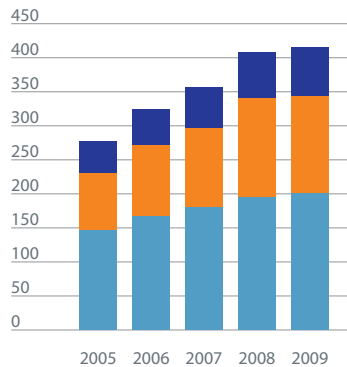
6 For page 1 to 51, the amounts in brackets ( ) are the comparative figures. Where income is concerned, these are the figures for 2008; where the statement of financial position is concerned, these are the figures at year-end 2008. The comparative figures have been restated to reflect the insights gained since their preparation.



## Increase at local Rabobanks results in growth in lending

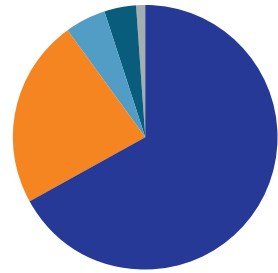
Loan portfolio by sector  
in billions of euros

- Food and agri
- TIS
- Private individuals



Loan portfolio by group entity  
year-end 2009

- Domestic retail banking 67%
- Wholesale banking and international retail banking 23%
- Leasing 5%
- Real estate 4%
- Other 1%

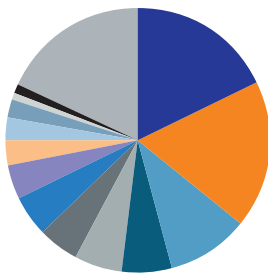


Growth in lending was primarily achieved in the first half of the year. Demand for loans was down due to the economic crisis, causing lending to level off. Although the local Rabobanks and Obvion still managed to increase their loan portfolios, the growth rate was lower than in 2008. Rabobank International saw a decrease in lending, particularly in the second half of 2009. The 'loans to customers' item was up 2% at group level, rising to EUR 433.9 (426.3) billion. Of this item, 96% accounts for private sector lending, which saw a 2% increase to EUR 415.7 (408.6) billion thanks in particular to a rise in mortgage loans in the Netherlands. The item loans to customers further comprises lending to government clients, securities transactions due from private sector lending and interest rate hedges. Lending to government clients amounted to EUR 3.9 (8.8) billion. The volume of the item 'securities transactions due from private sector lending' grew to EUR 8.4 (3.8) billion as a result of an increase at Rabobank International. Rabobank Group uses derivatives to hedge the interest rate risk on lending. A temporary asymmetry in valuation occurs because these derivatives are valued at market value, whereas the private sector loan portfolio is valued on the basis of amortised cost. Rabobank Group applies hedge accounting to prevent this difference from causing unnecessary fluctuations in the statement of income. The valuation differences are recognised under the item 'interest rate hedges'. This item had a volume of EUR 5.8 (5.0) billion.

Of the private sector loan portfolio, 48% is made up of loans to private individuals, 35% of loans to the trade, industry and services (TIS) sector, and 17% of loans to the food and agri sector. Thanks to the growth in mortgage lending in the Netherlands, loans to private individuals

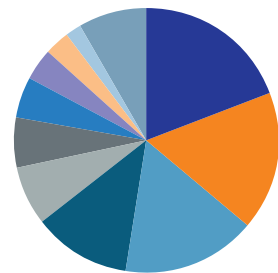
Loan portfolio TIS  
by industry at year-end 2009

- Lessors of real estate 18%
- Finance and insurance (except banks) 18%
- Wholesale 10%
- Manufacturing 6%
- Construction 6%
- Transport and warehousing 5%
- Activities related to real estate 5%
- Health care and social assistance 4%
- Retail (except food and beverages) 3%
- Professional, scientific and technical services 3%
- Information and communication 2%
- Arts, entertainment and recreation 1%
- Utilities 1%
- Other 18%



Loan portfolio food and agri  
by industry at year-end 2009

- Animal protein 19%
- Dairy 17%
- Grain and oil seeds 16%
- Fruit and vegetables 12%
- Food retail and food service 7%
- Farm inputs 6%
- Flowers 5%
- Beverages 4%
- Miscellaneous crop farming 3%
- Sugar 2%
- Other food and agri 9%

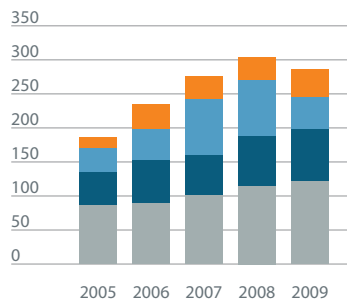
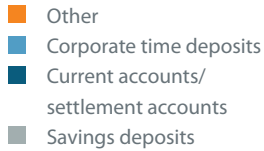


increased by 3%, reaching EUR 200.6 (194.0) billion. This portfolio is virtually entirely comprised of mortgage loans, the remainder being consumer loans. The TIS portfolio was down 2% at group level, dropping to EUR 143.6 (146.3) billion due to a contraction in this portfolio at Rabobank International. Loans to the food and agri sector increased by 5% to EUR 71.4 (68.3) billion, EUR 49.7 (43.8) billion of which was issued to the primary agricultural sector. The grain sector was a growth market in this portfolio.

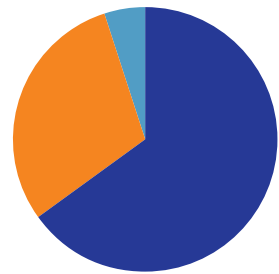
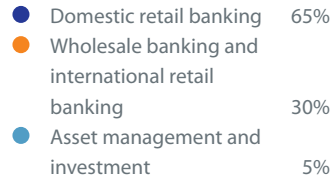
Of the private sector loan portfolio, 75% of loans were granted in the Netherlands, 9% in European countries other than the Netherlands, 11% in America, 4% in Australia and New Zealand, and 1% elsewhere.

### Drop at Rabobank International causes amounts due to customers to contract

Breakdown of amounts due to customers in billions of euros



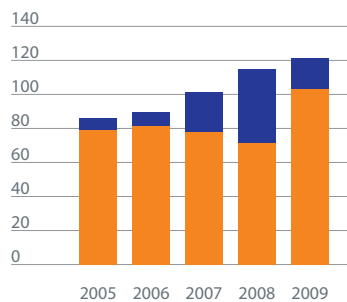
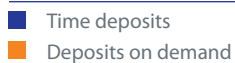
Amounts due to customers by group entity year-end 2009



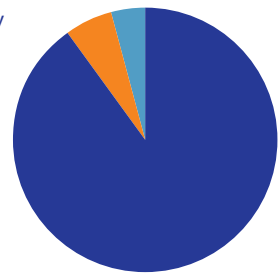
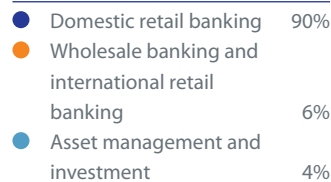
In 2009 the local Rabobanks attracted more client deposits from retail and corporate clients. However, due to a drop at wholesale banking amounts due to customers were down 6% at group level to EUR 286.3 (304.2) billion.

### Increase in savings deposits at local Rabobanks in particular

Breakdown of savings deposits in billions of euros



Savings deposits by group entity year-end 2009

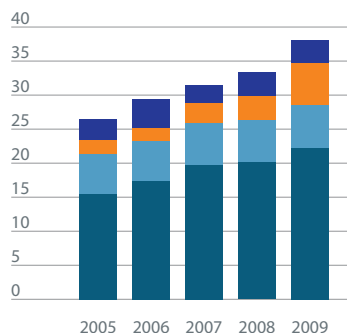
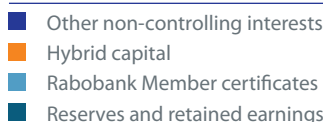


Savings deposits, the largest and most important component of amounts due to customers for Rabobank Group, were up 6% to 121.4 (114.7) billion thanks mainly to retail clients making more savings deposits to the local Rabobanks. Interest rates on retail time deposits, which are linked to changes in short-term interest rates more so than the rates on variable savings deposits, dropped sharply. As this made variable savings a more interesting alternative for clients, their share in total savings deposits saw a substantial rise. Of the savings deposits, EUR 7.3 (6.6) billion was contributed by the Direct Banking activities in Australia, Belgium, Ireland and New Zealand. The number of clients using these foreign online banks rose by 12% to 327,000.

### Equity up thanks to retained earnings and issues

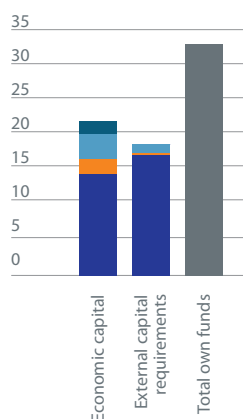
Rabobank Group's equity increased by 14% in 2009, rising to EUR 38.1 (33.5) billion, which was mostly attributable to the retention of earnings and the issue of hybrid capital instruments. Of equity, 58% is comprised of reserves and retained earnings, 17% of Rabobank Member Certificates, 16% of hybrid capital and 9% of other non-controlling interests. Total hybrid capital increased by EUR 2.7 billion on balance as a result of issues of Capital Securities and the repurchase of some Trust Preferred Securities III. This capital was raised in euros, New Zealand and US dollars, and Swiss francs.

Equity in billions of euros



## Capital requirements and available capital in billions of euros at year-end 2009

- Other
- Operational and business risk
- Interest rate and market risk
- Credit and transfer risk



## External capital requirement

Rabobank Group's external capital requirement amounted to EUR 18.7 (19.0) billion at year-end 2009. The capital requirement dropped in line with the decrease in risk-weighted assets. Of the total capital requirement, 92% relates to credit and transfer risk, 7% to operational risk and 1% to market risk.

Rabobank Group calculates the external capital requirement for credit risk for virtually its entire loan portfolio on the basis of the advanced internal rating approach as endorsed by the Dutch Central Bank. For a few minor portfolios, the roll-out of this approach is ongoing and for these, the standard approach is still being used. The roll-out of part of this portfolio was

completed in the United States in 2009. For operational risk, the calculation is performed using the internal model, which has been approved by the Dutch supervisory authority and is based on the Advanced Measurement Approach. For market risk, the CAD II-approach is used.

## Economic capital as an internal capital requirement

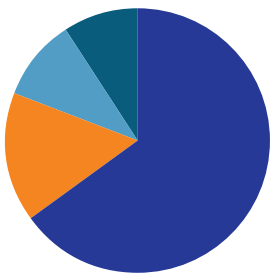
	RAROC		Economic capital (in billions of euros)	
	2009	2008	31-Dec-09	31-Dec-08
Domestic retail banking	15.2%	15.7%	7.6	8.7
Wholesale banking and international retail banking	8.8%	0.5%	7.6	6.2
Asset management and investment			0.8	0.8
Leasing	10.4%	22.3%	1.1	1.0
Real estate			1.5	1.6
Other (included equity interests)			3.4	4.0
<b>Rabobank Group</b>	<b>10.3%</b>	<b>12.5%</b>	<b>22.0</b>	<b>22.3</b>

Besides its external capital requirement, Rabobank Group uses an internal capital requirement based on its economic capital framework. A broad range of risks is measured in a consistent manner in order to obtain a more complete insight in the risks and to enable better balancing of risk and return. A series of models has been developed for an assessment of Rabobank Group's risks. Significant differences with the external capital requirement are that all material risks as well as Rabobank's ambition to retain its high credit rating are taken into account. In addition, stress tests are used to assess capital adequacy according to Basel II's second pillar.

Economic capital saw a 2% decline to EUR 22.0 (22.3) billion in 2009 due primarily to the drop in economic capital for interest rate risk. The decrease in interest rate risk in the banking book was associated with developments in the absolute interest rate risk position and lower interest rates. Total economic capital is amply below the available qualifying capital of EUR 32.8 (30.9) billion. This sizeable buffer underscores the solidity of Rabobank Group.

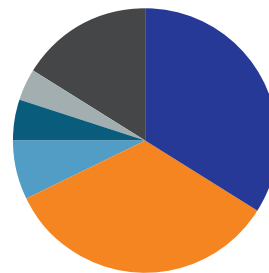
## Economic capital by risk type at year-end 2009

- Credit and transfer risk 65%
- Operational risk and business risk 16%
- Interest rate and market risk 10%
- Other risks 9%



## Economic capital by group entity at year-end 2009

- Domestic retail banking 34%
- Wholesale banking and international retail banking 34%
- Real estate 7%
- Leasing 5%
- Asset management and investment 4%
- Other 16%



# Financial results Rabobank Group

## Results (in millions of euros)

	2009	2008	Change
Interest.....	8,046	8,517	-6%
Fees and commission.....	2,575	2,889	-11%
Other income.....	1,246	246	
Total income.....	11,867	11,652	2%
Staff costs.....	3,869	4,290	-10%
Other administrative expenses.....	2,908	2,796	4%
Depreciation and amortisation.....	527	525	0%
Operating expenses.....	7,304	7,611	-4%
Gross result.....	4,563	4,041	13%
Value adjustments.....	1,959	1,189	65%
Operating profit before taxation.....	2,604	2,852	-9%
Taxation.....	316	98	
Net profit.....	2,288	2,754	-17%
Bad debt costs (in basis points).....	48	31	

## Ratios

Efficiency ratio.....	61.5%	65.3%	
Return on equity.....	7.5%	9.7%	
RAROC.....	10.3%	12.5%	

## Balance sheet (in billions of euros)

	31-Dec-09	31-Dec-08	
Total assets.....	607.7	612.1	-1%
Private sector loan portfolio.....	415.7	408.6	2%
Amounts due to customers.....	286.3	304.2	-6%

## Capital requirements (in billions of euros)

Capital requirement.....	18.7	19.0	-2%
Economic capital.....	22.0	22.3	-1%

## Capital ratios

BIS ratio.....	14.1%	13.0%	
Tier 1 ratio.....	13.8%	12.7%	
Number of employees (in FTEs).....	59,311	60,568	-2%

## Income up 2%

Rabobank Group's total income was up 2% to EUR 11,867 (11,652) million in 2009, thanks to an increase in other income which was related to rising trading income at the wholesale banking division, the repurchase of debt securities and improved financial performance by Eureko, an associate. The settlement between Eureko and the Polish government in the matter of Polish insurer PZU, in which Eureko has an equity interest, had a positive effect on earnings. Other income was up by EUR 1,000 million to EUR 1,246 (246) million on balance. The local Rabobanks and Robeco Direct saw their savings margins drop due to fierce competition on the savings market. This had a major impact on interest income, which fell by 6% to EUR 8,046 (8,517) million. On the upside, interest income increased because of a recovery of the margins on new mortgage loans, business loans, lease transactions and property loans. The local Rabobanks experienced a decline in commissions from treasury services. At group level, this was a factor in the 11% drop in commission income to EUR 2,575 (2,889) million.



### Operating expenses down 4%

Cost cuts were achieved throughout Rabobank Group. Total operating expenses were down 4% in 2009, falling to EUR 7,304 (7,663) million. The drop in clients' activity levels led to an outflow of staff at virtually all group entities, particularly in the second half of the year. This resulted in a reduction in employee base by 2% to 59,311 (60,568) FTEs at group level. Staff costs fell by 10% to EUR 3,869 (4,290) million as a result of internal staff cuts as well as a sharp reduction in the costs of contract staff and a decrease in pension costs. Other administrative expenses were up 4% to EUR 2,908 (2,796) million due, in particular, to the provision of EUR 200 million that was formed for the collapse of DSB Bank.

### Bad debt costs at 48 basis points

Value adjustments increased at group level due to the poor economic conditions, which were felt particularly by the local Rabobanks, but also by Rabobank International and De Lage Landen. The 'value adjustments' item rose by EUR 770 million to EUR 1,959 (1,189) million in 2009. This corresponds with 48 (31) basis points of the average loan portfolio volume, which is above the long-term average of 21 basis points.

### Net profit at EUR 2,288 million

The increase in gross profit was outweighed entirely at Rabobank Group by the rise in value adjustments. The recognised tax expense in 2009 amounted to EUR 316 (98) million. This corresponds with an effective tax rate of 12.1% (3.4%). The tax-exempt share of profit of associates, including the equity interest in Eureko, is a factor in the lower tax rate. Net profit stood at EUR 2,288 (2,754) million on balance. Net of non-controlling interests, payments on Rabobank Member Certificates and hybrid capital instruments, an amount of EUR 1,475 (2,089) million remains. This was used to strengthen equity.

### RAROC

Risk Adjusted Return On Capital (RAROC) is used as a measure whereby profitability is consistently weighed against risk. RAROC is used also for pricing at transaction level and in the loan approval process. In 2009 Rabobank Group achieved a RAROC after taxation of 10.3% (12.5%)<sup>7</sup>, a 2.2% percentage point drop on 2008.

<sup>7</sup> The RAROC ratio was calculated by linking up net profit to the average economic capital for the year.

# Domestic retail banking

[www.rabobank.nl](http://www.rabobank.nl), [www.obvion.nl](http://www.obvion.nl), [www.bizner.nl](http://www.bizner.nl)



Share in Rabobank Group's net profit for 2009

● Domestic retail banking 53%

## Low growth in lending and increase in bad debt costs due to economic situation

*Loan portfolio up 4% to EUR 278.0 billion*

- Market share of mortgage loans up 0.3 percentage point to 29.9%
- Market share of SMEs up 2% percentage points to 41%

*Amounts due to customers up 6% to EUR 185.2 billion*

- Market share of savings down 0.5 percentage point to 40.2%

*Net profit down 15% to EUR 1,213 million*

- Efficiency ratio at 63.6%, a 2.1 percentage point improvement
- Bad debt costs above long-term average at 26 basis points
- RAROC at 15.2%

### Rabobank Group strategy

All-finance market leadership in the Netherlands

International food and agri bank

### Contribution to group strategy

- Strengthening the market leadership position in all-finance market segments
- Building on the position in the corporate market
- Implementing the Rabobank 2010 Programme

- Maintaining a leading position in the Dutch agricultural sector

The poor economic conditions in the Netherlands caused a drop in demand for loans and an increase in bad debt costs at domestic retail banking. The local Rabobanks and Obvion saw their loan portfolio rise by 4% to EUR 278.0 billion in 2009. Rabobank strengthened its position in the corporate market. Mortgage loans gained a slight market share despite the contracting mortgage market. Margins on new mortgage loans and business loans recovered. Amounts due to customers were up 6% to EUR 185.2 billion, which allowed the local Rabobanks to entirely self-fund their growth in lending. Strong competition in the savings market depressed the margin on savings and also caused a slight drop in market share. The decline in interest income and the rise in bad debt costs resulted in a lower profit. The activity level was down, so that fewer employees were needed; costs were critically examined. Operating expenses were down. Net profit stood at EUR 1,213 million, a 15% decrease. Rabobank developed new sustainable and service-oriented products, and stepped up services for business start-ups. More and more local Rabobanks are implementing the Rabobank 2010 Programme.

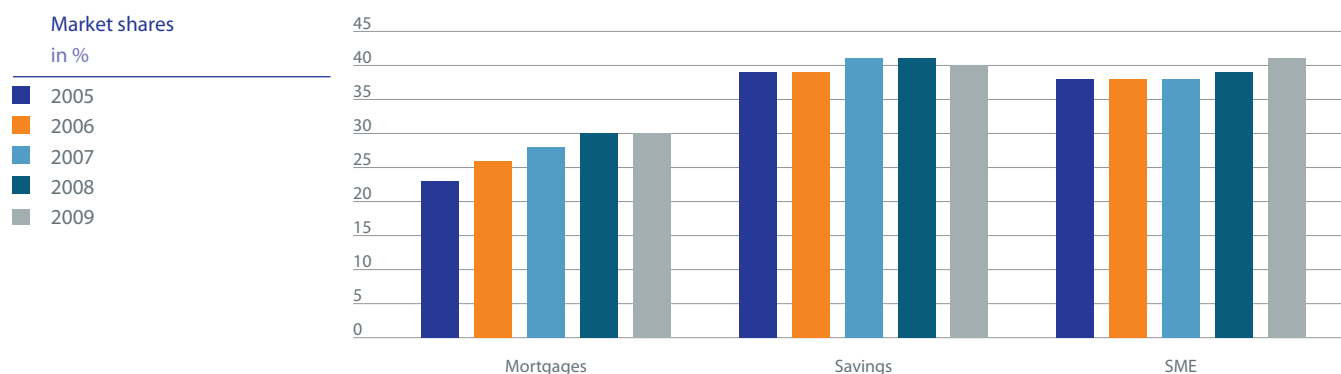
## Strategy for domestic retail banking

Rabobank Group pursues all-finance market leadership in the Netherlands. The local Rabobanks make an important contribution to achieving this target, as do Obvion's mortgage sales. In its strategy update, Rabobank indicated that its aim is to be the biggest and most important corporate bank. This means that its position must be extended, particularly at the high end of the market. The strategy also explicitly states Rabobank's aspirations for growth in the private banking market. As a result of the stronger focus on sound balance sheet ratios, the local Rabobanks intend to finance a large proportion of their growth in lending from growth in amounts due to customers. The implementation of the Rabobank 2010 programme for the local Rabobanks is another important element in the strategy.

## Many local Rabobanks getting to grips with Rabobank Vision 2010

Rabobank's primary objective is to help members and customers achieve their ambitions. Rabobank 2010 offers options for innovating and improving customer service while cutting costs. Local Rabobanks can put this vision into practice by implementing a number of programmes, including Processes & Monitoring. Working through this Programme, they are expected to implement new standard processes and monitor them closely, so that customers are being served more quickly and at lower costs. In 2007 and 2008 five local Rabobanks and Rabobank Nederland launched a pilot and the Programme was tested by nine other local Rabobanks. The Rabobank 2010 Programme also became available to the other local Rabobanks later in 2008. Besides these fourteen local Rabobanks, another 51 local Rabobanks started to implement the Programme in 2008 and 2009; many banks will follow suit in 2010.

## Rabobank bolsters position in corporate and mortgage markets



Rabobank Group holds a leading position in a large number of sectors of the Dutch financial services market. It has traditionally been a major player in the agricultural sector. Rabobank also has a strong presence in the Dutch mortgage, savings and SME markets.

The yearly mortgage production in the Netherlands contracted by 33% on 2008. Rabobank Group's market share saw a 0.3 percentage point increase to 29.9%. The local Rabobanks' share in the mortgage market increased by 2.5 percentage points to 26.1%; Obvion's share in this market was 3.8% (6.0%).

Dutch consumers put more of their money towards savings and conditions in this market remained fiercely competitive. The volume of the Dutch savings market<sup>8</sup> increased by 7% to EUR 284.8 (266.4) billion in the reporting period. In 2008 Rabobank benefited from its stability in a turbulent environment, thanks to which the share in the savings market rose by 2.3 percentage points in that year. This market share fell back slightly in 2009 due to strong competition, mainly at Robeco Direct. The goal was to strike the right balance between market share on the one hand and margins on the other. Rabobank Group's share in the savings market stood at 40.2% (40.7%). The local Rabobank's market share was 38.5% (38.4%), with Robeco Direct's share dropping by 0.4 percentage point to 1.6%.

Rabobank aims to build on its position in the Dutch corporate market, particularly in the top end of this market. The share in the SME market was up 2 percentage points to 41% in 2009.

8 Statistics Netherlands (CBS) have used the same definition for savings as the Dutch Central Bank (DNB) since January 2009. As a result, savings deposits held at banks that are not subject to DNB's reporting requirements are now also included in calculating the volume of the Dutch savings market. The comparative figures as at year-end 2008 have been restated.

Rabobank also managed to bolster its position in the top end of the corporate market, i.e. among businesses with an annual turnover of more than EUR 10 million. Rabobank continued to be market leader in the agricultural sector with a market share of 84% (84%).

### Focus on delivering customer value

Rabobank's central focus has always been to deliver customer value. For high customer satisfaction, each client must receive proper attention. Not only is Rabobank the banking sector's number one in terms of image and trust, it also has high scores, year after year, on customer satisfaction and loyalty. Of all the large banks in the Netherlands, Rabobank was awarded the highest score by its own clients in 2009. Surveys conducted by the University of Groningen, Incompany and Metrixlab showed that Rabobank did better on all scores than the other large banks. According to a survey by Miles Research, customer satisfaction among private clients remained high in 2009, with clients awarding Rabobank an average score of 7.6 (7.7). This survey reconfirmed the importance of a proper handling of contacts with clients. Rabobank maintained its high customer satisfaction level among SME clients, with a score of 7.4, the highest of all the large banks. Customer satisfaction among agricultural clients was unchanged at 7.5. Clients consider Rabobank a reliable business partner and find their account managers competent and solution-oriented. This high score is confirmed by other surveys, including that conducted by OrbizzXL. This network club surveyed entrepreneurs about the impact of the crisis on their businesses and the role of their banks. It appeared that clients generally were satisfied with Rabobank. The reasons they stated included the bank's understanding of, and good contacts with, its clients.

### Virtual channels gaining importance in customer relations

The local Rabobanks in the Netherlands are Rabobank Group's core business. They serve their clients from more than 1,000 branches. Virtual channels are becoming increasingly important in customer relations as customers tend to visit their branches less and less. More than 30% of retail products and services were sold online or by telephone in 2009; the number of branches continued to drop. Customer service through virtual channels is a key aspect of the Rabobank 2010 Programme. Work continued on the website ([www.rabobank.nl](http://www.rabobank.nl)) to serve the over 3 million online banking customers even better. This website was voted people's choice for 'Best Website of the Year 2009' in the category financial products and services. Email is another medium that has become a staple of customer relations; Rabobank is now using a range of social media such as Twitter, Hyves and LinkedIn. In addition, it has become easy for businesses to integrate the digital purse and the MiniTix payment platform into their own websites. Hyves is one of the first to do so. Rabobank also uses new media and virtual contacts to enter into a dialogue with business start-ups and self-employed persons. A number of local Rabobanks launched a platform for business start-ups on [www.rabostarterscommunity.nl](http://www.rabostarterscommunity.nl). Together with Reed Business, Rabobank introduced a website to educate people who plan to start their own business ([www.ikgastarten.nl](http://www.ikgastarten.nl)).

At year-end 2009 Rabobank introduced new payment platforms for retail clients; they are more geared towards the current needs of private individuals. All existing payment platforms and accounts will be migrated in 2010.

For Rabobank, 2009 was a year of clear choices and greater focus. Examples include Rabo Mobiel, whose new management adjusted the plans for the future, and the sale of the home search portals Moviq and Zoekallehuizen. Bizner, the internet bank for businesses, adjusted its business model as a result of the change in market conditions.

### Rabobank, the business bank in the Netherlands

2009 was a challenging year for the Dutch corporate sector, causing some businesses to experience financial problems. Times are tough for the inland water transport sector and glasshouse horticulture in particular. Demand fell due to the poor economic situation, dragging down growth in lending in its wake. Many businesses saw their equity decrease and applied for top-up loans or a repayment-free period. In accordance with its long-term strategy and ambition to be the foremost business bank in the Netherlands, Rabobank stood behind its customers and continued to grant loans. Due, in part, to the economic developments, the government introduced several incentives for the corporate sector as well as broadening



existing guarantee facilities. Customers qualifying for these schemes availed themselves of the facilities where they could. More loans than ever were granted, for instance, under the BMKB scheme for SME loan guarantees and the GO business loan guarantee facility, which was launched in February, is increasingly being invoked. Rabobank also gave its full support to the Dutch corporate sector by offering products such as the Stimuleringslening (incentive loans) and the Rabo Groei- en Innovatielening (growth and innovation loans).

### **Rabobank, the knowledge bank for Dutch industry**

In terms of its knowledge of the various SME sectors, Rabobank may be called unique. For over thirty years, Rabobank has presented up-to-date industry knowledge in its Figures & Trends publication. Rabobank published up-to-date sector forecasts in March and October, as well as specific vision studies for the legal profession and the automotive, wholesale and retail sectors. The year under review was closed with a cross-sector issue on trends in SME. This study focuses mainly on business opportunities in these times of economic turbulence. In addition, sector managers held many lectures on this subject for Rabobank clients in 2009.

In the food and agri sector, the economic unrest encouraged even greater interest in Rabobank lectures. The Rabobank studies on the food and agri sector in the Netherlands, such as 'Alternative milking' (on dairy farming) and 'Growing within boundaries' (on pig farming), likewise were an important source of information for both account managers and their clients.

### **Rabobank's close ties with the food and agri sector**

The food and agri sector has traditionally been an important customer base of the local Rabobanks, which give agricultural entrepreneurs the best possible service, with tailored financial services and knowledge products. In 2009, several new guarantee schemes for the food and agri sector became available. Examples include the bank guarantee for geothermal drilling and a guarantee arrangement for sound businesses in agriculture and horticulture that cannot borrow funds to finance their working capital due to the economic crisis. Towards the end of 2009, the Dutch government took measures at curtailing Q fever. Among the measures taken was the culling of all pregnant goats in contaminated farms. During this emotional period, Rabobank maintains close contacts with goat farmers.

### **New sustainable and service-oriented products and services**

Rabobank Group took several initiatives in retail banking in 2009 to increase economic participation, social cohesion and solidarity, one of which was to continue the partnership with SeniorWeb. Some tens of thousands of more senior citizens were educated about the Internet and online banking. Education programmes were developed for elementary schools in dialogue with Klasse TV (ClassroomTV) in order to teach children to become financially literate through play. The local Rabobanks were also given the resources to address this theme in dialogue with schools. Together with Visio, teaching materials for the Random Reader Comfort were developed; these will help the blind and visually impaired to become familiar with online banking. A website was developed to teach young people money management skills so that they will become more successful in life ([www.baasovereigengeld.nl](http://www.baasovereigengeld.nl)).

Rabobank teamed up with nature management organisations in 2009 to introduce the Rabo Streekrekening (regional account) in support of nature conservation areas.

Rabobank's Dutch Green Tech Fund aims to invest in talented Dutch techno start-ups with innovative technologies or processes that introduce more sustainability to the chain from raw materials to end products. It also intends to invest in sustainable innovations in aviation developed by young, promising techno start-ups via its Main Port Innovation Fund.

### **Lower residential utility bills**

Rabobank wants to encourage consumers to lower their housing costs via existing mortgage products, for instance by promoting energy-efficient living. This is in keeping with the ambition to deliver a compact, transparent and profitable product offering. If energy costs continue to rise at the same pace as they did over the past few years, the utility bill will come to make up an important part of housing costs. The amount that consumers should allow for costs is calculated in accordance with the standards of Nibud, the Dutch National Institute for Budget Advice, which are in line with the Dutch Code of Conduct for Mortgage Loans. At Rabobank's

request, Nibud and Agentschap NL (SenterNovem), a Dutch government agency for the promotion of sustainability and innovation, have fine-tuned the tables by factoring in housing energy labels. This could be relevant to consumers who are interested in buying highly energy-efficient newbuilds (with energy labels A+ and A++) and to consumers who want to renovate existing houses.

### **Rabocard with carbon offset phased out**

Rabobank has stopped offering the Rabocard with carbon offset. The card, which was supported by the World Wildlife Fund, did not meet the bank's expectations. Research showed that the card barely increased our customers' CO<sub>2</sub> awareness. In addition, the costs of the carbon offset proved much higher than anticipated because of the purchase of emission rights (Gold Standard credits). For this reason, it was impossible to fully offset the CO<sub>2</sub> emissions that were associated with purchases made using the card. What is more, the urgency of the climate problem has prompted Rabobank to shift its focus from offsetting CO<sub>2</sub> emissions to reducing CO<sub>2</sub> emissions. Options to continue the partnership with the World Wildlife Fund are currently being explored.

### **Developments in mortgage products**

The RaboOpbouwHypotheek (build-up mortgage) has offered a tax-efficient savings facility for mortgage repayments since 2008. Thanks to its transparency and low fee structure, this became Rabobank's best sold mortgage product in 2009. The Rabo KlimaatHypotheek (climate mortgage) and the Rabo SpringPlank Hypotheek (springboard mortgage) were phased out due to a lack of products sold and a cut-back in complexity.

Following a recommendation by the Ombudsman for Financial Services, Obvion has compensated qualifying customers with a variable-interest mortgage with retroactive effect. Interest on the mortgages in question is based on the one-month Euribor, plus a margin for costs and a risk premium. As a result of the credit crisis, the liquidity premium has seen considerable increases since 2008. Some of these increases have been recharged to consumers via the interest rates on their variable-rate mortgages with effect from 1 November 2008. A number of clients objected to this variable margin since it was referred to as a fixed surcharge in the mortgage proposal. The Ombudsman for Financial Services issued a recommendation with regard to these complaints in August 2009, in which he ruled in favour of some of our clients. Obvion has followed up this recommendation.

Where the OpMaatHypotheek-C that Rabobank sold in the past was concerned, the Ombudsman for Financial Services ruled in the reporting period, based on a number of complaints, that Rabobank had not been clear enough on possible reductions in the savings portion. He issued a recommendation to Rabobank in this regard. Rabobank also reached agreement in the year under review with Stichting Woekerpolis Claim, a special-interest organisation fighting profiteering policies. As a result, the recommendation by the Ombudsman will apply to about all 200,000 customers who purchased an OpMaatHypotheek-C. Rabobank also introduced a facility for 'distressed cases'. It will approach every customer with an OpMaatHypotheek-C; those who qualify for compensation will receive their payment in 2010.

### **Obvion helps improve quality of home appraisals and intermediaries**

Obvion participated in a pilot of the Dutch Home Value Institute (NWWI) in 2009. The NWWI was officially launched after the pilot proved successful. Obvion now only accepts appraisal reports bearing the NWWI quality mark as a measure of quality, objectivity, expertise and reliability of home and appraisers and their reports. Obvion further tightened its requirements for mortgage brokers based on a duty of care profile. It also introduced the Budget Planner, a service for customers with (potential) financial problems. The Institute for International Research (IRR) nominated the Budget Planner as Mortgage Product of the Year.

### **Services to business start-ups: microcredit**

Small business start-ups experiencing difficulties in securing a loan due to a lack of collateral or proven results have been able to apply to Qredits since February 2009 for a loan of up to EUR 35,000. This fund operated by Microfinance Netherlands is an initiative of the Dutch Ministry of Economic Affairs, Rabobank, ABN AMRO, Fortis Bank Nederland, ING and Aedes.

## Alleviating the administrative burden for businesses

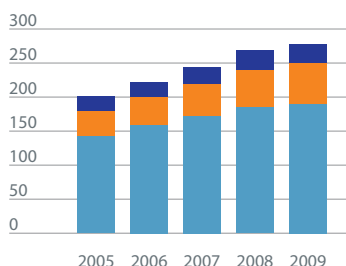
Rabobank teamed up with ABN AMRO and ING to initiate the establishment of a cooperative for the implementation and development of an approach to Standard Business Reporting (SBR). SBR facilitates standardised and electronic exchange of reports, such as annual figures and loan applications between the business owner, the accountant, the tax authorities and the bank. This alleviates the administrative burden and eliminates the paper trail. The initiative is offered to businesses via [www.rapportageportaal.nl](http://www.rapportageportaal.nl).

## Growth in lending levelling off at local Rabobanks

The economic crisis caused growth in lending to decline at domestic retail banking, especially in the second half of the year. In spite of this, the private sector loan portfolio increased in

Loan portfolio by sector  
in billions of euros

■ Food and agri  
■ TIS  
■ Private individuals



2009 by 4% to EUR 278.0 (268.3) billion. Of the loan portfolio, 68% accounts for private individuals, 21% for trade, industry and services (TIS), and 11% for food and agri. Loans to private individuals, which are comprised almost entirely of mortgage loans, rose by 3% to EUR 190.0 (184.5) billion. Growth in the mortgage portfolio was considerably lower than in 2008 due to stagnation of the number of transactions on the residential property market. Loans to trade, industry and services rose by 6% to EUR 58.8 (55.7) billion. Loans to the food and agri

sector were up 4% to EUR 29.2 (28.1) billion, the vast majority of which were granted to the primary agricultural sector. This loan portfolio increased by 5% to EUR 24.6 (23.5) billion, which was attributable mostly to the dairy sector.

## Increase in amounts due to customers thanks to higher savings deposits at local Rabobanks

Domestic retail banking saw its amounts due to customers increase by 5%, rising to EUR 185.2 (175.6) billion in 2009. Savings deposits, the largest category of amounts due to customers, was up 7% to EUR 108.9 (101.5) billion. Interest rates on time deposits, which are linked to changes in short-term interest rates more so than the rates on variable savings deposits, dropped sharply. This resulted in a massive shift from retail time deposits to variable savings. Customers with more than EUR 20,000 in savings often opted for Rabobank InternetLoyaal-Sparen (online loyal savings). The increase in amounts due to customers allowed the local Rabobanks to entirely self-fund the growth in their lending in 2009.

# Financial results of domestic retail banking

## Income virtually stable

The domestic retail banking division posted a total income in 2009 of EUR 6,126 (6,154) million. Fierce competition on the savings market led to a decline in the savings margin at the local Rabobanks. Margins on new mortgages and business loans recovered. Interest income fell by 8% to EUR 4,360 (4,758) million on balance. The drop in commissions on treasury services and lower growth in lending were factors in the 7% decrease in commissions to EUR 1,261 (1,354) million. Other income rose by EUR 463 million to EUR 505 (42) million thanks to the repurchase of debt securities and dividend income received from Rabobank Nederland.

## Operating expenses down 4%

Total operating expenses in domestic retail banking were down 4% to EUR 3,898 (4,044) million in 2009; expenses fell in the second half of the year in particular. Fewer employees were needed, both at the local Rabobanks and Obvion, for which reason the employee base was reduced by 1% to 28,529 (28,953) FTEs. Thanks, in part, to this drop, the lower number of contract staff and the fall in pension costs, staff costs saw a 3% decrease to EUR 2,196 (2,264) million. Other administrative expenses were down 4% to EUR 1,569 (1,639) million, which was due, in part, to lower advertising and office expenses. Depreciation charges fell by 6% to EUR 133 (141) million, partly because of lower depreciation charges on real estate and equipment.

## Bad debt costs at 26 basis points

The ongoing poor economic situation in the Netherlands has a massive impact on many sectors of the market. Value adjustments in the food and agri sector are concentrated in glass horticulture. Although there were increases, these increases were relatively low compared to value adjustments in the TIS sector, where virtually every segment was affected, with the inland water transport sector hit in particular. There was a sharp increase in the number of business failures in the Netherlands, and many enterprises are experiencing pressure on profitability and liquidity. Businesses that are struggling with continuity problems receive intensive counselling and, if so warranted based on the long-term outlook, are given top-up loans to bridge the current period of hardship. Rabobank's credit risk has increased because of the economic conditions, which has resulted in an increase in value adjustments. They were up EUR 522 million at domestic retail banking, increasing to EUR 721 (199) million in 2009. Bad debt costs amounted to 26 (8) basis points of average lending, which is higher than the long-term average of 10 basis points. Of the loan portfolio, 68% is comprised of residential mortgages; as in previous years, bad debt costs on this segment of the portfolio were minor at 2 basis points.

## Capital requirement and RAROC

The capital requirement for the domestic retail banking division saw a 5% increase to EUR 6.7 (6.4) billion in 2009 due to limited growth in lending and poorer customer ratings. In calculating the capital requirement, risks associated with loans to retail and corporate clients are calculated using internal rating and risk models. Allowance is made for collateral provided. Economic capital, i.e. the internal capital requirement, stood at EUR 7.6 (8.7) billion. This drop was attributable to a lower interest rate risk in the banking book. Risk Adjusted Return On Capital (RAROC) fell by 0.5 percentage point to 15.2% (15.7%).

## Results (in millions of euros)

	2009	2008	Change
Interest.....	4,360	4,758	-8%
Fees and commission.....	1,261	1,354	-7%
Other income.....	505	42	
Total income.....	6,126	6,154	0%
Staff costs.....	2,196	2,264	-3%
Other administrative expenses.....	1,569	1,639	-4%
Depreciation and amortisation.....	133	141	-6%
Operating expenses.....	3,898	4,044	-4%
Gross result.....	2,228	2,110	6%
Value adjustments.....	721	199	
Operating profit before taxation.....	1,507	1,911	-21%
Taxation.....	294	478	-38%
Net profit.....	1,213	1,433	-15%
Bad debt costs (in basis points).....	26	8	

## Ratios

Efficiency ratio.....	63.6%	65.7%	
RAROC.....	15.2%	15.7%	

## Balance sheet (in billions of euros)

	31-Dec-09	31-Dec-08	
Total assets.....	328.9	309.7	6%
Private sector loan portfolio.....	278.0	268.3	4%
Amounts due to customers.....	185.2	175.6	5%

## Capital requirements (in billions of euros)

Capital requirement.....	6.7	6.4	5%
Economic capital.....	7.6	8.7	-13%
Number of employees (in FTEs).....	28,529	28,953	-1%

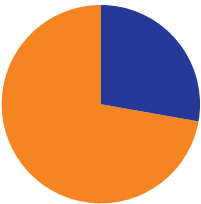


## Outlook for domestic retail banking

2010 will be a year of challenges for domestic retail banking. In line with 2009, some slight growth in lending is foreseen and the high level, compared with the long-term average, of bad debt costs is expected to continue. The focus will be on service delivery to both clients and members and on achieving sound margins on the entire product range, with tight cost management at the same time. Many local Rabobanks will implement the Rabobank 2010 programme. In 2010, the local Rabobanks and Obvion will further define Rabobank's ambition to achieve and retain market leadership in the various financial market segments. In this context, Rabobank intends to maintain its position in the savings and the mortgage markets and strengthen its position in the corporate market and the private banking market. For all customer segments, Rabobank is committed to more and personalised servicing through the virtual channels that support high-quality customer contacts. Increased virtualisation of servicing and the greater duty of care will result in further product simplification. In the food and agri sector, the focus will be on the expected continuation of the upscaling process.

# Wholesale banking and international retail banking

[www.rabobank.com](http://www.rabobank.com), [www.bgz.pl](http://www.bgz.pl), [www.accbank.ie](http://www.accbank.ie)



Share in Rabobank Group's net profit for 2009

- Wholesale banking and international retail banking 28%

## Profit growth thanks to increase in income from wholesale banking

*Loan portfolio down 7% to EUR 93.4 billion*

- Share of food and agri in portfolio up 4.4 percentage points to 38.6%

*Net profit up EUR 619 million to EUR 646 million*

- Efficiency ratio at 50.3%, a 35.2 percentage point improvement
- Bad debt costs above long-term average at 105 basis points
- RAROC at 8.8%

Rabobank Group strategy	Contribution to group strategy
Market leader in all-finance in the Netherlands	<ul style="list-style-type: none"><li>- Serving top corporates in the Netherlands</li><li>- Supporting globally operating Dutch customers</li><li>- Delivering products through local Rabobanks</li><li>- Providing risk-bearing capital</li></ul>
International food and agri bank	<ul style="list-style-type: none"><li>- Broadening product offering and leveraging knowledge for food and agri clients</li><li>- Broadening the retail banking network in key food and agri areas</li><li>- Developing renewable energy and cleantech as specialist areas of expertise</li></ul>

Rabobank International scaled down its lending to non-food and agri customers in countries other than the Netherlands in 2009. This caused the loan portfolio to drop by 7% to EUR 93.4 billion. In line with the strategy the share of food and agri in the portfolio increased. International retail lending saw further increases as well. Services on offer for globally operating Dutch customers were further broadened. Amounts due to customers were down at wholesale banking. Income rose at Global Financial Markets thanks to an increase in client volumes, but also because of the good positioning for the interest rate cuts in the first half of the year. The poorer economic conditions resulted in impairments on some private equity interests and in an increase in bad debt costs. Net profit at Rabobank International rose by EUR 619 million to EUR 646 million on balance. Rabobank is committed to corporate social responsibility, which is the subject of a constructive dialogue with customers. Rabo Development increased its equity interest in Banco Terra of Mozambique and Banco Regional of Paraguay.

## Strategy for Rabobank International

In line with Rabobank Group's strategy, Rabobank International has made a clear choice for food and agri, while aiming for a global network for both its wholesale and its rural retail banking activities in the main agricultural countries. By serving both the high end of the corporate market and clients in the Netherlands with international operations, it supports Rabobank's strengthening of its all-finance market leadership. Ways to improve and enlarge the food and agri product range will include collaboration with Rothschild investment bank. The international retail banking business continued to grow, particularly in the core countries Australia, New Zealand, the United States, Brazil and Poland. The business model for Global Financial Markets was adjusted, with stronger focus on Rabobank's core clients while reducing the number of complex products. Product specialisations in the areas of sustainable energy and clean technology will be developed further.

## New governance structure at Rabobank International

Rabobank International adjusted its governance structure in 2009 following the updated strategy whereby Rabobank wants to be the leading food and agri bank. A clear division has been created between the areas of operation of the retail bank and those of the wholesale bank to offer client groups even better services. They each have their own management team.

## Rabobank as an international food and agri bank

As a leading food and agri bank, Rabobank aims for a strong presence in the world's key agricultural countries. For growth in food and agri, Rabobank International focuses on broadening its product range and on making its knowledge available to food and agri clients around the world. Other focus areas are expansion of its retail banking activities in important, developed agricultural countries such as the United States, New Zealand and Australia. In addition, Rabobank International focuses on emerging countries with a fast-growing food and agri sector, such as Brazil.

Rabobank has bundled its food and agri knowledge in Food & Agribusiness Research and Advisory. This global operation supports transactions in various stages, provides loan proposals, contributes to merger and acquisition proposals, generates ideas for new products and issues publications continuously on relevant developments within the sector. In 2009, its publications included reports on the post-crisis milk market and on global demand for cotton, coffee and sugar. It also drew a food and agri map of Poland.

## International retail banking

Rabobank International has retail banking operations in Europe, North and South America, Asia, Australia and New Zealand. The retail banks in Australia, New Zealand, Brazil and Chile virtually exclusively have food and agri clients. The retail branches in California, Poland, Ireland and Indonesia also serve retail and SME clients. Rabobank's food and agri clients in Australia and New Zealand are served from 83 branch offices. Besides loans to the agricultural sector, activities include banking services to middle segment enterprises related to the food and agri sector and offering financial products and services to large cooperatives and enterprises in the food and agri industry. Rabo Financial Advisors, a small non-core activity in our Australian operations offering financial planning services, was sold to Hillross Financial Services in 2009.

In the United States, Rabobank International has a retail banking network comprising 92 branch offices in California. In addition, agricultural clients are served from Rabo AgriFinance's seventeen branch offices. In Brazil, food and agri clients are served from fifteen branch offices, and in Chile from nine. Rabobank has had a presence in Mexico since 1993, funding larger agricultural businesses in particular. By taking an equity interest in FinTerra, Rabobank has now also gained access to smaller agricultural undertakings. This interest was increased from 25% to 37.5% in 2009; Rabobank also acquired an option for a future majority interest. FinTerra has 13 branches, which focus exclusively on food and agri loans.

In Poland, Bank BGZ is one of the biggest and most important players in the agricultural sector, serving clients from 291 branch offices. Besides food and agri clients, this retail bank focuses on private clients and the small and medium-sized enterprises sector. The Irish ACCBank has traditionally had close links with rural communities and it operates in the market for real estate finance. Developments in the real estate market have led to the decision to reduce these activities.

## Wholesale banking in the Netherlands

The Dutch wholesale banking division contributes to our achieving all-finance market leadership in the Netherlands. Rabobank International provides services to large Dutch enterprises and supports the local Rabobanks in their service provision to the large corporate market. Central client teams and a dense nation-wide network of specialist bankers and regional experts who are accessible via local Rabobanks provide a broad range of services.

Rabobank managed to strengthen its position in the Dutch wholesale market in this turbulent year by continuing to support its clients and offering added value through integrated financial solutions, often in partnership with its subsidiaries. Rabobank played a leading role for its clients in the Dutch wholesale market, particularly with regard to refinancing and strengthening of their financial position.

In order to better serve internationally operating Dutch corporate clients, Rabobank further broadened its international service offering in 2009, improving service access. Rabobank boasts an integrated global service offering that includes finance, cash management, treasury, corporate insurance, factoring and leasing. In serving these clients, the local Rabobanks receive support from a team of international specialists who are based in and outside the Netherlands. Clients can rely on the network of Rabobank offices abroad, as well as being offered the office and networks and services of strategic and reputable partners. By broadening our service range, Rabobank is in a position to help clients achieve their growth ambitions in an increasing number of countries.

## International wholesale banking

Outside the Netherlands, the primary focus of the corporate banking activities is on food and agri. In addition, Rabobank International is investing in specific knowledge in the area of trade and commodity finance. Its Trade & Commodity Finance department has a global reach and mainly serves clients that operate in the international market for agricultural products. This department also offers a broad range of export financing products to its clients.

Besides customer-focused activities, Global Financial Markets operates in the financial markets for the day-to-day management of Rabobank Group's liquidity position, credit risk and market risk. Besides currency and money market products, bonds and energy products, Global Financial Markets offers capital market solutions by securitising or restructuring specific risks or cash flows of enterprises or financial institutions.

Leveraged Finance is involved in financing acquisitions by private equity firms. On a global level, this department is a major player in the agricultural markets, although it operates in other sectors as well. Structured Finance offers client-tailored products aimed at both the assets and the liabilities sides of their balance sheets. The Renewable Energy & Infrastructure Finance department operates in the sustainable sectors wind, solar, biofuels and biomass.

## Rabobank International participates

In 2009, Rabobank and the Delta Lloyd Group together established Project Holland Fund, which invests in listed Dutch enterprises. The fund made its first investment towards the end of 2009, with a stake in Dockwise, a company listed at the Dutch stock exchange that specialises in heavy marine transport. The fund's start-up capital amounts to EUR 200 million. Participation by institutional investors could raise this to around EUR 1 billion.

In 2009, Rabobank International and Rabo Real Estate Group together formed Rabo FARM. This joint venture is to set up agricultural real estate funds, initially focusing on Europe and South America. In Europe, a 70% interest was acquired in Primary Investment Management. This activity offers, through the Rabo FARM Europe Fund, investment opportunities in arable land to institutional and professional investors. In the year under review, a few institutional parties committed themselves to the fund.

Together with the European Bank for Reconstruction and Development, Rabobank set up a private equity fund that focuses on investments in medium-sized enterprises in the food and agri sector in Poland and other EU member states in Central and South-Eastern Europe.

Under its Rabo Capital label, Rabobank Group's investment unit Rabo Private Equity focuses on medium-sized Dutch enterprises. Its Rabo Ventures label is focused on young enterprises operating in the area of clean technology. A venture capital fund with international operations, Rabo Ventures provides equity to fast-growing enterprises in the clean technology sector. In addition, Rabobank participates in independent private-equity enterprises such as Langholm and in a number of Gilde funds.

## Rabo Development supports rural banks in developing countries

Rabo Development helps rural banks operating in developing countries to transform themselves into professional, modern financial institutions. In this way, Rabobank succeeds in providing millions of clients in other parts of the world with access to financial services, in line with its original mission in the Netherlands. Rabo Development's partner banks differ from other banks as their market is specifically seen to include rural areas. While retaining their autonomy, these banks benefit from Rabobank's capital, expertise, products, network and management capabilities. To this end, Rabo Development uses the knowledge and experience of Rabobank staff from all parts of the organisation. Experts in the areas of credit management, risk management, product development, distribution, ICT, HR and other areas of specialisation are sent on assignments on an ongoing basis.

## Banking services for millions via partner banks

Bank	Country	Equity interest (in %)	Branches	Employees	Customers
National Microfinance Bank	Tanzania	35	134	2,481	2,055,000
United Rural Cooperative Bank of Hangzhou	China	10	136	1,728	1,400,000
Zambia National Commercial Bank	Zambia	46	55	903	235,000
Banco Terra	Mozambique	31	9	129	7,040
Banco Regional	Paraguay	40	35	630	55,000
Banque Populaire du Rwanda	Rwanda	35	194	1,443	1,075,000
<b>Totaal</b>			<b>563</b>	<b>7,314</b>	<b>4,827,040</b>

The strategic alliances of Rabo Development enable a large section of the population in developing countries to access financial services provided by the partner banks. At the same time, this helps strengthen Rabobank's international position in the food and agri sector. At year-end 2009, Rabo Development had non-controlling interests in the following six partner banks: National Microfinance Bank of Tanzania, Zambia National Commercial Bank, United Rural Cooperative Bank of Hangzhou, China, Banco Terra of Mozambique, Banque Populaire du Rwanda and Banco Regional in Paraguay. The former ABN AMRO operations in Paraguay were acquired from Banco Santander in the second half of 2008. These operations were physically integrated into Banco Regional in November 2009. In addition to the capital increase in Banco Regional, capital in Banco Terra was increased in 2009 as well. Overall, the six partner banks have created jobs for more than 7,300 local employees. Boasting over 560 branches, they serve more than 4.8 million customers in developing countries.

Besides contributing to the development of partner banks, Rabo Development also supports certain other financial institutions, including the Principle Bank for Development and Agriculture Credi in Egypt, the AGRO Bank in Malaysia and the First Merchant Bank in Malawi.

## Responsible loans to food and agribusinesses

Rabobank Group wants to contribute its share to making the food and agribusiness more sustainable. A draft policy, which is based in part on the Food & Agribusiness Principles, was developed in 2009 for twelve value chains. A decision on the implementation plan for the Principles and the value chain policy will be taken in the first half of 2010.

A corporate social responsibility assessment has been a requirement in the loan approval process for some time now. We assess what ethical issues are at play in the countries or value chain in which a customer operates, how they affect its business and what commercial opportunities there are to be grasped. The CSR assessment was fully revised in 2009, so that customer relationship managers are supported even better in their dialogue with customers.

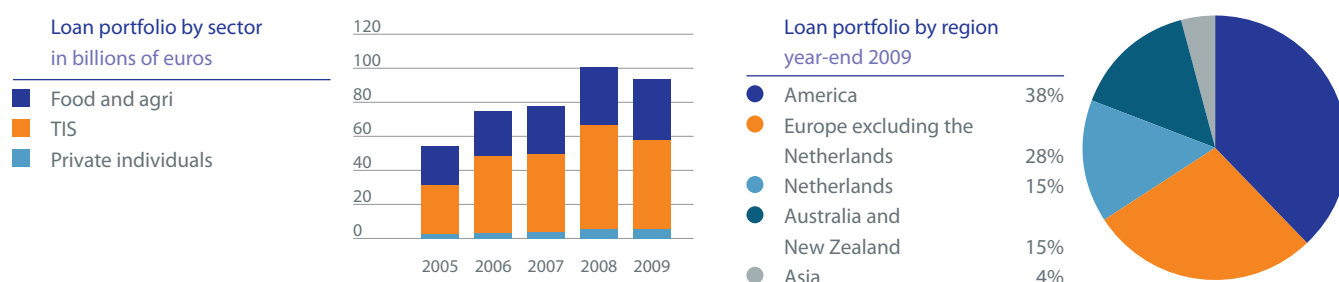
## Access to loans in agri business chains

Rabobank can offer added value for making production in the value chains of soft commodities as sustainable as possible by introducing clients to each other and giving insight into the chain. This is what the Sustainable Agri Fund (SAGF) does. This guarantee fund, which was established by Rabobank International and Rabobank Foundation, offers select small and medium-sized producers of sustainable agricultural products in developing countries easier access to working capital based on commercial and sustainable terms.

## Project financing

Rabobank's project finance activities are governed by the Equator Principles. These entail analysis of both the social and the environmental impact of a given project and a subsequent risk classification. Based on their environmental impact and region (OECD countries), the projects have been classified as potentially negative (category B) or non-negative (category C). No projects have been classified as significantly negative (category A). The total portfolio amounted to EUR 1,102 million at the end of 2009, of which 54.3% had been invested in wind energy projects, 24.6% in solar energy projects and 21.2% in biofuel projects. Renewable Energy & Infrastructure Finance, Rabobank International's project financing division, funds projects that use proven technology in the renewable energy and infrastructure sector. Loans are in excess of EUR 50 million. Focus is on wind energy, solar energy and biomass in OECD countries. Rabobank was recognised for its participation in Belwind, a 165MW wind project that is the largest offshore wind farm in the world. Besides providing some of the funding, Rabobank also contributed equity to the project via Rabo Project Equity. Rabobank was awarded a Green Oscar in the category 'Equity Deal of the Year' at the sixth Euromoney and Ernst & Young Global Renewable Energy Award in London.

## Rabobank International increases food and agri share in lending



Lending to non-food and agri clients outside the Netherlands was scaled down in line with the fine-tuned strategy. At Rabobank International, this caused a 7% drop in the private sector loan portfolio to EUR 93.4 (100.7) billion.

Loans to the food and agri sector saw a 5% increase to EUR 36.1 (34.4) billion and the share of food and agri in the total loan portfolio was up 4.4 percentage points to 38.6%. The further scale-down of the Telecom, Media and Internet portfolio was a factor in the decline in loans to trade, industry and services (TIS) by 15% to EUR 51.8 (60.8) billion. Loans to private individuals stood at EUR 5.5 (5.5) billion.

The international retail banking division saw its loan portfolio increase by 10%, reaching EUR 29.3 (26.7) billion. As a result, 31.4% (26.5%) of the loan portfolio was granted by international retail banking. In Australia and New Zealand, the volume of retail lending rose by 30% to EUR 10.9 (8.4) billion, thanks mainly to an increase in these countries' currencies by 27% and 22% respectively. The American retail portfolio increased by 10% to EUR 8.3 (7.6) billion. Bank BGZ saw its lending volume rise by 8% to EUR 4.5 (4.2) billion, where ACCBank in Ireland experienced a 15% drop in lending to EUR 5.1 (6.1) billion. This decline was mainly attributable to the loan loss provision that needed to be formed.

A considerable part of the retail loans are funded with savings deposits contributed by Direct Banking clients in Australia, Belgium, Ireland and New Zealand. Savings deposits at these foreign online banks increased by 10% to EUR 7.3 (6.6) billion.



# Financial results of wholesale banking and international retail banking

## Results (in millions of euros)

	2009	2008	Change
Interest.....	2,926	3,156	-7%
Fees and commission.....	488	304	61%
Other income.....	133	-1,463	
Total income.....	3,547	1,997	78%
Staff costs.....	998	909	10%
Other administrative expenses.....	691	715	-3%
Depreciation and amortisation.....	94	84	12%
Operating expenses.....	1,783	1,708	4%
Gross result.....	1,764	289	
Value adjustments.....	940	786	20%
Operating profit before taxation.....	824	-497	
Taxation.....	178	-524	
Net profit.....	646	27	
Bad debt costs (in basis points).....	105	93	

## Ratios

Efficiency ratio.....	50.3%	85.5%	
RAROC.....	8.8%	0.5%	

## Balance sheet (in billions of euros)

	31-Dec-09	31-Dec-08	
Total assets.....	407.2	419.7	-3%
Private sector loan portfolio.....	93.4	100.7	-7%

## Capital requirements (in billions of euros)

Capital requirement.....	7.3	8.6	-15%
Economic capital.....	7.6	6.2	23%
Number of employees (in FTEs).....	14,534	15,223	-5%

## Income up 78%

Income at Global Financial Markets was up in 2009 thanks to an increase in client activity – hedging transactions, issue of debt securities and securitisations. Yield curve trends also had an upward effect on income in this division. As a result, wholesale banking had a significant share in the rise in other income at Rabobank International by EUR 1,596 million to EUR 133 (-1,463) million and the 78% increase in total income to EUR 3,547 (1,997) million. The poorer conditions in the private equity market resulted in some impairments. Income was down at Leveraged Finance and Structured Finance as a result of lower activity levels. Interest income dropped by 7% to EUR 2,926 (3,156) million at Rabobank International due in part to fewer loans issued. The corporate banking regions did better in terms of income than in 2008. Thanks in part to an increase in the number of refinancing and restructuring transactions, commission income at Rabobank International rose by 61% to EUR 488 (304) million. Income was down at ACCBank due to poor conditions in the Irish construction and property development sectors. The non-European retail banks saw their income increase, allowing income from international retail banking to rise by 3% to EUR 893 (864) million.

## Operating expenses up 4%

Operating expenses saw a 4% increase to EUR 1,783 (1,708) million at Rabobank International in the reporting period. Staff costs were up 10% to EUR 998 (909) million due to reorganisations and higher pension costs incurred for foreign employees. The employee base dropped by 5% to 14,534 (15,223) FTEs primarily as a result of job cuts at the retail divisions in Australia and

Owing to the increase in the equity interest in Bank BGZ from 46% to 59% in April 2008, the figures have been consolidated with effect from that time.

New Zealand, at ACCBank, and at Bank BGZ. Lower marketing and travel expenses were a factor in the 3% decrease in other administrative expenses to EUR 691 (715) million. Depreciation and amortisation charges were up 12% to EUR 94 (84) million because of higher amortisation of software and intangibles.

#### Bad debt costs at 105 basis points

The economic crisis affected nearly every sector of the market. Some Rabobank International clients also ended up in financial difficulties as a result, which led to an increase in value adjustments. The Irish property sector showed a poor performance for the second year in a row. The provisions that were formed for this portfolio had a significant impact on value adjustments at Rabobank International in 2009 as well. Value adjustments rose by EUR 154 million to EUR 940 (786) million. This corresponds with 105 (93) basis points of the average loan portfolio, which is above the long-term average of 48 basis points.

#### Capital requirement and RAROC

The lower volatility on the financial markets and improved risk models were factors in the 15% drop in the capital requirement at Rabobank International to EUR 7.3 (8.6) billion in 2009. Economic capital, i.e. the internal capital requirement, was EUR 7.6 (6.2) billion. Risk Adjusted Return On Capital (RAROC) increased by 8.3 percentage points to 8.8% (0.5%).

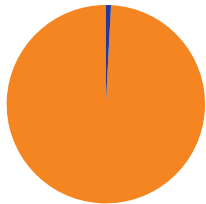
## Outlook for wholesale banking and international retail banking

The effects of the financial crisis will remain visible in the real economy in 2010. New clients of Rabobank International must fit the strategy and, consequently, lending to clients outside the food and agri sector abroad will be curtailed further. Additional cost reductions will be implemented. The level of bad debt costs is expected to remain high. Rabobank International anticipates selective growth of food and agri related corporate banking activities. The product range for the food and agri business will be enhanced and extended by means of initiatives that include collaboration with Rothschild. Global Financial Markets maintains its focus on customer related activities and liquidity management. The activity level in Structured Finance will be reduced. Trade & Commodity Finance is to focus more on soft commodities, while Renewable Energy & Infrastructure Finance is to develop further and in line with the business plan. The international retail banking business, which focuses mainly on the agri sector in Australia, New Zealand, Brazil and California, will show further growth.

Rabo Development will explore collaboration opportunities with banks in South America, Africa and Asia.

# Asset management and investment

[www.robeco.com](http://www.robeco.com), [www.sarasin.com](http://www.sarasin.com), [www.schretlen.com](http://www.schretlen.com)



Share in Rabobank Group's net profit for 2009

- Asset management and investment 1%

## Cash flow and investment return both positive

*Assets under management and held in custody up 25% to EUR 230.4 billion*

- Cash flow of EUR 15.8 billion
- Investment return of EUR 34.0 billion
- Net profit at EUR 13 million*

### Rabobank Group strategy

All-finance market leadership in the Netherlands

International food and agri bank

### Contribution to group strategy

- Offering, through various distribution channels, broad access to investment funds and asset management services to clients of every kind
- Robeco operating in the Dutch savings market
- Offering products in the areas of sustainability and clean technology

Cash flows in 2009 for Robeco, Sarasin and Schretlen & Co totalled EUR 15.8 billion. Clients' equity investments benefited from the recovery in the stock markets after the disastrous investment year 2008. In asset management operations, assets under management and held in custody for clients increased by 25% to EUR 230.4 billion due to the inflow of assets and positive investment returns. Net profit amounted to EUR 13 million, against EUR 162 million in 2008, not including the gain from the sale of Alex. The decline in profit was mainly due to lower performance-related commission fees at Robeco's subsidiary Transtrend. Also, interest income was lower as a result of fierce competition in the Dutch savings market. For Robeco, a cost reduction programme initiated in 2008 resulted in lower costs and an outflow of staff. Sustainability was introduced further into the investment product range. Although Sarasin opened several offices in Europe and Asia, it slowed down its international strategy for growth in terms of hiring additional client relationship managers. Robeco expanded its operations in Asia.

## Strategy for asset management and investment

Asset managers Robeco, Sarasin and Schretlen & Co offer high-quality services to investors of every kind. The range of innovative products and services will be further broadened and deepened. Both the distribution network and the institutional sales and asset management

activities will be expanded on a selective basis. At the same time, Rabobank Group aims to strengthen its position in the market for high net-worth individuals and institutional investors and to consolidate its positions in the Netherlands and abroad.

### **Asset management and investment services to clients of every kind**

In the Netherlands, Rabobank Group offers, through several channels, a broad range of investment products and services to both private and institutional investors. Robeco offers many investment products and Robeco Direct offers tailored asset advice and management to private individuals. Rabo Direct Beleggen accommodates active, independent investors with investment funds including those offered by Robeco and Sarasin. Rabobank Private Banking and Schretlen & Co focus on high net-worth clients. Large institutional investors can turn to Robeco Institutional Asset Management and to Sarasin. Internationally, too, Robeco meets the needs of numerous investors, while Sarasin offers private banking and made-to-measure investment services to its high net-worth clients.

### **Cost savings programme at Robeco and expansion in Asia**

A substantial drop in stock prices in 2008 put Robeco's profit development under pressure and a cost reduction programme was needed to make its core business more effective. The size and composition of its product range were put under close scrutiny and around 250 jobs were shed. Robeco is gradually expanding its international operations in Asia and an office for services to institutional clients and for funds distribution was opened in South Korea in 2009. Apart from this Seoul branch, Robeco's Asian offices include Mumbai, Shanghai, Tokyo, Singapore and Hong Kong. Robeco aims to open an office in Taiwan in the future.

### **Positive investment year for Robeco clients**

For most of Robeco's clients, 2009 was a positive year, both in absolute and in relative terms. 73%<sup>9</sup> of assets managed by Robeco outperformed the benchmark in terms of their return. Of the equity portfolios, 89% achieved above-benchmark results. The Robeco flagship fund achieved a 31.5% return, beating the benchmark by 3.8%. The Emerging Markets funds achieved the highest returns: 85.4% for Robeco Emerging Markets Equities, i.e. 7.2% above the benchmark, and a staggering 99.9% for Robeco Emerging Stars Equities, 15.6% higher than the reference figure. Robeco's subsidiary Harbor Capital Advisors beat the benchmark by 6.0% and 4.1%, respectively, with its flagship funds Harbor International and Harbor Capital Appreciation. The two biggest funds of Robeco's subsidiary Sustainable Asset Management (SAM) likewise outstripped their reference figure: SAM Sustainable Water by 8.5% and SAM Smart Energy by 44.0%.

The fixed-income funds showed a mixed picture, with 46% of the assets beating the benchmark. Rorento's return was 4.8%, lagging behind the 6.3% benchmark. The return for Robeco Lux-o-rente was negative, at 1.6%, and was 2.4% below the benchmark. Robeco High Yield Bonds achieved a 53.0% return.

Robeco's subsidiary Transtrend achieved negative returns for 2009. Expressed in US dollars, Sage International achieved a 12.0% net return.

### **Sarasin continues growth strategy, but at a lower rate**

In 2009, Sarasin expanded its presence further in its Swiss domestic market as well as in other European countries and in Asia, in accordance with its strategy for growth. It opened its fifth Swiss office, in Berne. Its activities in Germany, Poland and Austria grew through new offices in Nuremberg, Warsaw and Vienna. In addition, the bank has started offering advisory services to institutional clients from Northern European countries from a base in Frankfurt, Germany. In India, Sarasin entered the market with new offices in Mumbai and Delhi. In view of the economic situation, however, the bank slowed down its growth rate and fewer client relationship managers were hired.

### **Sarasin delivers handsome return on investments**

Sarasin experienced a robust inflow of assets and delivered a handsome return on investment in 2009, as well as receiving several awards. Many investments showed sound returns, both in absolute terms and relative to the benchmark. 99% of all Sarasin's investment products delivered positive returns and more than half of them achieved strong, double-digit returns.

<sup>9</sup> Percentages are based on weighted assets; with the exception of alternatives, performance figures include asset management fees.

In 2009, Sarasin's excellent service quality and investment performance was praised in several journals. In its 'Elite Report', the German financial newspaper Handelsblatt again named Sarasin as one of the best private banks in German-speaking countries. Sarasin was also praised by Private Banker International for its successful business model and was awarded the title of 'Outstanding Private Bank - Europe'.

In addition, Sarasin was the 'Best Private Bank for Portfolio Management' and the 'Best Private Bank for Innovation' according to the professional journals The Banker and Professional Wealth Management.

### Highest customer satisfaction for Schretlen & Co

Schretlen & Co and Rabobank Private Banking had the highest scores in the 2009 Incompany 100 - the annual ranking of advisory enterprises drawn up by business journal Incompany. In the private banking segment, Schretlen & Co occupied first place for the third consecutive year and Rabobank Private Banking tied for second place. In this survey, clients rated Schretlen & Co's services by a score of 7.5 (7.0) and those of Rabobank Private Banking by a score of 7.1 (7.2). Schretlen & Co was praised for its specialist know-how, while Rabobank was applauded mainly for its local presence. In addition, Schretlen & Co was awarded the title of the Netherlands' best service provider by Incompany.

### Responsible and transparent investment products

In 2009, Rabobank Group's sustainable assets under management and held in custody amounted to EUR 16,438 (11,506) million, being 7.1% (6.3%) of total assets under management and held in custody for clients. Over the past years, responsible or sustainable investments have been fleshed out further by putting together and selling sustainability funds such as water-focused and clean technology funds. But responsible investing has a wider scope than these niche products. Consequently, Rabobank aspires to make responsible investing part and parcel of its regular investment services. The group entities concerned - i.e. Rabobank Private Banking, Robeco, Schretlen & Co, Sarasin and Rabobank International - are bringing their investment services in further alignment with the United Nations Principles for Responsible Investment.

### Robeco stands for responsible investing

One of Robeco's strategic pillars is responsible investing. Robeco aspires to strengthen its distinctive proposition in this area further, first and foremost by integrating social, environmental and governance factors in accordance with the United Nations Principles for Responsible Investment. Robeco also pursues an exclusion policy for controversial arms, and Robeco and SAM funds use a 'Responsible Investment' classification. In addition, the engagement service will be expanded in the light of the Responsible Investing Programme. Within the engagement dimension, Robeco focuses increasingly on collaboration with other international investors, which turns out to be an effective way of achieving good results. This growing collaboration enables Robeco to have dialogues with more enterprises. For more information, see: [www.rabobank.com/csr-engagement](http://www.rabobank.com/csr-engagement).

### New private equity fund

In 2009, Robeco launched Robeco Responsible Private Equity Fund II. This sustainable fund aims to put together a global portfolio of first-class private equity funds that subscribe to strict rules for responsible investing. Investments in the arms industry, gambling, adult entertainment, fur production and the tobacco industry are excluded. In 2009, the United Nations Principles for Responsible Investment addressed the Robeco Sustainable Private Equity Fund as a case study in one of its publications.

### Services in Islamic markets

Both Sarasin and Robeco are responding with new products to growing demand in Islamic markets. In 2009, Robeco's business entity SAM and Gatehouse Bank together launched the first-ever investment fund to focus on water. It enables clients to invest in innovative enterprises that develop technologies to prevent global water scarcity. Islamic scholars have endorsed these investments. They meet the growing demand from Islamic market.

Sarasin introduced its Islamic asset management proposition, which covers the entire private banking services spectrum. Using money market products and structured products endorsed by the Islamic authorities, this proposition offers estate and succession planning, financing, as well as asset management, such as Wakala, Murabaha and Maraya.

### Sarasin – a tradition of sustainability in private asset management

Bank Sarasin recognised the importance of sustainable investments as long as 20 years ago. What started off with the inclusion of environmental criteria in certain asset management mandates back in 1989 has now developed into one of the bank's most important pillars of business. The 20-year track record in this field proves that complying with sustainability criteria also produces excellent investment returns. For this reason, Bank Sarasin has, since 30 June 2009, used sustainability as an additional criterion for making investment decisions for all its portfolio management mandates of private clients at the Swiss locations. This is unique within the private banking industry and a milestone in the mainstreaming of responsible investing.

### First sustainable property fund

In July 2009, Sarasin introduced the Sarasin Sustainable Equity – Real Estate Global Fund, the world's first investment fund specialising in equities of sustainable property companies. Businesses in this fund qualify as pioneers in sustainable building and sustainable property management. Sarasin also launched an investment fund offering Swiss pension funds access to sustainable investment property in Switzerland.

### Sustainable business awards

Bank Sarasin received the German Sustainability Award 2009 in the category 'Germany's Most Sustainable Financial Services' in a field of 300 financial services competitors. Sarasin's achievements in integrating environmental, social and governance principles into its investment research and advisory processes were also recognised by the Investment & Pensions Europe magazine and by TBLI as 'Best Research House/Consultant 2009'.

### Introducing sustainability into investments at Schretlen & Co and Rabobank Private Banking

In 2009, Schretlen & Co developed the Sustainable Asset Management proposition, which comprises various elements, including sustainable investment. In 2010, these instruments will get broad deployment for existing clients and will be used to attract new clients. During 2009, Rabobank Private Banking explored different possibilities for giving clients insight into the sustainability of their investment portfolios. Over the past year, a great deal of effort has been put into the integration of the sustainability data from the former IRIS organisation. IRIS was discontinued in the year under review. Its research activities were transferred to Rabobank Private Banking.

### Dialogue with public-interest groups

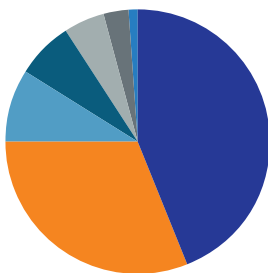
In 2009, we were involved in talks with several public-interest groups about investing in the arms industry and in renewable energy. Public-interest groups also expressed concerns about the social risks of third-party investments. For more information, we refer to the section entitled Dialogue with stakeholders.

### Positive cash flows and stock market recovery propel assets under management

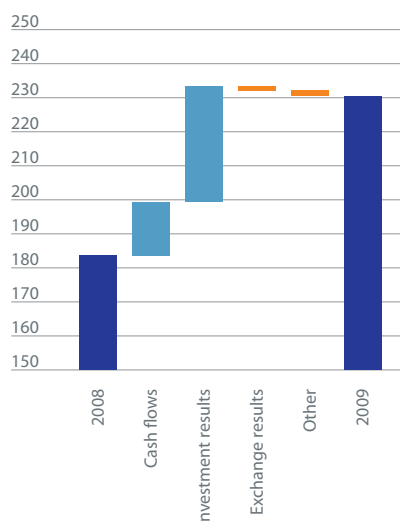
On the back of solid cash flow developments and recovering stock markets, assets under management and held in custody for clients increased by 25% to EUR 230,4 (183.6) billion in 2009. Robeco now manages assets worth EUR 134.9 (110.7) billion, Sarasin EUR 63.1 (46.9) billion, Schretlen & Co EUR 7.3 (6.8) billion and Rabo Real Estate Group EUR 7.0 (6.8) billion. The other assets are held in custody by the local Rabobanks. The total inflow of assets amounted to EUR 15.8 billion, EUR 8.4 billion of which was realised by Sarasin, with the expansion of its international network contributing to its positive cash flows and its strong investment performance. As in 2008, Robeco's subsidiary

Assets under management and held in custody for clients by asset category at year-end 2009

Equities	44%
Fixed income	31%
Mixed	9%
Money market	7%
Alternatives	5%
Real estate	3%
Other	1%







Harbor Capital Advisors performed well in terms of cash flows in 2009. Thanks in part to its strong investment performance, Robeco was successful in raising assets. Cash flows for Robeco as a whole stood at EUR 7.7 billion. The local Rabobanks and Schretlen & Co saw an outflow of assets.

Beginning in March 2009, stock markets worldwide made a partial recovery from the disastrous investment year 2008. In 2009, the AEX Index was 36% higher, while in the United States the S&P 500 Index was 23% higher and Hong Kong's Hang Seng Index increased by 52%. The, on average, positive equity returns resulted in a investment return of EUR 34.0 billion. The depreciation of the US dollar against the euro adversely affected assets under management. The total negative impact of currency translation differences on assets under management amounted to EUR 1.2 billion.

## Financial results of asset management and investment

### Results (in millions of euros)

	2009	2008	Change
Interest.....	104	144	-28%
Fees and commission.....	757	1,084	-30%
Other income.....	123	390	-68%
Total income.....	984	1,618	-39%
Staff costs.....	553	559	-1%
Other administrative expenses.....	288	352	-18%
Depreciation and amortisation.....	109	102	7%
Operating expenses.....	950	1,013	-6%
Gross result.....	34	605	-94%
Value adjustments.....	4	42	-90%
Operating profit before taxation.....	30	563	-95%
Taxation.....	17	125	-86%
Net profit.....	13	438	-97%

Assets (in billions of euros)	31-Dec-09	31-Dec-08	
Assets under management and held in custody for clients.....	230.4	183.6	25%
Number of employees (in FTEs).....	3,501	3,620	-3%

### Income down 21%

In 2008, the gain on the sale of Alex and the performance-related commission fees from Robeco subsidiary Transtrend had made a significant contribution to income. In 2009, total income from asset management declined by 21% to EUR 984 million, compared with EUR 1,251 million in 2008, not including Alex. The lower performance-related commission fees at Robeco's subsidiary Transtrend were the main driver for the 30% decline in total commission income to EUR 757 (1,084) million. The regular asset management fees, that depend on average assets managed during the year, dropped slightly. Interest income for Robeco Direct was lower due to fierce competition in the savings market. This was a decisive factor in the 28% decrease in interest income to EUR 104 (144) million. Thanks in part to higher trading results for Sarasin, other income was EUR 100 million higher, at EUR 123 million, not including Alex.

### Operating expenses down 6%

Robeco's operating expenses were lower as a result of the cost-cutting programme. Sarasin's expenses showed a limited increase, despite cost reductions, due to the expansion of its operations. In 2009, total operating expenses for the asset management operations showed a 6% decrease to EUR 950 (1,013) million. Staff costs dropped by 1% to EUR 553 (559) million mainly as a result of the cost reduction programme at Robeco. This programme resulted in a 3% decrease in staffing levels, to 3,501 (3,620) FTEs. This also caused other administrative expenses to decline by 18% to EUR 288 (352) million. Due in part to higher amortisation of software and intangible assets, depreciation and amortisation charges were 7% higher, at EUR 109 (102) million.

### Value adjustments at EUR 4 million

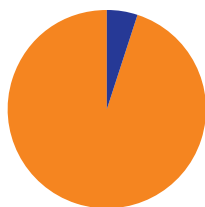
In 2008, Sarasin had to recognise value adjustments on financial institutions as a result of the turbulence in the financial markets. There were no additional value adjustments in 2009. Robeco reported value adjustments in 2009 in the sum of some millions of euros by virtue of the mortgage portfolio. The total amount of value adjustments for asset management operations was EUR 4 (42) million.

## Outlook for asset management and investment

We anticipate a positive cash flow and further growth of assets under management for 2010. Cost saving initiatives have resulted in a lower cost level, which should benefit the profitability of our asset management and investment operations. Robeco will review its strategy under its largely new management, as well as intensifying its collaboration with other group entities. Robeco aims to further integrate responsible investment into its services. For all mainstream investments, factors relating to the environment, society and sound corporate governance will be part and parcel of the analysis and investment process. In addition, an exclusion policy will be implemented and Robeco's own business operations will be made even more socially responsible. Sarasin intends to continue its international strategy for growth in its markets for high net-worth and institutional clients. The expansion of its operations outside its Swiss heartlands should result in a greater share from international operations in its income. Schretlen & Co and Rabobank Private Banking are investigating opportunities for jointly expanding Rabobank Group's position in the market for high net-worth clients.

# Leasing

[www.delagelanden.com](http://www.delagelanden.com)



Share in Rabobank Group's net profit for 2009

● Leasing 5%

## Improved margins on new business, growth in lease portfolio levelling off

*Loan portfolio up 3% to EUR 24.1 billion*

- Share of food and agri in portfolio up 4.6 percentage points to 24.3%

*Net profit down 52% to EUR 112 million*

- Efficiency ratio at 60.0%, a 1.3 percentage point deterioration

- Bad debt costs above long-term average at 132 basis points

- RAROC at 10.4%

### Rabobank Group strategy

### Contribution to group strategy

All-finance market leadership in the Netherlands

- Supporting Rabobank in offering equipment leasing, car leasing and factoring products
- Increasing share in consumer loans market

International food and agri bank

- Tracking, and providing guidance and support to food and agri-related manufacturers, vendors and distributors of capital goods
- Increasing the share of food and agri in the portfolio

The economic climate caused losses in 2009 on sales of former leased cars and an increase in bad debt costs at De Lage Landen, Rabobank Group's leasing subsidiary. Net profit fell by 52% to EUR 112 million. Interest income was up thanks to higher margins on new business. De Lage Landen managed to keep costs under control so that operating expenses saw a limited increase only. The loan portfolio increased by 3% to EUR 24.1 billion, with growth levelling off due to clients postponing expenditures. Partly as a result of an acquisition by De Lage Landen in Italy, the lease fleet operated by Athlon Car Lease, its international car leasing division, grew by 2% to 216,000. De Lage Landen continued to integrate CSR into its core business. As De Lage Landen reported sound financial results and won a number of new clients in the first half of 2009 in spite of the difficult market, it was awarded the European Vendor Partnership of the Year Award, which was presented during the international Asset Finance Conference.

### Strategy for De Lage Landen

De Lage Landen serves Rabobank clients with a broad package of lease and factoring products and contributes to the strengthening of Rabobank Group's position in the Dutch market for consumer loans. On a global scale, De Lage Landen offers finance solutions for producers and distributors of capital assets.

## De Lage Landen withstands the crisis

De Lage Landen took a number of steps in late 2008 to address the crisis and to emerge a stronger organisation. These steps were further implemented in 2009. There was more active focus on margin improvement and risk management was fine-tuned where possible. Also a stricter acceptance policy was implemented and more people were dedicated to Collection & Recovery. The increase in expenses was curbed by a range of measures, including a reduction in travel movements, a raise in overall cost awareness and staff outflow. In 2009, De Lage Landen continued to invest in its systems for service quality improvements. The infrastructure and the process environment saw further improvements thanks to a new ERP system coming online in Wayne, De Lage Landen's largest operation in the United States. The same system will also be implemented in Eindhoven in 2010.

## Leasing: stronger focus on the Netherlands and on international food and agri

In line with Rabobank Group's strategy, De Lage Landen focuses on growth in the Netherlands and in the international food and agri market. With a market share of more than 30%, De Lage Landen is the market leader in the Dutch lease market. To offer an integrated products and services proposition, the collaboration between various business entities has been strengthened further. New partnerships with enterprises including Kuhn, a producer of agricultural machines, and DeLaval, a milking equipment supplier, resulted in further growth in the international food and agri market. De Lage Landen and Rabobank International likewise pursued opportunities for collaboration in order to generate additional customer value. De Lage Landen offers services to food and agri clients of Rabobank International in countries including North America, Australia, Poland and the Netherlands. The joint venture formed in 2008 between De Lage Landen and Bank BGZ, Rabobank International's retail bank in Poland, showed a healthy development in 2009. BGZ Leasing offers lease products to clients of Bank BGZ and to Dutch clients of Rabobank.

## De Lage Landen: a customer-focused organisation

De Lage Landen is a customer-focused organisation that aims for high customer satisfaction. It received several awards in 2009, including the 'European Vendor Partnership of the Year' award. Independer awarded Freo the title of the Netherlands' most highly valued lender. Under the Freo label, De Lage Landen provides online consumer loans. Heliview's annual survey among car lease clients showed an increase in general satisfaction with Athlon Car Lease to 7.5 (7.2). Moreover, loyalty in the customer base is above average.

## Further integration of CSR

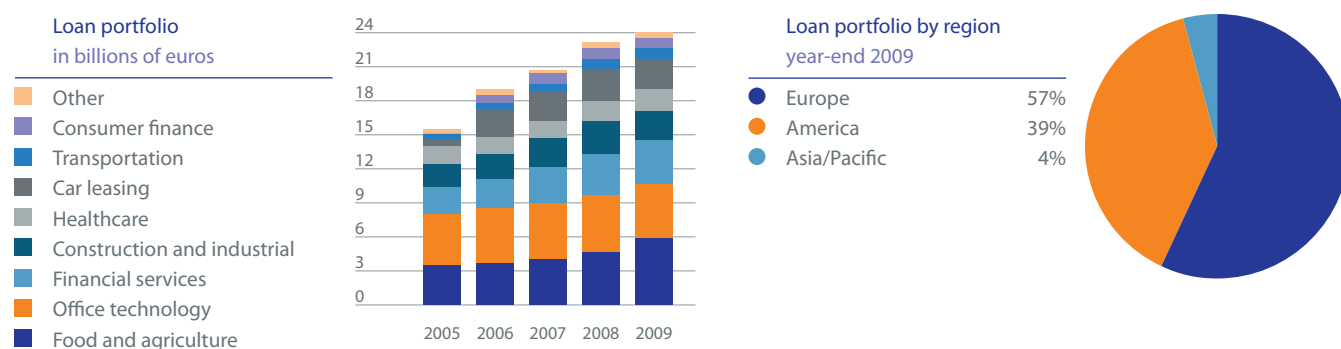
De Lage Landen has four spearheads in the ongoing integration of CSR in its core business: responsible business practices, sustainable innovations, community involvement, and sustainable and energy-efficient operations. De Lage Landen is in the process of revising its code of conduct. Since March 2009, De Lage Landen has its own Business Principles Committee, which advises management on the application of the ethical and CSR principles that are in force at Rabobank and De Lage Landen. De Lage Landen has included CSR criteria for vendors and end users in its vendor finance client acceptance policy at the end of 2009. In addition, CSR was actively promoted to staff and the organisation started to speak with vendors about a joint CSR vision and potential partnerships in CSR. Besides being a partner in finance, De Lage Landen expressly aspires to be partner in sustainable solutions. In 2009, major steps were taken in new business development to promote sustainable food and agri business and clean technology. De Lage Landen concluded a vendor agreement, for instance, for the use of LED lighting with a global producer in the United States.

Athlon Car Lease broadened its five-step plan for sustainable mobility for corporate clients by introducing the Green Car Plan. It allows clients to offer their employees energy-efficient, low-carbon cars from EUR 150 per month. The Green Car Plan was also opened up for Athlon Car Lease's own employees in the Netherlands. Athlon Car Lease entered into a partnership agreement with Renault for the purchase of electric cars in 2011.

To promote lower housing costs and higher energy savings, De Lage Landen developed the Freo Eco Loan.

Preparatory work has started on the establishment, in 2010, of a 'De Lage Landen Foundation' for the community projects supported by De Lage Landen. Initiatives are underway for the development of microleasing for agricultural equipment and other capital goods.

## Moderate growth in lease portfolio



The loan portfolio at De Lage Landen increased by 3% in 2009 to EUR 24.1 (23.3) billion. Clients postponed their replacement investments and the US dollar depreciated by 3% against the euro. The food and agri portfolio increased by 28% to EUR 5.9 billion, as a result of which its share of the total portfolio rose by 4.6 percentage points to 24.3%. In Italy, De Lage Landen acquired Masterlease, the car leasing operations of GMAC Financial Services. This acquisition added more than 5,500 leased cars to the fleet, corresponding with a portfolio growth of about EUR 70 million. Athlon Car Lease now operates in nine European countries. The total number of leased cars was up 2%, rising to 216,000 (211,000), and the car leasing portfolio contracted by 4% to EUR 2.7 (2.8) billion. De Lage Landen's consumer loan portfolio amounted to EUR 0.9 (0.9) billion.

## Financial results of De Lage Landen

### Results (in millions of euros)

	2009	2008	Change
Interest.....	590	530	11%
Fees and commission.....	59	61	-3%
Other income.....	377	424	-11%
Total income.....	1,026	1,015	1%
Staff costs.....	375	377	-1%
Other administrative expenses.....	206	188	10%
Depreciation and amortisation.....	35	31	13%
Operating expenses.....	616	596	3%
Gross result.....	410	419	-2%
Value adjustments.....	300	118	
Operating profit before taxation.....	110	301	-63%
Taxation.....	-2	66	
Net profit.....	112	235	-52%
Bad debt costs (in basis points).....	132	56	
<b>Ratios</b>			
Efficiency ratio.....	60.0%	58.7%	
RAROC.....	10.4%	22.3%	
<b>Balance sheet (in billions of euros)</b>			
Loan portfolio.....	31-Dec-09 24.1	31-Dec-08 23.3	3%
<b>Capital requirements (in billions of euros)</b>			
Capital requirement.....	1.2	1.1	9%
Economic capital.....	1.1	1.0	10%
Number of employees (in FTEs).....	4,734	4,667	1%

### Income up 1%

At De Lage Landen interest income increased by 11% to EUR 590 (530) million due to higher margins on new business and growth in the lending volume. Total income was up 1% to EUR 1,026 (1,015) million as a result. Lower agency commissions caused total commissions to drop by 3% to EUR 59 (61) million. The downturn in the market for second-hand cars led to an 11% decline in other income to EUR 377 (424) million.

### Operating expenses up 3%

Total operating expenses incurred in the leasing division in the reporting period increased by 3% to EUR 616 (596) million. Staff costs fell by 1% to EUR 375 (377) million. The acquisition of Masterlease's Italian car leasing operations, which came with about 45 FTEs, was a factor in the 1% increase in the total employee base to 4,734 (4,667) FTEs. Other administrative expenses rose by 10% to EUR 206 (188) million as a result of asset impairments.

### Bad debt costs at 132 basis points

The poor economic situation caused value adjustments at De Lage Landen to rise by 182 million to EUR 300 (118) million in 2009. Expressed in basis points of the average lending volume, bad debt costs were 132 (56) basis points. This is above the long-term average of 56 basis points.

### Capital requirement and RAROC

De Lage Landen's capital requirement increased by 9% in the year under review to EUR 1.2 (1.1) billion. The required economic capital, i.e. the internal capital requirement, stood at EUR 1.1 (1.0) billion. Risk Adjusted Return On Capital (RAROC) fell by 11.9 percentage points to 10.4% (22.3%).

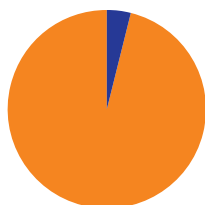
## Outlook for De Lage Landen

De Lage Landen anticipates further growth of its loan portfolio in 2010. Its focus is on the Netherlands and on international food and agri. For the second-hand car market, De Lage Landen expects some cautious recovery. Operating expenses will be lower as a result of cost saving measures. The level of bad debt costs will remain high, as was the case in 2009. Closer collaboration with other group entities will be pursued. For Consumer Finance, the focus will be on the distribution of consumer loans through the local Rabobanks and the Freo label.



# Real estate

[www.raborealestategroup.com](http://www.raborealestategroup.com)



Share in Rabobank Group's  
net profit for 2009

● Real estate 4%

## Growth in loan portfolio, decline in property under development

*Number of homes sold down 16% to 7,341*

*Loan portfolio up 5% to EUR 17.2 billion*

*Assets under management in real estate up 2% to EUR 7.0 billion*

*Net profit at Rabo Real Estate Group up 7% to EUR 92 million*

- Bad debt costs at 14 basis points

### Rabobank Group strategy

### Contribution to group strategy

All-finance market leader in the Netherlands

- Maintaining and strengthening its leading position in the markets for owner-occupied homes and commercial real estate
- Increasing sales of Rabobank mortgages for new build developments
- Maintaining our market lead in property financing
- Increasing knowledge of real estate
- Offering various real estate-related funds to Rabobank clients

International food and agri bank

- Setting up and expanding agricultural real estate funds through Rabo FARM

Conditions in the property market remained poor in 2009. Although Rabo Real Estate Group was in relatively good shape and maintained its market positions, all divisions saw low growth in volumes owing to the state of the economy. Correspondingly, there were fewer residential property developments. Bouwfonds Property Development sold 7,341 homes during the year under review, compared with 8,746 in 2008. At MAB Development there was a fall in the construction of commercial real estate from EUR 393 million to EUR 254 million. At FGH Bank, the loan portfolio increased by 5% to EUR 17.2 billion, margins on new loans increased, and bad debt costs were up. Assets under management rose by 2% at Bouwfonds REIM to EUR 7.0 billion. Despite the tough conditions in the property market, Rabo Real Vastgoedgroep saw its net profit rise by 7% to EUR 92 million. Developments were also seen in the areas of sustainable building, ethical and responsible business practices, and commitment to society.

## Strategy for Rabo Real Estate Group

Rabo Real Estate Group is the biggest integrated real estate enterprise in the Netherlands. Within Rabobank Group, Rabo Real Estate Group is the centre of expertise on real estate. One of its objectives is to be the most sustainable real estate enterprise. Rabo Real Estate Group intends to help clients achieve their ambitions in terms of housing, working, shopping, leisure and investing in pleasant and sustainable surroundings. It aims to retain, strengthen and where possible expand its strong market positions in the Netherlands. In the international dimension, controlled growth of its activities is anticipated, especially in Germany and France.

## Reduced activity in the real estate market necessitates cost-cutting

During 2009, there was a low level of activity on the real estate market. As a consequence, Bouwfonds Property Development sold fewer homes, and fewer properties were developed by MAB Development. FGH Bank granted fewer loans, while Bouwfonds REIM also saw a fall in activity. Rabo Real Estate Group initiated a major cost-cutting programme, as a result of which the headcount at the development divisions in the Netherlands and France was reduced. In connection with this, the respective Works Councils were requested to issue their formal opinion and a redundancy plan was agreed with the trades unions in both countries. The number of employees at the other real estate divisions also fell, although this was achieved through natural attrition.

## Increased collaboration between Rabo Real Estate Group and other group entities

In 2009, Rabo Real Estate Group intensified its collaboration with other group entities through, for instance, mortgage cross-selling in real estate development. In turn, the local Rabobanks use the services of FGH Bank to finance commercial real estate. Bouwfonds REIM, through the Eigen Steen real estate project, relieved a number of banks of the management and development burden for bank office buildings in 2009 and, together with Rabobank International, formed Rabo FARM. Through this joint venture, agricultural real estate funds are to be set up all over the world, with the initial focus on Europe and South America. In addition, Rabo Real Estate Group started a 'Collaboration Rabobank Group' task force towards the end of 2009, which studies opportunities for further improving collaboration with Rabobank Group.

## Rabo Real Estate Group's ambition for real estate: investing in the future

Rabo Real Estate Group continued to work towards investing in the future, during 2009, focusing on the four CSR fundamentals of sustainable building, ethical and responsible business practices, and commitment to society.

The energy ambitions set out in the Spring Accord 2009 were embedded in working procedures at Bouwfonds Property Development. MAB Development also went to work on the ambitions of the Spring Accord. In addition, both divisions developed a number of remarkable sustainable building projects. Bouwfonds Ontwikkeling launched the Plantage De Sniep development in Diemen, where the first well point for heat/cold storage – the largest of its kind – was drilled for 1,200 homes. In addition, the available budget for loans to first-time buyers in municipalities where Bouwfonds builds starter homes was doubled, in partnership with FGH Bank and Stimuleringsfonds Volkshuisvesting, a public housing fund operated by Dutch local authorities. This has improved the chances of first-time buyers on the housing market. Bouwfonds Marignan, the first property developer in France to receive the national sustainability certificate (NF Logement Démarche HQE), won two prestigious awards for sustainability in 2009.

During 2009, the Oosterdokseiland (ODE) development, which was co-developed by MAB Development, was nominated for a Building Business Golden Green Award in the category 'Sustainable Area Development'. In addition, MAB Development, working in association with OVG Projectontwikkeling, started on the construction of 'De Rotterdam', a 160,000m<sup>2</sup> multifunctional building and the largest new build project in the Netherlands. The energy performance of this property is considerably better than required, thanks to the use of innovative technology such as biomass heating and power production, and the use of water from the River Maas for cooling. Furthermore, a 'green' deal was concluded with the major lessees – the City of Rotterdam and the Rotterdam Development Corporation. Funding for this development was arranged in close collaboration with FGH Bank.

Bouwfonds REIM took steps in 2009 to incorporate CSR into its fund concepts, and a start was made on a pilot project in which the sustainability of 15 properties in existing funds was assessed.

## Ethical business practices

Rabo Real Estate Group introduced the new harmonised code of conduct in the Netherlands in 2009, publishing a brochure and newsletters, and organising workshops on how to deal with dilemmas. The international divisions are set to follow suit in 2010. Furthermore, the new, harmonised customer due diligence policy was implemented throughout the organisation.

## Reporting dubious property transactions

For the second time, Rabo Real Estate Group reported potentially criminal acts committed by delegated property developers, several ex-employees of the former Bouwfonds and a number of associated persons and legal entities, as part of the Klim-Op investigation conducted by FIOD-ECD, the Dutch national fiscal and economic investigation service. The internal investigation into the Klim-Op case was conducted by forensic investigators. More than EUR 20 million has been invested since 2007. The first hearings to be held as part of criminal proceedings started in November 2009, and the court convicted two individuals in December. Rabo Real Estate Group is taking steps in order to have recourse against the offenders. On several occasions, the court has ruled in Rabo Real Estate Group's favour in cases concerning the attachment of property held by a number of suspects. These civil proceedings will continue to demand the attention of Rabo Real Estate Group.

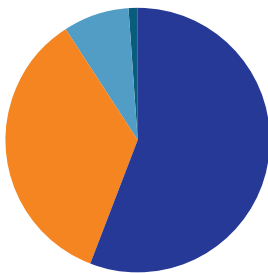
## Rabo Real Estate Group: committed to the community

Stimuleringsfonds Volkshuisvesting Nederlandse gemeenten (SVn) developed sustainability loans, enabling municipalities to encourage energy savings in existing residential properties by providing owner-occupiers with low-interest loans under attractive conditions through them.

In 2009, Rabo Real Estate Group was once again the main sponsor of Open Monumentendag (Heritage Day), one of the largest cultural events in the Netherlands. Between 850,000 and 900,000 people visited historical buildings and sites that were open to the public. Fondsenbeheer Nederland established a fifth fund by the name of Boerderijen Landschap (farm and landscape), which focuses on preserving and developing agricultural heritage. This fund acquired three farms in 2009.

Number of homes sold in 2009 by country

● The Netherlands	56%
● France	35%
● Germany	8%
● Other	1%

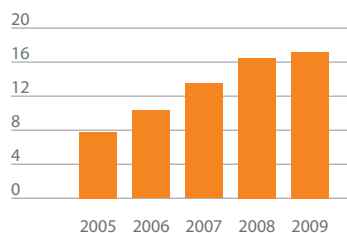


## Fewer homes sold in the Netherlands

Bouwfonds Property Development sold fewer homes in the Netherlands in 2009, although the number of sales went up in France. A total of 7,341 (8,746) homes were sold, 56% of which were located in the Netherlands. The transactions in the Dutch housing market in 2009 were in the more affordable segment. In France, the housing market bottomed out following tax incentives introduced by the government. At Bouwfonds Property Development, the number of unsold properties (under construction or completed) was down sharply compared with the end of 2008.

Activity was also down in the commercial real estate market compared with 2008. At MAB Development, there was a fall in production in the area of commercial real estate from EUR 393 million to EUR 254 million, and construction started on fewer properties owing to the unfavourable market conditions. At the end of 2009, 560,667m<sup>2</sup> (827,707m<sup>2</sup>) of commercial real estate was under construction at Rabo Real Estate Group.

Loan portfolio in billions of euros



## Moderate growth in lending at FGH Bank

During 2009, the loan portfolio of FGH Bank showed moderate growth. This was due to the relatively low volume of transactions in the current market, a decrease in available liquidity, and a reduction in willingness to arrange finance. The number of new loans granted was low. Thanks to the reputation it has built up in the real estate market, FGH Bank received requests for almost all

the major financing transactions in the Netherlands in 2009. These requests were assessed on the basis of a careful consideration of risks and returns. Margins on new contracts improved. New business amounted to EUR 2.8 billion, and as the repayment volume was limited, at

EUR 1.7 billion, the gross loan portfolio increased by 5% to EUR 17.2 (16.5) billion. The net loan portfolio, after syndication, amounted to EUR 15.4 (14.6) billion. Investment financing made up the vast majority of the portfolio.

### Assets under management in real estate almost stable

The credit crisis also had a visible impact on the real estate investment market. The number of transactions was down and demand for real estate investments declined in almost all sectors. At Bouwfonds REIM, assets under management were up 2%, rising to EUR 7.0 billion.

## Financial results of real estate

### Results (in millions of euros)

	2009	2008	Change
Interest.....	174	78	
Fees and commission.....	46	33	39%
Other income.....	233	348	-33%
Total income.....	453	459	-1%
Staff costs.....	194	220	-12%
Other administrative expenses.....	121	131	-8%
Depreciation and amortisation.....	8	12	-33%
Operating expenses.....	323	363	-11%
Gross result.....	130	96	35%
Value adjustments.....	22	-	
Operating profit before taxation.....	108	96	13%
Taxation.....	27	20	35%
Profit for the year Rabo Real Estate Group <sup>10</sup> .....	81	76	7%
Non-controlling interest.....	-11	-10	
Net profit Rabo Real Estate Group <sup>10</sup> .....	92	86	7%
Other results.....	-24	-62	
Net profit Real estate division <sup>10</sup> .....	68	24	
Number of homes sold.....	7,341	8,746	-16%
<b>Other information (in billions of euros)</b>			
	31-Dec-09	31-Dec-08	
Loan portfolio.....	17.2	16.5	5%
Assets under management.....	7.0	6.8	2%
Number of employees (in FTEs).....	1,549	1,743	-11%

### Income down 1%

During the year under review, total income at Rabo Real Estate Group fell by 1% to EUR 453 (459) million. Bouwfonds Property Development sold fewer homes, and a greater proportion was sold to housing associations and investors at a lower average margin. MAB Development also completed fewer properties. These developments contributed to the 33% decline in other income, which fell to EUR 233 (348) million. Interest income increased by EUR 96 million to EUR 174 (78) million, mainly as a result of yield curve trends and higher margins on new real estate loans and renewals. Although commission from issues fell owing to lower levels of activity at Bouwfonds REIM, total commissions rose by 39% to EUR 46 (33) million thanks to the fee received by FGH Bank in connection with the buy-back of debt securities.

### Operating expenses down 11%

Given the deteriorating conditions in the market, Rabo Real Estate Group initiated a major cost-cutting programme in 2009. Although the immediate result of this step was a 12% fall in staff costs to EUR 194 (220) million, it also led to additional reorganisation expenses. Despite this, other administrative expenses were down 8% to EUR 121 (131) million. Total operating expenses declined compared to 2009, down 11% to EUR 323 (363) million, while the number of employees decreased by 11% to 1,549 (1,743) FTEs.

<sup>10</sup> The 'profit for the year Rabo Real Estate Group' and 'net profit Rabo Real Estate Group' items correspond with the financial results published by Rabo Real Estate Group itself. The 'net profit real estate division' item is inclusive of the amortisation and financing charges that were incurred due to the acquisition of Bouwfonds divisions and the harmonisation of accounting policies.

### Bad debt costs at 14 basis points

During 2009, FGH Bank had to deal with several clients that had difficulties. As a consequence, value adjustments amounted to EUR 22 (0) million. Expressed as a percentage of the average loan portfolio, bad debt costs stood at 14 basis points.

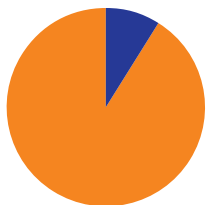
## Outlook for Rabo Real Estate Group

Rabobank foresees no speedy recovery of the market conditions for real estate. Housing consumers and real estate users and investors in the Netherlands are likely to remain cautious in 2010. In France, the demand for owner-occupied houses continues, with relatively strong results, particularly in proportion to the limited investments. The demand for owner-occupied houses in Germany seems slightly on the increase. Although Rabo Real Estate Group is well-positioned, 2010 will be a year full of challenges for all real estate units, with the development divisions continuing to operate carefully and assessing projects very critically. Rabobank foresees no strong growth of the loan portfolio in its financing activities, and the bad debt costs are expected to be at a high level. Bouwfonds REIM's assets under management are expected to grow. Given the lower level of activities, Rabo Real Estate Group considers an attitude of austerity appropriate for its business operations.

Rabo Real Estate Group could strengthen its market position by defining quality of real estate and sustainability further. Besides energy, sustainability also involves other aspects, such as the environment, multifunctionality, integrity, transformation, mobility, usage quality, future value, transparency and historical conservation, that each play an important part. The collaboration with local Rabobanks and other group entities will be intensified. This means that, for example, Bouwfonds Property Development will work more closely with the local Rabobanks in mortgage sales and that Bouwfonds REIM is to develop real estate funds for Rabobank's private banking clients.

# Insurance

[www.rabobank.nl](http://www.rabobank.nl), [www.interpolis.nl](http://www.interpolis.nl), [www.eureko.com](http://www.eureko.com)



Breakdown of insurance commission in 2009

Life	9%
Non-life	91%

## Higher commission income from non-life insurance

*Number of Alles in één Polis insurance policies up 2% to 1,317,000*

*Number of ZorgActief health insurance policies up 4% to 155,000*

*Number of Bedrijven Compact Polis insurance policies down 2% to 191,000*

*Number of ZekerVanJeZaak insurance policies up 13,000 to 15,000*

*Insurance commission earned by local Rabobanks stable at EUR 353 million*

### Rabobank Group strategy

### Contribution to group strategy

All-finance market leader in the Netherlands	- Strengthening our leading position in the market by means of an integrated approach and by offering non-life insurance, health insurance and life insurance policies from Interpolis through local Rabobanks
International food and agri bank	- Maintaining our leading position in the insurance market for the Dutch food and agri sector through Interpolis, the market leader

The local Rabobanks offer specific insurance solutions for private individuals, business owners in their private capacity, farmers, SMEs and large enterprises. Proper advice on risk and appropriate insurance solutions can help businesses continue as going concerns and make life easier for retail clients. Interpolis is our preferred supplier. The local Rabobanks' productive alliance with Interpolis contributed to the increase in the number of Alles in één Polis insurance policies and ZorgActief health insurance policies that were sold. The Interpolis ZekerVanJeZaak insurance policy, which is specifically designed for small businesses, proved to be a success. Insurance commission earned by the local Rabobanks amounted to EUR 353 million in 2009 compared to EUR 354 million in 2008. Sales of non-life insurance policies rose, while commissions from life insurance policies fell by EUR 9 million.

## Insurance strategy

Providing integrated insurance solutions in the Netherlands is an important element in Rabobank Group's all-finance strategy. That ambition is underpinned by its 39% interest in the Eureko insurance company. In the Netherlands, Eureko has leading positions in all insurance market segments. The strategy for the virtually saturated Dutch market is to achieve growth by offering new and innovative, demand-driven products and services. Eureko operates several distribution channels and labels, with Interpolis as Rabobank's preferred supplier. Rabobank



and Interpolis collaborate closely on product and service development. The local Rabobanks sell mostly Interpolis-branded non-life, health and term life insurance policies to both private and corporate clients.

### Close collaboration between Rabobank and Eureko

The local Rabobanks are the largest insurance broker in the Netherlands. Through Interpolis, Rabobank clients have access to all of Eureko's products and services. Rabobank's primary supplier, Interpolis offers a comprehensive range of insurance products and services for the retail mass market and SMEs. Rabobank also works with several other insurance companies. At the local Rabobanks, 20% of retail clients have an Alles in één Polis insurance policy and 25% of corporate clients have a Bedrijven Compact Polis insurance policy. Interpolis offers a number of policies that are specially designed for private individuals, including the Alles in één Polis insurance policy and the ZorgActief health insurance policy. Its offering also includes the ZekerVanJeZaak insurance policy for small businesses and the Bedrijven Compact Polis insurance policy for larger enterprises. In addition, life insurance policies from Interpolis can be used with mortgages such as the Rabo OpbouwHypotheek. The number of insurance policies that can be taken out online is increasing, and this is one reason why [www.rabobank.nl](http://www.rabobank.nl) is increasingly being used by clients as an easy way to arrange insurance. Rabobank International works in tandem with Achmea Corporate Relations in offering insurance solutions to large businesses.

### Interpolis: transparent and innovative

In 2009, Interpolis continued its 'Helder Moment' campaign. Clients ought to think about what kinds of insurance they actually need, particularly in uncertain times such as these, and consider carefully whether risks need to be insured or perhaps could be reduced, and whether they are in fact in a position to bear certain risks themselves. Rabobank and Interpolis work in close partnership to develop new products and services. Among other things, the Rabo WoonlastenCalculator was developed in 2009 so clients can easily form a picture of their overall housing costs, taking account of more than just mortgage payments and insurance premiums. Another innovation was the Schadehulp iPhone application, which allows car damage claims to be settled directly by mobile phone.

### ZekerVanJeZaak a success among small businesses

In October 2009, one year after first being introduced, the number of ZekerVanJeZaak insurance policies passed the 10,000 mark. The ZekerVanJeZaak insurance policy from Interpolis offers small businesses a straightforward, comprehensive insurance solution that can be arranged, changed and cancelled at any time. The success of this new insurance solution was a contributing factor in the decline in the number of Bedrijven Compact Polis insurance policies sold by the local Rabobanks, which was down 2% to 191,000 (195,000). The number of Alles in één Polis insurance policies that were taken out was up 2%, rising to 1,317,000 (1,297,000), while the percentage of clients with three or more types of cover under this policy increased from 54.4% to 55.7%. Demand for legal assistance insurance under the Alles in één Polis insurance policy increased, while the number of new sales of home insurance under this policy fell. This fall was partly due to the decline in mortgage lending.

### Discounts on health insurance for clients and members

Rabobank clients are given a 10% discount on the basic premium for the ZorgActief health insurance policy and a 15% discount on additional health cover. In addition, members also receive a free health assessment. Students are given a discount on ZorgActief health insurance cover and a number of additional benefits under the special StudentZorgverzekering health insurance policy. Thanks in part to its highly successful health insurance campaign, Interpolis has managed to outperform this stable market. The number of clients with ZorgActief health insurance policies rose by 4% to 155,000 (150,000).

## Outlook for Insurance

The Dutch insurance market is virtually saturated and highly competitive, and opportunities for growth will be limited in 2010 as a result. In the Netherlands, Eureko focuses on private clients and small and medium-sized businesses. In distribution, it focuses both on collaboration with Rabobank and through Interpolis. Rabobank's aim is to strengthen its market position in the areas of non-life, care and disability insurances. Rabobank and Eureko will continue their search for new opportunities to intensify their commercial collaboration. Their aim is to offer standardised, innovative and integrated insurance solutions to all clients of the local Rabobanks.

# Risk management

[www.rabobank.com/ir](http://www.rabobank.com/ir)

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## Prudent risk policy and moderate risk profile

*Improvement in capital position*

*Ample liquidity position*

*Over EUR 40 billion raised in long-term funding*

*Impairment losses on distressed assets at EUR 297 million after taxation*

*Impact of EUR 196 million on net profit due to additional provisions relating to indirect exposure to monoline insurers*

Risk management is a core banking competency. Rabobank Group pursues a prudent risk policy with an emphasis on a moderate risk profile. Although the challenging economic conditions were seen to have an impact, in the form of high bad debt costs and severe pressure on margins on savings, Rabobank Group remained financially sound in what was a very tough year. Rabobank Group's capital position improved, with its tier 1 ratio rising to 13.8%, and its liquidity position continued to be more than adequate. Rabobank Group also raised a record amount in long-term funding during 2009.

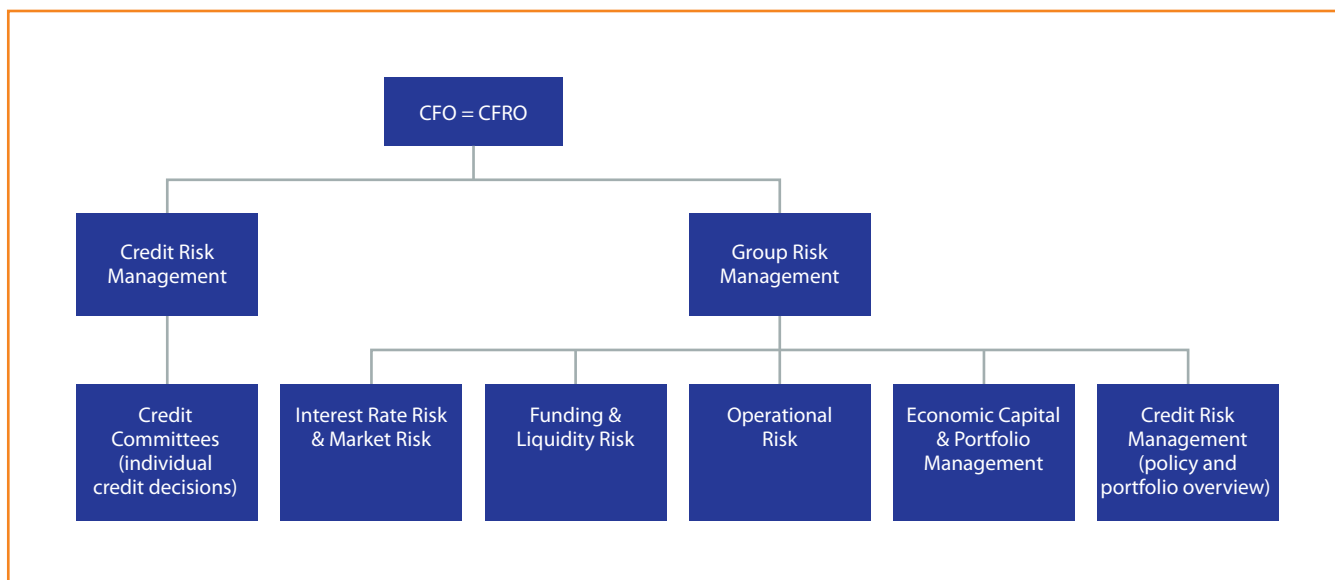
## Risk management

Both Rabobank itself and the Dutch Central Bank have formulated standards concerning Rabobank's organisation and control. Rabobank's organisation and control are subject to the Dutch Financial Supervision Act, including subordinate legislation based thereon, and regulations imposed by both the Dutch Central Bank and the Netherlands Authority for the Financial Markets as supervisory authorities. These legal requirements and supervisors' regulations form Rabobank Group's framework for the design and control of its activities.

In 2010, Rabobank Group, by virtue of its being a financial institution, will still be facing the key risks described in this chapter. In addition, Rabobank Group is exposed to other risks, and its profit and equity depend on the banking environment, general economic conditions, and government policy and regulations.

## Risk management organisation

Risk management is performed at various levels within Rabobank Group. At the highest level, the Executive Board determines the risk strategy, policy principles and limits under the supervision of the Supervisory Board and is advised by the Rabobank Group Balance Sheet and Risk Management Committee (BRMC-RG) as well as the Rabobank Group Credit Policy Committee. The Supervisory Board regularly reviews the risk exposure of Rabobank Group's activities and portfolio. The CFO is responsible for the implementation of Rabobank Group's risk policy. Within Rabobank Group, two directorates share the accountability for the risk policy. Group Risk Management is responsible for the policy regarding interest rate, market, liquidity, currency and operational risks, as well as for the credit risk policy at portfolio level. Credit Risk Management is responsible for the policy for accepting new clients in terms of credit risk at the individual customer level. Within each group entity, risk management is the responsibility of independent risk control departments.



## Principles of risk management

Within Rabobank Group, an extensive system of limits and controls has been put in place to manage all the different risks. The primary objective of risk management is to protect the Group's reputation and financial strength. Risk management is based on the following principles:

- Protecting the Group's financial strength: Rabobank Group controls risks in order to limit the impact of potential adverse events, both on its equity and on its financial results. Risk appetite must be proportional to capital. An economic capital framework has been developed to quantify this.
- Protecting the Group's reputation: reputation is essential for the proper performance of a banker's profession and needs to be diligently preserved.
- Risk transparency: for a good insight into Rabobank Group's exposure, identification of its positions is vital. Risks must always be considered as accurately as possible to enable sound commercial decisions to be made.
- Management accountability: Rabobank Group's business entities are individually accountable for their results as well as for the risks associated with their operations. A balance must be found between risk and return, while of course duly observing the relevant risk limits.
- Independent risk control: this is the structured process of identifying, measuring, monitoring and reporting risks. In order to ensure integrity, the risk control departments operate independently of the commercial activities.

These principles embed the risk policy throughout the Rabobank Group.

## Credit risk

### Prudent credit policy, embedding credit risk management

Credit risk is defined as the risk that the bank will suffer economic losses because a counterparty cannot fulfil its financial or other contractual obligations arising from a credit contract. A credit is each and every legal relationship on the basis of which Rabobank, in its role as financial service provider, can or will obtain a claim on a debtor by providing a product (loans and bank overdrafts), a facility or a limit. Next to loans and facilities (with or without commitment), credit as a generic term also includes guarantees, letters of credit, derivatives etc. Rabobank Group has a robust framework of policies and processes in place that is designed to measure, manage and mitigate credit risks.

Rabobank Group's prudent policy for accepting new clients is characterised by careful assessment of clients and their ability to make repayments on credit granted. As a result, the loan portfolio has a relatively low risk profile. Rabobank Group's objective is to enter into long-term relationships with clients which are beneficial for both the client and Rabobank Group.

Approval of larger credit applications is decided on by committees. A structure consisting of various committee levels has been established, with the amount of the total exposure including the requested finance determining the applicable committee level. The Executive Board itself decides on the largest credit applications. Rabobank Group has three Policy Credit Committees (PCCs): the Rabobank Group PCC and the Wholesale and Retail PCCs. The Rabobank Group PCC establishes the Group credit risk policy. The group entities define and establish their own credit policies within this framework. In this context, the Retail PCC is responsible for domestic retail banking and the Wholesale PCC for wholesale banking and international retail banking. In the Rabobank Group PCC, which is chaired by the CFO, the Executive Board is represented by three members. The CFO also chairs the Wholesale and Retail PCCs. The PCCs are composed of representatives from Rabobank Group's most senior management levels.

For corporate loans, a key concept in Rabobank Group's policy for accepting new clients is the 'know your customer' principle, meaning that loans are granted only to corporate clients whose management, including their integrity and expertise, is known and considered acceptable by Rabobank Group. In addition, Rabobank Group is thoroughly familiar with the industry in which a client operates and can adequately assess its clients' financial performance.

Corporate social responsibility implies responsible financing; accordingly, corporate social responsibility guidelines apply to the lending process as well.

## Credit risk and Basel II

Rabobank Group uses the Advanced IRB approach for credit risk. This is the most risk-sensitive form of the Basel II Credit Risk approaches. Rabobank Group has professionalised its risk management further by combining Basel II compliance activities with the implementation of a best-practice framework for Economic Capital. The main Basel II parameters as far as credit risk is concerned are EAD (Exposure At Default), PD (Probability of Default) and LGD (Loss Given Default). It is partly on the basis of these parameters that Rabobank Group determines the economic capital and the Risk Adjusted Return On Capital (RAROC). These Basel II parameters are an important element of management information. A significant advantage associated with the use of economic capital is a streamlined and efficient approval process. The use of the Basel II parameters and RAROC support credit analysts and the Policy Credit Committees in making well-considered decisions. Every group entity has established a RAROC target at customer level. Next to credit quality, this is an important factor in taking decisions on specific credit applications.

EAD is defined as expected exposure to the client in the event of, and at the time of, a counterparty's default. At year-end 2009, the EAD of the total Advanced IRB loan portfolio amounted to EUR 501 (489) billion. This EAD includes the future usage of unused credit lines.

As part of its approval process Rabobank Group uses the Rabobank Risk Rating system, which indicates the counterparty's PD over a one-year period. The counterparties have been assigned to one of the 25 rating classes, including four default ratings. These default ratings are assigned if the customer defaults, varying from payment arrears of ninety days to bankruptcy.

The weighted average PD of the total Advanced IRB loan portfolio is 1.34% (1.14%). This increased PD is not only due to a change in the PD of debtors, but also reflects policy changes and the implementation of new models.

It should be noted that the PD only reflects the extent to which the Bank expects that clients can meet their contractual obligations. The PD says nothing about the potential loss, because in many cases Rabobank Group has obtained additional collateral. This is reflected in the LGD, which also takes restructuring perspectives into consideration. The LGD is defined as the best estimate of the loss that will result if the debtor remains in default, and is expressed as a percentage of EAD. At year-end 2009, the LGD percentage of the total Advanced IRB portfolio was 22.6% (24.6%).

## Impaired loans and loan loss provisions

Once a loan has been granted, ongoing credit management takes place assessing new information, both financial and non-financial. The bank monitors if the client meets all its obligations and to what extent it can be expected that the client will continue to do so. If this is not the case, credit management will be intensified, with a higher monitoring frequency

and stricter monitoring of all conditions agreed upon. Guidance is provided by a special unit within Rabobank Group, particularly in case of larger and more complex loans granted to companies of which continuity is in danger. If it is probable that the debtor is unable to fulfil all its contractual obligations, this is a matter of impairment and an allowance is made which is charged to income.

The allowance for loan losses contains three components:

- The *specific* allowance, which is determined on an individual basis for impaired loans of significant amounts. This allowance is equal to the exposure to the customer deducted by the present value of future cash inflows.
- The *collective* allowance is determined for impaired loans which individually are not significant, notably loans to private individuals and small businesses. The allowance is set at the portfolio level, using Basel II parameters.
- Finally, the *general* allowance for loans which are actually impaired as at the reporting date, but not yet identified as such (IBNR: 'Incurred But Not Reported'). In this instance, too, Basel II parameters are used to determine the amount of the allowance.

The loans for which a provision is formed are called impaired loans. At year-end 2009, these loans amounted to EUR 9,294 (6,573) million. The allowance for loan losses stood at EUR 4,569 (3,299) million, which corresponds to a 49% (50%) coverage. It should be noted that Rabobank Group takes allowance at an early stage and applies the one-obligor principle, which means that the exposure to all counterparties belonging to the same group is taken into account. In addition, the total exposure to a client is qualified as impaired, even if adequate coverage is available for part of the exposure in the form of security or collateral. At year-end 2009, impaired loans corresponded to 2.3% (1.6%) of the private sector loan portfolio.

#### Impaired loans and allowances (in millions of euros)

	2009		2008	
	Impaired loans	Allowances	Impaired loans	Allowances
Domestic retail banking.....	4,305	2,030	2,831	1,398
Wholesale banking and international				
....retail banking.....	3,559	2,029	3,182	1,536
Leasing.....	1,066	407	379	256
Other.....	364	103	182	109
Rabobank Group.....	9,294	4,569	6,573	3,299

## Country risk

With respect to country risk a distinction is made between transfer risk and collective debtor risk. Transfer risk relates to the possibility of foreign governments placing restrictions on funds transfers from debtors in that country to creditors abroad. Collective debtor risk relates to the situation in which a large number of debtors in a country cannot meet their commitments for the same reason (e.g. war, political and social unrest, natural disasters, but also government policy that does not succeed in creating macro-economic and financial stability). Rabobank Group uses a country limit system to manage transfer risk and collective debtor risk. After careful review, relevant countries are given an internal country risk rating, after which transfer limits and general limits are established.

Transfer limits are determined according to the net transfer risk, which is defined as total loans granted, less loans granted in local currency, less guarantees and other collateral obtained to cover transfer risk, and less a reduced weighting of specific products. The limits are allocated to the offices, which are themselves responsible for day-to-day monitoring of the loans granted by them and for reporting on this to Group Risk Management.

At Rabobank Group level, the country risk outstanding, including additional capital requirement and allowance for country risks, is reported every quarter to the Balance Sheet and Risk Management Committee (BRMC-RG) and the Country Limit Committee. The calculation



of the additional capital requirement and the country risk allowance is made in accordance with internal guidelines, and concerns countries with an increased transfer risk.

At year-end 2009, the net transfer risk before allowances for non-OECD countries was 1.3% (1.2%) of total assets.

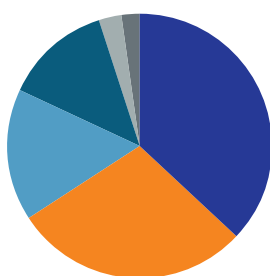
### Risk in non-OECD countries (in millions of euros)

Region's	In Europe	In Africa	In Latin America	In Asia / Pacific	Total	In % of balance sheet total
Economic country risk (excluding derivatives) <sup>11</sup>	913	638	10,200	8,842	20,593	3.4%
Risk mitigating components:						
- local currency exposure	72	236	4,705	2,381	7,394	
- third party coverage of country risk	99	68	1,555	1,901	3,623	
- deduction for transactions with lower risk	78	5	892	505	1,479	
Net country risk before provisions	664	329	3,048	4,056	8,097	1.3%
						In % of total provisions
Total provisions for economic country risk	7	0	181	70	257	5.6%

### Structured credit

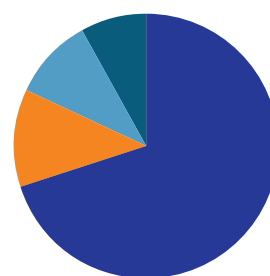
Rabobank Group incurs limited exposure to more structured investments in its trading and investment portfolios. This structured credit exposure stood at EUR 8.0 billion at year-end 2009, and consisted primarily of high quality investments with AAA ratings.

Structured credit exposure in billions of euros at year-end 2009	
Non-subprime RMBS	3.0
CDO/CLO and other corporate exposures	2.3
Commercial real estate	1.3
Other ABS	1.0
ABS CDO	0.2
US subprime	0.2



Structured credit exposure rating distribution year-end 2009

AAA	71%
AA	12%
A	10%
Below A	7%



A number of structured investments have been further impaired as a result of the further deterioration of the US housing market as well as the corporate market in that country. These impairment losses involved an amount of EUR 267 million after taxation for the full year 2009. An additional provision of EUR 30 million after taxation has been formed in connection with a liquidity facility that has been partially secured by subprime mortgages.

### Monoline insurers

Monoline insurers are counterparties in some credit default swaps used to hedge the credit risk of certain investments. In most cases, solvency objectives are the main reason why these investments were hedged rather than the credit quality of the investments. There was a further deterioration in the creditworthiness of a number of monoline insurers in 2009, which was reflected in the further downgrading of the ratings of these institutions. Counterparty risk arises in relation to these monoline insurers either because the value of credit default swaps with these counterparties increases due to a decrease in the value of the underlying investments, or because other insured investments might result in claims for these insurers. When calculating the level of counterparty risk, time-related aspects and the credit quality of the relevant investments are taken into consideration. At year-end 2009, the total counterparty risk before provisions amounted to EUR 1,321 million. The total provision increased to EUR 1,138 million, partly as a result of the scaling down of the portfolio and the formation of an additional provision, which had an impact on earnings of EUR 196 million after taxation. As a consequence, the remaining counterparty risk at year-end 2009 amounted to EUR 183 million.

<sup>11</sup> Total assets, plus guarantees issued and unused committed credit facilities.

As regards the above exposures, an actual exposure to a monoline insurer would arise only in the event of the relevant investments actually go into default and an insurance claim has to be filed with the monoline insurer. Actual losses would be incurred only if both the investment and the relevant monoline insurer are in default.

Monoline insurer rating (in millions of euros)	Principle amount 31-Dec-2009	Counterparty risk before provisions 31-Dec-2009	Total provisions 31-Dec-09	Counterparty risk after provisions 31-Dec-09
Investment grade.....	2,668	12	5	12
Non-investment grade.....	5,009	1,309	1,138	171
<b>Total.....</b>	<b>7,677</b>	<b>1,321</b>	<b>1,138</b>	<b>183</b>

Based on the positions at year-end 2009 as shown in the above table, any further downgrades will only have a limited impact as provisions have been formed for most of the counterparty risk.

### Leveraged finance

The leveraged finance portfolio of Rabobank International amounted to EUR 3.1 (3.4) billion at year-end 2009. This portfolio is diversified and consists of a large number of relatively small positions, notably in Dutch and other Western European businesses. Leveraged finance activities focus primarily on Rabobank clients and the food and agri sector.

### Interest rate risk

Interest rate risk means that Rabobank Group's financial result and/or economic value – given the structure of its statement of financial position – may be affected by unfavourable developments in the money and capital markets. Rabobank Group's interest rate exposure results mainly from mismatches between maturities of loans granted and funds entrusted to it. If interest rates fluctuate, the rate for certain liabilities, such as deposits, will be adjusted immediately, whereas many assets, such as mortgages, have longer fixed-interest periods and the interest rates for these loans cannot be adjusted until the next interest reset date. In addition, client behaviour affects the interest rate exposure. For example, clients may repay their loans prematurely or withdraw their savings earlier than expected. A key component in the management of interest rate risk is the treatment of variable savings. For these funds, reality may differ significantly from the contract terms, and this calls for additional modelling. For example, as a result of fierce competition and other exceptional conditions in the financial markets, client rates on savings were far higher last year than monetary and capital market trends would lead one to expect under normal circumstances. This had a negative effect on interest income.

Any resulting interest rate exposure can be addressed by means of hedge transactions. The extent and timing of hedging depend, inter alia, on Rabobank Group's interest rate vision and the expected movements in the statement of financial position.

Rabobank Group uses three indicators when managing, controlling and limiting interest rate risk: Basis Point Value (BPV), Equity at Risk (EatR) and Income at Risk (IatR). These measure the loss that could result from changes in interest rates. The BPV is the absolute loss of market value of equity in case of a parallel, one basis point, increase of the entire yield curve. The BPV did not exceed EUR 26 million during 2009. The EatR indicates the percentage decrease in the market value of equity in the event of a parallel increase of 1 percentage point of the yield curve. The EatR did not exceed 6.6% during 2009. The IatR represents, within a defined confidence level, the maximum loss of interest income over the next twelve months in the event of a sharp rise or fall in money market rates and capital market rates. The IatR did not exceed EUR 112 million during 2009. The maximum values of these indicators remained well within set limits during the year under review. Further, economic capital is calculated and maintained for interest rate risk purposes.

Each month, Rabobank Group performs complementary scenario analyses to assess its sensitivity to strong increases and decreases in interest rates.

## Liquidity risk and funding

Liquidity risk is the risk that a bank is unable to meet all its payment or repayment obligations in time, as well as the risk that it is unable to fund increases in assets either at reasonable prices or at all. This could happen if clients or professional counterparties suddenly withdraw more funds than expected while terminating funding arrangements are not refinanced or the bank has insufficient cash resources or is unable to sell or pledge assets or to borrow funds from third parties. Since the start of the financial crisis in the summer of 2007, liquidity risk has been a prominent factor in the financial markets, and it is one of the biggest risks for banks. The money and capital markets continued to function only thanks to intervention by governments and central banks. Retaining the confidence of both professional market parties and private clients proved to be crucial.

### Liquidity risk management

Rabobank Group has always recognised that liquidity risk is an important risk type. The policy is that long-term lending is financed by means of amounts due to customers and long-term funding from the professional markets. Liquidity risk management is based on three pillars. The first pillar sets strict limits on the maximum outgoing cash flows of the wholesale banking division. This ensures that excessive dependence on the professional market is avoided. To this end, the incoming and outgoing cash flows expected over the next 30 days are calculated and reported on a daily basis. In addition, limits have been set on such outgoing cash flows for each currency and location. Detailed contingency plans have been drawn up in order to ensure the bank is prepared for potential crises.

Under the second pillar, a large buffer of liquid assets is held. If necessary, these assets can be used to generate liquidity immediately, either by being used in repo transactions or being sold directly on the market, or by means of securities lending to central banks. This buffer, calculated on the basis of guidelines issued by the regulator, stood at EUR 112 billion at year-end 2009.

The third pillar is to limit liquidity risk by pursuing a prudent funding policy that is designed to ensure that the financing requirements of group entities are met at an acceptable cost. The diversification of funding sources and currencies, the flexibility of the funding instruments used and an active investor relations function play an important role in this context. This prevents Rabobank Group from becoming overly dependent on a single source of funding.

Several methods have been developed to measure and manage liquidity risk. Methods used include the CA/CL (core assets/core liabilities) method. This analysis is based on the cash flow schedule of all assets and liabilities. Using various time periods, a calculation is made of the assets, unused facilities and liabilities that are likely to appear on the balance sheet after running implied, carefully defined stress scenarios. These remaining assets and liabilities following the stress tests are defined as core assets and liabilities. The ratio of core assets to core liabilities is the liquidity ratio. Given the highly conservative weightings used, a ratio of less than 1.2 is considered adequate. In 2009, this was once again the case in the scenarios used.

The Dutch regulator also provides extensive guidelines for measuring and reporting the liquidity position of Rabobank Group. According to these guidelines the liquidity position is more than adequate, with available liquidity exceeding the requirement by 28% on average.

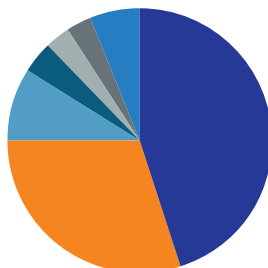
### Asset-backed commercial paper conduits

Outstanding asset-backed commercial paper fell to EUR 15.3 (17.5) billion at year-end 2009, mainly as a result of the termination of the Neptune programme. These conduits are mainly used for funding own originated loans as well as customer loans and receivables. These structures form an integral part of Rabobank Group's liquidity risk management, and have since the introduction of the International Financial Reporting Standards, largely been included in the consolidated Rabobank Group balance sheet.

Type	Programme	Launched	Amount outstanding (in billions of euros)	Underlying portfolio
			31-Dec-09	
Solvency management	Atlantis	1997	9.5	Own originated loans
Client facilitation	Erasmus	2000	2.3	Predominantly customer
	Nieuw Amsterdam	1999	2.3	loans and receivables
				High-quality asset-
Securities arbitrage	Tempo	2007	1.2	backed securities
<b>Total</b>			<b>15.3</b>	

Senior unsecured funding  
in 2009 by currency

● Euro	45%
● US dollar	30%
● Australian dollar	9%
● Pound Sterling	4%
● New Zealand dollar	3%
● Swiss franc	3%
● Other	6%



## Rating and funding

For many years, Rabobank has been awarded the highest possible rating by leading rating agencies such as Moody's and Standard & Poor's. Both agencies reaffirmed Rabobank's Triple-A rating in 2009. They did, however, change their outlook to negative, in view of the fact that poor economic conditions in the Netherlands will also affect Rabobank Group. Fitch too, ranked Rabobank among the banks with the highest ratings. Rabobank Group was able to benefit fully from the, at times, improved sentiment in the capital market. During 2009, Rabobank Group managed to raise over EUR 40 billion in long-term funding on the international financial markets entirely by its own efforts. In 2009 the amount of savings deposits also showed a positive trend. While the raising of long-term funding is centralised within Rabobank Group, an internal system of transfer pricing ensures that costs are borne by the users.

## Information provision to investors and capital providers

Rabobank attaches great importance to high-quality and transparent communication with institutional investors and other professional financiers. The Investor Relations department is responsible for supplying and explaining all relevant information requested by investors. Institutional investors and other professional financiers globally are informed through presentations about the financial developments at Rabobank Group. Further, this department informs this target group about developments at Rabobank Group via a dedicated website and an electronic newsletter. Since the onset of the financial crisis, activities in this field have been stepped up because, more than ever, investors want to be convinced of Rabobank's low-risk profile.

## Market risk

Market risk relates to changes in the value of the trading portfolio as a result of price movements in the market, amongst others relating to interest rates, equities, credit spreads, currencies and certain commodities. Within Rabobank Group, Rabobank International and Robeco in particular are exposed to this risk. Therefore, specific market risk management departments are in place within these group entities that calculate and report market risk exposure on a daily basis. An appropriate system of limits has been developed to control this risk. At consolidated level, market risk is represented by the Value at Risk. This measure, which is based on historic market developments for one year, indicates the maximum loss that Rabobank Group can suffer subject to a certain confidence level and under 'normal' market conditions.

In order to weigh the risks of 'abnormal' market conditions as well, the effects of certain extreme events - event risk - are calculated. To this end, both actual scenarios, e.g. the stock market crash of 1987, and hypothetical scenarios, e.g. an assumed steep rise of all interest rates, are analysed. Sensitivity analyses are also used. In the year under review, the outcomes of these sensitivity analyses and stress tests did not exceed their set limit of EUR 160 million. In 2009, the Value at Risk fluctuated between EUR 23 million and EUR 50 million, with an average of EUR 32 million. This means that the on a single day under normal circumstances and with a confidence level of 97.5% the maximum loss will not exceed EUR 50 million.

Under this calculation method, the result of Value at Risk is derived from both historical market trends and the positions taken. Thanks to the intervention by governments and central banks, the financial markets normalised after the first quarter of 2009, which is reflected in the trend of the Value at Risk. In 2009, improvements were made to the calculation methodology and changes were made to positions, books and activities.

Value at Risk  
in millions of euros



The Value at Risk can be broken down into a number of components, of which changes in interest rates and credit spreads are the most important. Since opposite positions in different books offset each other to a certain degree, this results in a diversification benefit that reduces the total risk. At year-end 2009, the consolidated Value at Risk was EUR 27.3 million.

Breakdown of Value at Risk (in millions of euros)	31-Dec-09
Credit spread.....	15.0
Currency.....	0.7
Equities.....	1.5
Interest rate.....	22.0
Diversification.....	-11.9
<b>Total</b> .....	<b>27.3</b>

Besides Value at Risk, there are other important risk indicators for measuring market risk. For example, the Basis Point Value indicates how the value of positions changes if the yield curve shows a parallel increase by 1 basis point. These positions are shown for each key currency in the table below.

Basis Point Value (in millions of euros)	31-Dec-09
Euro.....	0.12
US.....	-0.24
UK.....	-0.05
Australia.....	-0.10
Japan.....	0.07
Other.....	-0.05

## Operational risk

Rabobank defines operational risk as the risk of losses caused by inadequate or failing internal processes, people or systems or by external events. This includes legal risks, but not strategic business risks and reputation risk. The responsibility for operational risk management for the entire Rabobank Group has been placed with Group Risk Management. This directorate sets the policies and frameworks for all group entities. The responsibility for managing specific operational risks rests with the senior management of the individual group entities, because the risks differ considerably per entity and should be controlled as close to the source as possible. Group Risk Management ensures that the frameworks are adhered to and that for Rabobank Group as a whole the control mechanisms are transparent and easy to understand. In addition, Rabobank Group operates within the frameworks of the Basel II Advanced Measurement Approach for operational risks management. The Operational Risk Capital Model

is based on the Loss Distribution Approach, a model that uses internal and external loss data and scenario analyses, among other things. A bonus/penalty system based on the quality of the risk control within the group entities has been linked to the model.

Within the group entities, risk management committees have been established to identify, measure and monitor the operational risks, including business continuity and fraud risks, of the respective entities. Furthermore, product approval committees have been established at various levels within Rabobank Group. These committees provide an additional safeguard for new product launches or changes in existing products.

### Currency risk

Currency risk is the risk of changes in income or in equity as a result of currency exchange movements. In currency risk management, a distinction is made between positions in trading books and in banking books. In the trading books, currency risk is part of market risk and is controlled using Value at Risk limits, in common with other market risks. In the banking books, there is only the translation risk on non-euro net investments in foreign entities and issues of hybrid capital instruments not denominated in euros.

To monitor and control the translation risk, Rabobank Group uses an interrelated dual-track approach to protect its capital position. The strategy is to hedge the non-euro net investments in foreign entities on the one hand, and to immunise the capital ratios against the effects of exchange rate movements on the other. The latter is done via the components of the qualifying capital that do not form part of the reserves, in particular Trust Preferred Securities, which are part of Tier I capital. These were issued a few years ago, and in such a way as to ensure that the currency composition of the qualifying capital corresponded with that of the risk-weighted assets. This 'natural hedge' was realised by issuing the Trust Preferred Securities in US dollars, Australian dollars and Pounds Sterling.

### Controls over financial reporting

Rabobank Group constantly seeks to improve its corporate governance and overall internal controls, with the aim to achieve an open culture and transparent accountability in respect of policies and supervision, and to remain in line with the leading standards across the globe.

In this spirit, Rabobank Group voluntarily implemented the internal controls over the financial reporting in a manner similar to what US-registered companies have done pursuant to Sarbanes-Oxley 404, even though Rabobank Group is not a registrant with the United States Securities and Exchange Commission and, thus, is not subject to the Sarbanes-Oxley Act or related regulations and oversight.

Rabobank Group believes that internal controls over financial reporting increase the effectiveness of such reporting, and offers opportunities to identify and remediate any deficiencies at an earlier stage. This results in a higher quality of Rabobank Group's financial reporting process.

### Internal controls

Rabobank Group uses internal controls to provide reasonable assurance that:

- transactions are recorded as necessary to permit the preparation of financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and that receipts and expenditures are recognised only in accordance with authorisations of management;
- unauthorised acquisition, use or disposition of assets that could have a material effect on the financial statements, is prevented or detected.

Rabobank Group's internal control framework is based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). As set out in the report included in the financial statements, the Executive Board concluded that the internal risk management and control systems are adequate and effective and provide reasonable assurance that the financial reporting is free of material misstatement.



### Board Statement on true and fair view

The Executive Board of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) hereby states that, to the best of its knowledge:

- the financial statements give a true and fair view of the assets, liabilities, financial position and profit of Rabobank Nederland and the companies included in the consolidation;
- the management report gives a true and fair view of the state of affairs as at the reporting date and of the course of affairs during the financial year of Rabobank Nederland and its subsidiaries and other affiliated entities the information of which is included in its financial statements;
- the management report describes the material risks Rabobank Nederland faces.

Piet Moerland, *Chairman*

Bert Bruggink, *CFO*

Berry Marttin, *member*

Sipko Schat, *member*

Piet van Schijndel, *member*

Gerlinde Silvis, *member*

# Corporate governance

[www.rabobank.com/corporategovernance](http://www.rabobank.com/corporategovernance)

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On account of its cooperative organisation, Rabobank's corporate governance is characterised by a unique system of checks and balances. As a result, this governance is in many respects even stricter than in listed enterprises. The members of the independent, cooperative local Rabobanks exercise influence at a local level. As members of Rabobank Nederland, the local Rabobanks in turn play a very important part in the policy-making within Rabobank's organisation. For example, a unique feature is our Central Delegates Assembly, which meets four times a year and in which the influence of the members, i.e. the local Rabobanks, is made to be heard in virtually all strategic decisions. Rabobank aims to be a driver and an innovator that contributes to the sustainable development of prosperity and well-being. One way for Rabobank to put this into practice, is by distributing 'cooperative dividend' to society, for more information see the chapter The cooperative in society. Although the Dutch Corporate Governance Code does not apply to the cooperative as a legal form of enterprise, Rabobank Nederland's corporate governance is broadly consistent with this Code. Rabobank also endorsed the Banking Code, which was adopted in 2009 by the Netherlands Bankers' Association. Employee influence within Rabobank Group likewise has its own, cooperative dimension.

## Rabobank Nederland

### Executive Board

The Executive Board of Rabobank Nederland is responsible for the management of Rabobank Nederland and its affiliated entities. The management of Rabobank Group is based on its strategic principles and, by extension, on the interrelationship between risk, return and capital. This includes responsibility for the achievement of the objectives of Rabobank Group as a whole, its strategic policy with the associated risk profile, its results, the social aspects of its business and their relevance to the enterprise, the synergy within Rabobank Group, compliance with all relevant laws and regulations, the management of business risks and the financing of Rabobank Group. On all these aspects, the Executive Board reports to the Supervisory Board, the Central Delegates Assembly and the General Meeting of Rabobank Nederland, which is formed by the members, i.e. the local Rabobanks.

The Financial Supervision Act and relating subordinate legislation, as well as regulations imposed by the Dutch supervisory authorities, have formulated standards for financial institutions. The supervision on Rabobank's solvency and stability - i.e. prudential supervision - is performed by the Dutch Central Bank, while the Netherlands Authority for the Financial Markets supervises orderly and transparent market processes, sound relationships between market parties and conscientious customer treatment - i.e. conduct supervision. Obviously, these supervisory regulations form the framework for the organisation and control of Rabobank Group's activities.

The members of the Executive Board are appointed by the Supervisory Board for a four-year period, but their contracts of employment are for an indefinite period. Reappointments likewise are for a four-year term. Members may be dismissed and suspended by the Supervisory Board. The Supervisory Board determines the remuneration of the members of the Executive Board and reports on this to the Committee on Confidential Matters of the Central Delegates Assembly. The principles of the remuneration policy for the Executive Board, as recommended by the Supervisory Board, are established by the Central Delegates Assembly. Finally, the Supervisory Board periodically assesses and follows up on the Executive Board's performance.

## Supervisory Board

The Supervisory Board supervises the policy pursued by the Executive Board and the general conduct of affairs of Rabobank Nederland and its affiliated entities. As part thereof, the Supervisory Board monitors compliance with the law, the Articles of Association and other relevant rules and regulations. In practice, this means that the achievement of the Group's objectives, the strategy, business risks, the design and operation of the internal risk management and control systems, the financial reporting process and compliance with laws and regulations are discussed at length and tested regularly. In addition, the Supervisory Board has an advisory role in respect of the Executive Board. The Supervisory Board has five committees: the Audit & Compliance Committee, the Cooperative Issues Committee, the Appointments Committee, the Remuneration Committee and the Appeals Committee. These committees perform preparatory and advisory work for the Supervisory Board.

In the performance of their duties, the members of the Supervisory Board act in the interests of all stakeholders of Rabobank Nederland and its affiliated entities, taking account of the corporate social responsibility aspects that are relevant to the various business entities. Key Executive Board decisions are subject to Supervisory Board approval. Examples include decisions on the strategy for target achievement, strategic preconditions regarding e.g. financial risks and relevant aspects of corporate social responsibility, the annual adoption of policy plans and the budget, the operational and financial targets and strategic collaboration with third parties, major investments and acquisitions.

The members of the Supervisory Board are appointed by the General Meeting of Rabobank Nederland at the recommendation of the Supervisory Board. However, the Executive Board, as well as Rabobank Nederland's Works Council and the General Meeting are each entitled to nominate individuals for consideration by the Supervisory Board. The independence of the individual members, among other factors, is an important consideration for nominations and appointments of Supervisory Board members. Any semblance of a conflict of interests must be avoided. The profile for the Supervisory Board sets standards for its size and composition, taking into account the nature of the enterprises carried on by Rabobank Nederland and its activities, and for the expertise, backgrounds and diversity of the Supervisory Board members. The profile for the Supervisory Board is drawn up in consultation with the Committee on Confidential Matters of the Central Delegates Assembly and is adopted by the General Meeting. The Supervisory Board's desired composition and the competencies represented in it are specific areas of attention, within the profile's framework, when nominating candidates for appointment or reappointment.

The Committee on Confidential Matters of the Central Delegates Assembly sets the remuneration of the Supervisory Board members and also has a say in the profile of the members of the Supervisory Board.

The Supervisory Board, headed by its Chairman, continually assesses its own performance, both as a collective body and in terms of its separate committees and individual members. Initiatives are developed regularly to keep Supervisory Board members abreast of developments or to increase their knowledge in various areas.

## Member influence

As a cooperative, Rabobank has members, not shareholders like (listed) companies do. The local cooperative Rabobanks are members of the Rabobank Nederland cooperative and for this reason have an important role in the working of Rabobank Nederland's governance. In that context, a key element is the open and transparent culture, with clear accountability for the management and supervision and the assessment thereof. The influence and control

of the local Rabobanks are manifested through their representation in two bodies: the Central Delegates Assembly and the General Meeting. The local Rabobanks can vote at the General Meeting according to a formula that is adjusted periodically by the Executive Board, and through indirect representation at the Central Delegates Assembly.

### **Central Delegates Assembly**

The local Rabobanks are organised geographically in twelve Regional Delegates Assemblies, each with a Board of six. Together, the Boards of the Regional Delegates Assemblies form the Central Delegates Assembly (CKV), which meets four times a year in the city of Utrecht. Prior to the CKV, the banks belonging to a particular Regional Delegates Assembly discuss the agenda at their Assembly. Thus, the members of the local Rabobanks, through the representation of the local management and supervisory bodies in the Regional Delegates Assemblies, are represented in the CKV, although without instructions or consultations. The majority of the Boards of the Regional Delegates Assemblies and thereby the CKV consists of individuals elected by the local members, who from their commitment to the Rabobank organisation wish to fulfil this role.

The CKV's powers include the adoption of rules that are binding for all local Rabobanks, and of Rabobank Group's strategy. This strategy describes the principles for the Executive Board's policies and thereby directly influences Rabobank Group's policy. The CKV also approves the budget for Rabobank Nederland's activities on behalf of the local Rabobanks. The CKV has in-depth discussions, which are held not only as part of its specific duties and powers, but also with the aim of encouraging commitment in the local Rabobanks and consensus between the local Rabobanks and Rabobank Nederland. Finally, the Central Delegates Assembly issues advice to the local Rabobanks on all the items on the agenda pertaining to the General Meeting.

The manner in which Rabobank Nederland accounts for its policy to its members in the CKV is considerably more extensive than the account rendered by a typical listed public limited company to its shareholders. Because of the special relationship between Rabobank Nederland and its members, the CKV enjoys a virtually 100 per cent attendance.

In order to operate effectively, the CKV has appointed three committees from among its members, which are charged with special duties. The Committee on Confidential Matters advises on appointments to the Supervisory Board, sets the Supervisory Board's remuneration and assesses the Supervisory Board's application of the remuneration policy. The Coordinating Committee draws up the agenda of the Central Delegates Assembly and subjects items for the agenda to formality checks. The Emergency Affairs Committee advises the Executive Board on behalf of the CKV in urgent, price-sensitive and/or confidential cases concerning major investments or divestments.

### **General Meeting**

The General Meeting is the body through which all local Rabobanks, as members of Rabobank Nederland, can exercise direct control. The General Meeting deals with important issues, such as the adoption of the financial statements, approval and endorsement of management and supervision, amendments to the Articles of Association, and the appointment of members of the Supervisory Board. The Central Delegates Assembly issues advice prior to the General Meeting on all the items on the agenda. This procedure ensures that, prior to the General Meeting, these subjects have been discussed in detail on a local, regional and central level. The General Meeting too, enjoys almost full attendance.

## **Relationship between Rabobank Nederland and the local Rabobanks**

### **The Rabobank Nederland cooperative and its members**

Rabobank Nederland was established for the support of the local Rabobanks' banking business and acts as their bankers' bank. In addition, Rabobank Nederland acts as supervisor of the local Rabobanks, partly on behalf of the Dutch supervisory authorities. Only banks that have a cooperative structure and whose Articles of Association have been approved by Rabobank

Nederland can be members of Rabobank Nederland. The local Rabobanks also hold shares in the capital of Rabobank Nederland. In turn, the local Rabobanks have members as well, who are local clients. The local Rabobanks have strictly defined rights and obligations towards Rabobank Nederland and each other, that are reflected in the governance structure.

### Supervision of local Rabobanks

Pursuant to the prudential supervision part of the Dutch Financial Supervision Act (Wft) and under Rabobank Nederland's Articles of Association and the Articles of Association of the local Rabobanks, Rabobank Nederland supervises the local Rabobanks on the control over and the integrity of their operations, sourcing, solvency and liquidity. In addition, under the conduct supervision part of the Financial Supervision Act, Rabobank Nederland has been appointed by the Dutch Ministry of Finance as the holder of a collective license that also includes the local Rabobanks. Thus, the supervision of conduct by the Netherlands Authority for the Financial Markets is exercised through Rabobank Nederland.

### Cross-guarantee system within Rabobank Group

Rabobank Group consists of the local Rabobanks, their central organisation Rabobank Nederland and its subsidiaries and other affiliated entities. Through their mutual financial association, various legal entities within Rabobank Group together make up a single organisation. An internal liability relationship exists between these legal entities, as referred to in Section 3:111 of the Financial Supervision Act. This relationship is formalised in an internal 'cross-guarantee' system, which stipulates that if a participating institution has insufficient funds to meet its obligations towards its creditors, the other participants must supplement that institution's funds in order to enable it to fulfil those obligations.

## Local Rabobanks

### Corporate governance at the local Rabobanks

At present, the local Rabobanks can choose one of two governance models: the Partnership model and the Executive model. Based on a review of the operation of both models, preparations started in 2009 to replace them, starting mid-2010, by a single governance model, the so-called Rabo model. Effective member influence and control are similarly assured in this new governance model, and the governance of the local Rabobanks will be carried out both adequately and professionally, and in a way that befits their cooperative culture. The members of all the local Rabobanks have important powers, for instance to adopt the financial statements, to amend the Articles of Association, to appoint members of the Supervisory Board and to approve and endorse management and supervision. Account is rendered to the members in respect of the local Rabobank's management and supervision.

### Partnership model

#### Management

In the Partnership model, the Board of each local Rabobank consists of persons elected by the members from their ranks, plus a managing director who is appointed by the Supervisory Board. The managing director is primarily concerned with the day-to-day management of the local Rabobank's operations.

#### Supervisory Board

Rabobanks using a Partnership model have a Supervisory Board whose members are appointed from the members of the local Rabobanks by the General Meeting. The Supervisory Board supervises the management's policy and the general conduct of affairs at the cooperative and its operations. The Supervisory Board expresses its opinion on the general policy and advises the management. Key management decisions require the approval of the Supervisory Board.

The growing size and complexity of local Rabobanks place high demands on the individual Supervisory Board members. In practice, these Supervisory Boards consist of individuals with varied experience, competence and backgrounds. Not only is the functioning of the checks and balances within the local Rabobanks thereby enhanced, it also provides a proper balance between professional bankers and professionals from other disciplines. To support Supervisory

Board members of the local Rabobanks in their activities, Rabobank Nederland offers a broad package of learning programmes to local Supervisory Board members. Supervisory Board members receive a fee for their activities.

### **General Meeting**

Within the Partnership model, there is a General Meeting that is made up of the cooperative's members. The powers of this General Meeting include resolutions on, inter alia, the appointment and dismissal of members of management (except the General Manager), appointments to the Supervisory Board, adopting the financial statements and the appropriation of profit.

### **Member Council**

An increasing number of banks using the Partnership model have established a Member Council as well. The Member Council is a delegation of all members elected by the members from their ranks. The Member Council assumes the bulk of the powers of the General Meeting and promotes and structures member control and engagement. A Member Council has between 30 and 50 members and typically discusses such themes as the Bank's direction, distribution policy and customer services. The Member Council acts as an important discussion partner for Management in developing the Bank's strategic policy. Also, it takes upon itself a number of General Meeting duties, such as the adoption of the financial statements and appointments to the Supervisory Board. Furthermore, Member Councils are often involved in the selection of local projects that are eligible for cooperative dividend. Cooperative dividend comprises all the money and efforts invested in the improvement of the economic, social and cultural environment, including sustainability initiatives.

## **Executive model**

### **Management**

In the Executive model, each local Rabobank has a Board of Directors comprising several persons from the banking profession, which is appointed by the Supervisory Board and operates under its supervision. In this model, no Board members are elected by the members from their ranks, as is the case in the Partnership model. The Board of Directors is accountable for the local Rabobank's management.

### **Supervisory Board**

In common with banks using a Partnership model, banks with an Executive model have a Supervisory Board that supervises the policy of the Board of Directors. The duties and powers of this Supervisory Board are the same as those of the Supervisory Board in the Partnership model.

### **General Meeting**

In the Executive model, the General Meeting decides only on major issues that impact the local Rabobank's continued existence, e.g. decisions on the cooperative's dissolution or the termination of its membership of Rabobank Nederland.

### **Member Council**

Local Rabobanks using the Executive model always have a Member Council in order to firmly and permanently embed member influence and control in the structure. The Member Council's powers under the Executive model are identical to those of the Member Council in the Partnership model.

## **Employee influence within Rabobank Group**

Rabobank attaches great value to consultations with the various employee representative bodies. Employee influence within Rabobank Group has been enabled at various levels. Issues concerning the business of Rabobank Nederland are handled by Rabobank Nederland's Works Council. Subsidiaries such as Robeco, De Lage Landen, Orbay and Rabo Real Estate Group each have their own Works Councils with consultative powers on matters concerning these enterprises. In addition, each local Rabobank has its own Works Council to discuss matters concerning that particular local Rabobank. The Group Works Council of Member Banks (GOR AB) is a cooperative-structure based employee representative body that represents



the interests of the employees of the local Rabobanks on issues that concern all the local Rabobanks or a majority thereof. In the case of a proposed decision, as defined in the Dutch Works Councils Act, that affects the majority of the local Rabobanks, it is submitted for approval or advice to the GOR AB. When it concerns a proposed decision that does not affect the majority of all local Rabobanks, the GOR AB does not interfere with the position of the Works Councils of the local Rabobanks. Rabobank Group also has an employee representative body at a European level, the European Working Group (EWG), in which employees of Rabobank offices from the EU member states are represented. The EWG holds discussions with the Executive Board at least twice a year about developments within Rabobank Group. This does not affect the role of the national employee representative bodies.

### Dutch Corporate Governance Code

Although it is under no obligation to do so due to its cooperative structure, Rabobank Nederland complies with the Dutch Corporate Governance Code on a voluntary basis.

Partly because of its cooperative structure, Rabobank Nederland departs in some respects from the Dutch Corporate Governance Code. More information is to be found on: [www.rabobank.com/corporategovernance](http://www.rabobank.com/corporategovernance).

### Banking Code

On 9 September 2009, the Banking Code for the Dutch banks was adopted as binding by the Board of the Netherlands Bankers' Association, in response to the report entitled 'Restoring Trust' ('Naar herstel van vertrouwen') of the Advisory Committee on the Future of Banks in the Netherlands. Although the Banking Code did not come into force until 1 January 2010, Rabobank made compliance preparations already in 2009. The Banking Code's most relevant subjects are discussed below, on a chapter-by-chapter basis.

- Executive Board. Duty of care and the declaration of moral and ethical conduct are two key concepts in the section on the Executive Board. As regards duty of care, the Executive Board established the Customer Care policy framework for the entire Rabobank Group as early as October 2007. It contains nine principles stating how Rabobank intends to manage the various aspects of duty of care. Subsequently, at the end of 2007, the Executive Board established an awareness programme concerning these ideas for the organisation. During 2008 and 2009, the policy framework was successfully introduced in the entire organisation.
- The text of the declaration of moral and ethical conduct was prepared in 2009. The principles as stated in the declaration of moral and ethical conduct will be presented to Rabobank Group employees in 2010, with the Rabobank Group Code of Conduct and how to manage dilemmas as central themes. The Rabobank Group Code of Conduct includes the principles stated in the declaration of moral and ethical conduct. Final decisions on the wording of the declaration of moral and ethical conduct and on the communication plan will be made in the beginning of 2010.
- Supervisory Board. Rabobank Nederland's Supervisory Board complies substantially with the Banking Code's provisions. An impact analysis that was made, shows that some ways of working should be slightly tightened, with the programme for continuing education as an example. While there is strong focus on learning by Supervisory Board members, a continuing education programme will be started in 2010. In addition, starting 2010, an individual profile will be drawn up for each vacancy on the Supervisory Board, and the regulations for the Supervisory Board and its committees will be brought in line, to the extent necessary, with the Banking Code. Finally, the issue of risk management will receive even greater attention in the Audit & Compliance Committee and the Supervisory Board.
- Risk management. Rabobank already largely complies with the Banking Code's recommendations on risk management, with the Executive Board determining the risk under the supervision of the Supervisory Board. Rabobank also has a formalised approval process for the introduction of new products. The question whether all processes fully comply with the Banking Code's risk management provisions is now under review and some actions have already been undertaken to tighten some processes, including the formulation of a risk appetite declaration that fulfils the Banking Code, and tightened regulations for the Supervisory Board's Audit & Compliance Committee.

- Audit. Rabobank complies with the provisions of Section 5 of the Banking Code around the subject of audit, although the tripartite talks between the external auditors, internal audit and the Dutch Central Bank (paragraph 5.6 of the Banking Code) will only take place as such from 2010.
- Remuneration policy. Rabobank has performed a gap analysis of its remuneration policy and the Banking Code and has found that its remuneration policy for senior management complies with the Banking Code on virtually all counts. Rabobank has a careful, controlled and moderate remuneration policy that befits its strategy, the desired risk profile, the cooperative's shared targets and our core values. The remuneration policy takes account of the bank's long-term interests, the international context of the markets in which it chooses to operate and the socially accepted practices in that area.

Based on its cooperative identity, Rabobank prepared a 'Remuneration Vision' in 2009 which is to strengthen the meticulous implementation of these principles in all Rabobank Group units even further. In addition, existing arrangements and procedures will be tightened where necessary, and initial steps towards that goal have meanwhile been undertaken.

Rabobank intends to fully comply with the Banking Code and expects only very few departures, which will be justified according to the 'comply or explain' principle.

# Management

## Membership of the Executive Board of Rabobank Nederland



From left to right (standing): Berry Marttin, Gerlinde Silvis, Sipko Schat and Bert Bruggink. From left to right (seated): Piet van Schijndel and Piet Moerland.

### Members of the Executive Board and their responsibility areas

#### Piet Moerland (P.W.)

*Chairman (from 1 July 2009)*

- Group Audit
- Compliance
- Legal and Tax Affairs
- Knowledge and Economic Research
- Communication
- Corporate Social Responsibility
- Company Secretariat

#### Bert Bruggink (A.)

*CFO*

- Control Rabobank Group
- Group Risk Management
- Credit Risk Management
- Central Treasury
- Group Treasury
- Special Asset Management

#### Berry Marttin (B.J.)

*(from 1 July 2009)*

- International Rural and Retail banking
- Regional International Operations
- International Risk Management
- Rabo Development

#### Piet van Schijndel (P.J.A.)

- Private Clients
- Private Banking
- Group ICT

#### Sipko Schat (S.N.)

- Rabobank International Wholesale
- Corporate Clients
- Large Corporates
- Corporate Finance
- Trade & Commodity Finance
- Global Financial Markets
- Private Equity
- Real Estate

#### Gerlinde Silvis (A.G.)

*(from 1 July 2009)*

- Corporates
- Member Banks Support
- Business Management
- Cooperative & Management Member Banks
- Human Resources Rabobank

#### Bert Heemskerk (H.)

Mr Heemskerk was Chairman of the Executive Board until 30 June 2009 and retired on 1 July 2009.

#### Company Secretary

Rens Dinkhuijsen (L.A.M.)

# Membership of the Supervisory Board of Rabobank Nederland

## Membership of the Supervisory Board<sup>12</sup>

Name	Function	Year of first appointment	End of current term
Lense Koopmans (L.)	Chairman	2002	2013
Antoon Vermeer (A.J.A.M.)	Deputy Chairman	2002	2010
Sjoerd Eisma (S.E.)	Secretary	2002 (1998 <sup>13</sup> )	2010
Martin Tielen (M.J.M.)	Deputy Secretary	2002	2013
Irene Asscher-Vonk (I.P.)	Member	2009	2013
Bernard Bijvoet (B.)	Member	2002	2012
Tom de Bruijn (A.)	Member	2009	2013
Louise Fresco (L.O.)	Member	2006	2010
Rinus Minderhoud (M.)	Member	2002	2011
Paul Overmars (P.F.M.)	Member	2005	2012
Herman Scheffer (H.C.)	Member	2002 (1998 <sup>13</sup> )	2010
Aad Veenman (A.W.)	Member	2002 (1998 <sup>13</sup> )	2010
Cees Veerman (C.P.)	Member	2007	2011
Arnold Walravens (A.H.C.M.)	Member	2004	2011

The memberships of the committees of the Supervisory Board are stated in the Report of the Supervisory Board of Rabobank Nederland.

## Directors and Chairmen

### Directors of Rabobank Nederland<sup>14</sup>

12 Members at 1 January 2010. Leo Berndsen (L.J.M.) was a member of the Supervisory Board until 30 June 2009 and retired on 1 July 2009. In 2010, Mr Eisma, Mr Scheffer and Mr Veenman are due for retirement by rotation. Having reached the maximum term, they are not eligible for reappointment. Ms Asscher-Vonk and Mr De Bruijn have been members of the Supervisory Board since 1 July 2009.

13 Year of first appointment to the Board of Supervisors of Rabobank Nederland. With the change in Rabobank Nederland's corporate governance structure in 2002, the Board of Supervisors was renamed Supervisory Board.

14 As of 1 March 2010.

Jan Bos (J.J.)	Control Rabobank Group
Ralf Dekker (R.J.)	Rabobank International
Paul Dirken (P.H.J.M.)	Corporates
Pieter Emmen (P.C.A.M.)	Group Risk Management
Ab Gillhaus (A.J.)	Credit Risk Management
Rob Kemna (R.A.C.)	Business Management
Lex Kloosterman (A.M.)	Rabobank International
Harold Knebel (H.A.J.M.)	Rabo Wielerploegen
Jos van Lange (J.H.P.M.)	Rabo Real Estate Group
Hans van der Linden (J.A.M.)	Rabo Real Estate Group
Bert Mertens (H.H.J.)	Cooperative & Management Member Banks
Monika Milz (M.R.)	Communication
Pim Mol (P.W.)	Private Banking
Jan van Nieuwenhuizen (J.L.)	Rabobank International
Rik Op den Brouw (H.)	Private Clients
Sander Pruijs (J.A.)	Rabobank International
Harry de Roo (J.H.)	Rabobank International
Rutger Schellens (R.V.C.)	Rabobank International
Ronald Slaats (R.A.M.)	De Lage Landen
Rinus van der Struis (M.)	Group Audit
Jan van Veenendaal (J.)	Legal and Tax Affairs

## Management teams Rabobank International

### Management team Wholesale *(as from 1 October 2009)*

Sipko Schat (S.N.)  
Lex Kloosterman (A.M.)  
Jan van Nieuwenhuizen (J.L.)  
Arjo Blok (A.J.)  
Sander Pruijs (J.A.)  
Harry de Roo (J.H.)  
Ralf Dekker (R.J.)

### Management team Rural and Retail banking *(as from 1 October 2009)*

Berry Martin (B.J.)  
Rutger Schellens (R.V.C.)  
Thos Gieskes (Th.H.L.J.M.)  
Guillermo Bilbao (G.)  
Ronald Blok (R.)  
John Ryan (J.)  
Harry de Roo (J.H.)  
Ralf Dekker (R.J.)

### Chairmen of major subsidiaries

Jacek Bartkiewicz (J.)	Bank BGZ
Roy van Diem (R.)	Obvion
Hans van der Linden (J.A.M.) <i>(as from 1 February 2009)</i>	Rabo Real Estate Group
Roderick Munsters (R.M.S.M.) <i>(as from 1 September 2009)</i>	Robeco
Gerbert Mos (G.A.)	Schretlen & Co
Rutger Schellens (R.V.C.)	ACCBank
Ronald Slaats (R.A.M.) <i>(as from 1 June 2009)</i>	De Lage Landen
Joachim Straehle (J.H.)	Sarasin

# Report of the Supervisory Board of Rabobank Nederland

[www.rabobank.com/management](http://www.rabobank.com/management)

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In 2009, Rabobank did not escape the effects of the global economic turn-down following the crisis in the financial markets. This was reflected in a lower net profit than in 2008. Thanks to its well-tries cooperative governance characterised by strict checks and balances, Rabobank succeeds in maintaining its sound financial position and provides a safe haven for its members and clients, even in adverse conditions.

## Proposal to the General Meeting

In compliance with the relevant provisions of the Articles of Association of Rabobank Nederland, the Supervisory Board has reviewed the annual report and the financial statements for 2009 of Rabobank Nederland, of Rabobank Group, and the additional information. This review included discussions with the Executive Board, the internal auditors and the external auditors Ernst & Young Accountants LLP, and the Supervisory Board took note of the auditor's report of Ernst & Young Accountants LLP to the financial statements for 2009. The Supervisory Board proposes that the General Meeting of Rabobank Nederland adopt the financial statements for 2009.

## Corporate governance

The three pillars of governance at Rabobank Nederland are decisive management, effective member influence and strong and independent supervision. Corporate governance at Rabobank Nederland, compliance with the Dutch Corporate Governance Code and the preparations being made for compliance with the Banking Code are discussed in the section Corporate Governance of this Annual Report. That section also describes the Supervisory Board's terms of reference and its role in Rabobank Nederland's governance structure. The Supervisory Board endorses the contents of that section.

## Supervisory Board of Rabobank Nederland

### Composition

Information on the membership of the Supervisory Board is included in the Management section of this Annual Report. Please refer to the website for the Supervisory Board's profile.

### Remuneration of the members of the Supervisory Board

In 2009, the remuneration of the members and former members of the Supervisory Board of Rabobank Nederland totalled EUR 1.6 (1.6) million.

### Appointments and reappointments

Appointments and reappointments to the Supervisory Board are made by the General Meeting at the recommendation of the Supervisory Board, having consulted the Central Delegates Assembly. On 18 June 2009, the General Meeting of Rabobank Nederland resolved to reappoint Mr Koopmans and Mr Tielen to the Supervisory Board, each for a four-year term. Mr Berndsen was also due for retirement by rotation in 2009 and decided not to stand for re-election. The Supervisory Board is grateful for his highly valued contribution to the Supervisory Board's performance over the past years. The General Meeting resolved to appoint Ms I.P. Asscher-Vonk and Mr A. de Bruijn to the Supervisory Board, each for a four-year term. Ms Asscher's candidacy was at the recommendation of Rabobank Nederland's Works Council and Mr De Bruijn's



candidacy was at the recommendation of the General Meeting. The Supervisory Board highly appreciates this involvement of the General Meeting and the Works Council.

### Keeping informed of developments

The Chairman of the Supervisory Board has close contacts with the Chairman of the Executive Board and holds monthly meetings with the internal auditor and the Group Compliance Officer. In addition, the Chairman of the Supervisory Board, the Chairman of the Audit & Compliance Committee, the external auditor and the internal auditor meet at least four times a year. During the year under review, the members of the Supervisory Board regularly attended, as observers, meetings of Rabobank Nederland's Works Council and of the Group Works Council of Member Banks, as well as the Regional and Central Delegates Assembly. This enables the Supervisory Board to keep up to date with the interests of Rabobank Nederland's major stakeholders. In 2009, as part of their periodic learning, the members of the Supervisory Board gained information on the causes of the financial crisis and its financial economic effects, the prospects for the economy, the consequences of the International Financial Reporting Standards (IFRS) for financial reporting, the implications of IFRS in the context of the financial crisis and the recognition of pensions in the financial statements.

### Meetings

The Supervisory Board met eight times in 2009. Not one member was repeatedly absent from those meetings. The Supervisory Board has five committees. The Audit & Compliance Committee met nine times, the Appeals Committee met twice and the Cooperative Issues Committee, the Appointments Committee and the Remuneration Committee each met four times in 2009.

### Committees of the Supervisory Board

#### Audit & Compliance Committee

The Audit & Compliance Committee performs preparatory work for the Supervisory Board's decision-making on the supervision of the management of financial issues, ICT and compliance-related issues.

In the year under review, the Audit & Compliance Committee performed preparatory work for the Supervisory Board's decision-making on the annual report and accounts for 2008, the interim report and accounts for 2009 and the budget for 2010. The Audit & Compliance Committee gained in-depth information about the developments in the financial markets, paying particular attention to such subjects as trends in Rabobank Group's results, solvency and liquidity, financial impairments, operation of the control and management mechanisms, concentration risk and systemic risk, opportunities to attract funding, the rating development and the policy on debit and credit interest rates. The Audit & Compliance Committee closely considered the lessons learned from the financial crisis. It also considered developments in the banking landscape resulting from the financial crisis, and the changes in the financial sector and its supervision. It held exploratory talks on the announced changes to the financial regulations concerning such matters as capital requirements and liquidity. At the Executive Board's invitation, the Audit & Compliance Committee also acted as a sounding board for the Executive Board regarding the whole of all these developments and associated strategic options.

Other subjects considered by the Audit & Compliance Committee included the monthly figures and quarterly reports on Rabobank Group's financial development, the funding mandate for 2009 and 2010, the solvency requirements at Rabobank International and at subsidiaries and the reports on weaknesses in the control over financial reporting. The Audit & Compliance Committee approved the 2010 Group Audit Plan, issued a positive advice on the adjustment of the Rabobank Audit's Charter, and reviewed the internal accountants' (Group Audit) quarterly reports.

Further, the Audit & Compliance Committee reviewed the Compliance Department's interim reports. It paid special attention to the improvements implemented by Rabobank in the context of its duty of care to private clients. Other subjects reviewed were: credit policy assurance within Rabobank's organisation, the financial situation in inland water transport and in greenhouse horticulture and the Member Banks annual plan for 2010. In accordance with its terms of reference, the Audit & Compliance Committee also discussed developments within Rabobank Group in the area of ICT and gained information about the policy on Rabobank Group's tax planning.

#### Members

M. Minderhoud, *Chairman*  
L. Koopmans, *permanent member*  
B. Bijvoet  
A.W. Veenman  
C.P. Veerman  
A.J.A.M. Vermeer

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## Members

A.J.A.M. Vermeer, *Chairman*  
L. Koopmans, *permanent member*  
M.J.M. Tielen, *permanent member*  
I.P. Asscher-Vonk  
A. de Bruijn  
S.E. Eisma  
L.O. Fresco  
P.F.M. Overmars  
H.C. Scheffer  
A.H.C.M. Walravens

## Cooperative Issues Committee

The Cooperative Issues Committee performs preparatory work for the Supervisory Board's decision-making on intended policies of the Executive Board concerning the cooperative policy and structural dimension of the local Rabobanks and Rabobank Nederland. This Committee also performs preparatory work for the decision-making on corporate social responsibility. Subjects discussed by the Committee in 2009 included the updating of the governance model for the local Rabobanks. Further, the Committee addressed customer service optimisation at the local Rabobanks through the implementation of the Rabobank 2010 programme, and the associated support to be provided by Rabobank Nederland. The Committee reviewed the 2008 Sustainability Report and exchanged views with the Executive Board on the development, in the medium term, of a corporate social responsibility vision for Rabobank. The Committee also advised on the Rabobank-endorsed 'Food & Agribusiness Principles' as part of the Bank's own business principles. In the area of corporate social responsibility, the Committee discussed the Animal Welfare Statement, which was endorsed by Rabobank.

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## Members

L. Koopmans, *Chairman*  
I.P. Asscher-Vonk  
L.O. Fresco  
H.C. Scheffer  
A.W. Veenman  
A.J.A.M. Vermeer  
A.H.C.M. Walravens

## Appointments Committee

The Appointments Committee performs preparatory work for the Supervisory Board's decision-making on the composition of and (re)appointments to the Supervisory Board and the Executive Board. The Committee furthermore advises the Supervisory Board on appointments in executive positions within Rabobank and its affiliated entities and deals with the full scope of the subject 'management and talent'. The Appointments Committee dealt with the appointments and reappointments to the Supervisory Board and the Executive Board in 2009.

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## Members

A.H.C.M. Walravens, *Chairman*  
I.P. Asscher-Vonk  
L.O. Fresco  
L. Koopmans  
H.C. Scheffer  
A.W. Veenman  
A.J.A.M. Vermeer

## Remuneration Committee

The Remuneration Committee performs preparatory work for the Supervisory Board's decision-making on the remuneration of the members of the Executive Board and on the remuneration policy for members of the executive staff. It also closely monitors remuneration policies pursued in the external market and advises the Supervisory Board on the newly published remuneration policy guidelines for the banking sector. In 2009, operating within the framework of the remuneration policy established by the Central Delegates Assembly and based on the performance assessment of the Executive Board and its individual members, the Remuneration Committee addressed the remuneration proposals regarding the individual Executive Board members.

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## Members

S.E. Eisma, *Chairman*  
M.J.M. Tielen  
P.F.M. Overmars

## Appeals Committee

The Appeals Committee acts as an advisory appellate body in disputes between local Rabobanks or between one or more local Rabobanks and Rabobank Nederland. In 2009, a single issue was submitted for discussion to the Appeals Committee, on which it formulated an advice to the Supervisory Board.

## The Supervisory Board's own performance

The Supervisory Board continually reviews its own performance and that of the separate committees. In addition, the Chairman holds annual face-to-face talks with each of the members of the Supervisory Board to assess their individual performance. Based on this reflection, improvements in the performance of the Board and of the separate committees are made and individual or collective learning efforts are initiated as and when necessary. Important matters reviewed include members' attendance at Supervisory Board meetings and their contributions in those meetings, the extent to which the Supervisory Board, its committees and its members comply with the desired profile, the composition and the required competencies of the Supervisory Board and the separate committees. As and when necessary, the range of competencies represented is extended by means of new appointments. The Audit & Compliance Committee reviewed its composition and effectiveness in 2009 and introduced several improvements in its working methods.

## Activities of the Supervisory Board in 2009

In line with its formal duties, the Supervisory Board supervised the Executive Board's policy and the general conduct of affairs at Rabobank Nederland and its affiliated entities. The Supervisory Board also served as a sounding board to the Executive Board. Regular subjects of discussion and for approval were the annual and the interim figures, the operational and financial targets, the strategy, corporate social responsibility, and the risks associated with the Group's activities. In the area of risk context, topics of discussion included the outcome of the Executive Board's assessment of the design and effectiveness of the internal risk management and control systems and any significant changes therein. Other subjects of discussion included the compliance organisation's operation within Rabobank Group and the compliance with laws and regulations, the relationship with the local Rabobanks and ICT. The Supervisory Board also took note of the annual report presented by the Committee on Confidential Matters of Rabobank's internal whistleblower system. Further, the Supervisory Board updated Rabobank Nederland's Directors' lending rules. Finally, the Supervisory Board discussed the readjustment of the duties within the Executive Board in connection with Mr Heemskerk's retirement and the appointment of Mr Marttin and Ms Silvis as new members of the Executive Board. A subject that received special attention in this context was the division as from 1 July 2009 of the Rabobank International business unit into a Wholesale operating area, led by Mr Schat, and a Rural and Retail Banking operating area, led by Mr Marttin.

In the performance of its duties, the Supervisory Board acts in the interests of Rabobank Nederland and its affiliated entities, and considers in that context the interests of Rabobank Nederland's stakeholders and aspects of corporate social responsibility that are relevant to Rabobank's operations.

In the Supervisory Board's view, the Committees from the Supervisory Board performed their roles actively and alertly, thus making an important contribution to the execution of the Supervisory Board's supervisory role in the year under review.

## Subjects receiving special attention in 2009

### Financial statements 2008, interim report 2009 and budget for 2010

The Supervisory Board extensively discussed the Rabobank Group Annual Report 2008, including the report of the Executive Board, the accompanying auditor's report, the annual accounts and the proposed appropriation of available profit. In addition, the management letter, including the management response, was discussed in detail and in the presence of both the internal auditor and the external auditor. The Audit & Compliance Committee did intensive preparatory work to facilitate the review of Financial Statements 2008. Also, the Supervisory Board extensively discussed the Rabobank Group Interim Report 2009. With due regard to the regulations relating to Basel II, the Supervisory Board and the Executive Board discussed the future solvency policy. In accordance with the Articles of Association, the budget for 2010 was discussed and approved by the Supervisory Board, again with the Audit & Compliance Committee providing important input for this purpose. In its review of the financial statements and the budget, the Supervisory Board stressed that cost levels at Rabobank Nederland and the local Rabobanks should continue to be a matter of constant attention. The same holds true for the significance of amounts due to customers as a key source of financing. Following a study of balanced internal financial relationships, which was completed in 2007, Rabobank Nederland increased its share capital by EUR 2 billion to EUR 4 billion in 2009 through the issue of new shares to the local Rabobanks. At Rabobank Group level, this issue has no consequences for equity.

### Strategic developments

The Supervisory Board approved the strategy update. This, together with the Central Delegates Assembly's subsequent endorsement, resulted in tightening of the existing strategy on a number of points. Otherwise, the Supervisory Board closely monitors the implementation of the strategy, and any desirable alterations will be discussed with the Executive Board. The Supervisory Board gave its full attention to monitoring the consistency and decision-making concerning intended equity investments, acquisitions or divestments and their possible

consequences for the financial ratios. In addition, the Supervisory Board discussed the strategic collaboration between Eureka and Rabobank with the Executive Board, and a sounding board discussion with the Executive Board was devoted to the international rural and retail strategy.

### **Local Rabobanks**

The Supervisory Board is pleased to find that the local Rabobanks made a good start with the implementation of the Rabobank 2010 programme in 2009. Rabobank Nederland supports the local Rabobanks in this far-reaching exercise. In addition, the Supervisory Board addressed the newly proposed governance model of the local Rabobanks, referred to as the Rabo model, that has been developed by the internal Governance Models Review Committee, after careful consultations with the local Rabobanks. The Cooperative Issues Committee performed preparatory work for the Supervisory Board's decision-making regarding this issue. The Supervisory Board endorses the principles for this model, which aims to gradually replace both the Executive model and the Partnership model from mid-2010. The Rabo model is based on professional collegiate management, strong and independent supervision by the local Supervisory Boards from a fundamentally cooperative attitude, and on effective member influence, while at the same time emphasising the link between local and central governance. The Rabo model makes optimum use of the influencing, the advisory and the sounding board roles of the Member Councils. Member influence is defined further by the establishment of communities relevant to members' interests.

### **External Supervisory Board membership of Mr Heemskerk**

The Supervisory Board agreed that Mr Heemskerk, Chairman of the Executive Board until 1 July 2009, acted, from May 2009, as Chairman of the Supervisory Board of a listed enterprise due to illness of the Chairman of that company. Mr Heemskerk was already a member of that company's Supervisory Board.

### **Membership changes in the Executive Board**

At the General Meeting of 18 June 2009, the Supervisory Board took formal leave of its Chairman, Mr Heemskerk, who retired on 1 July 2009. The Supervisory Board is most grateful to him for his inspiring leadership of Rabobank Nederland since 2002. The Supervisory Board appointed Mr Moerland as Chairman and Ms Silvis and Mr Marttin as members of the Executive Board as from 1 July 2009. Also, the Supervisory Board reappointed Mr Bruggink to the Executive Board for a four-year term.

### **Corporate social responsibility**

The Supervisory Board is pleased to see that corporate social responsibility was embedded further in Rabobank's service offering, one result of which is that the sustainability report and the financial report have been integrated, starting the financial year 2009. During the year under review, the Cooperative Issues Committee reviewed, in an advisory quality, various CSR related themes and discussed these with the Executive Board.

### **Developments in corporate governance**

The Supervisory Board had in-depth discussions with the Executive Board regarding the advice of the Advisory Committee on the Future of Banks in the Netherlands and regarding proposals for the implementation of the updated Dutch Corporate Governance Code and the Banking Code.

### **Assessment and remuneration of the Executive Board**

In 2009, the remuneration of the members and former members of the Executive Board of Rabobank Nederland amounted to EUR 9.9 (9.0) million. This amount comprises:

In millions of euros	2009	2008
Salaries.....	6.6	6.7
Pension charges.....	1.3	1.1
Performance-related pay.....	1.8	1.0
Other emoluments.....	0.2	0.2
Total.....	9.9	9.0

Embedded into Rabobank's remuneration policy for the members of the Executive Board are its cooperative identity and structure. Within the framework of the remuneration policy as formulated by the Central Delegates Assembly, the Supervisory Board set the performance-related payment to each member of the Executive Board on the basis of the assessments made of their performance in 2008. After having been reviewed by the Supervisory Board, the 2008 remuneration report was discussed by the Committee on Confidential Matters of the Central Delegates Assembly. The latter committee subsequently presented its report to the Central Delegates Assembly, that acts as the representative of the members of Rabobank Nederland. The total income of each member of the Executive Board is in line with the standards formulated in the Dutch Corporate Governance Code, the Banking Code and the principles for a controlled remuneration policy of the Dutch Central Bank and the Netherlands Authority for the Financial Markets.

### Remuneration policy

Remuneration policies of financial institutions have been a subject of debate in the public domain for some time, and bonus policies at some financial institutions has been described as exorbitant by a number of commentators.

Rabobank Nederland is a cooperative association and, unlike listed public limited liability companies, that have anonymous shareholders, it is under no obligation to publish the remuneration of the individual members of its Executive Board, nor will it do so this year. The total amount paid to the collective members of both the Supervisory Board and the Executive Board each year has been published in the Financial Statements for many years. In compliance with IFRS requirements, this total amount specifies salaries, variable compensation and pension charges. Rabobank does not award variable compensation in the form of option and/or share packages to members of either the Executive Board or senior management. The variable compensation of the Executive Board of Rabobank Nederland is therefore modest. There is a short-term variable compensation of up to 15% of fixed income, which is paid annually, and a long-term compensation, which is equally maximised at 15% but which is not paid until after a three-year term. A variable compensation component exceeding 30% of fixed income is paid to only a small number of individuals at highly specialised positions within Rabobank International. This is in line with the remuneration practice used worldwide for this type of staff.

The remuneration structure within the Rabobank organisation has never been such that it might encourage irresponsible risks being taken.

The Committee on Confidential Matters of the Central Delegates Assembly has been aware of the salaries of individual members of the Executive Board for many years and, through that Committee, this aspect is reported to the members of the cooperative in a fully transparent manner. Rabobank intends to give the independent Banking Code Monitoring Committee likewise access to this salary information after its inception.

### Strong performance

Rabobank Group coped well with the effects of the difficult market conditions and the Supervisory Board concluded that the cooperative organisational structure again fully proved its strength in 2009.

The Supervisory Board is satisfied with the general course of affairs and with the way in which the Executive Board has coped with the challenging financial and economic conditions. The Supervisory Board wishes to thank both management and staff for the commitment and professionalism they have demonstrated.

Utrecht, 4 March 2010

The Supervisory Board

# Employees

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Rabobank is extremely ambitious. In the service sector, employees are key to an organisation's success as they provide the means by it can stand out. Rabobank's employees are enterprising and enthusiastic, focus on results and work together as a team. Rabobank's relationship with its employees is based on sound labour relations, at the heart of which are common interests and reciprocity. Working arrangements are intended to be flexible and goal-oriented on both sides to ensure the best possible result. The HR vision 'People Make the Bank, Even Better', which was developed in 2007, continued to be highly relevant in 2009.

The HR challenges arising from the Rabobank Group's strategy have been summed up in three themes:

- management and talent development;
- enhancing the qualities of our employees, for example by means of continuing education;
- a cultural shift in mentality, attitude and conduct.

## Vision of learning and development

Within Rabobank, the concept of staff development is becoming more and more broad. Besides formal learning (primarily in the form of courses), attention is also being paid to informal learning through daily activities. In 2009, Rabobank worked on realising a vision of learning and development that enjoyed widespread support. This vision was brought into line with our core values to demonstrate how Rabobank is unique in this area. In 2010 and 2011, the Vision of Learning and Development, which was originally developed for local Rabobanks, Rabobank Nederland and Rabobank International, will be applied in day-to-day activities in a number of ways, including purpose-designed learning interventions, the promotion of a culture of learning among managers in terms of their attitude and conduct, and the introduction of a new virtual learning platform.

In 2009, the number of people following an e-learning course was up almost 20% compared to 2008, while the number of computer-based exams that were taken increased by over 65%. This is in keeping with our ambition of creating a learning environment based on sustainability, and also minimises travel and paper consumption.

In 2009, Rabo Real Estate Group set up the Bouwfonds Academy, which offers business-specific and sector-specific master classes, among other courses.

## Management and talent development

As sustainability is a core value of Rabobank Group, sustainable employer-employee relationships are one of the principles of management and talent development. Talent programmes exist for various levels. 2009 saw the launch of the Talent Cooperative, focusing on talented employees in scales 9 through 11. This programme recognises and motivates talented employees, enables them to enhance their knowledge (including in relation to banking) and competencies (for example in the area of leadership), and encourages them to network. Once every quarter, a new group of sixty talented employees are given the opportunity to look beyond their own discipline, giving them better insight into Rabobank Group.



Leadership and employee profiles provide guidance when it comes to training courses and HR tools. In addition to management development, there are also career pathways for generalists and specialists at all job levels, and attention is also paid to specific target groups (experts).

### Expert employees

Customer focus comes down to dealing with people. Clients want to see their service provider earn their trust every time they have contact. Now that the performance of banks is being closely scrutinised by society, expert employees are more important than ever. This matter is receiving special attention, in part at the initiative of the Netherlands Authority for the Financial Markets. Under the Dutch Financial Supervision Act, expertise has to be safeguarded as part of ensuring that any financial services provided to clients are well-considered and reliable. The first statutory deadline for meeting the expertise requirements relating to continuing education, as set in 2008, was the end of December 2009. Rabobank put a great deal of effort into its own programmes to ensure relevant employees in advisory roles were qualified. To meet the individual wishes of employees in the area of learning, programmes integrating current issues at Rabobank and knowledge required by law are offered in several forms: from e-learning to classroom-based learning.

### Vision for 2010: impact on bank, clients and employees

Almost all local Rabobanks are actively involved with the Rabobank 2010 Vision, participating in at least one of the five support programmes (Differentiation in Customer Service, Business Practices with a Future, Virtually Nearby, Customer Relationship Management (CRM), and Processes and Management). Rabobank 2010 is aimed at updating and improving customer services at substantially lower cost, in combination with a process redesign. This has consequences for our employees, as jobs will change, be cut or disappear. Employees are expected to make an effort to develop new knowledge and skills, and are given support in the form of training courses for employees and managers. Redundant staff is given proper assistance with finding a new job or setting up their own business, or in other ways. The local works councils are involved in all developments affecting the local Rabobanks as a matter of course.

### New ways of working

Clients determine where and when work is done. In addition, employees are given the scope and facilities to make their own choices and thus strike a good work-life balance. At Rabobank Nederland, a growing number of employees work along the lines of the 'Unplugged' concept, which means fewer rules and greater individual responsibility. The concept was evaluated in 2009. Initial reactions were predominantly positive. A total of 70% of employees working in line with 'Unplugged' said the concept had clear benefits, the most frequently mentioned being flexibility and the favourable impact it had on their work-life balance. The growing appeal of the freedom to decide where and when to work was reflected in *Intermediair* magazine's survey of the best employers of 2009, in which Rabobank came first. The management centre of Rabobank Nederland in Utrecht, which will be based entirely on the 'Unplugged' concept, will be brought into use at the end of 2010. The other group entities also offer opportunities for flexible working, ranging from flexitime to working from home. De Lage Landen, for instance, is developing its 'Office of the Future' concept, which encourages working from home and from serviced offices. This concept also underlies the renovation of the head offices of De Lage Landen in Eindhoven.

### Trust and integrity in performance management

Rabobank's core values of trust and integrity form the basis for day-to-day activities and help raise awareness of CSR. This is stated explicitly in the Performance Management Manual. Corporate social responsibility has also been incorporated into the Rabobank Competency Language. At Rabobank Nederland, employees in various management positions have to include a CSR target in their personal performance management goals, and all employees can agree such targets with their managers on a voluntary basis.



## Diversity in the workplace

Rabobank Group believes that differences between people should be celebrated. As an employer, it wants to promote diversity and ensure a non-discriminatory working environment. Diversity encourages enterprise. Several studies have shown that teams made up of people from varied backgrounds enhance performance and boost creativity. In 2009, Rabobank continued to position itself assertively as an attractive employer for all target groups by attending networking events and career fairs, and by means of other activities aimed at encouraging new people from different backgrounds to join us. Rabobank was one of two financial employers at Diversity Works, a career fair for highly educated, talented people from ethnic minorities. Rabobank also supports multicultural networks, such as Tannet, and similar networks for students and professionals. Diversity is a precondition for several entry programmes, such as the programme for corporate management trainees. Local Rabobanks take the approach that clients want to be able to identify with bank employees. At Rabobank Rotterdam, currently 30% of employees are not originally from the Netherlands.

As information concerning ethnicity cannot be obtained without the express permission of the individual employee, the figures available do not provide an accurate picture. For this reason, we cannot justify including in our annual report any information on the number of employees of dual culture or the size of this group as a proportion of our overall workforce.

## Women at the top

Encouraging more women to reach to top ranks remains an important issue. 2009 saw the first appointment of a woman to the Executive Board of Rabobank Nederland, and the appointment of a second woman to the Supervisory Board.

Almost 11% of the senior management of Rabobank Group are women in the Netherlands; our target for 2009 was at least 15%. During 2009, measures were introduced such as equal participation by women in talent development programmes and the use of targets for recruiting trainees, and at the same time the foundations were laid for a structural programme aimed at achieving a balanced composition and constant increase in female talent at the top. De Lage Landen started to study the position of women in the organisation at an international level during 2009. The results of this study will be used to formulate objectives and policy in this area. Also in 2009, Rabobank Group was one of the founding partners of LEAP!, a network for today's and tomorrow's female leaders. LEAP! brings ambitious women together and provides a platform for sharing expertise, knowledge and experience.

## A good employer

During 2009, the popularity of working in the financial sector declined. Despite, or perhaps thanks to, the financial crisis, Rabobank has managed to strengthen its position in the sector, and it won a number of accolades and awards in the area of employment in 2009. Rabobank remained at the top of the list of Intelligence Group's Barometer of Favourite Employers throughout the year. Rabobank was the most popular employer in the financial sector according to a survey of financial students conducted by Ebbinge, and it was also the best employer in the Netherlands in a survey conducted by Intermediair magazine. The fact that Rabobank has excellent terms of employment was confirmed, with eight out of ten Rabobank employees saying they looked forward to going to work every morning. In 2009, Rabobank won the Internal Reputation Award presented by Incompany business magazine, having gained the highest scores for reliability, soundness and success. According to Blauw, a research agency, 31% of Rabobank employees are superpromoters, i.e. colleagues who actively share their enthusiasm for Rabobank and are taken seriously by the people around them. The figure for the financial sector was 12%, and for the Netherlands as a whole 9%. Rabobank was also among the top five ICT employers in a survey conducted by Corporate Research Foundation (CRF), obtaining high scores in categories including chances of internal promotion.

## A new collective bargaining agreement

Rabobank concluded a new collective bargaining agreement (CBA) in April 2009. In view of the turbulent state of the economy, a relatively short duration of nine months (until 1 February 2010) was chosen, and a collective pay increase of 1.5% with effect from 1 May 2009 was agreed. The core themes of the CBA are job security, productivity improvements, employability and modernisation. With a view to improving employability, it was agreed that a virtual career

portal would be set up where career and employability tools would be easily accessible. In addition, we extended the right of employees to participate in a procedure whereby they can obtain accreditation equivalent to a certificate of secondary vocational education (MBO) for competencies gained through experiential learning. This procedure means employees can have their knowledge and experience officially recognised and documented in a certificate of accreditation of prior learning. The CBA concluded in 2009 also provides for the possibility of a procedure for obtaining accreditation of prior learning at the level of higher professional education (HBO). The conditions relating to working hours have been amended to achieve a better balance between the needs of clients, employees and the business in the CBA. Within the context of social changes, the normal hours of business for customer contact centres have been extended, and as an initial step towards introducing leave arrangements that do not discriminate on the basis of age, employees who joined on or after 1 May 2009 are entitled to 187.2 hours' leave, irrespective of their age.

The Social Charter was amended to improve its application. Among other things, an action plan for agreements to be made between employees and managers in the event of redundancy was introduced. Agreement was also reached on ways to facilitate individually tailored arrangements.

### Employability

An organisation that changes as much as Rabobank needs to pay constant attention to employability from the perspective of both the employer and employees. The bank acts as a facilitator, creates conditions and invests, while employees are responsible for taking the initiative for ensuring they remain employable. Employees and their managers agree on personal development plans on a regular basis. These plans set out agreements on development goals and actions, such as attending courses, going on work placements, participating in specific projects or obtaining accreditation for prior learning. A career check can also be carried out to gain a better picture of the employee's future prospects. Several years ago, Rabobank Seniorship was introduced for employees aged 45 and over who have held the same position for some years. During 2009, 109 employees made use of this facility, taking a fresh look at their career path and life course with the aim of taking charge of the rest of their career. During economic downturns, even Rabobank is forced to take a critical look at staffing levels in relation to levels of activity. Organisational changes are unavoidable, and in some situations will lead to employees becoming redundant. When such situations arise, employees are provided with proper guidance, based on an individual approach aimed at finding the best possible solution for each employee.

### Surviving the crisis in good shape

The Rabobank Group Occupational Health and Safety Service continued to make a vital contribution to the health of our organisation in 2009. When times are hard, paying attention to health and employability is more important than ever, and during 2009 we maintained our strategy aimed at reducing absenteeism due to illness, ensuring healthy, safe working conditions and promoting health. Besides providing the usual support during periods of illness, our occupational health policy focuses on prevention to an increasing extent. Current market conditions and budgetary measures are putting employees and managers under increased pressure. In view of the growing risk factors for the development of stress-related illnesses, we launched 'Surviving the crisis in good shape', an action plan that consists of an awareness campaign, workshops for managers, and discussions at various consultation forums.

Also in 2009, the Pandemic Working Group introduced a number of measures aimed at minimising absenteeism due to swine flu.

### Absenteeism due to illness

At 3.7% (3.8%), the rate of absenteeism in 2009 was slightly lower than in 2008. In 2009, the direct costs of absenteeism (continued payment of salary during illness) amounted to approximately EUR 117 (140) million. Absenteeism has been reported for the first and second years of illness since 2009. Absenteeism is monitored and analysed by the Rabobank Group Occupational Health and Safety Service. We try to help incapacitated employees return to work on a full-time or part-time basis as soon as possible by providing them with support during their absence and as part of their reintegration. Employees and managers have given the level of support a score of 7.7.

## Work and pregnancy

A policy on work and pregnancy was developed in 2009, in keeping with relevant legislation and regulations. This policy is based on the principle that employees should, wherever possible, stay on in their current positions and at their current workplaces during their pregnancy and once they return to work. In connection with this, we offer a checklist, which can be used as a tool, and consultations with occupational health medical officers to prevent health problems from arising.

## Employee satisfaction

In 2009, 41% of employees took part in the periodic employee satisfaction survey at Rabobank Nederland and the local Rabobanks. Of these employees, 88% said they were satisfied. No employee satisfaction surveys were conducted at Robeco, Rabo Real Estate Group, Orbay and De Lage Landen during the year under review.

## Pension funds<sup>15</sup>

Pension provisions relating to employees of the local Rabobanks, Rabobank Nederland, De Lage Landen, Schretlen & Co, Obvion and Rabo Real Estate Group are administered by the Rabobank pension fund. Robeco has its own pension fund. At the end of 2009, the pension provision at the Rabobank pension fund amounted to EUR 8.9 billion, while the fund's assets were EUR 11.5 billion. This corresponds to a coverage ratio of 129% (128%) at the end of 2009. Since the autumn of 2007, the Rabobank pension fund has protected its coverage ratio from falling, mostly by using derivatives contracts. 2009 saw a sharp increase in share prices, and the prices of corporate bonds also rose due to a reduction in the credit spread. The value of the strategic hedge fell, mainly as a result of the steep rise in share prices and reduced volatility on the financial markets. The coverage ratio of the Robeco pension fund was 119% at the end of 2009. The Rabobank and Robeco pension funds are therefore in relatively good shape. Pension contributions at the Rabobank Pension Fund amounted to EUR 570 million in 2009, with contributions Robeco totalling EUR 30.5 million. At year-end 2009, the assets of the Rabobank pension fund were invested in the following asset categories.

Asset categories (in %) <sup>15</sup>	31-Dec-09
Equities.....	36.1
Fixed-income securities.....	46.5
Alternative investments.....	7.2
Real estate.....	7.7
Cash.....	2.5

## Employment Disputes Committee

In 2009, Rabobank's Employment Disputes Committee handled 238 cases, 22 more than in 2008. Of these cases, 81% resulted in advice and a plan of action being provided. A further 16% were handled by mediation, either in face-to-face meetings or over the telephone. In seven cases (3%) the Employment Disputes Committee issued a binding decision, and this has been actively followed up in five cases. A total of 20 disputes were reported at De Lage Landen Nederland. Of these, 17 were admissible and subsequently handled.

## Whistleblower regulation

Rabobank Nederland and the local Rabobanks have a Regulation on the Internal Reporting of Abuse, as well as an external confidential contact person and a confidentiality committee. In 2009, the confidential contact person received ten reports, two of which were passed on to the committee, with no further action being required. Four reports were referred to the Occupational Health and Safety Service, the Employment Disputes Committee, the regional executive body and Human Resources. In another case, it was decided, after the confidential contact person had consulted the employee, that the matter did not need to be dealt with formally by the committee. The three remaining cases received by the confidential contact person were still at the intake stage at the end of 2009. During 2009, the committee also considered two cases reported in previous years. Schretlen & Co uses the above regulation, while some subsidiaries of Rabobank Nederland and the other group entities have their own whistleblower regulations. Rabo Real Estate Group's confidential contact person received three reports.

<sup>15</sup> The information for the Rabobank pension fund included in this section is based on the pension fund's provisional annual figures.

# Working together towards a sustainable future

[www.rabobank.com/csr](http://www.rabobank.com/csr)

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Rabobank Group wants to make an economic, social and ecological contribution to building a sustainable society. We have embedded this ambition in our Code of Conduct and in our general internal and external service provision principles. Corporate social responsibility is the pillar of our core activities, of which lending comes first and foremost. Rabobank Group is committed to creating more sustainability in value chains. We also set great store by sustainability in our own operations. As part of our commitment to society, Rabobank Group wants to encourage social cohesion within communities and to make financial services accessible to all.

## **Rabobank Group Code of Conduct**

The Code of Conduct describes our core values of respect, integrity, professionalism and sustainability, and the approach that Rabobank Group wants to take to society, clients and employees. It serves as a basis for all other internal rules of ethics. The worth is not in the document itself, but in offering a platform for discussing dilemmas we encounter in our conscious conduct.

## **Guidelines and general business principles**

Rabobank Group subscribes to a range of internal and external codes on business principles, including guidelines issued by the United Nations, the OECD, the International Chamber of Commerce and the International Labour Organisation. For a list of codes and guidelines used, see: [www.rabobank.com/csr-guidelines](http://www.rabobank.com/csr-guidelines).

## **Food & Agribusiness Principles**

Rabobank Group has defined five Food & Agribusiness Principles to contribute its share towards creating more sustainable value chains in the food and agribusiness: adequate and secure food production, sustainable use of natural resources, a responsible society where public welfare is key, ethical treatment of animals, and sustainability awareness among consumers and citizens. These principles form the basis for building on our service offering of socially responsible loans and achieving a sustainable value chain.

## **Central CSR themes**

Pursuing a sound CSR policy is a strategic choice for Rabobank Group. Four central CSR themes were defined in 2009:

- working towards delivering a secure and sustainable food supply, based in part on the Food & Agribusiness Principles;
- innovating production methods, and encouraging efficient use of renewable energy;
- championing equal opportunity and economic participation;
- promoting local coherence and partnerships in and outside the Netherlands.

## **Secure and sustainable food supply**

Rabobank Group has formulated Food & Agribusiness Principles to further integrate sustainability into our lending practices and into our sustainable value chain policy. The principles were shared and discussed with clients, non-governmental organisations and other stakeholders on a global level in 2009. Rabobank also talked about the draft value chain policy with clients following which it was fleshed out.

In 2009, Rabobank Group subscribed to the Dutch government programme for more sustainable livestock farming by 2023. Rabobank Group was involved in a range of initiatives and projects that contribute to a higher level of sustainability in agriculture, glasshouse horticulture and livestock farming.

#### **Renewable energy and innovation**

Rabobank Group is committed to promoting innovations and the use of renewable energy and introducing innovations in a gamut of products and services in the areas of savings, finance, investment, leasing and real estate. Rabobank has undertaken to achieve climate neutrality in its operations and reduce its carbon footprint by 20% per FTE in the period from 2009 to 2013. The CSR requirements for procurement will see further broadening so that they will become available for all CSR-relevant procurement categories of Rabobank Group Purchasing by the end of 2010.

#### **Championing economic participation and access to financial services**

In 2009, Rabobank once again developed products and services that help the elderly, young people and persons with a disability gain access to financial services.

Rabobank Foundation and Rabo Development offer rural communities in developing countries better access to financial services as well as a reliable financial infrastructure.

#### **Supporting local communities in and outside the Netherlands**

In 2009, local Rabobanks used their cooperative funds to donate EUR 25.8 (20.4) million in support of local communities. Donations by other divisions of Rabobank Group amounted to EUR 3.3 (3.8) million.

#### **Key performance indicators**

The Annual Sustainability Report 2008 formulated ten key performance indicators (KPIs) for the four central CSR themes. These ten KPIs were condensed into the following four KPIs in 2009:

- **helping clients move towards clean and sustainable business operations** (sustainable loans, funding of clean and sustainable technologies);
- **helping clients make responsible investments** (sustainable investment services);
- **supporting community partnerships** (cooperative dividend/economic development of communities outside the Netherlands);
- **offering climate-neutral and energy-efficient services** (neutral carbon footprint).

Rabobank Group will report on the indicators that were established for these KPIs with effect from 2010. The current CSR facts and figures have already been classified by the four KPIs where possible on [www.rabobank.com/csr-figures](http://www.rabobank.com/csr-figures).

#### **Organisation and management of CSR**

The organisation and management of Rabobank Group's CSR policies and processes did not change in the reporting period. For more information, see: [www.rabobank.com/csr-organisation](http://www.rabobank.com/csr-organisation). Late in 2009, an internal study mapped out areas for improvement in the governance of CSR and CSR policy aspects. Conclusions from the report will be drawn at the beginning of 2010.

# Customer care

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The added value that we, at Rabobank, want to provide to our customers means that we need to offer high-quality, responsible customer services. We want our customers to be satisfied with the quality of our services, and set great store by our duty of care, safety and privacy, and also aim to offer our customers the opportunity to participate in society. We boast a range of products that improve access to credit for both corporate and retail clients. In addition, we are committed to improving access to credit for vulnerable groups by offering special products and services. Rabobank's Customer Care programme brings together all aspects of client value in three specific result areas (intelligible products, appropriate advice and high-quality service), providing a clear frame of reference for serving the interests of the client.

## Customer care policy framework

During the year under review, the implementation of the customer care policy framework, which focuses on improving the client service experience, was supported by the Rabo Duty of Care programme. The main objective at Rabobank Nederland was to assist the market directorates with the further transposition of the policy framework to policy in the areas of formula, products, risk and HR. At the end of 2009, 97% of the local Rabobanks were actively working in accordance with the principles of the policy framework, and 70% of these branches were supported by the programme. The local Rabobanks have stated that they will continue to make use of the available support in 2010. The Executive Board has decided to continue some elements of the programme until mid-2010, partly in view of external developments.

## Review committee for new products

New Rabobank products need to satisfy strict requirements and are submitted to our internal Product Review Committee for approval. The Committee's priorities are to carry out checks in relation to Rabobank's duty of care, risk relating to the advisory function, and reputation risk. The Committee is chaired by a member of the Executive Board and meets every two weeks.

## Support for retail clients

The financial crisis has made it more important than ever that clients in financial difficulties receive proper support. Such clients could count on receiving personal attention from Rabobank and were given time to resolve their issues. There was no substantial increase in payment arrears in the retail market in 2009, despite the impact of the financial crisis, thanks to Rabobank's prudent lending policy.

## Support for corporate clients in difficulties

Rabobank stands by its clients when they encounter problems. It actively seeks to identify problems at an early stage in the event that corporate clients find themselves in difficulties. Employees are given ongoing training so that they are able to respond in the best possible way to developments affecting our clients. In 2009, there was perceptible growth in the number of non-performing loans. With respect to non-performing accounts, our basic principle is that we want to help clients get back on their feet in a responsible manner. Rabobank's central



non-performing accounts teams are dedicated to specific sectors so that they can gear their support to the needs of the client wherever possible. This is because sector-specific expertise is required both in the support phase and during settlement. Throughout this process, it is important that the non-performing accounts teams work closely with the client's account manager, who knows both the business and its owner well. If investigations reveal that the business has a viable future, we may decide to continue a loan or even provide additional financing. As part of this, outside experts, such as interim managers, auditors and sector experts, can help the client sort matters out. Owing to the current crisis and the fact that clients are provided with extensive support, the average amount of time that clients were under active treatment by the teams increased in 2009. If, despite all efforts, the client relationship has to be terminated, the bank continues to treat the client with due care, while respecting the rights of third parties. During 2009, the local Rabobanks were given the possibility of using a flexible pool of additional employees for non-performing accounts. At the start of 2010, they were provided with a new system for more efficient treatment of non-performing accounts within the limits of their local powers. This has resulted in better safeguards for the non-performing accounts process and ensures the amount of the provisions for loan losses can be properly monitored.

### Complaints procedure

Rabobank attaches great value to a proper complaints procedure for clients. Lessons can be learned from every complaint, and these can be used to improve our services further. The turbulence on the financial markets meant there was a considerable increase in the number of complaints across the board. The issues we received most complaints about were investments and disputed ATM and POS transactions with debit and credit cards.

### Advertising Code Committee

Private individuals and corporations can submit complaints about advertisements to the Dutch Advertising Code Committee. During 2009, four complaints were submitted in relation to Rabobank, Robeco, De Lage Landen and Obvion, and Rabobank International received one complaint. Regarding one of the complaints, the Committee ruled in favour of the client. All other complaints were rejected.

### Regulatory issues discussed with regulators

Rabobank Group dealt with eight instances of potential violations of regulations relating to product and client information in 2009. Although none of these instances resulted in a fine, restorative action has been undertaken.

### Safety, security and privacy

Rabobank acknowledges that safety, security and privacy are extremely important to clients and employees. It is also required by law to comply with requirements concerning the integrity of and control over its operations and the proper management of business risks. Taking legislation, known risks and generally accepted standards as its basis, Rabobank Nederland has specified a minimum level of security and safety for people, buildings and resources, together with related measures, in its system of standards.

During the year under review, a USB flash drive containing client data accidentally ended up in the hands of a regional newspaper. The bank informed all affected clients and took steps to reduce the risk of a recurrence, which included supplying secure USB flash drives. In 2010, employees will be encouraged to pay additional attention to how confidential information is handled.

### Cyber crime

Rabobank pays constant attention to preventing and combating cyber crime (criminal activities that target the ICT systems of banks and their clients). We invest substantial amounts in maintaining the security of virtual channels every year. To promote safe online banking practices among clients, the banks launched the '3x kloppen' ('Knock Three Times') campaign through the Dutch Banking Association. If a client is suspected of using a computer that has a virus, their computer is temporarily disconnected from the online banking environment, and the client is given advice on what steps to take. In addition, a Virtual Channel Security programme was introduced in 2009.



# Dialogue with stakeholders

[www.rabobank.com/dialogue](http://www.rabobank.com/dialogue); [www.rabobank.com/ethics](http://www.rabobank.com/ethics)

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One of the distinguishing features of Rabobank's approach to corporate social responsibility is that it seeks to hold a dialogue with stakeholders on social trends and issues. This has the chief result of enabling Rabobank and its employees to deal, in a practical and professional manner, with dilemmas that may arise as part of the provision of services, and thus take responsible decisions in this area.

## **Stakeholders of Rabobank Group**

The issues that truly matter to Rabobank depend on the issues raised by our stakeholders: our clients, our employees, and civil society groups. Policy and practices at Rabobank are affected by our dialogue with stakeholders. The groups of stakeholders that have been identified are clients, employees, consumer interest groups, government agencies and civil society groups.

## **Dialogue about issues that matter**

The materiality principle forms the starting point for our dialogue with stakeholders. This means that Rabobank wants to enter into a dialogue on matters that have a major impact on the bank, its stakeholders and society at large. We actively involve stakeholders in our policy and services. For example, members' councils and youth councils of local Rabobanks are involved in policy-making and services, CSR policy is discussed with employee representation bodies, and civil society organisations are involved in the development of the Food & Agribusiness Principles and policy on value chains. Rabobank also held extensive consultations with civil society organisation that called for attention to be paid to social issues, such as renewable energy and the arms industry.

## **Looking ahead to 2020**

Rabobank holds consultations with external stakeholders every three years so that it can identify and respond to social trends swiftly. In 2009, it consulted leading representatives of clients, the government, non-governmental organisations, the academic community and Rabobank itself. The main issue under consideration was what the world will look like in 2020 and beyond, in terms of renewable energy, clean technology, social regeneration and the introduction of sustainability in food and agri chains. In 2010, the Executive Board and Cooperative Affairs Committee of the Supervisory Board will discuss the main recommendations put forward by the participating experts within the context of future CSR policy.

## **Dialogue on introducing sustainability in value chains**

Rabobank supports concrete initiatives for introducing sustainability to food and agri chains by participating in sector-wide national and international talks. Examples include the UN Global Compact, the UN Environmental Programme Finance Initiative, the Dutch Sustainable Trade Initiative (IDH), and the various Round Tables on sustainable production chains, such as RSPO (palm oil), the RTRS (soy), BSI (sugar) and the BCI (cotton). In 2009, Rabobank International and Rabobank Foundation consolidated their partnership aimed at providing Rabobank International clients with support in organising sourcing of agricultural products from small farmers in developing countries.

In addition, the draft policy on responsible lending in twelve value chains was submitted to WWF, Oxfam Novib, Bank Track and Solidaridad in 2009. The twelve policy documents form Rabobank's response to the potential and actual opportunities for innovation, and threats in value chains. They also help employees in their client contacts and when assessing transactions. Decisions on the implementation of the draft policy on value chains will be taken in the first half of 2010.

#### **Update on statement on arms industry**

Rabobank Group's policy statement on the arms industry was expounded upon in 2009. Business is no longer done with subsidiaries of business conglomerates directly involved in the production of controversial weapons, even if the subsidiary is not directly involved itself. We will terminate our relationship with a client that failed to comply with the arms industry statement in 2009 as soon as the current contract ends. This case has led Rabobank to start to screen businesses around the world even more carefully. Furthermore, investment clients are not actively provided with advice on any individual exchange-listed defence companies that are the subject of controversy.

#### **Investing in the arms industry**

In 2009, Oxfam Novib, Amnesty International and IKV Pax Christi published a report on banks and the arms industry. During discussions, they stated that Rabobank's statement on the arms industry was highly ambitious. They were also happy that Rabobank did not invest any of its own funds in controversial weapons. However, they did call for more attention to be paid to arms trading with dictatorial regimes and in war-torn areas. This matter will be discussed by the Arms Industry Committee. The civil society organisations felt that Robeco should rule out all investments in companies that produce nuclear armaments.

In 2009, Oxfam Novib, Amnesty International and IKV Pax Christi expressed their concerns about potential investments made on behalf of third parties in controversial weapons. Rabobank set up the Investment and Arms Industry Working Group to look into how this matter should be dealt with.

#### **Human rights policy**

Rabobank has had a human rights policy since 2002. Applying this policy in everyday banking proves to be a challenge at times. The main principles of the human rights policy are incorporated into the terms and conditions of investment as contained in the policy on value chains so that they can be integrated into our lending policy.

#### **Internal dialogue on integrating CSR into core activities**

In 2009, the ways in which corporate social responsibility contributes to core activities, and central themes for CSR can be fleshed out, were discussed within Rabobank Group. It transpired that CSR activities had to be further integrated into core activities and that clients needed to be able to see more easily that this had been done.

#### **Dialogue with Dutch Fair Bank Guide**

In 2009, Oxfam Novib, Amnesty International, Friends of the Earth Netherlands and FNV Mondiaal launched the Dutch Fair Bank Guide (Eerlijke Bankwijzer), a website that compares the performance of 12 Dutch banks in the area of sustainability. Rabobank supported this initiative, although it did not always agree with the logic of the design of the study and felt that the way in which information concerning investments in the arms industry was communicated was rather inept. A constructive dialogue on this matter was conducted. Another activity that led to a great deal of discussion was the Fair Bank Guide's case study concerning renewable energy.

In the run-up to the Copenhagen Climate Conference in December 2009, Rabobank issued a joint statement with nine other Dutch banks in which the importance of promoting renewable energy was emphasised. The banks called on the Dutch government to make it easier to invest in renewable energy. In addition, Rabobank issued a statement on its own ambitions in the area of renewable energy.

### Ethics Committee: a benchmark for internal dialogue

The Ethics Committee of Rabobank Group, which is led by the Chairman of the Executive Board, issues advice on dealing with moral dilemmas, using the Rabobank Group Code of Conduct, other internal policies and external rules of conduct as a basis. Its advice constitutes a body of standards for Rabobank's conduct. Any employee of Rabobank Group can take the initiative to submit real-life issues and ethically sensitive topics to the Ethics Committee at their discretion.

Since 2004, the Committee has also advised on CSR issues that affect our operations, such as animal welfare, deforestation, genetic modification, human rights and the arms industry. In 2009, the Committee issued advice on the statement on animal welfare, among other things. In addition, it looked at the content of the Food & Agribusiness Principles in some depth.

During 2009, the Ethics Desk dealt with approximately 70 ethical dilemmas. The Ethics Committee issued advice on 16 of these dilemmas, covering topics such as the use of inside information in client relationships and the relationship with an international agribusiness, which is now the subject of an engagement process.

In June 2009, a special seminar was held on the subject of integrity and dilemmas to mark the retirement of Mr Heemskerk, the former Chairman of the Executive Board, as the Chairman of the Ethics Committee.

# The cooperative in society

[www.rabobank.com/rabobankfoundation](http://www.rabobank.com/rabobankfoundation)

As a cooperative, Rabobank Group aims to be a driver and an innovator that contributes to the sustainable development of prosperity and well-being. This aim is expressed in our mission statement. We put a great deal of money and effort into achieving this ambition, year after year. Rabobank distributes cooperative dividend to the community, both on a local level and a national scale, through community funds, donations and sponsorship of community initiatives. In 2009, more than EUR 112.6 million was distributed in cooperative dividend, EUR 56.4 million of which in the form of donations and social funds, and EUR 58 million via community sponsoring. This figure does not include investments in the form of volunteering, the provision of equipment and resources, media and networks.

## Cooperative dividend (in millions of euros)

	2009	2008
<b>Total community investment funds and donations</b>	54.6	44.9
Cooperative funds (local Rabobanks)	25.8	20.4
Donations by Rabobank International and other group entities	3.3	3.8
Rabobank Foundation (in and outside the Netherlands)	24.3	16.8
Project Fund	0.8	3.7
Herman Wijffels Innovation Award prize money	0.1	0.1
Share4More	0.3	0.3
<b>Total sponsorship of community initiatives</b>	58.0	65.8
Rabobank Nederland, Communications Department	22.6	21.4
Rabobank International and other group entities	10.9	16.4
Local Rabobanks	24.5	28.0

## Local cooperative dividend

In 2009, 99% of the local Rabobanks had a cooperative fund for distributing cooperative dividend. Rabobank members play a key role in considering and determining how the available money is spent. More and more members are becoming involved in this process via virtual channels.

## Rabobank Foundation

Rabobank Foundation was established in 1973 to help underprivileged people, both in the Netherlands and elsewhere. This autonomous foundation had developed from an initiative by local Rabobanks into a group-wide organisation that provides structural and sustainable support. Rabobank Foundation has 0.5% of group profit as its annual budget. It aims to spend approximately 25% of the available funds on projects in the Netherlands, and approximately 75% on projects abroad.

## Rabobank Foundation in the Netherlands

In the Netherlands, Rabobank Foundation supports a range of groups within the community, such as homeless people, teenagers with problems, people with a mental or physical disability, and people who are unable to read or write, with the aim of helping them to participate in society and the economy. During the year under review, Rabobank Foundation focused on the themes of people and society, work and education, and sport and leisure. Some 49 projects were given support totalling EUR 3.2 million in 2009.

### Rabobank Project Fund

The Rabobank Project Fund supports innovative, sustainable projects in the Netherlands that bring economic and social benefits to large groups of members. In 2009, 17 applications were successful. The projects included a mini business academy for women from ethnic minorities, a pay-back test for sustainable innovations in horticulture, and a project to make visual material relating to genetics and hereditary conditions available online for physicians and patients.

### Herman Wijffels Innovation Award

The Herman Wijffels Innovation Award, which is presented once a year by the Herman Wijffels Fund, is aimed at promoting innovative and socially responsible business practices. In 2009, we received a record 533 (409) entries. The first prize of EUR 50,000 went to DyeCoo Textile Systems for a machine that uses carbon dioxide and pure dyes, instead of chemicals and water, to dye textiles. The entries were assessed and the entrants were given further advice in association with the Netherlands Patent Office and SenterNovem.

### Share4More

Current and retired employees of Rabobank Group can opt to make monthly donations to the Share4More fund. The Executive Board of Rabobank Nederland doubles any donations made. The fund uses the donations to help improve the position of women, children and disabled people in developing countries. Donors are also free to nominate projects. Every year, the fund supports many small-scale projects that aim to improve healthcare services and the education system, and reduce poverty and child mortality. Share4More wants to increase the number of its donors to 10,000 over the coming years.

### Rabobank and volunteering

Providing various kinds of support for volunteering activities that lead to social improvements is another form of cooperative dividend. Many local Rabobanks sponsor or give donations to associations and foundations, employees serve on boards, facilities are made available, knowledge is shared, and parties are brought together. Employees of 101 of the 147 local Rabobanks spent 58,762 (79,000) hours volunteering, while employees of Rabobank International 21,084 (11,382) hours and employees of other group entities spent 6,632 (4,872) hours doing volunteer work. On a national level, Rabobank works in partnership with the Association of Dutch Voluntary Effort Organisations (NOV). It also works with a number of parties that encourage and support volunteering.

### Community sponsoring

Rabobank's sponsorship policy is aimed at building sustainable partnerships that promote a vibrant, caring society, focusing on culture and sport, in particular cycling, field hockey and equestrian sport. The long-standing ties between local Rabobanks and many local sports clubs have provided the clubs with a solid foundation. In 2009, Rabobank Group spent EUR 58 million on sponsorship, with 1% of the sport sponsorship budget being made available for disability sports. The local Rabobanks spent EUR 7.5 million on cultural sponsorship, and sponsorship was also provided for the Van Gogh Museum and the major exhibition at Paleis 't Loo National Museum marking the hundredth anniversary of Queen Mother Juliana's birth.

### Social ambitions of clients

Interest in contributing to social initiatives is growing among high net worth individuals. Rabobank can help these clients through the following services:

- **The Rabo Charity Desk** – Rabobank Private Banking clients who want to donate some of their wealth to good causes or set up their own foundations can turn to the Rabo Charity Desk for assistance in working towards achieving their social ambitions. Special advisors help these clients find appropriate causes to work with or donate to.
- **Rabobank Foundation Client Fund** – Through this fund, Rabobank clients can either make donations or set up a fund in their own name to support Rabobank Foundation's projects. In 2009, this fund enabled, among other things, donations to be made in support of projects relating to the themes of sustainable chain development in developing countries and social enterprise in the Netherlands.

# Banking in developing countries

[www.rabobank.com/rabodevelopment](http://www.rabobank.com/rabodevelopment); [www.rabobank.com/rabobankfoundation](http://www.rabobank.com/rabobankfoundation)

For many decades, Rabobank has worked to improve access to financial services for people living in developing countries, drawing on its long experience as a cooperative in the agricultural sector. Rabobank Foundation and Rabo Development are particularly active in this area. Furthermore, new opportunities are being opened up thanks to Rabobank International’s greater focus on the agricultural sector. Rabobank Foundation, Rabo Development and Rabobank International pool their knowledge and resources with the aim of promoting sustainable development in the agricultural and financial sectors in developing countries. This has benefits for society and also for our relationship with clients.

## Countries targeted by Rabobank Foundation and Rabo Development



### Rabobank Foundation (26 countries)

#### Europe

Albania

The Netherlands

#### Asia

Cambodia

Philippines

India

Indonesia

Laos

Sri Lanka

Vietnam

#### Americas

Brazil

Ecuador

Honduras

Mexico

Nicaragua

Paraguay

Peru

#### Africa

Ethiopia

Ghana

Cameroon

Kenya

Mozambique

Uganda

Rwanda

Senegal

Tanzania

Zambia

### Rabo Development (12 countries)

#### Europe

Russia

Turkey

#### Asia

China (URCB\*)

Vietnam

Malaysia

#### Americas

Paraguay (Banco

Regional\*)

#### Africa

Tanzania (NMB\*)

Rwanda (BPR\*)

Mozambique (Banco Terra\*)

Zambia (ZNCB\*)

Egypt

Malawi

\*partner bank

## Rabobank Foundation

Rabobank Foundation provides support to savings and credit organisations and farmers' organisations in rural districts, focusing on microfinance and sustainable chain development. Support is mainly provided by means of financial tools, but technical assistance is also hired in, preferably locally or from Rabobank Group. Rabobank Foundation has its origins in a cooperative organisation and is the product of that organisation's strength. For this reason, it primarily supports cooperatives active in rural areas in 25 selected developing countries.

In 2009, Rabobank Foundation approved 166 applications received from abroad, providing support worth EUR 21.1 million. The tools used outside the Netherlands by Rabobank Foundation during the year were trade finance (29%), microfinance (33%) and donations and technical assistance (38%).

Rabobank Foundation focused on adoption projects in 2009, under which the foreign projects it supports are linked to contributions made by specific local Rabobanks. This allows the local Rabobanks to identify with projects and creates extra opportunities for engaging employees, members, and new and existing clients.

In 2009, Rabobank Foundation noted an upward trend in the average sum granted per loan application. Owing to the state of the economy, importers and traders of agricultural products that are based in Europe and the US are not pre-financing small producers in developing countries to the extent they used to. Microfinance institutions are also experiencing a shortage of finances in those areas where they depend on funding from the market or commercial banks.

## Rabo Development

Rabo Development helps rural banks active in developing countries to become professional, modern financial institutions. Strategic alliances enable a large section of the population to access financial services provided by partner banks. Partner banks remain autonomous but receive support in the form of capital, management and technical assistance. In 2009, banking specialists spent over 200 man-months working on location on Rabo Development projects. In December 2009, Rabo Development had 22 expats working abroad.

## Increasing sustainability in chains and production methods

Cooperation within Rabobank Group allows influence to be exercised over specific parts of the value chain, ranging from producers to multinationals. Rabobank clients often do not have direct contact with farmers at the start of the production chain, but they can cooperate with Rabobank Foundation and Rabo Development to help improve productivity levels, sustainability and product quality among farmers. For example, Rabo Development and Ilovo, a client of Rabobank International, provide farmers with advice on selling and processing sugar cane. In Vietnam, Rabobank Foundation and Rabo Development are identifying ways in which coffee growers can organise themselves in cooperatives and can adopt more sustainable production methods.

## Rabobank Sustainable Agri Fund

The Rabobank Sustainable Agri Fund, which was set up by Rabobank International in association with Rabobank Foundation, is another example of sustainable banking in developing countries. The guarantee fund forms strategic alliances with local commercial banks aimed at helping businesses and cooperatives that are unable to arrange enough trade finance to export their products, despite being profitable. In 2009, funding was doubled thanks to additional contributions from Rabobank International and Rabobank Foundation. At the end of 2009, the fund had issued guarantees totalling more than EUR 5 million.



# Responsible operations

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Rabobank Group promotes environmentally aware, responsible banking and sustainability in value chains in the course of its operations by means of energy efficiency and the application of renewable energy sources, among other things. Sustainable and responsible products are purchased wherever possible, boosting sustainability in value chains. Under our sound CSR policy, two key objectives have been set for Rabobank Group's operations. The first is to reduce carbon emissions, in other words our climate footprint. Our aim is to cut greenhouse gas emissions per FTE by at least 20% between 2009 and 2013. The remaining emissions are offset by purchasing carbon credits. The second key objective is to make the entire procurement process sustainable and socially responsible. In 2010, the CSR purchasing specifications of Rabobank Group Purchasing will be extended to cover all relevant product categories, making Rabobank's purchases 100% sustainable.

## A more sustainable and efficient climate footprint

The starting point of Rabobank Group's climate and energy policy is that its operations should be climate-neutral. This implies that the negative impact of greenhouse gas emissions on the climate and environment has to be offset. The emphasis in this area is on reducing the climate footprint per FTE through the application of renewable energy and the more efficient use of water and energy, in particular gas and electricity. The climate and energy policy is in line with the goals formulated by the Dutch government to cut energy consumption by 2% a year, and to reduce greenhouse gas emissions by 30% and generate 20% renewable energy by 2020. In 2009, Rabobank and the Dutch government signed up to the long-term agreement on energy efficiency (Dutch acronym: MJA3).

Almost all group entities and 71 local Rabobanks demonstrated their support for the agreement by signing a letter of intent on the reduction of carbon emissions in 2009. Best practices have been shared with a view to achieving these reductions. Our internal energy programme supports local Rabobanks and other group entities in their efforts to be more energy-efficient.

## Offsetting carbon emissions

Rabobank Group started to make its operations climate-neutral in 2007. In 2009, it offset its entire climate footprint for 2008 by purchasing carbon credits. The climate footprint for 2009 will be offset in 2010.

## Climate footprint decreases

Rabobank Group's climate footprint for 2009 was 170,500 (182,800) tonnes of CO<sub>2</sub>. The climate footprint per FTE fell to 2.8 (3.1) tonnes of CO<sub>2</sub>, chiefly as a result of the partial switch to green gas, a reduction in flight mileage and a better understanding of the figures of actual energy consumption. This means that, for the time being, Rabobank Group is on course to achieve its objectives in the area of CO<sub>2</sub> reduction. For further information on our climate footprint and associated consumption and emissions, please visit [www.rabobank.com/csr-figures](http://www.rabobank.com/csr-figures).

## 48% green gas

The switch to primarily renewable energy sources has to be made soon if greenhouse gases are to be cut majorly and fossil fuel consumption reduced. Rabobank Group has therefore decided to purchase biogas. The breakdown of organic matter in landfill sites produces raw biogas, which is upgraded to a quality similar to fossil natural gas and injected into the gas grid. Throughout the chain, carbon emissions caused by green gas are almost 75% lower than those caused by natural gas. In 2009, 48% of the gas consumed by Rabobank Group was biogas.

## Green ICT

Green ICT (environmentally sustainable computing) is a key objective for the years 2009 to 2013. Unfortunately, growing demand for ICT means it will not be possible to cut direct energy consumption, although energy can be used more efficiently. Rabobank Group's objective is to achieve a 20% improvement in the energy efficiency of its data centres and infra services.

During 2009, cooling alleys were installed in the Best data centre, which will result in energy savings of 2.45 million kWh per year, enough to power 700 homes. A model was developed in 2009 for assessing the energy efficiency of the ICT performance over the next few years.

## Sustainable mobility

Rabobank encourages commuting by public transport, reduces traffic congestion by enabling employees to work in accordance with the 'Unplugged' concept, and is a partner in the Dutch anti-congestion day. Rabobank Group's total lease mileage (in kilometres) increased by 2% in 2009, while at the local Rabobanks and Rabobank Nederland CO<sub>2</sub> emissions per kilometre travelled decreased from 0.176 kilograms to 0.168 kilograms. To minimise emissions from leased cars, the options for leased car drivers are now limited to the most energy-efficient cars (energy label A, B or C).

The Dutch Railways Business Card, which has been available to leased car drivers at Rabobank Nederland and the local Rabobanks since 2007, is still proving popular. In 2009, travel using this card was up 23% on 2008, landing at 5.4 million train kilometres.

The targets for cutting air travel that should have been formulated in 2009 will now be set in 2010. The total number of flights decreased by 25%.

## Sustainable, socially responsible purchasing

The importance of CSR was clarified and further safeguarded in the purchasing processes of Rabobank Group Purchasing, covering all aspects from order placement to the evaluation of the result of a particular purchase.

During 2009 a reanalysis was performed of all planned purchases of products and services in which CSR plays a significant role. This revealed that the CSR purchasing criteria for a number of products and services needed to be amended. In the context of sustainable chain management, Rabobank Group Purchasing will pay more attention to the CSR profile of the parties that supply our direct suppliers, by working through our suppliers. In connection with this, Rabobank participates in a study into the possibility of introducing a national CSR certification scheme for production and distribution chains.

## Paper consumption

Rabobank Group aims to reduce paper consumption by employees and the amount of paperwork that clients have to deal with. In the Netherlands, the use of A4-size paper was 33.7 (39.1) kilograms per fte, down 14% compared with 2008. Moreover, the paper we use has to be FSC-certified, which guarantees that the raw materials from which it is made come from sustainably managed forests. The amount of paper used in the Netherlands for bank statements, other documents, giro transfer slips and envelopes was in 2009 3.2 (3.2) million kilogram.

### Increase in organic catering

Rabobank Nederland's objective for 2009 was for 40% of catering to be organic. This objective was achieved in the first half of the year. By year end 2009, 53% of catering was organic.

### Waste

Residual waste in 2009 amounted to 45 (60) kilograms per FTE, representing a 25% fall. In the Netherlands, every FTE produced 68 (66) kilograms in paper and cardboard waste.

### Donation of computers

Rabobank Group donated over 2000 used computers to good causes in 2009.

# Profile of Rabobank Group

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Rabobank Group is an international financial services provider operating on the basis of cooperative principles. It offers retail banking, wholesale banking, asset management, leasing and real estate services. Focus is on all-finance services in the Netherlands and on food and agribusiness internationally. Rabobank Group is comprised of independent local Rabobanks plus Rabobank Nederland, their umbrella organisation, and a number of specialist subsidiaries. The group entities maintain strong mutual ties. Rabobank Group's total employee base numbers about 59,000 FTEs, who serve about 9.5 million clients in 48 countries.

In terms of tier 1 capital, Rabobank Group is among the world's 25 largest financial institutions. Rabobank Group has the highest credit rating (triple A), awarded by rating agencies Standard & Poor's, Moody's Investor Service and DBRS.

## Rabobank

The 147 local Rabobanks in the Netherlands are Rabobank Group's cooperative core business. Together, they employ approximately 28,000 FTEs. Committed, nearby and leading in their service offering, they serve about 6.7 million retail clients and about 0.8 million corporate clients in the Netherlands, offering a comprehensive range of financial services. With 1,010 branches, which operate 3,063 cash-dispensing machines, Rabobank forms the densest banking network in the Netherlands. The local Rabobanks seek to offer their customers the best possible services by leveraging different distribution channels, including the branch network, and online and telephone services. Rooted in the bank's cooperative structure, clients can become members of their local Rabobank. The local Rabobanks, for their part, are members and shareholders of Rabobank Nederland, the umbrella cooperative that supports their local service provision.

Rabobank Nederland monitors, on behalf of the Dutch Central Bank (DNB), the business practices, outsourcing, solvency and liquidity of the local Rabobanks. It also acts as the holding company of a number of specialist subsidiaries, both in the Netherlands and abroad. Rabobank Nederland has an employee base of about 6,200 FTEs.

Rabobank International – the wholesale banking and international retail banking divisions of Rabobank Group – has an employee base of about 14,500 FTEs, including the foreign subsidiaries. Boasting a network in 30 countries and 528 foreign places of business, Rabobank International is a well-known player in the world's key markets.

Rabo Development supports the advancement of a banking infrastructure in developing countries by acquiring non-controlling interests in rural banks and offering them expertise and human capital.

Rabobank Foundation helps vulnerable and underprivileged groups in and outside the Netherlands by contributing funds, human resources and knowledge.

## Mission and ambition

Rabobank Group is a driving and innovating force working in the common interest of individuals and communities, offering the best possible financial solutions to help them achieve their ambitions. In doing so, Rabobank Group wants to be the largest, best, most customer-oriented and innovative financial institution in the Netherlands while at the same time contributing to the sustainable development of prosperity and well-being. Corporate social responsibility has been integrated into its core activities. On a global level, Rabobank Group aspires to be the best food and agribusiness bank, with a strong presence in key food and agriculture countries. For this purpose, Rabobank Group harnesses the knowledge and expertise it has accumulated in the Netherlands. Rabobank Group also wants to achieve global excellence in corporate social responsibility and sustainability.

## Core values

Rabobank Group has four core values, which extend naturally from its mission and ambition: respect, integrity, professionalism and sustainability. Mindful of these values, Rabobank Group offers its clients all the financial services they need as they participate in an economy-driven modern society. Rabobank Group respects the culture and traditions of the countries where it operates without losing sight of its own objectives and values, and of legal and regulatory constraints.

### Rabobank Group

Situation at 1 January 2010



The local Rabobanks and their members make up the core of the banking business. They are the cooperative's key stakeholders. Being the central (legal) entity, Rabobank Nederland supports the local Rabobanks in the Netherlands, for instance by helping them develop new products and market their services. Rabobank Nederland carries out staff functions for the local Rabobanks and for Rabobank Group as a whole. Rabobank International applies its expertise towards serving a large number of corporate and retail clients globally. Rabo Development has equity interests in rural banks in developing countries. Rabobank Group provides all-finance services via several specialist subsidiaries and associates that operate in different markets under their own labels.

# Rabobank Group global presence

## Rabobank Group (48 countries)

Argentina	Malaysia
Australia	Mauritius
Austria	Mexico
Bahrain	Netherlands Antilles
Belgium	New Zealand
Brazil	Norway
Canada	Oman
Cayman Island	Poland
Chile	Portugal
China	Qatar
Curaçao	Romania
Czech Republic	Russia
Denmark	Singapore
Finland	South Africa
France	South Korea
Germany	Spain
Guernsey	Sweden
Hungary	Switzerland
India	Taiwan
Indonesia	The Netherlands
Ireland	Turkey
Italy	United Arab Emirates
Japan	United Kingdom
Luxembourg	United States

## Rabobank International (30 countries)

Argentina	Japan
Australia	Luxembourg
Belgium	Malaysia
Brazil	Mauritius
Canada	Mexico
Cayman Islands	Netherlands Antilles
Chile	New Zealand
China	Poland
Curaçao	Russia
France	Singapore
Germany	Spain
India	The Netherlands
Indonesia	Turkey
Ireland	United Kingdom
Italy	United States

## Rabo Development partner banks (6 countries)

China
Mozambique
Paraguay
Rwanda
Tanzania
Zambia





### Global presence Rabobank Group

With Rabobank and its subsidiaries, Rabobank Group operates in 48 countries, including the Netherlands. Rabobank International has a presence in 30 countries, boasting 528 foreign places of business. In addition, Rabo Development is active in twelve countries, with non-controlling interests in six partner banks. Finally, Rabobank Foundation supports projects in 26 countries. The countries where Rabobank holds non-controlling interests or is involved in projects have been disregarded in the 48 countries of operation listed for Rabobank Group.

For more information on Rabobank International branches and offices, including address and contact details, please visit [www.rabobank.com](http://www.rabobank.com).



# Annual figures

## Consolidated statement of financial position

In millions of euros	At 31 December 2009	At 31 December 2008
<b>Assets</b>		
Cash and cash equivalents	16,565	7,105
Due from other banks	35,641	33,776
Trading financial assets	12,761	11,576
Other financial assets at fair value through profit and loss	9,122	7,896
Derivative financial instruments	39,091	66,759
Loans to customers	433,870	426,283
Available-for-sale financial assets	33,349	31,665
Held-to-maturity financial assets	418	497
Investments in associates	4,056	3,455
Intangible assets	3,736	3,728
Property and equipment	6,124	5,870
Investment properties	1,363	1,038
Current tax assets	240	298
Deferred tax assets	1,174	1,619
Employee benefits	1,467	-
Other assets	8,721	10,555
<b>Total assets</b>	<b>607,698</b>	<b>612,120</b>

In millions of euros	At 31 December 2009	At 31 December 2008
<b>Liabilities</b>		
Due to other banks	22,429	23,891
Due to customers	286,338	304,214
Debt securities in issue	171,752	135,779
Derivative financial instruments and other trade liabilities	48,765	77,230
Other debts	8,083	8,644
Other financial liabilities at fair value through profit and loss	27,319	24,797
Provisions	1,095	875
Current tax liabilities	468	227
Deferred tax liabilities	489	474
Employee benefits	500	371
Subordinated debt	2,362	2,159
<b>Total liabilities</b>	<b>569,600</b>	<b>578,661</b>
<b>Equity</b>		
Equity of Rabobank Nederland and local Rabobanks	22,178	20,074
Rabobank Member Certificates issued by a group company	6,315	6,236
	28,493	26,310
Capital Securities and Trust Preferred Securities III to VI	6,182	3,510
Non-controlling interests	3,423	3,639
<b>Total equity</b>	<b>38,098</b>	<b>33,459</b>
<b>Total equity and liabilities</b>	<b>607,698</b>	<b>612,120</b>

# Consolidated statement of income

In millions of euros	For the year ended 31 December	
	2009	2008
Interest income	19,766	27,245
Interest expense	11,720	18,728
<b>Interest</b>	<b>8,046</b>	<b>8,517</b>
Fee and commission income	3,015	3,400
Fee and commission expense	440	511
<b>Fees and commission</b>	<b>2,575</b>	<b>2,889</b>
Income from associates	592	(26)
Net income from financial assets and liabilities at fair value through profit and loss	(226)	(1,155)
Gains on available-for-sale financial assets	138	(51)
Other	742	1,478
<b>Income</b>	<b>11,867</b>	<b>11,652</b>
Staff costs	3,869	4,290
Other administrative expenses	2,908	2,796
Depreciation and amortisation	527	525
<b>Operating expenses</b>	<b>7,304</b>	<b>7,611</b>
Value adjustments	1,959	1,189
<b>Operating profit before taxation</b>	<b>2,604</b>	<b>2,852</b>
Taxation	316	98
<b>Net profit</b>	<b>2,288</b>	<b>2,754</b>
Of which attributable to Rabobank Nederland and local Rabobanks	1,475	2,089
Of which attributable to holders of Rabobank Member Certificates	318	316
Of which attributable to Capital Securities	308	94
Of which attributable to Trust Preferred Securities III to VI	78	100
Of which attributable to non-controlling interests	109	155
<b>Net profit for the year</b>	<b>2,288</b>	<b>2,754</b>

# Consolidated statement of comprehensive income

In millions of euros	For the year ended 31 December	
	2009	2008
Net profit	2,288	2,754
Arising in the period (after taxation):		
Foreign currency translation reserves		
Currency translation differences	45	(337)
Revaluation reserve - Available-for-sale financial assets		
Changes in associates	(359)	(416)
Fair value changes	490	(1,482)
Amortisation of reclassified assets	210	119
Transferred to profit or loss	189	392
Revaluation reserve - Associates		
Fair value changes	(29)	(1)
Revaluation reserve - Cash flow hedges		
Fair value changes	(6)	(32)
Non-controlling interests		
Currency translation differences	(37)	56
Changes in AFS revaluation reserve	12	472
Issue of Capital Securities		
Costs of issue of Capital Securities	(13)	(12)
Total other comprehensive income	502	(1,241)
Total comprehensive income	2,790	1,513
Of which attributable to Rabobank Nederland and local Rabobanks	2,002	320
Of which attributable to holders of Rabobank Member Certificates	318	316
Of which attributable to Capital Securities	308	94
Of which attributable to Trust Preferred Securities III to VI	78	100
Of which attributable to non-controlling interests	84	683
Total comprehensive income	2,790	1,513

## Consolidated statement of changes in equity

In million of euros	Equity of Rabobank Nederland and local Rabobanks	Rabobank Member Certificates	Capital Securities and TPS	Non- controlling interests	Total
At 1 January 2008	19,684	6,233	2,779	2,713	31,409
Total comprehensive income	320	316	194	683	1,513
Payment on Rabobank Member Certificates, Trust Preferred Securities III to VI (TPS) and Capital Securities	-	(316)	(194)	-	(510)
Issue of Capital Securities	-	-	835	-	835
Share premium	(115)	154	-	-	39
Other	185	(151)	(104)	243	173
At 31 December 2008	20,074	6,236	3,510	3,639	33,459
At 1 January 2009	20,074	6,236	3,510	3,639	33,459
Total comprehensive income	2,002	318	386	84	2,790
Payment on Rabobank Member Certificates, Trust Preferred Securities III to VI (TPS) and Capital Securities	-	(318)	(386)	-	(704)
Issue of Rabobank Member Certificates and Capital Securities	-	79	3,160	-	3,239
Purchase of Trust Preferred Securities III	-	-	(527)	-	(527)
Other	102	-	39	(300)	(159)
At 31 December 2009	22,178	6,315	6,182	3,423	38,098

# Consolidated statement of cash flows

In millions of euros	For the year ended 31 December	
	2009	2008
<b>Cash flows from operating activities</b>		
Operating profit before taxation	2,604	2,852
Adjusted for:		
<i>Non-cash items recognised in profit and loss</i>		
Depreciation and amortisation	527	525
Value adjustments	1,959	1,189
Result on sale of property and equipment	(14)	(12)
Share of (profit) of associates	(592)	84
Fair value results on financial assets and liabilities at fair value through profit and loss	226	1,155
Net result on available-for-sale financial assets	(138)	51
<i>Net change in operating assets:</i>		
Due from and due to other banks	(3,346)	(12,999)
Trading financial assets	(2,613)	17,603
Derivative financial instruments	27,668	(40,670)
Net change in non-trading financial assets at fair value through profit and loss	2,949	7,731
Loans to customers	(8,856)	(53,315)
Dividends received from associates and financial assets	54	68
<i>Net change in liabilities relating to operating activities:</i>		
Derivative financial instruments and other trade liabilities	(28,464)	46,133
Due to customers	(17,875)	27,604
Debt securities in issue	35,973	(6,033)
Other debts	(562)	(1,874)
Income tax paid	(216)	(789)
Other changes	932	12,950
<b>Net cash flow from operating activities</b>	<b>10,216</b>	<b>2,253</b>
<b>Cash flows from investing activities</b>		
Acquisition of associates net of cash and cash equivalents acquired	(425)	(181)
Disposal of associates net of cash and cash equivalents	3	1
Acquisition of property and equipment and investment properties	(2,020)	(1,638)
Proceeds from sale of property and equipment	531	893
Acquisition of available-for-sale financial assets and held-to-maturity financial assets	(25,652)	(16,508)
Proceeds from sale and repayment of available-for-sale financial assets and held-to-maturity financial assets	24,521	19,889
<b>Net cash flow from investing activities</b>	<b>(3,042)</b>	<b>2,456</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of Capital Securities and Rabobank Member Certificates	3,239	823
Proceeds from issue of subordinated debt	1,000	-
Payment on Rabobank Member Certificates, Trust Preferred Securities III to VI and Capital Securities	(704)	(510)
Purchase Trust Preferred Securities	(1,249)	-
Repayment of and proceeds from issue of subordinated debt	-	(46)
<b>Net cash flow from financing activities</b>	<b>2,286</b>	<b>267</b>
<b>Net change in cash and cash equivalents</b>	<b>9,460</b>	<b>4,976</b>
Cash and cash equivalents at beginning of year	7,105	2,129
<b>Cash and cash equivalents at end of year</b>	<b>16,565</b>	<b>7,105</b>
<i>The cash flows from interest are included in the net cash flow from operating activities.</i>		
Interest income	20,503	27,088
Interest expense	12,289	18,219

# Condensed business segments

In millions of euros	Domestic retail banking	Wholesale banking and international retail banking	Asset management and investment	Leasing	Real estate	Other	Total
<b>For the year ended 31 December 2009</b>							
Interest	4,360	2,926	104	590	182	(116)	8,046
Fees and commission	1,261	488	757	59	44	(34)	2,575
Other income	505	133	123	377	283	(175)	1,246
<b>Total income</b>	<b>6,126</b>	<b>3,547</b>	<b>984</b>	<b>1,026</b>	<b>509</b>	<b>(325)</b>	<b>11,867</b>
Segment expense	4,619	2,723	954	916	419	(368)	9,263
<b>Operating profit before tax</b>	<b>1,507</b>	<b>824</b>	<b>30</b>	<b>110</b>	<b>90</b>	<b>43</b>	<b>2,604</b>
Income tax expense	294	178	17	(2)	22	(193)	316
<b>Net profit for the year</b>	<b>1,213</b>	<b>646</b>	<b>13</b>	<b>112</b>	<b>68</b>	<b>236</b>	<b>2,288</b>
Business unit assets	328,907	406,823	22,079	28,712	26,291	(209,171)	603,642
Investments in associates	21	331	72	27	78	3,527	4,056
<b>Total assets</b>	<b>328,928</b>	<b>407,154</b>	<b>22,151</b>	<b>28,739</b>	<b>26,369</b>	<b>(205,643)</b>	<b>607,698</b>
Business unit liabilities	308,255	452,593	19,695	26,013	25,249	(262,205)	569,600
<b>Total liabilities</b>	<b>308,255</b>	<b>452,593</b>	<b>19,695</b>	<b>26,013</b>	<b>25,249</b>	<b>(262,205)</b>	<b>569,600</b>
Additions to property and equipment	180	23	10	1,394	90	243	1,940
Depreciation and amortisation including ... amortisation of software	133	94	109	35	37	119	527
Value adjustments	721	940	4	300	22	(28)	1,959
<b>For the year ended 31 December 2008</b>							
Interest	4,758	3,156	144	530	85	(156)	8,517
Fees and commission	1,354	304	1,084	61	31	55	2,889
Other income	42	(1,463)	390	424	311	542	246
<b>Total income</b>	<b>6,154</b>	<b>1,997</b>	<b>1,618</b>	<b>1,015</b>	<b>427</b>	<b>441</b>	<b>11,652</b>
Segment expense	4,243	2,494	1,055	714	394	(100)	8,800
<b>Operating profit before tax</b>	<b>1,911</b>	<b>(497)</b>	<b>563</b>	<b>301</b>	<b>33</b>	<b>541</b>	<b>2,852</b>
Income tax expense	478	(524)	125	66	9	(56)	98
<b>Net profit for the year</b>	<b>1,433</b>	<b>27</b>	<b>438</b>	<b>235</b>	<b>24</b>	<b>597</b>	<b>2,754</b>
Business unit assets	309,699	419,413	21,449	30,168	25,895	(197,959)	608,665
Investments in associates	14	304	76	25	6	3,030	3,455
<b>Total assets</b>	<b>309,713</b>	<b>419,717</b>	<b>21,525</b>	<b>30,193</b>	<b>25,901</b>	<b>(194,929)</b>	<b>612,120</b>
Business unit liabilities	290,303	476,519	19,201	27,695	24,839	(259,896)	578,661
<b>Total liabilities</b>	<b>290,303</b>	<b>476,519</b>	<b>19,201</b>	<b>27,695</b>	<b>24,839</b>	<b>(259,896)</b>	<b>578,661</b>
Additions to property and equipment	165	100	32	1,062	53	193	1,605
Depreciation and amortisation including ... amortisation of software	141	84	102	31	43	124	525
Value adjustments	199	786	42	118	-	44	1,189





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This document was printed using environmentally friendly materials. The ink was mineral oil-free Novavit® Easy Mix Bio and the paper 130 and 300 gram Arctic the Volume (FSC certified).

## Disclaimer

This Report is a translation of the Dutch Report. In the event of any conflict in interpretation, the Dutch original takes precedence.

## Our reports

In 2010, Rabobank Group publishes the following reports, both in English and in Dutch:

- Annual Summary 2009 Rabobank Group / Jaarbericht 2009 Rabobank Groep
- Annual Report 2009 Rabobank Group / Jaarverslag 2009 Rabobank Groep
- Report 2009 Rabobank Group / Verslag 2009 Rabobank Groep
- Consolidated Financial Statements 2009 Rabobank Group / Geconsolideerde jaarrekening 2009 Rabobank Groep
- Financial Statements 2009 Rabobank Nederland / Jaarrekening 2009 Rabobank Nederland
- Interim Report 2010 Rabobank Group / Halfjaarverslag 2010 Rabobank Groep

Our reports are published on [www.rabobank.com/annualreports](http://www.rabobank.com/annualreports) and [www.rabobank.com/jaarverslagen](http://www.rabobank.com/jaarverslagen).

## About the Report

The Report 2009 Rabobank Group is an integrated publication comprising financial and CSR-related information. This Report is based on the Financial Statements, the Annual Report and other information of Rabobank Nederland, as referred to in Book 2, Part 9 of the Dutch Civil Code, among other documents. As required by law, these reports have been/will be filed at the offices of the Trade Registry under number 30.046.259 after the adoption of the Financial Statements of Rabobank Nederland by the Annual General Meeting. The Annual General Meeting is scheduled for 15 June 2010.

An auditor's report as referred to in Section 393, paragraph 5 of Book 2 the Dutch Civil Code has been issued on the Financial Statements of Rabobank Nederland. This report has been issued in the form of an unqualified opinion. In its report, the external auditor has not emphasised any specific matters. This Report has been prepared in accordance with the G3 Guidelines of the Global Reporting Initiative. The CSR sections of this Report are based on the document entitled 'Working together towards a sustainable future'. An independent external auditor has issued an assurance report on this document, including the CSR facts and figures.

## Contact

[jaarverslagen@rn.rabobank.nl](mailto:jaarverslagen@rn.rabobank.nl)

Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland)

Croeselaan 18

P.O.Box 17100

3500 HG Utrecht

The Netherlands

+31 30 216 0000

