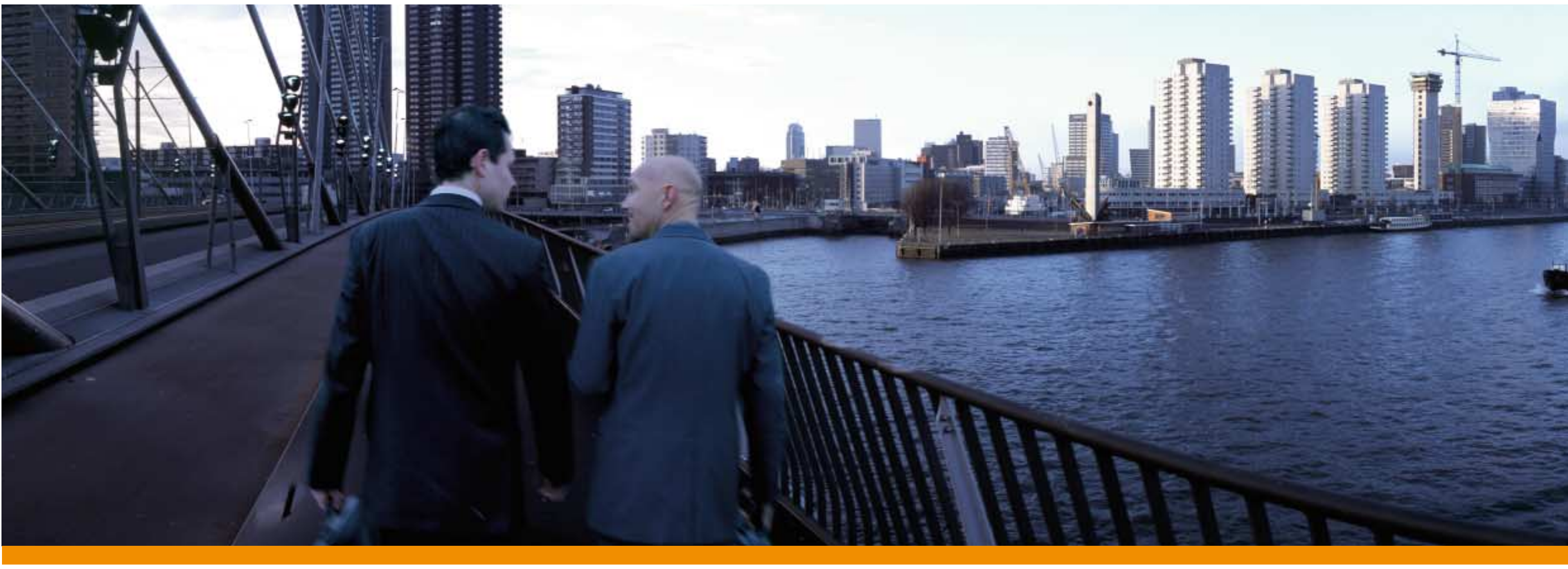
Rabobank



Rabobank Group

Consolidated Financial Statements 2003 and other information

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Consolidated financial statements

Other information

Consolidated balance sheet

at 31 December 2003 (after profit appropriation)

(in EUR millions)		2003		2002
Assets				
Cash (1)		7,117		3,807
Short-term government paper (2)		3,211		1,813
Professional securities transactions	30,199		40,053	
Other banks	11,720		7,176	
Banks (3)		41,919		47,229
Public sector lending	2,161		797	
Private sector lending	235,425		212,323	
Professional securities transactions	13,211		12,132	
Lending (4)		250,797		225,252
Interest-bearing securities (5)		71,141		71,320
Shares (6)		10,093		9,414
Participating interests (7)		201		184
Property and equipment (8)		3,964		3,870
Other assets (9)		4,984		4,519
Prepayments and accrued income (10)		9,878		7,312
Total assets		403,305		374,720

(in EUR millions)		2003		2002
Liabilities				
Professional securities transactions	20,180		21,808	
Other banks	62,676		64,078	
Banks (11)		82,856		85,886
Savings	71,559		66,272	
Professional securities transactions	3,309		6,031	
Other funds entrusted	97,703		99,329	
Funds entrusted (12)		172,571		171,632
Debt securities (13)		80,695		61,739
Other liabilities (14)		11,907		7,699
Accruals and deferred income (15)		12,513		8,218
Provisions (16)		19,177		18,338
		379,719		353,512
Fund for general banking risks (17)	1,679		1,679	
Subordinated loans (18)	174		111	
		1,853		1,790
Member Capital	3,853		3,851	
Revaluation reserves	222		246	
Other reserves	11,158		10,164	
Trust Preferred Securities	2,037		650	
Reserves (19)		17,270		14,911
Third-party interests (20)		4,463		4,507
Group equity		23,586		21,208
Total liabilities		403,305		374,720
Contingent liabilities (21)		6,435		7,655
Irrevocable facilities (22)		26,117		27,151

Consolidated profit and loss account

for 2003

(in EUR millions)		2003		2002
Income				
Interest income (23)	17,794		18,265	
Interest expense (24)	11,784		12,874	
Interest		6,010		5,391
Income from securities and participating interests (25)		519		529
Commission income (26)	2,146		2,049	
Commission expense (27)	294		254	
Commission		1,852		1,795
Results on financial transactions (28)		170		285
Other income (29)		687		564
Total income		9,238		8,564
Expenses				
Staff costs (30)	3,770		3,682	
Other administrative expenses (31)	2,101		1,789	
Staff costs and other administrative expenses		5,871		5,471
Depreciation (32)		372		368
Operating expenses		6,243		5,839
Value adjustments to receivables (33)		575		500
Value adjustments to financial fixed assets (34)		18		252
Total expenses		6,836		6,591
Operating profit before taxation		2,402		1,973
Taxation on operating profit (35)		733		514
Operating profit/Group profit after taxation		1,669		1,459
Third-party interests (36)		266		209
Net profit		1,403		1,250

Cash flow statement

(in EUR millions)		2003		2002
Cash flow from operating activities				
Operating profit/Group profit after taxation		1,669		1,459
Adjustments for:				
- depreciation	372		368	
- value adjustments to receivables	575		500	
- value adjustments to financial fixed assets	18		252	
- movements in technical reserves relating to the insurance business	1,119		939	
- movements in other provisions	(280)		(937)	
- movements in accrued and deferred items	1,729		4,734	
		3,533		5,856
Cash flow from business operations		5,202		7,315
Movements in short-term government paper	(1,398)		3,498	
Movements in securities trading portfolio	2,665		3,340	
Movements in securitised loans	(50)		(154)	
Movements in banks	633		(675)	
Movements in lending	(26,120)		(17,138)	
Movements in funds entrusted	939		(542)	
Other movements from operating activities	4,464		(469)	
		(18,867)		(12,140)
Net cash flow from operating activities		(13,665)		(4,825)
Cash flow from investing activities				
Investments and purchases				
- investment portfolio	(24,222)		(22,495)	
- participating interests	(45)		(126)	
- tangible fixed assets	(686)		(802)	
		(24,953)		(23,423)
Disposals, redemptions and sales				
- investment portfolio	19,900		23,801	
- participating interests	15		136	
- tangible fixed assets	227		333	
		20,142		24,270
Net cash flow from investing activities		(4,811)		847
Cash flow from financing activities				
Movements in Member Capital and Trust Preferred Securities		1,389		1,575
Movements in subordinated loans		63		59
Movements in debt securities		18,956		3,225
Payment on Member Capital and Trust Preferred Securities		(269)		(206)
Net cash flow from financing activities		20,139		4,653
Net cash flow/Movement in cash and cash equivalents		1,663		675

The cash flow statement provides a summary of the net movements in operating, investing and financing activities.
Cash and cash equivalents consist of legal tender and balances available on demand with central banks.

Notes

Basis of consolidation

The consolidated financial statements of Rabobank Group include the financial information of Rabobank Nederland and the local member banks, as well as the financial information of other group companies. The assets, liabilities and results of these companies are consolidated in full. Third-party interests are disclosed separately. Joint ventures are included in the consolidated financial statements in proportion to the Bank's share. Account balances between the banking activities and the insurance activities are eliminated insofar as they arise from financing activities.
The financial statements have been drawn up in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code.

Unless otherwise stated, all amounts disclosed in these notes are in millions of euros.

Changes in classification and accounting policies with effect from 2003

In accordance with the Guidelines for Annual Reporting in the Netherlands, as from the 2003 financial statements changes in the carrying values of property not in use by the Bank are taken to the profit and loss account. In addition, a revaluation reserve is formed and charged to the other reserves. Up to and including the 2002 financial statements, changes in value were only taken to the profit and loss account in the case of downward value adjustments and if the revaluation reserve was insufficient to absorb the adjustment. This change in accounting policy has no effect on equity. The effect on results is considered negligible.

Other prior-year figures have been reclassified where necessary for comparative purposes. These reclassifications have no effect on results or equity.

Recognition of financial instruments in the balance sheet

A financial asset or a financial liability is recognised in the balance sheet as from the moment that the Group is entitled to the benefits or is committed to the obligations arising from the contractual provisions of the financial instrument. From the moment that these conditions are no longer met, a financial instrument is no longer recognised in the balance sheet. Financial assets and liabilities are netted off in the balance sheet if the Group is allowed to do so on the basis of legal or contractual provisions and has the intention to offset these assets and liabilities or to settle them simultaneously.

Accounting policies

General

These financial statements have been prepared under the historical cost convention. Departures, if any, from historical cost rules are mentioned separately. All assets are carried net of such diminutions in value as deemed necessary. The addition to the item value adjustments to receivables is determined on a dynamic basis.
The accounting policies applied by Interpolis NV are in accordance with the reporting requirements for insurance companies.

Premiums and discounts are included under prepayments and accrued income or under accruals and deferred income as appropriate, and are amortised over the term to maturity of the items concerned.

Derivatives

Derivative contracts relating to trading activities are included at their market value in the balance sheet, under prepayments and accrued income or under accruals and deferred income as appropriate. Changes in these market values are accounted for in the profit and loss account. The market value of derivative contracts relating to trading activities is determined taking into account the costs of eliminating market risk, the expected credit risk, liquidity adjustments and adjustments resulting from market developments.

Interest rate contracts relating to trading activities are stated at market value, based on the spot rate ruling at the balance sheet date. Gains and losses on these contracts are accounted for under results on financial transactions.
Other interest rate contracts are valued in line with the underlying assets and liabilities. Gains and losses are accounted for under interest in proportion to the expired term.

Foreign exchange contracts relating to borrowing and lending transactions are carried at the spot price rate ruling at the balance sheet date. Gains and losses resulting from these transactions are accounted for under interest in proportion to the term to maturity.
Other foreign exchange contracts are carried at the market price for the remaining term at the balance sheet date. Realised and unrealised exchange differences are taken to results on financial transactions.
Other contracts are carried at market value.

Foreign currency

Participating interests denominated in foreign currencies are translated at the spot rate of exchange ruling at the balance sheet date. Resulting exchange differences that have not been hedged are taken to reserves.
Other assets and liabilities denominated in foreign currencies are translated at the spot rate of exchange ruling at the balance sheet date. Resulting exchange differences are taken to results on financial transactions.
Assets, liabilities and results of the insurance business denominated in foreign currencies are translated at the spot rate of exchange ruling at the balance sheet date. Resulting exchange differences on assets and liabilities are taken direct to reserves insofar as they are for the Group's own account and risk.

Leasing

Amounts receivable on leases of property and equipment are included in the balance sheet under lending and banks.
Net income from lease contracts is taken to the profit and loss account under interest income.

Short-term government paper, interest-bearing securities and shares

Investment portfolio

The investment portfolio consists of securities forming part of fixed assets and held as investments in accordance with Rabobank policy. Bonds and other interest-bearing securities are carried at redemption value. The difference between redemption value and cost is accounted for under prepayments and accrued income or accruals and deferred income as appropriate and taken to the profit and loss account under interest income evenly over the term of the securities concerned.

Bonds and other interest-bearing securities for which all or most of the interest income is received at the time of redemption are carried at cost rather than at redemption value. The value of these items is increased by a proportional part of the difference between cost and redemption value for the remaining term to maturity, calculated on the basis of compound interest. This increase is accounted for as interest income.

Gains and losses on the sale of bonds and other interest-bearing securities are taken to reserves, taking into account deferred taxation, and recognised as interest income over the remaining term to maturity of those securities. Gains and losses on securities sold on account of a structural reduction of the investment portfolio are taken direct to interest income.

Transfers of bonds and other interest-bearing securities from the investment portfolio to the trading portfolio, and vice versa, are made at market value. Resulting gains and losses are accounted for in the same manner as gains and losses on sales of either investment portfolio or trading portfolio securities, as appropriate.

Shares and other non-fixed income securities listed on a stock exchange are carried at year-end market value; those not listed are carried at estimated realisable value. Resulting unrealised differences in value are taken to a revaluation reserve, taking into account deferred taxation. Unrealised differences in the value of hedging contracts are treated in the same manner. Realised price differences are taken to the profit and loss account under income from securities and participating interests. Unrealised losses that cannot be charged to the revaluation reserve are taken to the profit and loss account under value adjustments to financial fixed assets.

In respect of investments made by the insurance business in land and buildings, shares and convertible bonds, a structural total return is recognised in the profit and loss account. The total return consists of the direct return realised (net rental income and dividends) and an indirect return. The total return is calculated by multiplying the average return realised on the investments in the past 30 years by the average value of the investments in the past seven years. The indirect return is calculated as the difference between the total return and the direct return. The indirect return is released from the revaluation reserve. Releases from the revaluation reserve are made insofar as the reserve has a positive balance.

The accounting policy for investments in separate investment funds (insurance business) is the same as the policy described above, except for unrealised differences in value on investments in shares and other variable-yield securities, which are accounted for in the provision for price differences third parties.
Realised price gains and losses are taken direct to the profit and loss account.
Other investments for the account and risk of policyholders are carried at market value, increased with accrued interest where appropriate. Realised and unrealised differences in value are taken to the profit and loss account.

Trading portfolio

The trading portfolio is carried at market value or estimated realisable value at the balance sheet date. Valuation differences relating to the trading portfolio are accounted for under results on financial transactions. Repurchased own bonds and other interest-bearing securities for resale are carried at the lower of cost and market value.
The market value is determined taking into account the costs of eliminating market risk, the expected credit risk, liquidity adjustments and adjustments resulting from market developments.

Certificates of deposit and commercial paper

Certificates of deposit and commercial paper qualifying as loans and advances are carried at face value. If they do not qualify as such, they are valued in the same way as bonds and other interest-bearing securities.

Temporary other investments

Temporary other investments are carried at market value determined individually for each investment. The resulting positive differences in value in relation to cost are taken to the revaluation reserve. Decreases in the revaluation reserve due to disposals are released to the profit and loss account. Downward value adjustments and reversals of them are taken to the profit and loss account under value adjustments to financial fixed assets, insofar as no reserve has been formed for them.

Participating interests

Participating interests over whose commercial and financial policy Rabobank exercises significant influence are carried at net asset value based on the latest financial information available.
Rabobank's share in the results of participating interests is taken to the profit and loss account under income from securities and participating interests.

Other participating interests are carried at fair value. The resulting positive differences in value in relation to cost are taken to the revaluation reserve for participating interests.
Decreases in the revaluation reserve due to disposals are released to the profit and loss account. Downward value adjustments, as well as reversals of them, are accounted for under value adjustments to financial fixed assets, insofar as no reserve has been formed for them.
Dividends received from other participating interests are taken to the profit and loss account under income from securities and participating interests.

Results of foreign offices denominated in foreign currencies are translated at the average rates for the financial year. Resulting translation differences are taken to the revaluation reserve.

Goodwill, being the difference between the cost and net asset value of participating interests, is charged direct to other reserves in the year of acquisition. Negative goodwill on the acquisition of participating interests is taken direct to the revaluation reserve. The revaluation reserve is transferred evenly to other reserves in proportion to the gains realised on the participating interests concerned.

Property and equipment

Property in use by the Bank

Bank buildings are carried at current cost, derived from their replacement value based on continuity and functionality.
This replacement value is arrived at by means of regular appraisals, so that each building is appraised at least once every ten years. The current cost of buildings not appraised in the year under review is adjusted based on building industry index.

Changes in value resulting from this accounting policy are taken to the revaluation reserve, taking into account deferred taxation. Downward value adjustments that cannot be absorbed by the revaluation reserve are charged to the profit and loss account.
The current cost is depreciated on a straight-line basis over an expected useful economic life of at most 40 years.
Bank buildings under construction are carried at cost. No depreciation is charged while work is in progress.
Buildings due to be sold are stated at their appraised realisable value.
Lump-sum ground rent of land held on a long lease is capitalised and written off over a period not exceeding 40 years.

Property not in use by the Bank

Buildings not in use by the Bank are carried at current cost, i.e. at their net realisable value.
Changes in value resulting from this accounting policy are taken to the profit and loss account, taking into account deferred taxation, and a revaluation reserve is formed at the same time.
Property acquired under foreclosure is carried at the lower of cost and net realisable value.
Construction projects in progress are carried at the lower of cost and net realisable value, net of payments received on account.

Property relating to the insurance business

All land and buildings are carried at current cost, i.e. the estimated private sale value, taking into account the expected return on investment and the nature and location of the property. Changes in value resulting from this accounting policy are taken to the revaluation reserve, taking into account deferred taxation. Appraisals of land and buildings in own use take place at regular intervals so that each item of property is appraised at least once every five years. Buildings under construction are carried at the direct construction costs incurred up to the balance sheet date, plus the contractual obligations entered into and net of any expected decrease in value upon delivery.
Land and buildings are not depreciated.

Equipment

Equipment is carried at cost and depreciated evenly over the estimated useful lives of the items concerned.

Debt securities

Borrowings

Borrowings for which all or most of the interest charges are paid at the time of redemption are carried at their principal, plus a proportional part of the difference between the principal and redemption value for the remaining term to maturity, calculated on the basis of compound interest. The increase is accounted for in the profit and loss account under interest expense.

Provisions

Provision for pensions

The provision for pension obligations under defined benefit pension schemes is determined according to a method that determines the discounted value of the pension obligations on the basis of the number of years of active service at the balance sheet date, the estimated salary at the expected date of retirement, indexation and the market rate of interest on high-quality bonds already being traded. The conditional indexation is assumed to be financed by the surplus interest on the investments. To spread the pension charges evenly over the years, the expected return on the investments is incorporated in the calculations. Differences between the expected and actual return on the investments, as well as any actuarial and other differences and adjustments, are not taken to the profit and loss account, unless the cumulative total of these differences and adjustments exceeds 10% of the larger of the obligations under the pension scheme and the fair value of the corresponding investments. The portion that exceeds this limit is taken to the profit and loss account over the average future working lives of the scheme members.
The estimates of future factors are based on long-term studies carried out by Rabobank Group. These estimates are by definition uncertain and are therefore tested regularly and adjusted as necessary.

Provision for deferred taxation

The provision is formed for deferred tax liabilities resulting from temporary differences between the values for tax purposes and for financial reporting purposes and is stated at its discounted value. In the insurance business, the provision is stated at non-discounted value and is calculated taking into account the reserves recognised for tax purposes.
Deferred tax assets are recognised only insofar as they are likely to crystallise.

Technical reserves relating to the insurance business

Unearned premium reserve

The unearned premium reserve relates to non-life insurance only and represents the unearned portion of premiums written.
The reserve includes the ageing provisions for disability and sickness benefits policies.

Provision for life insurance

Life insurance liabilities are calculated in accordance with the net method on the basis of recent mortality tables and a discount rate of predominantly 4%. For life insurance policies concluded after 1 August 1999, a discount rate of 3% is used. The discount rate used for underwriting liabilities relating to savings mortgages is equal to the interest rate on the mortgage loans linked to the insurances. The provision is stated net of capitalised interest rate rebates and net of capitalised new-business commission incurred on life insurance policies with renewal premiums paid at regular intervals. Capitalised interest rate rebates on policies for which Interpolis bears the full investment risk are amortised to the profit and loss account evenly over a period of ten years. For policies for which Interpolis bears virtually no investment risk, amortisation is over the full term of the policy. This provision includes profit guarantees calculated according to actuarial principles.

Outstanding claims reserve

The outstanding claims reserve is formed for outstanding claims, including claims incurred but not yet reported in previous financial years. The reserve is either determined on an item-by-item basis or estimated on the basis of claims experience, and includes claims handling expenses payable.
The portion of the reserve for disability insurance claims is calculated on the basis of actuarial claims accrual factors, using a discount rate of 4%. For claims reported after 1 January 2001 a discount rate of 3% is used.

Provision for insurance for which policyholders bear the investment risk

The provision for these liabilities, insofar as the underlying investments are held in separate investment funds, is calculated in the same way as the provision for life insurance.

The provision for other insurances for which policyholders bear the investment risk are calculated in accordance with the carrying value of the underlying investments.

Other technical reserves

Other technical reserves include a reserve for catastrophe risks in the non-life business. The addition to the reserve is based on the expected cost of external reinsurance cover. Amounts are charged to the reserve if the total loss relating to catastrophe risks on an annual basis exceeds a pre-defined limit. Different limits have been set for the various sectors.

Other provisions

Other provisions, banking activities

During the term of the Collective Labour Agreement (CLA), employees who meet the CLA requirements can opt for early retirement at or around the age of 60.
A provision has been formed for employees who might opt for the Voluntary Early Retirement Scheme.
The provision is calculated actuarially, using an average market rate of interest for all employees meeting the criteria and who are likely to make use of the scheme.
All other provisions are carried at their non-discounted value.

Other provisions, insurance business

The provision for price differences third parties relates to unrealised price differences, as at the balance sheet date, on investments in property and shares of separate investment funds. Results realised on the sale of property and shares are taken to the profit and loss account.

Fund for general banking risks

The fund is formed to cover general risks associated with banking activities where this is prudently required. These risks include risks arising on account of unforeseeable and therefore unquantifiable expenses, such as large misappropriations of funds, nationalisation, et cetera, on the one hand and expenses resulting from large, exceptional setbacks relating to lending, interest rates, currencies, et cetera, on the other. Movements in the fund are accounted for separately in the profit and loss account. Expenses absorbed by amounts released from the fund are accounted for under the related items in the profit and loss account.
Movements in the fund are taken into account in determining the tax charge. The fund is presented in the balance sheet net of deferred tax assets.

Income and expenses

Interest, commission and other income are recognised in the financial year to which they relate.
Interest and commission due which are doubtful of collection are not recognised as income. This applies in particular to unpaid interest and commission on loans and advances whose value has been adjusted because of a debtor's expected or actual default.
The same applies to the unpaid portion of interest and commission on those loans and advances whose value has been adjusted on account of country risks.
In determining the costs, allowance is made for accrued and deferred items.
In calculating the tax charge, allowance is made for current tax relief facilities, and their interpretations, including additions to the item value adjustments to receivables and to the fund for general banking risks, which are taken into account in full.
Depreciation is charged in accordance with the notes to the item property and equipment.

Notes to the consolidated balance sheet

(in EUR millions)

1 Cash

This item consists of legal tender, balances available on demand with foreign central banks in countries where Rabobank Group operates, as well as a balance with the Dutch Central Bank under its minimum reserve policy.

2 Short-term government paper

This item relates to government paper with an original term to maturity of up to two years eligible for refinancing with central banks in the country of origin.

At cost: 3,214 (1,808)

At market value: 3,211 (1,809)

3 Banks

This item represents loans and advances, other than in the form of interest-bearing securities, to banks.

The total amount includes amounts receivable on lease contracts of 91 (94), assets transferred under sale and repurchase transactions of 14,210 (8,928), and amounts receivable from non-consolidated participating interests of 11 (-).

- (2) is not readily available, as it has been pledged as security.

4 Lending

This item consists of loans and advances, other than in the form of interest-bearing securities, to clients other than banks.

	2003	2002
Breakdown of lending:		
- Public sector lending	2,161	797
- Private sector lending (corporate clients)	119,457	111,382
- Private sector lending (private individuals)	117,816	102,665
- Professional securities transactions	13,211	12,132
- Provisions for bad debts and country risks	(1,848)	(1,724)
Total lending	250,797	225,252
This item includes:		
- Loans and advances to participating interests	-	20
- Subordinated loans and advances to participating interests	98	121
- Other subordinated loans and advances	48	129
- Amounts receivable on lease contracts	11,905	11,228
Of which operating lease contracts	3,420	2,945
- Loans and advances guaranteed by public authorities	5,442	7,830
- Mortgages guaranteed by public authorities	10,921	9,062
- Other mortgages	149,603	130,728
Total home mortgages	116,101	99,762
Assets transferred under sale and repurchase transactions	3,901	15,373
Amount not readily available (pledged as security)	34	-
Breakdown of private sector lending by industry sector:		
- Agricultural sector	16%	16%
- Trade, industry and the services sector	35%	36%
- Private individuals	49%	48%

Movements in provisions for bad debts and country risks

	2003	2002
Balance at 1 January	1,785	1,753
Addition	575	500
Amounts charged to the provisions	(442)	(460)
Other movements, including currency translation differences	16	(8)
Balance at 31 December	1,934	1,785

1,848 (1,724) relates to lending, while the remainder of the balance relates to banks, interest-bearing securities and off-balance-sheet items.

Analysis by business unit

Movements in provisions for bad debts and country risks of the relevant business units.

2003	Retail banking	Wholesale banking	Asset management	Leasing
Balance at 1 January	1,021	683	1	79
Addition	213	284	-	75
Amounts charged to the provisions	(171)	(184)	-	(80)
Other	15	(32)	-	(1)
Balance at 31 December	1,078	751	1	73
Impaired loans	1,817	2,115	1	380

2002	Retail banking	Wholesale banking	Asset management	Leasing
Balance at 1 January	935	722	5	89
Addition	165	266	-	68
Amounts charged to the provisions	(94)	(289)	-	(77)
Other	15	(16)	(4)	(1)
Balance at 31 December	1,021	683	1	79
Impaired loans	1,579	2,215	1	345

Risk on non-OECD countries

	In Europe	In Africa	In Latin America	In Asia/ Pacific	Total	As a % of total assets
Economic country risk (excluding derivatives) [1]	572	310	3,222	4,493	8,597	2.1
Risk-reducing components:						
Loans and advances granted in local currency	3	4	800	966	1,773	
Third-party coverage of country risk	224	34	1,282	1,327	2,867	
Deduction for transactions with lower risk	178	60	417	209	864	
Net exposure before provisions	167	212	723	1,991	3,093	0.8
						As a % of total provisions
Total provisions for economic country risk	2	12	89	91	194	10.0

1) Total assets, plus guarantees issued, securities and undrawn committed credit facilities.

5 Interest-bearing securities

This item represents interest-bearing negotiable bonds and other interest-bearing securities, other than short-term government paper.

	2003	2002
Interest-bearing securities of:		
- Public authorities	35,480	38,644
- Other issuers	35,661	32,676
Total interest-bearing securities	71,141	71,320
Breakdown of interest-bearing securities:		
- Investment portfolio	43,913	40,946
- Trading portfolio	26,068	29,264
- Securitised loans	1,160	1,110
	71,141	71,320
The portfolio includes:		
- Securities issued by group companies	84	115
- Subordinated securities	10	-
Listed securities	60,236	58,485
Unlisted securities	10,905	12,835
Falling due next year	11,040	6,878
Given on loan	660	242
Amount not readily available (pledged as security)	712	1,454
Assets transferred under sale and repurchase transactions	6,493	4,219
Investment portfolio at cost	42,799	41,802
Trading portfolio at cost	26,034	29,351
Movements in the investment portfolio:		
Balance at 1 January	40,946	44,955
Purchases	22,214	19,740
Sales and redemptions	(17,638)	(21,388)
Currency translation differences and other movements	(1,609)	(2,361)
Balance at 31 December	43,913	40,946

6 Shares

This item consists of shares and other variable-yield securities, and temporary other investments.

	2003	2002
Breakdown of shares:		
- Investment portfolio	7,532	8,293
- Trading portfolio	2,561	1,121
Total	10,093	9,414
Of which listed	6,277	4,505
Of which unlisted	3,816	4,909
Trading portfolio at cost	2,552	1,110
Temporary other investments included in total	3,405	4,817
Movements in the investment portfolio:		
Balance at 1 January	8,293	9,709
Purchases	2,008	2,755
Sales	(2,262)	(2,413)
Revaluation	(65)	(35)
Changes in value and reversals	168	(251)
Other movements	(610)	(1,472)
Balance at 31 December	7,532	8,293
Total revaluations	238	36
Total diminutions in value	183	657

Other movements include changes in the value of investments for which policyholders bear the investment risk, and currency translation differences.

Breakdown of investment and trading portfolios

	2003	2002
Investment portfolio		
Dutch government	3,794	4,562
Other OECD countries	22,169	20,433
Mortgage-backed securities	5,035	4,947
Other interest-bearing securities	13,111	12,817
Total interest-bearing securities and short-term government paper	44,109	42,759
Shares	7,532	8,293
Total investment portfolio	51,641	51,052
Trading portfolio		
Dutch government	2,021	2,597
Other OECD countries	23,389	24,081
Mortgage-backed securities	184	-
Other interest-bearing securities	3,489	2,586
Total interest-bearing securities and short-term government paper	29,083	29,264
Shares	2,561	1,121
Total trading portfolio	31,644	30,385

7 Participating interests

This item represents the interests held in participating interests.

	2003	2002
Participating interests, of which:		
- Credit institutions	9	8
- Other	192	176
Total participating interests	201	184
Movements in participating interests:		
Balance at 1 January	184	156
Investments	45	126
Disposals	(15)	(136)
Profit for the year	-	53
Revaluation and other movements	(13)	(15)
Balance at 31 December	201	184
Total revaluations	18	53
Total diminutions in value	6	56

8 Property and equipment

This item consists of land and buildings, equipment and other tangible fixed assets, as well as tangible fixed assets not in use by the Group, such as fixed assets acquired under foreclosure.

	2003	2002
Land and buildings in own use	2,477	2,490
Other land and buildings	814	751
Equipment	673	629
Total property and equipment	3,964	3,870
Capital commitments	124	147

Movements in property and equipment	Land and buildings in own use	Other land and buildings	Equip-ment	Total
Net book value at 1 January	2,490	751	629	3,870
Additions	223	127	336	686
Disposals	(122)	(68)	(37)	(227)
Revaluation	18	-	-	18
Depreciation and diminutions in value	(121)	4	(249)	(366)
Exchange differences	(11)	-	(6)	(17)
Net book value at 31 December	2,477	814	673	3,964
Total revaluations	342	94	-	436
Total depreciation and diminutions in value	1,168	7	1,500	2,675

9 Other assets

This item relates to precious metals, certificates representing precious metals, coins and medals made of precious metals (not being legal tender), goods and warehouse receipts, and assets that cannot be classified under any other heading. This item includes amounts receivable, other than prepayments and accrued income, of 3,731 (3,817), comprising a tax receivable of 385 (347) in respect of corporate income tax and a deferred tax asset of 360 (187) with a non-discounted value of 315 (142).

10 Prepayments and accrued income

This item relates to prepaid expenses, interest receivable and other receivables not yet billed. It includes options of 1,674 (1,648), including client options of 291 (311). Client options relate to long positions in listed options held by Rabobank Nederland for the account and risk of its clients. These options are not formally separated from the Bank's own assets. The corresponding liabilities are included under other liabilities.

11 Banks

This item represents amounts owed to credit institutions, other than debt securities and subordinated loans, of which debts secured by assets amount to 20,180 (21,808) and amounts owed to participating interests amount to 288 (-).

12 Funds entrusted

This item consists of funds entrusted by clients other than debt securities. Savings are all deposits and savings accounts of natural persons, non-profit-making associations and foundations, as well as non-transferable savings bonds.
This item includes funds entrusted by participating interests of 28 (-) and funds entrusted secured by assets of 4,412 (6,039).

13 Debt securities

This item relates to non-subordinated bonds and other interest-bearing securities, such as certificates of deposit.

14 Other liabilities

This item includes liabilities that cannot be classified under any other heading, such as short positions in securities and liabilities on account of securitised loans.

15 Accruals and deferred income

This item relates to payments received in advance, accrued interest and other amounts payable.
It also includes obligations representing accrued holiday entitlements and additional leave days.

16 Provisions

This item represents provisions formed for the equalisation of costs originating in the year under review or prior years, but to be incurred in future years, evenly over a number of years. It also includes best estimates of obligations and losses existing at the balance sheet date, the extent of which is still uncertain.

	2003	2002
Provision for pensions	1,208	1,662
Provision for deferred taxation	255	206
Technical reserves relating to the insurance business	16,554	15,435
Other provisions	1,160	1,035
Total provisions	19,177	18,338

Provision for deferred taxation

The non-discounted value of deferred tax liabilities amounts to 255 (206).

Provision for pensions (defined benefit schemes)

The weighted average of the principal actuarial assumptions used in the valuation of these provisions at 31 December (% per annum):

	2003	2002
Discount rate	4.75	4.75
Expected salary accrual rate	3.50	3.50
Index of consumer price inflation	2.75 [2]	2.75

2) For 2003, indexing of 1% (2.75%) was used in calculating the provision.

	2003	2002
Movements in the provision for pensions can be summarised as follows:		
Defined benefit pension schemes		
Balance at 1 January	1,644	2,394
Addition charged to the profit and loss account	223	174
Release of actuarial results not recognised	20	-
Payments to pension funds	(718)	(924)
Acquisitions and other movements	23	-
Balance at 31 December	1,192	1,644
Defined contribution schemes		
Balance at 31 December	16	18

	2003	2002
The financial position at the end of the financial year can be summarised as follows:		
Total pension obligations	6,898	8,078
Total investments	(6,715)	(5,351)
Profits/losses not yet recognised (corridor)	1,009	(1,083)
Provision for pensions	1,192	1,644

The expected return on investments to cover pension obligations was 7.5% in 2003 and 2002. The actual return in 2003 was approximately 9.5% (minus 9%).

17 Fund for general banking risks

The fund is formed to cover general risks associated with banking activities where this is prudently required. The fund is stated net of deferred tax assets. There were no movements in the fund in 2003 or 2002.

18 Subordinated loans

This item relates to loans, whether or not in the form of debt securities, which, in the event of liquidation, rank for payment after all the Bank's other debts existing at that time. These subordinated loans include loans taken out by Weiss, Peck & Greer LLC, Roparco NV, Effectenbank Stroeve NV, ACC Bank and FGH Bank NV.

The subordinated debt of Weiss, Peck & Greer LLC consists of two loans.
The first loan amounts to USD 3.75 million, falls due in 2006 and bears interest at 7.72%. The second loan amounts to USD 8.75 million, falls due in 2008 and bears interest at 8.81%.
Interest charged to the year under review amounted to USD 1.2 million.
Repayment ahead of schedule is possible subject to certain conditions.

The subordinated debt of Roparco NV is a loan of 26.3 bearing interest at a variable rate, which averaged 5.5% in 2003. The loan is open-ended, subject to a notice period of five years. The subordination can be lifted only after written approval from the Dutch Central Bank.
Interest charged to the year under review amounted to 1.4.

Effectenbank Stroeve NV has a subordinated debt consisting of two loans, namely a 2.3 loan bearing interest at 6.25% that is due to be repaid in 2009 and a 2.3 loan bearing interest at 6% that is due to be repaid in 2008. Interest charged to the year under review amounted to 0.1 and 0.1 respectively.

The subordinated debt of ACC Bank is a loan of 63 bearing interest at a variable rate. The loan matures in 2008. Interest charged to the year under review amounted to 3.4.

The subordinated debt of FGH Bank NV consists of four loans. Two loans of 7.5 and 5 bear interest at a variable rate and fall due in 2011. A loan of 10 bears interest at a rate of 6.25%, with an interest increase after five years to 6.75%, and falls due in 2012. The fourth loan of 45 bears interest at a fixed rate of 6% and falls due in 2012.

19 Reserves

	2003	2002
Breakdown of reserves:		
Member Capital	3,853	3,851
Revaluation reserves	222	246
Other reserves	11,158	10,164
Trust Preferred Securities	2,037	650
	17,270	14,911
Movements were as follows:		
Member Capital		
Balance at 1 January	3,851	2,276
Issue and movement relating to market making	2	1,575
Balance at 31 December	3,853	3,851

Member Capital relates to the Member Certificates issued in 2000, 2001 and 2002. In 2000, Rabobank Ledencertificaten N.V. (RLC), a group company of Rabobank Nederland, issued 40 million shares. The total proceeds of this issue amounted to 1,000. In 2000, RLC granted Rabobank Nederland a 900 deep-subordinated loan with a term of 31 years.
In 2001, RLC issued an additional 60 million shares. The total proceeds of this issue amounted to1,575. In 2001, RLC granted Rabobank Nederland a 1,350 deep-subordinated loan with a term of 30 years. In 2002, RLC II issued an additional 17 million shares. The total proceeds of this issue amounted to1,747. In 2002, RLC II granted Rabobank Nederland a 1,487 deep-subordinated loan with a term of 32 years.
As at year-end 2003, the number of shares held by members and employees was 98,239,416 (97,972,359) with a net asset value of 2,525 (2,520) and 16,421,276 (16,410,074) shares with a net asset value of 1,734 (1,735).
Subject to the prior written permission of the Dutch Central Bank, the loans of RLC may be repaid ahead of schedule on 29 June 2006 and every subsequent 29 June. The loan of RLCII may be repaid ahead of schedule from 29 December 2012 on.
Since the proceeds of the issue are available to Rabobank Group on a perpetual and highly subordinated basis (also subordinate to the Trust Preferred Securities) and since in principle no dividend is paid if the consolidated profit and loss account of Rabobank Group shows a loss for any financial year, the issue proceeds, insofar as they have been lent on to Rabobank Nederland, are recognised as reserves in proportion to the number of shares held by members and employees. As a result, dividend payments are accounted for in the profit appropriation.

	2003	2002
Revaluation reserves		
Balance at 1 January	246	417
Revaluation	32	(152)
Transferred from/to other reserves	16	(13)
Released to profit and loss account	(72)	(6)
Balance at 31 December	222	246
This item includes the revaluation reserves for property, shares and participating interests.		
Other reserves		
Balance at 1 January	10,164	9,687
Transferred to/ from revaluation reserves	(16)	13
Goodwill	(213)	(635)
Other movements	89	55
Profit appropriation	1,134	1,044
Balance at 31 December	11,158	10,164

Significant equity interests acquired in 2003:
Boston Partners Asset Managers (second tranche)
FGH Bank NV
Lend Lease Agri-business, Inc (name has been changed to Rabo Agrifinance)
Ag Services of America, Inc (name has been changed to Rabo AgServices)
Moreover the activities of Alex were acquired.

	2003	2002
Trust Preferred Securities		
Balance at 1 January	650	650
Issued	1,388	-
Revaluation	(1)	-
Balance at 31 December	2,037	650

In 1999, 26 million non-cumulative Trust Preferred Securities with an expected dividend of 7% were issued by Rabobank Capital Funding Trust, Delaware, a group company of Rabobank Nederland, raising total proceeds of 650. As from 31 December 2004, Rabobank Capital Funding Trust has the right, after receiving prior written approval from the Dutch Central Bank, to repurchase these Trust Preferred Securities on each dividend payment date.

In 2003, 1.75 million non-cumulative Trust Preferred Securities were issued by Rabobank Capital Funding Trust II, Delaware, a group company of Rabobank Nederland. The expected dividend is 5.26% until 31 December 2013, after which the expected dividend is equal to the three-month USD LIBOR plus 1.6275%. The total proceeds from this issue amounted to USD 1,750 million. As from 31 December 2013, these Trust Preferred Securities can be repurchased on each dividend payment date after prior written approval is received from the Dutch Central Bank.

Since the proceeds of both issues are available to Rabobank Group on a perpetual and highly subordinated basis and since in principle no dividend is paid on either type of Trust Preferred Securities if Rabobank Group's consolidated profit and loss account shows a loss for any financial year, the proceeds of both issues are recognised as reserves. As a result, dividend payments are accounted for in the profit appropriation.

20 Third-party interests

This item relates to the share held by third parties in the capital of subsidiaries and other group companies.

	2003	2002
Balance at 1 January	4,507	3,654
Currency translation differences	(449)	(270)
Other movements	405	1,123
Balance at 31 December	4,463	4,507

Other movements relate principally to the balance of shares issued and redeemed.

Solvency

The main capital ratio requirements set by the Dutch Central Bank are derived from the capital adequacy guidelines of the European Union and the Basel Committee on Banking Supervision. These ratios compare the Bank's total capital (Tier I and Tier II) and core capital (Tier I) with total risk-weighted assets and off-balance-sheet items and the market risk of the trading portfolios. The minimum requirements for total capital and core capital as a percentage of risk-weighted assets are 8% and 4% respectively. The following table shows the capital available to the Bank and the minimum capital required by the supervisory authority.

	2003	2002
Breakdown of Tier I and Tier II capital:		
Member Capital	3,853	3,851
Other reserves	11,158	10,164
Fund for general banking risks	1,679	1,679
Trust Preferred Securities	2,037	650
Third-party interests treated as qualifying capital	933	858
Tier I capital	19,660	17,202
Revaluation reserves	222	246
Deductions	(141)	(131)
Subordinated loans treated as qualifying capital	151	97
Tier I and Tier II capital	19,892	17,414

	2003		2002	
	Minimum required	Available	Minimum required	Available
Tier I and Tier II capital	14,626	19,892	13,268	17,414
Tier I and Tier II ratio	8	10.9	8	10.5
Tier I capital	7,313	19,660	6,634	17,202
Tier I ratio	4	10.8	4	10.3

Summary of remaining terms to maturity

(the 2002 figures are shown between brackets)

	Total	Withdrawable:				
		On demand/ undefined	≤3 months	>3 months ≤ 1 year	> 1 year ≤ 5 years	> 5 years
Assets						
Banks	41,919	1,218	34,760	3,672	1,783	486
	(47,229)	(1,142)	(38,711)	(3,942)	(2,856)	(578)
Lending	250,797	8,656	41,858	12,943	38,381	148,959
	(225,252)	(7,420)	(41,541)	(12,945)	(34,355)	(128,991)
Liabilities						
Banks	82,856	7,128	67,440	4,957	1,786	1,545
	(85,886)	(10,000)	(67,670)	(5,020)	(1,735)	(1,461)
Funds entrusted:						
- Savings	71,559	67,561	1,418	501	1,785	294
	(66,272)	(61,245)	(2,047)	(196)	(1,837)	(947)
- Other	101,012	46,876	29,661	14,834	6,903	2,738
	(105,360)	(41,714)	(49,761)	(1,764)	(9,158)	(2,963)
Debt securities	80,695	-	24,224	15,175	28,793	12,503
	(61,739)	(-)	(18,438)	(9,787)	(24,795)	(8,719)

Management and agency services

Management and agency services to third parties relate to all the Bank's activities.

The Bank also administers assets, in its own name but for the account and risk of third parties, which are separate from the Bank's own assets.

Foreign currency

Total assets denominated in foreign currencies amount to 115,830 (113,229).

Total liabilities denominated in foreign currencies amount to 134,648 (143,135).

The balance of these amounts does not reflect the currency position, as most of the risk has been hedged by means of derivatives whose notional value is not disclosed in the balance sheet.

Part of the derivatives in foreign currencies relates to trading positions.

21 Contingent liabilities

This item relates to transactions in which the Group stands surety for commitments of third parties.

	2003	2002
Contingent liabilities consist of:		
- Bills discounted	-	25
- Guarantees, etc.	5,303	6,412
- Irrevocable letters of credit	943	977
- Other contingent liabilities	189	241
Total contingent liabilities	6,435	7,655

Of which contingent liabilities secured by assets: 11 (353).

22 Irrevocable facilities

This item relates to all irrevocable facilities that could lead to lending.

	2003	2002
Undrawn credit facilities	25,876	26,979
Other	241	172
Total irrevocable facilities	26,117	27,151

Securities lending account

Interest-bearing securities amounting to 2,398 (-) were received on loan.
These amounts are not included in the balance sheet.

Derivatives

Derivatives are financial instruments which assist the Bank in managing its market risk positions, especially its interest rate and currency exposure, without the Bank having to take out balance sheet positions. The underlying values (notional amounts) serve only as computation variables and are therefore not disclosed on the face of the balance sheet. Examples of derivatives are forward exchange contracts, swaps, futures, forward rate agreements and options. The notional amounts given below relate to derivatives offered by Rabobank Group primarily as a service to the large corporate clients of Rabobank Nederland and clients of local member banks, and for the Bank's own asset and liability management. A substantial portion of the derivative contracts is concluded in the context of trading activities.
The notional values are divided into short-term, medium-term and long-term.

(the 2002 figures are shown between brackets)					Positive
		Notional Value			replacement value
	Total	< 1 year	1-5 years	> 5 years	
Interest rate contracts					
- Over the counter					
Swaps	1,237,924	779,443	299,095	159,386	17,199
	(1,049,605)	(581,000)	(250,238)	(218,367)	(16,991)
Forwards	224,695	177,707	46,979	9	70
	(181,835)	(171,523)	(10,303)	(9)	(126)
Options	79,161	5,721	15,606	57,834	860
	(83,220)	(9,171)	(18,583)	(55,466)	(1,029)
- Listed [3]					
Options	3,166	3,166	-	-	-
	(-)	(-)	(-)	(-)	(-)
Futures	182,274	141,317	40,747	210	50
	(109,127)	(83,028)	(25,971)	(128)	(50)
Foreign exchange contracts					
- Over the counter					
Swaps [4]	55,020	13,374	32,261	9,385	2,136
	(51,170)	(12,311)	(29,320)	(9,539)	(1,582)
Forwards	176,741	165,236	10,839	666	4,529
	(216,755)	(204,851)	(11,216)	(688)	(4,613)
Options	4,396	3,869	522	5	87
	(2,935)	(2,763)	(172)	(-)	(38)
Other contracts [5]					
Over the counter	3,992	1,416	2,139	437	119
	(3,597)	(692)	(2,693)	(212)	(128)
Other	2,658	2,658	-	-	-
	(1,406)	(577)	(801)	(28)	(4)
Total derivatives	1,970,027	1,293,907	448,188	227,932	25,050
	(1,699,650)	(1,065,916)	(349,297)	(284,437)	(24,561)

3) Listed: for contracts traded on the stock exchange which are subject to daily adjustments of margin commitments, no replacement value is given.

4) Foreign exchange contracts/swaps: including cross-currency interest rate swaps.

5) Other contracts: this includes share derivatives and derivatives linked to precious metals and commodities.

When two parties enter into a derivatives contract, this will result in due course in a payment obligation for one party, depending on the direction of movements in the market. This will be accompanied by credit risks for the Bank, which in practice will be only a fraction of the notional amounts of the derivative contracts.

For a better understanding of the volume of the derivatives activities and the related credit risks, the weighted and unweighted credit equivalents are also given in addition to the positive replacement value. The positive replacement value is the mark-to-market valuation of derivative contracts resulting in a claim on the other party that leads to a loss of profit in the event of default.

For a derivatives portfolio, the total credit risk forms a much better basis than the total notional amount of the portfolio for making a comparison with other banking activities. In the event of parties remaining in default, this credit risk is just as important as a claim, whereas the notional amount of the contract in that situation is generally of no importance. The

notional amounts of the derivative contracts reflect the extent of Rabobank Group's operations in the markets concerned, but give no indication of the portfolio's exposure to credit or market risks.
The credit risk is measured by increasing the positive replacement value of the derivative contracts by a percentage of the notional amount (unweighted credit equivalent). This percentage depends on the term and the nature of the contracts. In determining the own funds for solvency requirement purposes, the credit equivalents are weighted, the weighting factor depending on who the other party is, e.g. a government body, a bank or other party. The transaction party is usually a bank.

	Credit equivalent 2003		Credit equivalent 2002	
	Unweighted	Weighted	Unweighted	Weighted
Interest rate contracts	22,619	5,113	23,983	5,627
Foreign exchange contracts	9,379	2,366	10,285	2,408
Other contracts	297	94	286	79
Total	32,295	7,573	34,554	8,114

No netting agreements or guarantees are taken into account for calculating the credit risk.
If netting agreements are taken into account, the positive replacement value of the derivatives portfolio as a whole would amount to 6,307 (7,150), in which case the unweighted credit equivalent would be 11,225 (12,001) and the weighted credit equivalent 3,082 (3,136).
A breakdown of notional amounts and credit equivalents by type of contract and transaction party is given below. The item trading includes derivative transactions on behalf of clients and for own account. The item balance sheet management relates to derivative transactions concluded to hedge normal banking risks.

	2003			2002		
	Trading	Balance sheet management	Total	Trading	Balance sheet management	Total
Interest rate contracts	1,660,566	66,654	1,727,220	1,368,932	54,855	1,423,787
Foreign exchange contracts	224,744	11,413	236,157	262,286	8,574	270,860
Other contracts	6,515	135	6,650	5,002	1	5,003
	1,891,825	78,202	1,970,027	1,636,220	63,430	1,699,650

	Credit equivalent 2003		Credit equivalent 2002	
	Unweighted	Weighted	Unweighted	Weighted
Government	455	-	587	-
Banks	27,825	5,565	29,564	5,913
Other	4,015	2,008	4,403	2,201
	32,295	7,573	34,554	8,114

Notes to the consolidated profit and loss account

(in EUR millions)

23 Interest income

This item includes all interest income from account balances, loans and advances and interest-bearing securities, as well as income similar in nature to interest, such as loan commission.

Interest income from bonds and other securities issued at fixed rates or rates that vary in accordance with market rates amounted to 2,331 (2,478).

Interest income attributable to the insurance business amounted to 716 (721).

24 Interest expense

This item includes all interest expenses on funds entrusted, subordinated and non-subordinated loans and debt securities, as well as charges similar in nature to interest.

Interest expense attributable to the insurance business amounted to 665 (672).

25 Income from securities and participating interests

This item includes dividends and other income from securities and participating interests.

	2003	2002
Income from equity shares and other non-fixed income securities	519	386
Profit of participating interests	-	143
Total income from securities and participating interests	519	529

Of which attributable to the insurance business: 134 (137).

26 Commission income

This item relates to commission received for services provided to third parties not similar in nature to interest.

	2003	2002
Breakdown of commission income:		
- Payment transactions	425	413
- Insurance broking	92	87
- Asset management	467	474
- Stockbroking	379	319
- Other	783	756
Total commission income	2,146	2,049

Of which attributable to the insurance business: 280 (280).

27 Commission expense

This item relates to commission paid for third party services not similar in nature to interest. Of which relating to stockbroking activities: 82 (50), and asset management: 82 (89).

28 Results on financial transactions

This item includes both realised and unrealised price and value differences on securities forming part of the trading portfolio, currency and other income from financial transactions, insofar as this income is not similar in nature to interest.

29 Other income

This item relates to income that cannot be classified elsewhere and does not represent extraordinary income, such as technical results on the insurance business, rent from leased property and results on project development. Of which attributable to the insurance business: 393 (262).

30 Staff costs

	2003	2002
This item consists of:		
- Wages and salaries	2,595	2,530
- Pension charges	254	251
- Social security charges	289	297
- Other	632	604
Total staff costs	3,770	3,682

Of which attributable to the insurance business: 449 (419).

The item pension charges also includes the costs relating to the Voluntary Early Retirement Scheme, including movements in the related provisions.

The average number of employees was 57,576 (58,107).
Of whom:
- abroad: 6,230 (5,539)
- in the insurance business: 5,919 (5,632).

Expressed in fulltime equivalents, the average number of employees was 51,358 (52,020).

31 Other administrative expenses

This item includes office supplies, IT expenses, postage, advertising, rent and maintenance of buildings, etc. Of which attributable to the insurance business: 207 (207).

32 Depreciation

This item relates to the depreciation of fixed assets. Of which attributable to the insurance business: 28 (25).

33 Value adjustments to receivables

This item relates to downward value adjustments to loans and advances and provisions formed for commitments, as well as any releases thereof.

34 Value adjustments to financial fixed assets

This item relates to downward value adjustments to interest-bearing securities and shares forming part of the investment portfolio and participating interests, as well any reversals thereof. Of which attributable to the insurance business: minus 48 (192).

35 Taxation on operating profit

This item represents the tax charge on the profit on ordinary activities.
Of which attributable to the insurance business: 72 (minus 48).
The tax burden rose from 26.1% in 2002 to 30.5 % in 2003.

	2003	2002
Standard tax rate in the Netherlands	34.5	34.5
Effect of foreign tax rates	(4.4)	(5.6)
Effect of tax-free income in the Netherlands	(0.8)	(2.9)
Other	1.2	0.1
Effective tax rate	30.5	26.1

36 Third-party interests

This item relates to third-party interests in the results of consolidated group companies.

Analysis by business unit

Partly as a result of consolidation effects, the figures of the principal business units below differ from those in the profit and loss account.

2003

	Retail banking	Wholesale banking	Asset management	Insurance	Leasing
Interest	4,105	1,120	83	51	491
Commission	944	315	418	280	34
Other income	41	519	119	527	44
Total income	5,090	1,954	620	858	569
Staff costs	1,666	598	264	449	176
Other administrative expenses	1,577	337	181	207	117
Depreciation	204	32	18	28	12
Total operating expenses	3,447	967	463	684	305
Operating profit	1,643	987	157	174	264
Value adjustments to receivables	213	284	-	-	75
Value adjustments to financial fixed assets	-	59	(2)	(48)	-
Operating profit before taxation	1,430	644	159	222	189

2002

	Retail banking	Wholesale banking	Asset management	Insurance	Leasing
Interest	3,767	901	84	49	449
Commission	859	321	423	280	35
Other income	79	593	79	399	41
Total income	4,705	1,815	586	728	525
Staff costs	1,621	562	250	419	177
Other administrative expenses	1,492	321	190	207	96
Depreciation	205	32	19	25	14
Total operating expenses	3,318	915	459	651	287
Operating profit	1,387	900	127	77	238
Value adjustments to receivables	165	266	-	-	68
Value adjustments to financial fixed assets	-	69	11	192	-
Operating profit before taxation	1,222	565	116	(115)	170

Income by region

	2003	2002
Total income	9,238	8,564
Of which generated in:		
The Netherlands	6,998	6,487
Other euro-zone countries	769	704
Rest of Europe	24	36
North America	1,004	956
Latin America	147	114
Asia	113	114
Australia	185	156
Other and consolidation effects	(2)	(3)
Total	9,238	8,564

Utrecht, 4 March 2004

Supervisory Board
L. Koopmans
L.J.M. Berndsen
T. de Boon
B. Bijvoet
S.E. Eisma
M. Minderhoud
J.A.A.M. van Rossum
H.C. Scheffer
M.J.M. Tielen
A.W. Veenman
A.J.A.M. Vermeer

Executive Board
H. Heemskerk
D.J.M.G. baron van Slingelandt
J.C. ten Cate
J.J. Verhaegen
P.J.A. van Schijndel
P.W. Moerland

Other information

A. Appropriation of available profit of Rabobank Group

(in EUR millions)	2003	2002
Net profit	1,403	1,250
Payment on Member Capital	215	160
Payment on Trust Preferred Securities	54	46
Addition to other reserves	1,134	1,044

B. Events after the balance sheet date

In February 2004, Rabobank Group reached a settlement with the Royal Bank of Canada (RBC) regarding a claim the Canadian bank believed it had against Rabobank International. The claim related to a swap transaction (a swap of financing obligations) for the bankrupt US energy group Enron (EOG). The original amount of the claim - USD 517 million - was reduced in August 2003 by USD 195 million. This amount devolved upon RBC on the distribution of the sale proceeds of the EOG shares to Rabobank, RBC and the other Enron creditors. Under the terms of the settlement reached with RBC, less than half of the remaining claim amount is for the account of Rabobank, which is comfortably covered by the provision formed by the Bank for this purpose.

C. Foreign offices

Europe

Belgium
Antwerp
Brussels
Zaventem
Denmark
Ballerup
Germany
Düsseldorf
Frankfurt
Langenhagen
Finland
Helsinki
France
Beauvais
Paris
Great Britain
Coventry
Edinburgh
London
Watford
Guernsey
St. Peter Port
Ireland
Athlone
Ballina
Ballinasloe
Bandon
Carrick-on-Shannon
Castlebar
Cavan
Clonmel
Cork
Drogheda
Dublin
Dundalk
Dungarvan
Ennis
Galway
Kilrush
Letterkenny
Limerick
Listowel
Longford
Mallow
Monaghan
Mullingar
Naas
Navan
Nenagh
New Ross
Newcastlewest
Portlaoise
Roscommon
Skibbereen
Sligo
Thurles
Trafee
Tuam
Tullamore
Waterford
Wexford
Wicklow
Italy
Milan
Luxembourg
Luxembourg
Austria
Salzburg
Poland
Poznan
Warsaw
Portugal
Lisbon
Russia
Moscow
Spain
Madrid
Sweden
Sundyberg
Switzerland
Schlieren
Zug
Zürich

Americas

Argentina
Buenos Aires
Brazil
Canoas
São Paulo
Canada
Oakville
Toronto
Chile
Santiago
Curaçao
Willemstad
Mexico
Mexico City
United States
Amarillo
Atlanta
Bakersfield
Blythe
Boston
Brawley
Calexico
Cedar Falls
Chicago
Chico
Coachella
Crookston
Dallas
Des Moines
Dinuba
El Centro
Enid
Fresno
Gonzales
Great Falls
Greenbrae
Grimes
Hanford
Hemet
Holtville
Honolulu
Imperial
Indio
Julian
Kearney
La Quinta
Los Angeles
Mcook Lake
Memphis
Menlo Park
Naples
New York
Orange
Otterbein
Palm Desert
Palm Springs
Preston
Rapid City
Reedley
Roca
Rosamond
San Francisco
Santa Maria
Selma
Spokane
St. Louis
Stockton
Strathmore
Tecate
Thousand Palms
Toledo
Twin Falls
Visalia
Washington
Wayne
West Marshall
West Memphis
White Plains
Wichita
Wilmington
Windsor
Winnebago
Wynne

Australia

Adelaide
Albany
Armidale
Ayr
Brisbane
Bunbury
Canberra
Cloncurry
Cooma
Dalby
Darwin
Dubbo
Emerald
Esperance
Forbes
Geraldton
Goulburn
Griffith
Horsham
Ingham
Launceston
Longreach
Mackay
Melbourne
Merriden
Moora
Moree
Mount Gambier
Narrogin
Orange
Perth
Port Lincoln
Rockhampton
Roma
Shepparton
Swan Hill
Sydney
Tamworth
Toowoomba
Townsville
Wagga Wagga
Warrnambool
New Zealand
Alexandra
Ashburton
Auckland
Blenheim
Christchurch
Dannevirke
Dunedin
Feilding
Gisborne
Gore
Greymouth
Hamilton
Hastings
Invercargill
Masterton
New Plymouth
Oamaru
Pukekohe
Rotorua/Taupo
Taumarunui
Te Kuiti
Te Puke
Thames
Timaru
Waipukurau
Wanganui
Wellington
Whangarei

Asia

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Hong Kong
Shanghai
India
Mumbai
New Delhi
Indonesia
Jakarta
Japan
Tokyo
Singapore
Singapore
Taiwan
Taipei
Thailand
Bangkok

Auditors' report

We have audited the consolidated financial statements of Rabobank Group for the year 2003, as set out on pages 2 to 35. These consolidated financial statements have been derived from the financial statements of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland), Amsterdam, for the year 2003. In our auditors' report dated 4 March 2004 we expressed an unqualified opinion on these financial statements. These consolidated financial statements are the responsibility of Rabobank Nederland's executive board. Our responsibility is to express an opinion on these consolidated financial statements.

In our opinion, these consolidated financial statements are consistent, in all material respects, with the financial statements from which they have been derived.

For an understanding of Rabobank Group's financial position and results and for an adequate understanding of the scope of our audit, the consolidated financial statements should be read in conjunction with the financial statements from which these consolidated financial statements have been derived and our unqualified auditors' report thereon issued on 4 March 2004.

Utrecht, 4 March 2004

Ernst & Young Accountants

Colophon

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

Annual Reports
Rabobank Group publishes the following annual reports:
- Annual Report 2003 (in Dutch and in English)
- 2003 Financial Statements and other information (in Dutch)
- 2003 Consolidated Financial Statements and other information (in English)
- Annual Report 2003 People, Planet, Profit (in Dutch and in English, to be published in June 2004)
- Interim Report 2004 (in Dutch and in English, to be published in September 2004)

For copies of these reports please contact Rabobank Nederland, Communications.

Croeselaan 18, 3521 CB Utrecht
Postbus 17100, 3500 HG Utrecht
Telephone +31 (0)30 - 216 22 98
Fax +31 (0)30 - 216 19 16
E-mail rabocomm@rn.rabobank.nl

All Annual Reports are also available on the Internet:
www.rabobankgroep.nl/report