



## **Rabobank Nederland**

### **Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.**

*(a cooperative (coöperatie) formed under the laws of the Netherlands with its statutory seat in Amsterdam)*

### **Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) Australia Branch (Australian Business Number 70 003 917 655)**

*(a cooperative (coöperatie) formed under the laws of the Netherlands with its statutory seat in Amsterdam)*

### **Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) Singapore Branch (Singapore Company Registration Number S86FC3634A)**

*(a cooperative (coöperatie) formed under the laws of the Netherlands with its statutory seat in Amsterdam)*

**EUR 160,000,000,000**

### **Global Medium-Term Note Programme Due from seven days to perpetuity**

Under the Global Medium-Term Note Programme described in this Base Prospectus (the 'Programme'), Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) ('Rabobank Nederland', the 'Bank' or the 'Issuer'), may through its head office or through its branches listed above, subject to compliance with all relevant laws, regulations and directives, from time to time issue Global Medium-Term Notes (the 'Notes'). References herein to the 'Issuer' shall mean Rabobank Nederland, whether issuing Notes through its head office or through its branches listed above.

The branches through which Rabobank Nederland may issue Notes are Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) Australia Branch ('Rabobank Australia Branch') and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) Singapore Branch ('Rabobank Singapore Branch'). The aggregate nominal amount of Notes outstanding will not at any time exceed EUR 160,000,000,000 (or the equivalent in other currencies). The Programme is, and Notes issued under it may be, denominated in 'euro', which means the lawful currency of the member states of the European Union ('Member States') that have adopted the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25 March 1957), as amended by the Treaty on European Union (signed in Maastricht on 7 February 1992).

This Base Prospectus is a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the 'Prospectus Directive') and the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) and regulations thereunder (together 'Dutch securities laws') and has been approved by the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten* or 'AFM'), in its capacity as competent authority under Dutch securities laws, in accordance with the provisions of the Prospectus Directive and Dutch securities laws on 6 May 2011. Application will be made for Notes issued under the Programme within 12 months of this Base Prospectus to be admitted to trading on Euronext Amsterdam N.V.'s NYSE Euronext in Amsterdam (Euronext Amsterdam) and to be admitted to the official list of the Luxembourg Stock Exchange (the 'Official List') and to be admitted to trading on the regulated market of the Luxembourg Stock Exchange (the 'Luxembourg Stock Exchange'), Euronext Amsterdam and the regulated market of the Luxembourg Stock Exchange are regulated markets for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments. References in this Base Prospectus to Notes being 'listed' (and all related references) shall mean that such Notes have been admitted to trading on a regulated market. Notes may also be listed on another stock exchange and unlisted Notes may also be issued under the Programme. The relevant final terms to this Base Prospectus (the 'Final Terms') in respect of the issue of any Notes will specify whether such Notes will be listed on Euronext Amsterdam or the Official List (or any other stock exchange) or whether the Notes will not be listed. In relation to each separate issue of Notes, the price and amount of such Notes will be determined by the Issuer and the relevant Dealers in accordance with prevailing market conditions at the time of the issue of the Notes and will be set out in the relevant Final Terms.

The Notes of each Tranche (as defined herein) in bearer form will initially be represented by a temporary global note in bearer form, without interest coupons (each a 'temporary Global Note'). If Global Notes in bearer form are stated in the relevant Final Terms to be issued in new global note ('NGN') form, the Global Notes will be delivered on or prior to the original issue date of the relevant Tranche to a common safekeeper (the 'Common Safekeeper') for Euroclear Bank S.A./N.V. ('Euroclear') and Clearstream Banking, *société anonyme* ('Clearstream, Luxembourg'). Notes in registered form will be represented by registered certificates (each a 'Certificate'), one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes (as defined below) of one Series, and may be represented by a Global Certificate (as defined below). Registered Notes issued in global form will be represented by registered global certificates ('Global Certificates'). If a Global Certificate is held under the New Safekeeping Structure (the 'NSS') the Global Certificate will be delivered on or prior to the original issue date of the relevant Tranche to a Common Safekeeper for Euroclear and Clearstream, Luxembourg.

Global Notes in bearer form which are not issued in NGN form ('classic global notes' or 'CGNs') and Global Certificates which are not held under the NSS will be deposited on the issue date of the relevant Tranche either with (a) a common depository for Euroclear and Clearstream, Luxembourg (the 'Common Depository') or (b) such other clearing system as agreed between the Issuer and the relevant Dealer. Interests in temporary Global Notes will be exchangeable for interests in permanent global notes (each a 'permanent Global Note' and, together with the temporary Global Notes, the 'Global Notes'), or, if so stated in the relevant Final Terms, definitive Notes ('Definitive Notes'), after the date falling 40 days after the completion of the distribution of such Tranche upon certification as to non-U.S. beneficial ownership. Interests in permanent Global Notes will be exchangeable for Definitive Notes in whole but not in part as described under 'Summary of Provisions Relating to the Notes while in Global Form'.

Notes of each Tranche of each Series to be issued in registered form ('Registered Notes') and which are sold in an 'offshore transaction' within the meaning of Regulation S ('Unrestricted Notes') under the U.S. Securities Act of 1933 (the 'Securities Act') will initially be represented by a permanent registered global certificate (each an 'Unrestricted Global Certificate'), without interest coupons, which may be deposited on the issue date (a) in the case of a Tranche intended to be cleared through Euroclear and/or Clearstream, Luxembourg, with the Common Depository on behalf of Euroclear and Clearstream, Luxembourg and (b) in the case of a Tranche intended to be cleared through a clearing system other than or in addition to Euroclear and/or Clearstream, Luxembourg, The Depository Trust Company ('DTC') or delivered outside a clearing system, as agreed between the Issuer and the relevant Dealer.

Registered Notes issued by Rabobank Nederland which are sold in the United States to 'qualified institutional buyers' within the meaning of Rule 144A ('Rule 144A') under the Securities Act ('Restricted Notes') will initially be represented by a permanent registered global certificate (each a 'Restricted Global Certificate' and, together with the 'Unrestricted Global Certificate', the 'Global Certificates'), without interest coupons, which may be deposited on the issue date either with (a) the Common Depository on behalf of Euroclear and Clearstream, Luxembourg or (b) a custodian for, and registered in the name of Cede & Co. as nominee for, DTC.

Beneficial interests in Global Certificates held by Euroclear, Clearstream, Luxembourg and/or DTC will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear, Clearstream, Luxembourg and/or DTC and their participants. See 'Clearing and Settlement'. The provisions governing the exchange of interests in the Global Notes and in each Global Certificate are described in 'Summary of Provisions Relating to the Notes while in Global Form'.

Senior long term Notes issued under the Programme by Rabobank Nederland and Rabobank Singapore Branch are expected to be rated AA+ by Fitch Ratings Limited ('Fitch') and Senior long term Notes issued under the Programme by Rabobank Australia Branch are expected to be rated AA+ by Fitch Australia Pty Ltd. ('Fitch Australia'). Senior unsecured Notes issued under the programme have been rated Aaa by Moody's Investors Service Limited. ('Moody's') and Senior Notes with a maturity of one year or more are expected to be rated AAA by Standard & Poor's Credit Market Services Europe Limited ('Standard & Poor's'). Notes issued pursuant to the Programme may be rated or unrated. Where an issue of Notes is rated, its rating will not necessarily be the same as the rating applicable to Senior Notes issued under the Programme and will be specified in the relevant Final Terms. None of these ratings is a recommendation to buy, sell or hold securities and any of them may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency without prior notice.

The credit ratings included or referred to in this Base Prospectus will be treated for the purposes of Regulation (EC) No 1060/2009 on credit rating agencies (the 'CRA Regulation') as having been issued by Fitch, Moody's and Standard & Poor's upon registration pursuant to the CRA Regulation. Fitch, Moody's and Standard & Poor's are established in the European Union and have applied to be registered under the CRA Regulation, although the result of such applications has not yet been determined. The credit ratings issued by Fitch Australia included or referred to in this Prospectus have not been issued or endorsed by any credit rating agency which is established in the European Union and registered under the CRA Regulation.

Tranches of Notes (as defined in 'Important Information') to be issued under the Programme will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to the Notes already issued. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the relevant Final Terms.

Factors which may affect the ability of the Issuer to fulfil its obligations under the Programme and factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are set out on pages 9 to 18.

This Base Prospectus supersedes and replaces the Offering Circular dated 6 May 2010.

### **Arranger for the Programme Credit Suisse Dealers**

**Rabobank International  
BNP PARIBAS  
Citi  
Daiwa Capital Markets Europe  
HSBC  
Mizuho International plc  
Nomura  
TD Securities  
UBS Investment Bank**

**Barclays Capital  
BofA Merrill Lynch  
Credit Suisse  
Goldman Sachs International  
J.P. Morgan  
Morgan Stanley  
RBC Capital Markets  
The Royal Bank of Scotland**

*This Base Prospectus has been prepared on the basis that, except to the extent sub-paragraph (ii) below may apply, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a 'Relevant Member State') will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Base Prospectus as completed by Final Terms in relation to the offer of those Notes may only do so (i) in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer, or (ii) if a prospectus for such offer has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State and (in either case) published, all in accordance with the Prospectus Directive, provided that any such prospectus has subsequently been completed by final terms which specify that offers may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State and such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or final terms, as applicable. Except to the extent sub-paragraph (ii) above may apply, neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.*

No person has been authorised to give any information or to make any representation other than those contained in this Base Prospectus in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Dealers or the Arranger (as defined in 'General Description of the Programme'). Neither the delivery of this Base Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Base Prospectus and any Final Terms and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms come are required by the Issuer, the Dealers and the Arranger to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any State or other jurisdiction of the United States and are being sold pursuant to an exemption from the registration requirements of such Act. The Notes include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered or sold or, in the case of Notes in bearer form, delivered within the United States or to, or for the account or benefit of, U.S. persons as defined in Regulation S under the Securities Act ('Regulation S').

Rabobank Australia Branch is an 'authorised deposit-taking institution' ('ADI') as that term is defined under the Banking Act 1959 of Australia ('Banking Act'). The depositor protection provisions contained in Division 2 of the Banking Act (including sections 13A and 16) do not apply to Rabobank Australia Branch. However, claims against Rabobank Australia Branch are subject to section 11F of the Banking Act which provides that if Rabobank Australia Branch (whether in or outside Australia) suspends payment or is unable to meet its obligations, the assets of Rabobank Australia Branch in Australia are to be available to meet Rabobank Australia Branch's liabilities in Australia in priority to all other liabilities of Rabobank Australia Branch. Further, under section 86 of the Reserve Bank Act 1959 of Australia, debts due by a bank (including Rabobank Australia Branch) to the Reserve Bank of Australia shall in a winding-up of that bank have, subject to section 13A of

the Banking Act, priority over all other debts, other than debts due to the Commonwealth of Australia.

All figures in this Base Prospectus have not been audited, unless stated otherwise. These figures are internal figures of Rabobank Nederland or Rabobank Group.

Unless the context otherwise requires, references in this Base Prospectus to 'Rabobank Nederland', the 'Bank' or the 'Issuer' are to Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. and references to 'Rabobank Group' or 'Rabobank' are to Rabobank Nederland and its members, subsidiaries and affiliates. References herein to the 'Issuer' shall mean Rabobank Nederland, whether issuing Notes through its head office or through Rabobank Australia Branch or Rabobank Singapore Branch.

Your attention is drawn to the important information on pages 19 to 22.

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## SUMMARY

*This summary must be read as an introduction to this Base Prospectus and any decision to invest in the Notes should be based on a consideration of this Base Prospectus as a whole, including the documents incorporated by reference, by any investor. The Issuer has civil liability in respect of this summary if it is misleading, inaccurate or inconsistent when read together with the other parts of this Base Prospectus. Where a claim relating to information contained in this Base Prospectus is brought before a court in an EEA State, the claimant may, under the national legislation of the EEA State where the claim is brought, be required to bear the costs of translating the Base Prospectus before the legal proceedings are initiated.*

### **Rabobank**

Rabobank Group is an international financial service provider operating on the basis of cooperative principles. At 31 December 2010, it comprises 141 independent local Rabobanks and their central organisation Rabobank Nederland and its subsidiaries. Rabobank Group operates in 48 countries. Its operations include domestic retail banking, wholesale and international retail banking, asset management and investment, leasing and real estate. It serves approximately 10 million clients around the world. In the Netherlands, its focus is on all-finance services and, internationally, on food and agri. Rabobank Group entities have strong internal relationships due to Rabobank's cooperative structure.

Rabobank Nederland has the highest credit rating awarded by the international rating agencies Standard & Poor's (AAA since 1981) and Moody's (Aaa since 1981). In terms of Tier 1 capital, Rabobank Group is among the world's 25 largest financial institutions (source: The Banker).

Rabobank Group's cooperative core business comprises independent local Rabobanks. Clients can become members of their local Rabobank. In turn, the local Rabobanks are members of Rabobank Nederland, the supralocal cooperative organisation that advises and supports the banks in their local services. Rabobank Nederland also supervises the operations, sourcing, solvency and liquidity of the local Rabobanks. With 911 branches and 2,963 cash-dispensing machines at 31 December 2010, the local Rabobanks form a dense banking network in the Netherlands. The website [www.rabobank.nl](http://www.rabobank.nl) serves over three million online banking customers. In the Netherlands, the local Rabobanks serve approximately 6.8 million retail clients, and approximately 0.8 million corporate clients, offering a comprehensive package of financial services.

Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) is the holding company of a number of specialised subsidiaries in the Netherlands and abroad. Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (trading as Rabobank International) ('Rabobank International') is Rabobank Group's wholesale bank and international retail bank.

At 31 December 2010, Rabobank Group had total assets of € 652.5 billion, a private sector loan portfolio of € 436.3 billion, amounts due to customers of € 298.8 billion, savings deposits of € 130.9 billion and equity of € 40.8 billion. At 31 December 2010, its Tier 1 ratio, which is the ratio between Tier 1 capital and total risk-weighted assets, was 15.7 per cent. For the year ended 31 December 2010, Rabobank Group's efficiency ratio was 64.5 per cent., and return on equity, or net profit expressed as a percentage of Tier 1 capital, was 8.6 per cent. For the year ended 31 December 2010, Rabobank Group realised net profit of € 2,772 million and a risk-adjusted return on capital ('RAROC') of 12.5 per cent. after tax. At 31 December 2010, Rabobank Group had 58,714 full-time employees.

### **Objectives**

According to article 3 of its articles of association, the objective of Rabobank Nederland is to promote the interests of its members, the local Rabobanks. It shall do so by: (i) promoting the establishment, continued existence and development of cooperative banks; (ii) conducting the business of banking in the widest sense, especially by acting as central bank for its members and as such entering into agreements with its members; (iii) negotiating rights on behalf of its members and, with due observance of the relevant provisions of the articles of association, entering into commitments on their behalf, provided that such commitments have the same implications for all its members, including the entering into collective labour agreements on behalf of its members; (iv) participating in, managing and providing services to other enterprises and

institutions, in particular enterprises and institutions operating in the fields of insurance, lending, investments and/or other financial services; (v) supervising the local Rabobanks in accordance with the provisions of the Financial Supervision Act (*Wet op het financieel toezicht*); and (vi) doing all such other things as may be regarded as being incidental or conducive to the attainment of the objectives specified above.

### **Market shares in the Netherlands**

As an all-finance service provider, Rabobank Group offers a comprehensive package of financial products and services.

*Residential mortgages:* For the year ended 31 December 2010, Rabobank Group had a market share of approximately 29.3 per cent. of the total amount of new home mortgages in the Dutch mortgage market (source: Dutch Land Registry Office (*Kadaster*)).

*Savings deposits of individuals:* At 31 December 2010, Rabobank Group had a market share of approximately 39.7 per cent. of the Dutch savings market (source: Statistics Netherlands (*Centraal Bureau voor de Statistiek*)).

*Lending to small and medium-sized enterprises:* At 31 December 2010, Rabobank Group had a market share of approximately 43 per cent. of domestic loans to the trade, industry and services sector (source: measured by Rabobank's own surveys).

*Agricultural loans:* At 31 December 2010, Rabobank Group had a market share of approximately 84 per cent. of loans and advances made by banks to the Dutch primary agricultural sector (source: measured by Rabobank's own surveys).

### **Asset quality record**

For the year ended 31 December 2010, Rabobank's bad debt costs were 29 basis points of average lending, which is higher than the ten year average of 23 basis points (based on the period from 2000 to 2009).

At 31 December 2010, economic country risk exposure to non-OECD countries represented 3.6 per cent. of Rabobank Group's total assets. Having taken into account country risk-reducing components, net country risk before provisions amounted to 1.4 per cent. of Rabobank's total assets.

### **Capitalisation**

At 31 December 2010, Rabobank's Tier 1 ratio was 15.7 per cent.

### **Form of Notes**

The Notes may be issued in bearer form only, in bearer form exchangeable for Registered Notes or in registered form only.

### **Currencies**

Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealers, except that, at the date hereof, only Rabobank Nederland may issue Notes denominated in Sterling.

### **Maturities**

Subject to compliance with all relevant laws, regulations and directives, Notes may be issued with any maturity between seven days and perpetuity.

### **Denomination**

Definitive Notes will be in such denominations as may be specified in the relevant Final Terms.

### **Redemption**

The Final Terms will specify the basis for calculating the redemption amounts payable, which may be by reference to stock, index or formula or as otherwise provided in the relevant Final Terms. Where the basis for calculating the redemption amounts or interest payable is by reference to stock, the Final Terms may also provide for the Notes to be adjusted or redeemed

on the occurrence of certain specified events affecting the stock, or the issuer of the stock, or the Issuer's and/or its Affiliates' (as defined further in 'Terms and Conditions of the Notes') related hedging arrangements. Furthermore, where the basis for calculating the redemption amounts or interest payable is by reference to an index, the Final Terms may provide for the Notes to be adjusted on the occurrence of certain specified events affecting the index or its sponsor and the Final Terms may also provide for the Notes to be adjusted or redeemed on the occurrence of disruptions to the Issuer's and/or its Affiliates' related hedging arrangements. Where the basis for calculating the redemption amounts or interest payable is by reference to a formula or other variable, the Final Terms may also provide for the Notes to be adjusted or redeemed on the occurrence of certain specified events affecting the underlying economic exposure of such formula or other variable or the Issuer's or its Affiliates' related hedging arrangements. In each case, the basis for adjustment or redemption is as more fully set out under 'Terms and Conditions of the Notes'.

**Governing law**

The laws of the Netherlands.

**Listing**

Euronext Amsterdam, the Luxembourg Stock Exchange, or as otherwise specified in the relevant Final Terms. As specified in the relevant Final Terms, a Series of Notes may be unlisted.

**Risk factors**

The purchase of Notes may involve substantial risks and is suitable only for investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and the merits of an investment in the Notes. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio. Material risks that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme include Rabobank Group's exposure to business and general economic conditions, credit risk, country risk, interest rate risk, funding and liquidity risk, market risk, currency risk, operational risk, legal risk, tax risk, systemic risk, competition, business environment, credit ratings, key employees, minimum regulatory capital and liquidity requirements, terrorist acts, civil unrest, other acts of war or hostility, geopolitical, pandemic or other such events, and the effect of governmental policy and regulation. Material risks relating to the structure of a particular issuance of Notes may (depending on the terms of the particular issue) include that the market price of the Notes may be volatile, the Notes may not pay interest or the payment of interest may depend on the market value of other securities, payment of principal or interest may occur at a different time or in a different currency than expected and payment of principal may be in an amount less than the nominal amount of the Notes or even zero. Please see the section 'Risk Factors'.

## SUMMARY FINANCIAL INFORMATION

The following unaudited table presents certain historical consolidated financial information for Rabobank Group. This information should be read in conjunction with Rabobank Group's audited consolidated financial statements and the section entitled 'Management's Discussion and Analysis of Financial Condition and Results of Operations' which appear elsewhere in this Base Prospectus.

The three-year key figures at and for the years ended 31 December 2010, 2009 and 2008 have been derived from the corresponding Rabobank Group financial statements, which have been audited by Ernst & Young Accountants LLP, the independent auditor in the Netherlands. The Rabobank audited consolidated financial statements for 2010, 2009 and 2008 have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union ('IFRS').

<i>(in millions of euro, except percentages)</i>	2010	2009	2008
<b>Volume of services</b>			
Total assets	652,536	607,483	612,120
Private sector loan portfolio	436,292	415,235	408,620
Amounts due to customers	298,761	286,338	304,214
Assets under management and held in custody for clients	270,400	230,400	183,600
<b>Financial position and solvency</b>			
Equity	40,757	37,883	33,459
Tier 1 capital	34,461	32,152	30,358
Qualifying capital	35,734	32,973	30,912
Risk-weighted assets	219,568	233,221	238,080
<b>Statement of income</b>			
Total income	12,716	12,434	11,652
Operating expenses	8,196	8,038	7,611
Value adjustments	1,234	1,959	1,189
Taxation	514	229	98
Net profit	2,772	2,208	2,754
<b>Ratios</b>			
Tier 1 ratio	15.7%	13.8%	12.7%
BIS ratio	16.3%	14.1%	13.0%
Equity capital ratio	14.2%	12.4%	11.6%
Net profit growth	26%	(20)%	2%
Return on equity	8.6%	7.3%	9.7%
Efficiency ratio	64.5%	64.6%	65.3%

## **RISK FACTORS**

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. Most of these factors are contingencies, which may or may not occur, and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.*

*In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with any Notes for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus (including any documents deemed to be incorporated by reference herein) and reach their own views prior to making any investment decision.*

### **Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme**

#### ***Business and general economic conditions***

The profitability of Rabobank Group could be adversely affected by a worsening of general economic conditions in the Netherlands and/or globally. The financial crisis which started in the second half of 2007 has affected all banks. Banks are also faced with the turmoil that is caused by the European sovereign debt crisis that arose in the first half of 2010. Moreover, the social unrest in the Middle East and North Africa that developed in the beginning of 2011 might also cause adverse economic effects which may adversely impact the Rabobank Group. Factors such as interest rates, inflation, deflation, investor sentiment, the availability and cost of credit, the liquidity of the global financial markets and the level and volatility of equity prices can significantly affect the activity level of customers and the profitability of Rabobank Group. For example, an economic downturn, or significantly higher interest rates, could adversely affect the credit quality of Rabobank Group's assets by increasing the risk that a greater number of its customers would be unable to meet their obligations. Moreover, the market downturn and worsening of the economy could reduce the value of Rabobank Group's assets and could cause Rabobank Group to incur further mark-to-market losses in its trading portfolios or could reduce the fees Rabobank Group earns for managing assets or the levels of assets under management. In addition, a market downturn and increased competition for savings in the Netherlands could lead to a decline in the volume of customer transactions that Rabobank Group executes and, therefore, a decline in customer deposits and the income it receives from fees and commissions and interest. See 'Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors affecting results of operations — General market conditions'. Continuing volatility in the financial markets or a protracted economic downturn in the Netherlands or Rabobank Group's other major markets could have a material adverse effect on Rabobank Group's results of operations.

#### ***Credit risk***

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 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. As well as loans and facilities (with or without commitment), credit as a generic term also includes, among other things, guarantees, letters of credit and derivatives. 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.

As a result of Rabobank Group's high level of diversification, it has not experienced major fluctuations in its levels of profitability in the past. However, an economic downturn may result in

loan losses that are above Rabobank Group's long-term average, which could have a material adverse effect on Rabobank Group's results of operations.

### ***Country risk***

With respect to country risk, a distinction can be 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 or natural disasters, but also government policy that does not succeed in creating macro-economic and financial stability).

Unpredictable and unexpected events which increase transfer risk and/or collective debtor risk could have a material adverse effect on Rabobank Group's results of operations.

### ***Interest rate and inflation risk***

An important risk component for Rabobank Group is interest rate risk. Interest rate risk is the risk, outside the trading environment, of deviations in interest income and/or the market value of capital as a result of changes in market interest rates. Interest rate risk results mainly from mismatches between the periods for which interest rates are fixed for loans and funds entrusted. If interest rates increase, the rate for Rabobank Group's liabilities, such as savings, can be adjusted immediately. This does not apply to the majority of Rabobank Group's assets, such as mortgages, which have longer interest rate fixation periods. Sudden and substantial changes in interest rates could have a material adverse effect on Rabobank Group's results of operations. Inflation and expected inflation can influence interest rates. An increase in inflation may: (i) decrease the value of certain fixed income instruments which Rabobank Group holds; (ii) result in surrenders of certain savings products with fixed rates below market rates by banking customers of Rabobank Group; (iii) require Rabobank Group to pay higher interest rates on the securities that it issues; and (iv) cause a general decline in financial markets.

### ***Funding and liquidity risk***

Liquidity risk is the risk that not all (re)payment commitments can be met. This could happen if clients or other professional counterparties suddenly withdraw more funding than expected, which cannot be met by Rabobank Group's cash resources or by selling or pledging assets or by borrowing funds from third parties. Important factors in preventing this are preserving the trust of customers for retail funding and maintaining access to financial markets for wholesale funding. If either of these were seriously threatened, this could have a material adverse effect on Rabobank Group's results of operations.

### ***Market risk***

The value of Rabobank Group's trading portfolio is affected by changes in market prices, such as interest rates, equities, currencies, certain commodities and derivatives. Any future worsening of the situation in the financial markets could have a material adverse effect on Rabobank Group's results of operations.

### ***Currency risk***

Rabobank Group is an internationally active bank. As such, part of its capital is invested in foreign activities. This gives rise to currency risk, in the form of translation risk. In addition, the trading books are exposed to market risk, in that they can have positions that are affected by changes in the exchange rate of currencies. Sudden and substantial changes in the exchange rates of currencies could have a material adverse effect on Rabobank Group's results of operations.

### ***Operational risk***

As a risk type, operational risk has acquired its own distinct position in the banking world. It is understood to mean 'the risk of losses resulting from failure of internal processes, people or systems or from external events'. Events of recent decades in modern international banking have shown on several occasions that ineffective control of operational risks can lead to substantial losses. Under the Basel II accord, banks must hold capital for this risk. Examples of operational risk incidents are highly diverse: fraud, claims relating to inadequate products, inadequate documentation, losses due to poor occupational health and safety conditions, errors in transaction

processing, non-compliance with the law and system failures. The occurrence of any such incidents could have a material adverse effect on Rabobank Group's results of operations.

### **Legal risk**

Rabobank Group is subject to a comprehensive range of legal obligations in all countries in which it operates. As a result, Rabobank Group is exposed to many forms of legal risk, which may arise in a number of ways. Rabobank Group faces risk where legal proceedings are brought against it. Regardless of whether such claims have merit, the outcome of legal proceedings is inherently uncertain and could result in financial loss. Defending legal proceedings can be expensive and time-consuming and there is no guarantee that all costs incurred will be recovered even if Rabobank Group is successful. Although Rabobank Group has processes and controls to manage legal risks, failure to manage these risks could have a negative impact on Rabobank Group's reputation and could have a material adverse effect on Rabobank Group's results of operations.

### **Tax risk**

Rabobank Group is subject to the tax laws of all countries in which it operates. Tax risk is the risk associated with changes in tax law or in the interpretation of tax law. It also includes the risk of changes in tax rates and the risk of failure to comply with procedures required by tax authorities. Failure to manage tax risks could lead to an additional tax charge. It could also lead to a financial penalty for failure to comply with required tax procedures or other aspects of tax law. If, as a result of a particular tax risk materialising, the tax costs associated with particular transactions are greater than anticipated, it could affect the profitability of those transactions, which could have a material adverse effect on Rabobank Group's results of operations.

### **Systemic risk**

Rabobank Group could be negatively affected by the weakness and/or the perceived weakness of other financial institutions, which could result in significant systemic liquidity problems, losses or defaults by other financial institutions and counterparties. Financial services institutions that deal with each other are interrelated as a result of trading, investment, clearing, counterparty and other relationships. This risk is sometimes referred to as 'systemic risk' and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with whom Rabobank Group interacts on a daily basis. Any of the above-mentioned consequences of systemic risk could have an adverse effect on Rabobank Group's ability to raise new funding and its results of operations.

### **Effect of governmental policy and regulation**

Rabobank Group's businesses and earnings can be affected by the fiscal or other policies and other actions of various governmental and regulatory authorities in the Netherlands, the European Union, the United States and elsewhere. Areas where changes could have an impact include, but are not limited to: the monetary, interest rate and other policies of central banks and regulatory authorities; changes in government or regulatory policy that may significantly influence investor decisions in particular markets in which Rabobank Group operates; changes and rules in competition and pricing environments; developments in the financial reporting environment; stress testing exercises to which financial institutions in general, and Rabobank Group in particular, are subject; or unfavourable developments producing social instability or legal uncertainty which in turn may affect demand for Rabobank Group's products and services. Regulatory compliance risk arises from a failure or inability to comply fully with the laws, regulations or codes applicable specifically to the financial services industry. Non-compliance could lead to fines, public reprimands, damage to reputation, enforced suspension of operations or, in extreme cases, withdrawal of authorisations to operate.

As of 1 January 2011 the (income) requirements for obtaining a personal mortgage loan that is secured by the Dutch Homeownership Guarantee Fund (*Stichting Waarborgfonds Eigen Woningen* or 'WEW'), an institution that was founded by the Dutch government in 1993, through the National Mortgage Guarantee Scheme (*Nationale Hypotheekgarantie* or 'NHG') have been tightened. In 2012, these requirements could be further increased. In addition, the AFM, the supervisor that is responsible for supervising the conduct of the entire financial market sector in the Netherlands with respect to savings, investment, insurance and loans, has announced a proposal that augments the requirements for obtaining a NHG-guaranteed personal mortgage loan

that is higher than the acquisition value of the house. All these factors may have material adverse effects on Rabobank Group's results of operations.

At 31 December 2010, mortgage loan interest payments for Dutch homeowners are tax deductible. If the tax deductibility is reduced or abolished, this could have a material adverse effect on Rabobank Group's results of operations.

In the United States, the Dodd-Frank Wall Street Reform and Consumer Reform Act ('Dodd-Frank') contains significant reforms, the full effect of which can only be assessed when the implementation rules are finalised. Dodd-Frank may have material adverse effects on Rabobank Group's results of operations.

### ***Minimum regulatory capital and liquidity requirements***

Rabobank Group is subject to the risk, inherent in all regulated financial businesses, of having insufficient capital resources to meet the minimum regulatory capital requirements. Under Basel II, capital requirements are inherently more sensitive to market movements than under previous regimes. Capital requirements will increase if economic conditions or negative trends in the financial markets worsen. Any failure of Rabobank Group to maintain its minimum regulatory capital ratios could result in administrative actions or sanctions, which in turn may have a material adverse impact on Rabobank Group's results of operations. A shortage of available capital might restrict Rabobank Group's opportunities for expansion.

In the future, under the Basel III proposals ('Basel III'), capital and liquidity requirements will increase. On 17 December 2009, the Basel Committee on Banking Supervision (the 'Basel Committee') proposed a number of fundamental reforms to the regulatory capital framework in its consultative document entitled 'Strengthening the resilience of the banking sector'. The Basel Committee published its economic impact assessment on 18 August 2010 and, on 12 September 2010, the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee, announced further details of the proposed substantial strengthening of existing capital requirements. On 16 December 2010 the Basel Committee issued its final view on Basel III, as discussed under 'Regulation of Rabobank Group'.

There can be no assurance that, prior to its implementation in 2013, the Basel Committee will not amend the package of reforms described above. Further, the European Commission and/or the Dutch Central Bank may implement the package of reforms in a manner that is different from that which is currently envisaged, or may impose additional capital requirements on Dutch banks.

If the regulatory capital requirements, liquidity restrictions or ratios applied to Rabobank Group are increased in the future, any failure of Rabobank Group to maintain such increased regulatory capital ratios could result in administrative actions or sanctions, which may have an adverse effect on Rabobank Group's results of operations.

### ***Credit ratings***

Rabobank Group's access to the unsecured funding markets is dependent on its credit ratings.

A downgrading in its credit ratings, as a result of a change in rating methodology or otherwise, could adversely affect Rabobank Group's access to liquidity alternatives and its competitive position, and could increase the cost of funding or trigger additional collateral requirements all of which could have a material adverse effect on Rabobank Group's results of operations.

### ***Competition***

All aspects of Rabobank Group's business are highly competitive. Rabobank Group's ability to compete effectively depends on many factors, including its ability to maintain its reputation, the quality of its services and advice, its intellectual capital, product innovation, execution ability, pricing, sales efforts and the talent of its employees. Any failure by Rabobank Group to maintain its competitive position could have a material adverse effect on Rabobank Group's results of operations.

### ***Business environment***

Concerns about geopolitical developments, social unrest (such as the turmoil that broke out in the beginning of 2011 in the Middle East and North Africa), oil prices and natural disasters

(such as the earthquake that occurred in Japan in March 2011), among other things, can affect the global financial markets. Accounting and corporate governance scandals in recent years have had a significant negative impact on investor confidence. The occurrence of any such developments and events could have a material adverse effect on Rabobank Group's results of operations.

***Terrorist acts, other acts of war or hostility, civil unrest, geopolitical, pandemic or other such events***

Terrorist acts, other acts of war or hostility, civil unrest, geopolitical, pandemic or other such events and responses to those acts/events may create economic and political uncertainties, which could have a negative impact on Dutch and international economic conditions generally, and more specifically on the business and results of Rabobank Group in ways that cannot necessarily be predicted. The occurrence of any such events could have a material adverse effect on Rabobank Group's results of operations.

***Key employees***

Rabobank Group's success depends to a great extent on the ability and experience of its senior management and other key employees. The loss of the services of certain key employees, particularly to competitors, could have a material adverse effect on Rabobank Group's results of operations. The failure to attract or retain a sufficient number of appropriate employees could significantly impede Rabobank Group's financial plans, growth and other objectives and have a material adverse effect on Rabobank Group's results of operations.

**Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme**

***The Notes may not be a suitable investment for all investors***

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's Currency (as defined in 'Risks related to the market generally — Exchange rate risks and exchange controls');
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

**Risks related to the structure of a particular issue of Notes**

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors the most common of which are set out below:

### **Notes subject to optional redemption by the Issuer**

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

### **Fixed/Floating Rate Notes**

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

### **Equity Linked Notes, Index Linked Notes, FX Linked Notes and Dual Currency Notes**

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or to other factors (each, a 'Relevant Factor'). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies, which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (i) the market price of such Notes may be volatile;
- (ii) they may risk losing part of, or their entire investment, for example, if exchange rates or any other relevant index moves sufficiently in an unanticipated direction;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) the amount of principal payable on redemption may be less than the nominal amount on such Notes or even zero;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable will likely be magnified;
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield; and
- (viii) Notes may contain broad calculation agent discretions to interpret, change or redeem the Notes, where such discretions are not required to be exercised in the interests of Noteholders.

Index Linked Notes (as defined in the 'Terms and Conditions of the Notes') differ from ordinary debt securities in that amounts due in respect of principal and/or interest will be dependent upon the performance of the underlying Index, which itself may contain substantial credit, interest rate or other risks. Additionally, for Index Linked Notes, the Final Terms may provide for the Notes to be adjusted or redeemed on the occurrence of certain specified events affecting the Index or the Index Sponsor (as defined in the 'Terms and Conditions of the Notes'). Furthermore, where Additional Disruption Events and Change in Law and/or Hedging Disruption and/or Increased Cost of Hedging are specified as applying in the relevant Final Terms, the Notes will be subject to adjustment or may be redeemed on the occurrence of disruptions to, or certain specified events affecting, the Issuer's and/or its Affiliates' related hedging arrangements.

Equity Linked Notes differ from ordinary debt securities in that the amount of principal and/or interest payable by the Issuer will depend on the market value of the Underlying Securities (as defined in the 'Terms and Conditions of the Notes'). Additionally, where Potential Adjustment Event, Merger Event, Tender Offer and/or Nationalisation, Delisting or Insolvency (each as defined in the 'Terms and Conditions of the Notes') are specified as applying in the relevant Final Terms, the Notes will be subject to adjustment or may be redeemed on the occurrence of certain specified events affecting the Underlying Security or the Company (as defined in the 'Terms and Conditions of the Notes') that has issued the Underlying Security. Furthermore, where Additional Disruption Events and Change in Law and/or Hedging Disruption and/or Increased Cost of Hedging are specified as applying in the relevant Final Terms, the Notes will be subject to adjustment or may be redeemed on the occurrence of disruptions to, or events affecting, the Issuer's and/or its Affiliates' related hedging arrangements. If Dual Currency has been declared applicable in the relevant Final Terms, payments (whether in respect of repayment or interest and whether at maturity or otherwise) will be made in such currencies and based on such rates of exchange as may be specified in the relevant Final Terms. The Noteholder may be exposed to currency risk in such event.

For Equity Linked Redemption Notes, where the Notes relate to Underlying Securities originally quoted, listed and/or dealt in as of the Issue Date (as defined in the 'Terms and Conditions of the Notes') in a currency of a member state of the European Union that has not adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union, if such Underlying Securities are at any time after the Issue Date quoted, listed and/or dealt in exclusively in euro on the relevant Exchange, then the Notes will be subject to such adjustment as the Calculation Agent as defined in the relevant Final Terms determines to be appropriate to preserve the economic terms of the Notes.

Equity Linked Notes will not represent a claim against or an investment in any issuer of any underlying securities and Noteholders will not have any right of recourse under the Notes to any such issuer or the underlying securities. The Notes are not in any way sponsored, endorsed or promoted by any issuer of any underlying securities and such companies have no obligation to take into account the consequences of their actions for any Noteholders. Accordingly, the issuer of any underlying securities may take any actions in respect of such Underlying Securities without regard to the interests of the purchasers of the Notes, and any of these actions could adversely affect the market value of the Notes.

FX Linked Notes have a different risk profile to ordinary debt securities. Fluctuations in exchange rates of the relevant currency (or basket of currencies) will affect the nature and value of the investment return on the FX Linked Notes. Furthermore, investors who intend to convert gains or losses from the redemption, exercise or sale of FX Linked Notes into their home currency may be affected by fluctuations in exchange rates between their home currency and the relevant currency (or basket of currencies). The performance of currency values is dependent upon the supply and demand for currencies in the international foreign exchange markets, which are subject to economic factors, including inflation rates in the countries concerned, interest rate differences between the respective countries, economic forecasts, international political factors, currency convertibility and the safety of making financial investments in the currency concerned, speculation and measures taken by governments and central banks, regardless of other market forces.

Where the FX Linked Notes are denominated in an emerging market currency or linked to one or more emerging market currencies, such emerging market currency or currencies can experience significantly more volatility and less certainty with respect to their future levels or the rate of exchange against other currencies than currencies of more developed markets. Emerging market currencies are highly exposed to the risk of a currency crisis happening in the future and this could trigger the need for the Calculation Agent to make adjustments to the terms and conditions of the Notes.

Governments have imposed from time to time, and may in the future impose, exchange controls that could also affect the availability of a relevant currency. Even if there are no actual exchange controls, it is possible that a relevant currency would not be available when payments on the relevant FX Linked Note are due.

### ***Settlement Disruption Events***

In the case of Notes for which Physical Settlement is specified as applicable in the relevant Final Terms, if a Settlement Disruption Event occurs or exists on the Delivery Date, settlement or redemption, as the case may be, will be postponed until the date on which no Settlement Disruption Event is subsisting. The Issuer, while the Settlement Disruption Event is continuing, also has the right to pay the Disruption Cash Settlement Price in lieu of physical settlement.

### ***Partly Paid Notes***

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

### ***Variable rate Notes with a multiplier or other leverage factor***

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

### ***Inverse Floating Rate Notes***

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

### ***Notes issued at a substantial discount or premium***

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

### ***The Issuer's obligations under Subordinated Notes are subordinated***

The Issuer's obligations under Subordinated Notes will be unsecured and subordinated and will rank junior in priority to the claims of senior creditors. Although Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a real risk that an investor in Subordinated Notes will lose all or some of his investment should the Issuer become insolvent.

### ***Risks related to Notes generally***

Set out below is a brief description of certain risks relating to the Notes generally:

#### ***Modification, waivers and substitution***

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and/or vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions may be amended by the Issuer (i) for the purposes of curing any ambiguity or for curing, correcting or supplementing any defective provision contained therein or (ii) in any manner which the Issuer may deem necessary or desirable and which shall not materially adversely affect the interests of the holders of the Notes, Receipts and Coupons (as defined in the 'Terms and Conditions of the Notes'), to all of which each holder of Notes, Receipts and Coupons shall, by acceptance thereof, consent. The Terms and Conditions also provide for the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 15 of the Notes.

### ***EU Savings Directive***

Under EC Council Directive 2003/48/EC on the taxation of savings income (the 'Savings Directive') (see 'Taxation – EU Savings Directive' below), Member States are required, from 1 July 2005, to provide to the tax authorities of another Member State details of payment of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). Belgium operated a withholding tax system at a rate no higher than 20 per cent. in relation to such payments until 31 December 2009 and switched to the provision of information (instead of the withholding tax) as from 1 January 2010.

Also with effect from 1 July 2005, a number of non-EU countries and certain dependent or associated territories of certain Member States have agreed to adopt similar measures (either provision of information or transitional withholding) (a withholding system in the case of Switzerland) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories. If, following implementation of the Savings Directive, a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent (as defined in the 'Terms and Conditions of the Notes') following implementation of the Savings Directive, the Issuer will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Savings Directive.

The European Commission has proposed certain amendments to the Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

### ***Change of law***

The Terms and Conditions of the Notes are based on the laws of the Netherlands in effect at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to the laws of the Netherlands or administrative practice after the date of this Base Prospectus.

### ***Minimum Specified Denomination***

In relation to any issue of bearer Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case, a Noteholder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive bearer Note in respect of such holding (should Definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a minimum Specified Denomination.

If definitive Notes are issued, Noteholders should be aware that Definitive Notes that have a denomination which is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

### ***Risks related to the market generally***

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

#### ***The secondary market generally***

Notes may have no established trading market when issued and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell

their Notes easily or at all or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

Notes issued under the Programme may or may not be listed on a stock exchange or regulated market. In cases where Notes are not listed, pricing information may be more difficult to obtain, and the liquidity and market prices of such Notes may be adversely affected.

If additional Notes are subsequently issued, the supply of such Notes in the market will increase and may cause the price at which the relevant Notes trade in the secondary market to decline significantly.

#### ***Exchange rate risks and exchange controls***

The Issuer will pay principal and interest on the Notes in the Specified Currency (as defined in the 'Terms and Conditions of the Notes'). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the 'Investor's Currency') other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes. If the Notes are denominated in a currency other than the currency of the country in which the Noteholder is resident, the Noteholder is exposed to the risk of fluctuations in the exchange rate between the two aforementioned currencies. The Noteholder may also be exposed to a foreign exchange risk if the reference obligation is denominated, or based on prices, in a currency other than the currency in which the relevant Note is denominated. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

#### ***Interest rate risks***

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

#### ***Credit ratings may not reflect all risks***

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

#### ***Legal investment considerations may restrict certain investments***

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

## IMPORTANT INFORMATION

### Responsibility statement

Rabobank Nederland (the 'Responsible Person') accepts responsibility for the information contained in this Base Prospectus. To the best of the knowledge and belief of the Responsible Person (which has taken all reasonable care to ensure that such is the case), the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Where information has been sourced from a third party this information has been accurately reproduced and, as far as the Responsible Person is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

### Documents incorporated by reference

This Base Prospectus is to be read in conjunction with the relevant Final Terms and the following documents which have been previously published or are published simultaneously with this Base Prospectus and that have been approved by the AFM or filed with it and shall be incorporated in, and form part of, this Base Prospectus:

- (a) the articles of association of Rabobank Nederland, last amended on 18 June 2010;
- (b) the Terms and Conditions of the Rabobank Nederland Global Medium-Term Note programmes for which the respective Offering Circulars are dated 7 October 2003, 15 October 2004, 11 July 2005, 31 May 2006, 14 May 2007, 13 May 2008, 8 May 2009 and 6 May 2010;
- (c) the consolidated financial statements of Rabobank Group for the years ended 31 December 2008, 2009 and 2010; and
- (d) the non-consolidated financial statements of Rabobank Nederland for the years ended 31 December 2008, 2009 and 2010,

save that any statement contained in this Base Prospectus or in any of the documents incorporated by reference in, and forming part of, this Base Prospectus shall be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained in any document which is subsequently incorporated by reference herein by way of a supplement prepared in accordance with Article 16 of the Prospectus Directive modifies or supersedes such statement.

The Issuer will provide, without charge, to each person to whom a copy of this Base Prospectus has been delivered, upon the request of such person, a copy of any or all of the documents incorporated herein by reference unless such documents have been modified or superseded as specified above, in which case the modified or superseding version of such document will be provided. Requests for such documents should be directed to the Issuer at its office set out at the end of this Base Prospectus. In addition, such documents will be available, without charge, from the principal office in the Netherlands of Rabobank International (as Euronext Amsterdam Listing Agent) for Notes listed on Euronext Amsterdam and from the principal office in England of the Arranger and of the Paying Agent in Luxembourg.

The contents of websites referenced in this Base Prospectus do not form any part of this Base Prospectus.

### Supplemental prospectus

This Base Prospectus is a base prospectus for purposes of the Prospectus Directive and Dutch securities laws and has been approved by the AFM on 6 May 2011 in accordance with the provisions of the Prospectus Directive and Dutch securities laws.

The Issuer has agreed, in connection with any listing of the Notes on the Luxembourg Stock Exchange, to supply the Luxembourg Stock Exchange with such documents and information as may be necessary in connection with the listing of the Notes on the Luxembourg Stock Exchange. The Issuer will prepare a revised or supplemental Base Prospectus setting out the changes in the operations and financial condition of the Issuer at least every year after the date of this Base Prospectus and each subsequent base prospectus.

The Issuer has given an undertaking to the Dealers that if at any time during the duration of the Programme there is a significant new factor, material mistake or inaccuracy relating to information contained in this Base Prospectus which is capable of affecting the assessment of any Notes and whose inclusion in this Base Prospectus or removal is necessary for the purpose of allowing an investor to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and of the rights attaching to the Notes, the Issuer shall prepare and publish an amendment or supplement to this Base Prospectus or a replacement prospectus for use in connection with any subsequent offering of the Notes and shall supply to each Dealer such number of copies of such supplement hereto as such Dealer may reasonably request.

From time to time the credit rating agencies may revise their ratings of the Issuer or the Issuer's securities or the outlooks on these ratings. Unless required by applicable law, the Issuer might not prepare a supplement to this Base Prospectus or publish a new prospectus for use in connection with any subsequent offer of the Notes in the event that one or more of these credit rating agencies revise their outlook on the ratings of the Issuer or the Issuer's securities.

The Arranger and the Dealers (excluding Rabobank International) have not separately verified the information contained in this Base Prospectus. None of the Dealers (excluding Rabobank International) or the Arranger makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Base Prospectus. Neither this Base Prospectus nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, the Dealers or the Arranger that any recipient of this Base Prospectus or any other financial statements should purchase the Notes. Prospective investors should have regard to the factors described under the section headed 'Risk Factors' in this Base Prospectus. This Base Prospectus does not describe all of the risks of an investment in the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Base Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers nor the Arranger undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Base Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arranger.

In connection with the issue of any tranche of a Series of Notes (a 'Tranche'), the Dealer or Dealers (if any) named as the stabilising manager(s) (the 'Stabilising Manager(s)') (or persons acting on behalf of any Stabilising Manager(s)) in the relevant Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the Final Terms of the offer of the relevant Tranche is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche and 60 days after the date of the allotment of the relevant Tranche. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

In this Base Prospectus, unless otherwise specified or the context otherwise requires, references to 'U.S.\$', 'USD' and 'U.S. Dollars' are to the lawful currency of the United States of America, to 'AUD' and 'Australian Dollars' are to the lawful currency of Australia, to 'NZD' and 'New Zealand Dollars' is to the lawful currency of New Zealand, to 'euro', 'Euro', 'EUR' and '€' are to the lawful currency of the member states of the European Union that have adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union, to 'sterling', 'pounds sterling' or '£' are to the lawful currency of the United Kingdom of Great Britain and Northern Ireland, and to '¥', 'JPY' and 'yen' are to the lawful currency of Japan.

This Base Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Dealers to subscribe for, or purchase, any Notes.

The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S and (in the case of Restricted Notes issued by Rabobank Nederland) within the United States to 'qualified institutional buyers' in reliance on Rule 144A. Prospective purchasers are hereby notified that sellers of Notes may be relying on the exemption from the

provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain restrictions on offers and sales of Notes and on distribution of this Base Prospectus or any Final Terms or any other offering material relating to the Notes, see 'Plan of Distribution' and 'Transfer Restrictions'.

The Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission (the 'SEC'), any State securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Notes or the accuracy or adequacy of this Base Prospectus. Any representation to the contrary is a criminal offence in the United States.

TO NEW HAMPSHIRE RESIDENTS: NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED ('RSA') WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

#### **Available information under Rule 144A**

Rabobank Nederland is exempt from reporting pursuant to Rule 12g3-2(b) under the U.S. Securities Exchange Act of 1934 (the 'Exchange Act'). As long as Rabobank Nederland is exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, it will furnish its Annual Report and certain other periodic reports and information to the SEC. At such time of filing, Rabobank Nederland will be exempt from providing the information required under Rule 144A(d)(4) described in the paragraph below.

Rabobank Nederland has agreed that, for so long as any Notes issued by it are 'restricted securities' within the meaning of Rule 144(a)(3) under the Securities Act, it will, during any period in which it is neither subject to section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act. Rabobank Nederland is not, nor does it intend to become, a reporting company under section 13 or section 15(d) of the Exchange Act. Any such request for information should be directed to Rabobank Nederland at its office set out at the end of this Base Prospectus.

#### **Presentation of financial information**

The audited consolidated financial statements for the years ended 31 December 2008, 31 December 2009 and 31 December 2010 and the corresponding summary figures contained in this Base Prospectus have been prepared in accordance with International Financial Reporting Standards as adopted by the EU pursuant to EU Regulation No 1606/2002 (IFRS).

#### ***Change in accounting policies and certain restatements***

As a result of changes in accounting policies and presentation, certain figures for Rabobank Group at and for the year ended 31 December 2009 in this Base Prospectus have been restated.

With effect from 1 January 2010, the treatment of impairments of 'Loans to customers' previously classified as 'Available-for-sale financial assets' has changed compared with the 2009 Consolidated Financial Statements. See note 2.1.1 (Changes in accounting policies and presentation) to the consolidated financial statements for the Rabobank Group for the year ended 31 December 2010. As a result, certain comparative figures at and for the year ended 31 December 2009 have been restated in this Base Prospectus.

## **Forward-looking statements**

This Base Prospectus includes 'forward-looking statements' within the meaning of section 27A of the Securities Act and section 21E of the Exchange Act. All statements other than statements of historical facts included in this Base Prospectus, including, without limitation, those regarding the Issuer's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to the Issuer's products), are forward-looking statements.

Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Issuer or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Issuer's present and future business strategies and the environment in which the Issuer will operate in the future.

The important factors that could cause the Issuer's actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, changes or downturns in the Dutch economy or the economies in other countries in which the Issuer conducts business and the impact of fluctuations in foreign exchange rates and interest rates.

These forward-looking statements speak only as of the date of this Base Prospectus. Other than as required by law or the rules and regulations of the relevant stock exchange, the Issuer expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

## **Special considerations**

Index Linked Notes are not in any way sponsored, endorsed, sold or promoted by the Index Sponsor and the Index Sponsor makes no warranty or representation whatsoever, express or implied, either as to the results to be obtained from the use of the Index and/or the figure at which the Index stands at any particular time on any particular day or otherwise. Each Index is calculated by a third party independent from the Issuer and, therefore, the Issuer will not accept any liability for any act or failure to act by the relevant Index Sponsor in connection with, among other things, the calculation, adjustment, maintenance or cancellation of the Index.

Equity Linked Notes are not in any way sponsored, endorsed, sold or promoted by the issuer of the Underlying Securities and the issuer of the Underlying Securities makes no warranty or representation whatsoever, express or implied, as to the future performance of the Underlying Securities.

With respect to FX Linked Notes, the Issuer makes no warranty or representation whatsoever, express or implied, as to the future performance of the relevant currency rate(s) or the value or level derived from a formula or index relating to one or more currency rate(s) or a combination thereof.

The Issuer, including its branches and any group company, is acting solely in the capacity of an arm's length contractual counterparty and not as a purchaser's financial adviser or fiduciary in any transaction unless the Issuer has agreed to do so in writing.

A prospective purchaser may not rely on the Issuer, the Dealers or any of their respective affiliates in connection with its determination as to the legality of its acquisition of the Notes or as to the other matters referred to above and none of the Issuer nor the Dealers nor any of their respective affiliates has or assumes responsibility for the lawfulness of the acquisition of the Notes by a prospective purchaser of the Notes, whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different), or for compliance by that prospective purchaser with any law, regulation or regulatory policy applicable to it.

## GENERAL DESCRIPTION OF THE PROGRAMME

The following general description does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the relevant Final Terms. Words and expressions defined in 'Terms and Conditions of the Notes' below shall have the same meanings in this general description. The Bank may agree with any Dealer that Notes may be issued in a form other than that contemplated in 'Terms and Conditions of the Notes' herein, in which event (in the case of listed Notes only) a supplement to this Base Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

The following general description is qualified in its entirety by the remainder of this Base Prospectus.

<b>Issuer:</b>	Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland), including issuing through:  Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) Australia Branch  Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) Singapore Branch
<b>Description:</b>	Global Medium-Term Note Programme
<b>Date:</b>	6 May 2011
<b>Size:</b>	Up to EUR 160,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.
<b>Use of proceeds:</b>	The net proceeds from the issues of the Notes will be used by the Issuer in connection with its banking business.
<b>Arranger:</b>	Credit Suisse Securities (Europe) Limited
<b>Dealers:</b>	Barclays Bank PLC BNP PARIBAS Citigroup Global Markets Limited Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank International) Credit Suisse Securities (Europe) Limited Daiwa Capital Markets Europe Limited Goldman Sachs International HSBC Bank plc J.P. Morgan Securities Ltd. Merrill Lynch International Mizuho International plc Morgan Stanley & Co. International plc Nomura International plc Royal Bank of Canada Europe Limited The Royal Bank of Scotland plc The Toronto-Dominion Bank UBS Limited
	The Issuer may from time to time terminate the appointment of any Dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Base Prospectus to 'Permanent Dealers' are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to 'Dealers' are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
<b>Fiscal Agent:</b>	Deutsche Bank AG, London Branch

<b>Method of Issue:</b>	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in Series having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in Tranches on the same or different issue dates. The specifics of each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, first interest payment and nominal amount, will be identical to the terms of other Tranches of the same Series) will be set out in Final Terms.
<b>Issue Price:</b>	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.
<b>Form of Notes:</b>	<p>The Notes may be issued in bearer form only ('Bearer Notes'), in bearer form exchangeable for Registered Notes ('Exchangeable Bearer Notes') or in registered form only. Each Tranche of Bearer Notes and Exchangeable Bearer Notes will initially be represented by a temporary Global Note, without interest coupons, which will be deposited on the issue date with (i) a Common Depository on behalf of Euroclear and Clearstream, Luxembourg in the case of a temporary Global Note which is in CGN form and (ii) a Common Safekeeper for Euroclear and Clearstream, Luxembourg or otherwise delivered as agreed between the Issuer and the relevant Dealer in the case of a temporary Global Note which is in NGN form. No interest will be payable in respect of a temporary Global Note except as described under 'Summary of Provisions Relating to the Notes while in Global Form'. Interests in a temporary Global Note will be exchangeable for interests in a permanent Global Note or, if so stated in the relevant Final Terms, for Definitive Notes, after the date falling 40 days after the completion of the distribution of the Tranche as certified in writing by the relevant Dealer upon certification as to non-U.S. beneficial ownership. Interests in a permanent Global Note will be exchangeable for Definitive Notes in bearer form or (in the case of Exchangeable Bearer Notes) registered form as described under 'Summary of Provisions Relating to the Notes while in Global Form'. Only Rabobank Nederland may issue Bearer Notes in NGN form.</p> <p>Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series and may be represented by a Global Certificate. Unrestricted Notes in registered form will initially be represented by an Unrestricted Global Certificate, without interest coupons, which may be deposited on the issue date (a) in the case of a Tranche intended to be cleared through Euroclear and/or Clearstream, Luxembourg, with (i) (in respect of Global Certificates which are not held under the NSS) a Common Depository on behalf of Euroclear and Clearstream, Luxembourg or (ii) (in respect of Global Certificates which are held under the NSS), a Common Safekeeper for Euroclear and Clearstream, Luxembourg or (b) in the case of a Tranche intended to be cleared through a clearing system other than or in addition to Euroclear and/or Clearstream, Luxembourg, DTC or delivered outside a clearing system, as agreed between the Issuer and the relevant Dealer. Restricted</p>

Notes in registered form will initially be represented by a Restricted Global Certificate, without interest coupons, which may be deposited on the issue date either (a) (i) (in respect of Global Certificates which are not held under the NSS) with a Common Depository on behalf of Euroclear and Clearstream, Luxembourg or (ii) (in respect of Global Certificates which are held under the NSS), a Common Safekeeper for Euroclear and Clearstream, Luxembourg or (b) with a custodian for, and registered in the name of Cede & Co. as nominee for, DTC. Only Rabobank Nederland may issue Notes which are offered and sold in the United States to 'qualified institutional buyers' pursuant to Rule 144A and are issued as Restricted Notes or Notes represented by a Restricted Global Certificate.

Beneficial interests in Global Certificates held by Euroclear, Clearstream, Luxembourg and/or DTC will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear, Clearstream, Luxembourg and/or DTC and their participants. See 'Clearing and Settlement'.

The provisions governing the exchange of interests in a Global Note for another Global Note and Definitive Notes and the exchange of interests in each Global Certificate for individual Certificates are described in 'Summary of Provisions Relating to the Notes while in Global Form'. Interests in Global Certificates may be exchanged for individual Certificates in certain circumstances. See 'Summary of Provisions Relating to the Notes while in Global Form' and 'Clearing and Settlement'.

**Clearing Systems:**

Clearstream, Luxembourg, Euroclear, DTC, Clearstream Banking AG and Euroclear France and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Fiscal Agent and the relevant Dealer.

**Initial Delivery of Notes:**

On or before the issue date for each Tranche, if the relevant Global Note representing Bearer Notes or Exchangeable Bearer Notes is an NGN or the relevant Global Certificate is held under the NSS, the Global Note or Global Certificate will be delivered to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. On or before the Issue Date for each Tranche, if the relevant Global Note representing Bearer Notes or Exchangeable Bearer Notes is a CGN or the Global Certificate representing Registered Notes is not held under the NSS, such Global Note or Global Certificate may (or, in the case of Notes to be listed on the Luxembourg Stock Exchange, shall) be deposited with a Common Depository for Euroclear and Clearstream, Luxembourg. Global Notes or Global Certificates relating to Notes that are not listed on the Luxembourg Stock Exchange may also be deposited with Clearstream Banking AG, Euroclear France or any other clearing system or may be delivered outside any clearing system provided that, save in the case of delivery to Clearstream Banking AG or Euroclear France, the method of such delivery has been agreed in advance by the Issuer, the Fiscal Agent and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.

**Currencies:**

Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealers, except that, at the date hereof, only Rabobank Nederland may issue Notes denominated in sterling.

<b>Maturities:</b>	Subject to compliance with all relevant laws, regulations and directives, any maturity between seven days and perpetuity.
<b>Denomination:</b>	Definitive Notes will be in such denominations as may be specified in the relevant Final Terms. Registered Notes will be in amounts of the denomination or integral multiples thereof specified in the relevant Final Terms. Additionally, unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Service and Markets Act 2000 will have a minimum denomination of £100,000 (or its equivalent). Individual Certificates will only be available, in the case of Notes initially represented by an Unrestricted Global Certificate, in amounts specified in the relevant Final Terms, and, in the case of Notes initially represented by a Restricted Global Certificate and sold pursuant to Rule 144A, in amounts of U.S.\$100,000 (or its equivalent rounded upwards as agreed between the Issuer and the relevant Dealer(s)), or higher integral multiples of U.S.\$1,000, in certain limited circumstances described in 'Summary of Provisions Relating to the Notes while in Global Form' and 'Clearing and Settlement'.
<b>Fixed Rate Notes:</b>	Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.
<b>Floating Rate Notes:</b>	Floating Rate Notes will bear interest determined separately for each Series as follows: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or (ii) by reference to EURIBOR, LIBOR, LIBID or LIMEAN or (or such other benchmark as may be specified in the relevant Final Terms) as adjusted for any applicable margin or (iii) using any other method of determination as may be provided in the Final Terms. Interest periods will be specified in the relevant Final Terms.
<b>Original Issue Discount Notes (including Zero Coupon Notes):</b>	Original Issue Discount Notes may be issued at their nominal amount or at a discount and may or may not bear interest.
<b>Dual Currency Notes:</b>	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as may be specified in the relevant Final Terms.
<b>Equity Linked Notes:</b>	Payments of principal in respect of Equity Linked Redemption Notes or of interest in respect of Equity Linked Interest Notes will be calculated by reference to a single equity security or basket of equity securities on such terms as may be specified in the relevant Final Terms. Equity Linked Redemption Notes may be settled at maturity or otherwise by receipt by the Noteholder(s) of a Final Redemption Amount or by delivery of the Underlying Securities, in each case as specified in the relevant Final Terms.
<b>FX Linked Notes:</b>	Payments of principal in respect of FX Linked Redemption Notes or of interest in respect of FX Linked Interest Notes will be calculated by reference to a foreign exchange rate or a basket of foreign exchange rates and/or a formula specified in the Final Terms or a combination thereof, on such terms as may be specified in the relevant Final Terms. FX Linked Redemption

	Notes may be settled at maturity or otherwise by receipt by the Noteholder(s) of a Final Redemption Amount, in each case as specified in the relevant Final Terms.
<b>Index Linked Notes:</b>	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to a single index or basket of indices and/or formula on such terms as may be specified in the relevant Final Terms.
<b>Interest Periods and Interest Rates:</b>	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms.
<b>Redemption:</b>	The Final Terms will specify the basis for calculating the redemption amounts payable, which may be by reference to a stock, index or formula or as otherwise provided in the relevant Final Terms.
<b>Redemption by Instalments:</b>	The Final Terms issued in respect of each issue of Notes that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Notes may be redeemed.
<b>Other Notes:</b>	Terms applicable to high interest Notes, low interest Notes, step-up Notes, step-down Notes, reverse dual currency Notes, optional dual currency Notes, partly-paid Notes and any other type of Note that the Issuer and any Dealer or Dealers may agree to issue under the Programme will be set out in the relevant Final Terms.
<b>Optional Redemption:</b>	The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption.
<b>Status of Notes:</b>	Unless otherwise agreed upon by the Issuer and the relevant Dealer or Dealers in respect of any issue as set forth in the relevant Final Terms, the Notes will constitute unsubordinated and unsecured obligations of the Issuer all as described in 'Terms and Conditions of the Notes'.
<b>Subordination:</b>	If the Issuer and the relevant Dealer or Dealers agree and so specify in the relevant Final Terms, and subject to compliance with all relevant laws, regulations and directives, the Notes may constitute subordinated and unsecured obligations of the Issuer.
<b>Cross Default:</b>	See 'Terms and Conditions of the Notes — Events of Default'.
<b>Negative Pledge:</b>	In respect of Senior Notes only, see 'Terms and Conditions of the Notes — Negative pledge relating to the Senior Notes'.
<b>Rating:</b>	Senior long term Notes issued under the Programme by Rabobank Nederland and Rabobank Singapore Branch are expected to be rated AA+ by Fitch and Senior long term Notes issued under the Programme by Rabobank Australia Branch are expected to be rated AA+ by Fitch Australia. Senior unsecured Notes issued under the Programme are expected to be rated Aaa by Moody's. Senior Notes with a maturity of one year or more issued under the programme are expected to be rated AAA by Standard & Poor's. Tranches of Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the

rating applicable to Senior Notes issued under the Programme and will be specified in the relevant Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The credit ratings included or referred to in this Prospectus will be treated for the purposes of Regulation (EC) No 1060/2009 on credit rating agencies (the 'CRA Regulation') as having been issued by Fitch, Moody's and Standard and Poor's upon registration pursuant to the CRA Regulation. Fitch, Moody's and Standard & Poor's are established in the European Union and have applied to be registered under the CRA Regulation, although the result of such applications has not yet been determined. The credit ratings issued by Fitch Australia included or referred to in this Prospectus have not been issued or endorsed by any credit rating agency which is established in the European Union and registered under the CRA Regulation.

Tranches of Notes (as defined in 'Important Information') to be issued under the Programme will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to the Notes already issued. Whether or not a rating in relation to any Tranches of Notes will be treated as having been issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the relevant Final Terms.

**Early Redemption:**

Except as provided in 'Optional Redemption' above, Notes will be redeemable at the option of the Issuer prior to maturity (i) for tax reasons, (ii) in the case of Equity Linked Notes, and the Notes so specify, for reasons affecting an Underlying Security or its Company, (iii) in the case of Index Linked Notes, for reasons affecting the Index or its Index Sponsor, (iv) in the case of FX Linked Notes for reasons affecting the FX Rate or FX Rate Sponsor, and (v) in the case of Equity Linked Notes, Index Linked Notes, FX Linked Notes and other Notes under which amounts payable may be determined by reference to a formula, and the Notes so specify, for reasons of disruption to, or increase in cost of, the Issuer's or its Affiliates' related hedging arrangements. See 'Terms and Conditions of the Notes—Redemption, Purchase and Options'.

**Taxation:**

Rabobank Nederland is a Dutch resident for tax purposes. For the Dutch tax consequences for Noteholders see 'Taxation'.

**Withholding Tax:**

All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of the Netherlands, Australia or Singapore, as the case may be, subject to the exceptions and limitations as described in 'Terms and Conditions of the Notes—Taxation'.

**Risk Factors:**

The purchase of Notes may involve substantial risks and is suitable only for investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and the merits of an investment in the Notes. A description of the material risks relating to the Notes and to the Issuer is contained under the heading 'Risk Factors'.

**Governing Law:**

The laws of the Netherlands.

**Listing:**

Euronext Amsterdam, the Official List of the Luxembourg Stock Exchange, or as otherwise specified in the relevant Final Terms.

As specified in the relevant Final Terms, a Series of Notes may be unlisted.

**Selling Restrictions:**

United States, European Economic Area, United Kingdom, the Netherlands, Australia, Singapore, the Republic of France, Japan, Hong Kong, United Arab Emirates, Dubai International Financial Centre, Qatar and the Republic of Italy. See 'Plan of Distribution'.

For the purposes of Regulation S, Category 2 selling restrictions shall apply.

In the case of Bearer Notes offered to non-U.S. persons and certain eligible U.S. persons, such Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the 'D Rules') unless (i) the relevant Final Terms states that the Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the 'C Rules') or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute 'registration required obligations' for U.S. federal income tax purposes, which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable. In the case of a distribution under Rule 144A, Notes will be issued in registered form, as defined in U.S. Temp. Treas. Reg. §5f.103-1(c).

**Transfer Restrictions:**

There are restrictions on the transfer of Registered Notes offered and sold pursuant to Rule 144A. See 'Transfer Restrictions' and 'Plan of Distribution'.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Final Terms, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. These terms and conditions as completed, amended, supplemented or varied by the relevant Final Terms (and subject to simplification by the deletion of non-applicable provisions) (the 'Conditions') shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the relevant Final Terms. Those definitions will be endorsed on the Definitive Notes or Certificates, as the case may be. References in the Conditions to 'Notes' are to the Notes of one Series only, not to all Notes that may be issued under the Programme.*

The Notes are issued pursuant to an Agency Agreement (as amended or supplemented at the date of issue of the Notes (the '**Issue Date**'), the '**Agency Agreement**') dated 6 May 2011, between Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) ('**Rabobank Nederland**' or the '**Issuer**'), acting through its head office or through one of the following of its branches, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) Australia Branch ('**Rabobank Australia Branch**') and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) Singapore Branch ('**Rabobank Singapore Branch**'), Deutsche Bank AG, London Branch as fiscal agent and the other agents named in it and with the benefit of a Covenant (as amended or supplemented at the Issue Date, the '**Covenant**') dated 6 May 2011 executed by the Issuer and the fiscal agent in relation to the Notes. The fiscal agent, the paying agents, the registrar, the exchange agent, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below, respectively, as the '**Fiscal Agent**', the '**Principal Paying Agent**', the '**Paying Agents**' (which expression shall include the Fiscal Agent), the '**Registrar**', the '**Exchange Agent**', the '**Transfer Agents**' and the '**Calculation Agent(s)**' and '**Agent**' shall mean any one of them. The Noteholders (as defined below), the holders of the interest coupons (the '**Coupons**') relating to interest-bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the '**Talons**') (the '**Couponholders**') and the holders of the receipts for the payment of instalments of principal (the '**Receipts**') relating to Notes in bearer form of which the principal is payable in instalments (the '**Receiptholders**') are deemed to have notice of all of the provisions of the Agency Agreement applicable to them.

Copies of the Agency Agreement and the Covenant are available for inspection during normal business hours at the specified offices of each of the Paying Agents, the Registrar and the Transfer Agents.

As used in these Conditions, '**Tranche**' means Notes which are identical in all respects (including as to listing) and '**Series**' means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

### 1 Definitions

- (a) In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

**'Additional Disruption Event'** means Change in Law, Hedging Disruption, Increased Cost of Hedging, or any other Additional Disruption Event, in each case if specified in the relevant Final Terms.

**'Affected Index'** means, in respect of Index Linked Notes that relate to a Basket of Indices, an Index for which an Index Valuation Date or Averaging Date is affected by the occurrence of a Disrupted Day.

**'Affected Security'** means, in respect of Equity Linked Notes that relate to a Basket of Underlying Securities, an Underlying Security for which an Equity Valuation Date or Averaging Date is affected by the occurrence of a Disrupted Day.

**'Affected Underlying Securities'** has the meaning contained in Condition 7(f)(iii).

'**Affiliate**' means, in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person (for such purposes, '**control**' of any entity or person means ownership of a majority of the voting power of the entity or person) and '**controlled by**' or '**controls**' shall be construed accordingly.

'**Amortisation Yield**' shall have the meaning contained in Condition 7(b)(i)(B).

'**Amortised Face Amount**' shall have the meaning contained in Condition 7(b)(i)(B).

'**Averaging Date**' means each date specified as an Averaging Date in the relevant Final Terms or, if such date is not a Scheduled Trading Day, the immediately succeeding Scheduled Trading Day unless such day is a Disrupted Day in the opinion of the Calculation Agent. If such day is a Disrupted Day, then:

- (i) in respect of an Index, the Averaging Date shall be determined in accordance with Condition 8(b)(ii);
- (ii) in respect of an Underlying Security, the Averaging Date shall be determined in accordance with Condition 9(c)(ii); or
- (iii) in respect of an FX Rate, each date specified as such or otherwise determined as provided in the relevant Final Terms, subject to any adjustment in accordance with the FX Business Day Convention.

'**Base Currency**' means the currency specified as such in the relevant Final Terms.

'**Basket**' means, in respect of Index Linked Notes, a Basket comprised of each Index specified in the Final Terms in the relative weighting specified in the Final Terms, in respect of Equity Linked Notes, a Basket comprised of each Underlying Security specified in the Final Terms in the relative proportion/number specified in the Final Terms and in respect of FX Linked Notes, a Basket comprised of each FX Rate specified in the Final Terms in the relative proportion/number specified in the Final Terms.

'**Bearer Notes**' shall have the meaning contained in Condition 2.

'**Broken Amount**' means, in respect of any Interest Payment Date, the amount specified in the relevant Final Terms.

'**Business Centre(s)**' shall have the meaning given to it in the relevant Final Terms.

'**Business Day**' means:

- (i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency (which in the case of Australian Dollars shall be Sydney and in the case of New Zealand Dollars shall be Wellington); and/or
- (ii) in the case of a currency and/or one or more Business Centres, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centre(s); and/or
- (iii) in the case of euro, a day on which the TARGET System is operating (a '**TARGET Business Day**').

'**Calculation Agent**' means Deutsche Bank AG, London Branch or, if different, as specified in the relevant Final Terms.

'**Calculation Agent FX Determination**' means, in respect of any relevant day that the FX Rate for such relevant day (or a method for determining the FX Rate) will be determined by the Calculation Agent taking into consideration all available information that in good faith it deems relevant.

'**Calculation Amount**' shall have the meaning given to it in the relevant Final Terms.

'**Certificates**' shall have the meaning contained in Condition 2.

'**Change in Law**' means that, on or after the Issue Date of any Notes (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the

interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Issuer and/or any of its Affiliates determines in its sole and absolute discretion that (X) it has become illegal to hold, acquire or dispose of any relevant Underlying Security (in the case of Equity Linked Redemption Notes), any relevant security/commodity comprised in an Index (in the case of Index Linked Redemption Notes) or any relevant currency (in the case of FX Linked Redemption Notes) relating to its hedge position in respect of such Notes, or (Y) the Issuer will incur a materially increased cost in performing its obligations in relation to such Notes (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on the tax position of the Issuer and/or any of its Affiliates).

**'Clearing System Business Day'** means, in respect of a clearing system, any day on which such clearing system is (or, but for the occurrence of a Settlement Disruption Event, would have been) open for the acceptance and execution of settlement instructions.

**'Company'** means, in respect of an Underlying Security, the issuer of the Underlying Security specified as such in the relevant Final Terms.

**'Control'** shall have the meaning contained in Condition 15(c)(v).

**'Currency-Reference Dealers'** means, in respect of any relevant day, that the Calculation Agent will request each of the FX Reference Dealers to provide a quotation of its rate at which it will buy one unit of the Base Currency in units of the Reference Currency at the applicable Valuation Time on such relevant day. If, for any such rate, at least two quotations are provided, the relevant rate will be the arithmetic mean of the quotations. If fewer than two quotations are provided for any such rate, the relevant rate will be the arithmetic mean of the relevant rates quoted by major banks in the relevant market, selected by the Calculation Agent at or around the applicable Valuation Time on such relevant day.

**'Day Count Fraction'** means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the **'Calculation Period'**):

- (i) if **'Actual/Actual'** or **'Actual/Actual-ISDA'** is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of:
  - (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366; and
  - (B) the actual number of days in that portion of the Calculation Period falling in a non leap year divided by 365);
- (ii) if **'Actual/365 (Fixed)'** is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 365;
- (iii) if **'Actual/365 (Sterling)'** is specified in the relevant Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if **'Actual/360'** is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 360;
- (v) if **'30/360'**, **'360/360'** or **'Bond Basis'** is specified in the relevant Final Terms, the number of days in the Calculation Period divided by 360 calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

**'Y<sub>1</sub>'** is the year, expressed as a number, in which the first day of the Calculation Period falls;

'Y<sub>2</sub>' is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

'M<sub>1</sub>' is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

'M<sub>2</sub>' is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

'D<sub>1</sub>' is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

'D<sub>2</sub>' is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>1</sub> will be 30;

- (vi) if '**30E/360**' or '**Eurobond Basis**' is specified in the relevant Final Terms, the number of days in the Calculation Period divided by 360 calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

'Y<sub>1</sub>' is the year, expressed as a number, in which the first day of the Calculation Period falls;

'Y<sub>2</sub>' is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

'M<sub>1</sub>' is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

'M<sub>2</sub>' is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

'D<sub>1</sub>' is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

'D<sub>2</sub>' is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D<sub>2</sub> will be 30;

- (vii) if '**30E/360 (ISDA)**' is specified in the relevant Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

'Y<sub>1</sub>' is the year, expressed as a number, in which the first day of the Calculation Period falls;

'Y<sub>2</sub>' is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

'M<sub>1</sub>' is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

'M<sub>2</sub>' is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

'D<sub>1</sub>' is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

'D<sub>2</sub>' is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30; and

- (viii) if **'Actual/Actual-ICMA'** is specified in the relevant Final Terms,
  - (a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of:
    - (x) the number of days in such Determination Period; and
    - (y) the number of Determination Periods normally ending in any year; and
  - (b) if the Calculation Period is longer than one Determination Period, the sum of:
    - (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
    - (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year.

**'Delisting'** means, in respect of an Underlying Security, that the Exchange announces that, pursuant to the rules of such Exchange, the Underlying Security ceases (or will cease) to be listed, traded or publicly quoted on the Exchange for any reason (other than a Merger Event or Tender Offer) and is not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as the Exchange (or, where the Exchange is within the European Union, in any member state of the European Union) and such Underlying Security is no longer listed on an Exchange acceptable to the Issuer.

**'Delivery Agent'** means Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank International) or, if different, as specified in the relevant Final Terms.

**'Delivery Day'** means, in respect of an Underlying Security, a day on which Underlying Securities comprised in the Underlying Security Amount may be delivered to Noteholders in the manner which the Calculation Agent has determined in its sole and absolute discretion to be appropriate.

**'Delivery Expenses'** means the expenses, including all costs, taxes, duties and/or expenses including stamp duty reserve tax and/or other costs, duties or taxes arising from or in connection with the delivery and/or transfer of any Underlying Securities Amount.

**'Delivery Notice'** means a written notice substantially in such form as the Issuer may determine, which must specify the name and address of the relevant Noteholder and the securities account in Euroclear, Clearstream, Luxembourg or other clearing system to be credited with the relevant Underlying Securities Amount and authorise the production of such notice in any applicable administrative or legal proceedings and copies may be obtained from any Agent.

**'Determination Date'** means the date specified as such in the relevant Final Terms or, if none is so specified, the Interest Payment Date.

**'Determination Period'** means the period from and including a Determination Date in any year to but excluding the next Determination Date.

**'Disrupted Day'** means (i) in respect of an Underlying Security or an Index, any Scheduled Trading Day on which (a) the Exchange fails to open for trading during its regular trading session, (b) any Related Exchange fails to open for trading during its regular trading session or (c) a Market Disruption Event has occurred, (ii) in respect of a Multi-Exchange Index, the Index Sponsor fails to publish the level of the Index and (iii) in respect of an FX Rate, the occurrence or existence, as determined by the Calculation Agent, of any Price Source Disruption and/or Inconvertibility Event and/or any other event specified as an FX Disruption Event in the Final Terms.

**'Disruption Cash Settlement Price'** means, in respect of each Note, an amount in the Specified Currency equal to the fair market value of the Affected Underlying Securities less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion.

**'Disruption Fallback'** means, in respect of an FX Rate, Calculation Agent FX Determination, Currency-Reference Dealers, Fallback Reference Price and/or such other sources or methods specified as such or otherwise determined as an alternative basis for determining such FX Rate as may be provided in the relevant Final Terms. The applicable Disruption Fallback shall be as specified in the relevant Final Terms, and if two or more Disruption Fallbacks are specified, unless otherwise provided in the Final Terms, such Disruption Fallbacks shall apply, in the order in which they are specified, such that if the Calculation Agent determines that the FX Rate cannot be determined by applying one Disruption Fallback, then the next Disruption Fallback specified shall apply.

**'Documents'** shall have the meaning contained in Condition 15(c)(i)(a).

**'DTC'** shall mean the Depository Trust Company or any successor thereto.

**'Early Closure'** means (i) in respect of an Index, the closure on any Exchange Business Day of any relevant Exchange or any Related Exchange prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange or Related Exchange at least one hour prior to the earlier of (a) the actual closing time for the regular trading session on such Exchange or Related Exchange on such Exchange Business Day and (b) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day and (ii) in respect of an Underlying Security, the closure on any Exchange Business Day of any relevant Exchange or any Related Exchange prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange or Related Exchange at least one hour prior to the earlier of (a) the actual closing time for the regular trading session on such Exchange or Related Exchange on such Exchange Business Day and (b) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day.

**'Equity Linked Interest Note'** means a Note in respect of which the amount in respect of interest payable is calculated by reference to an Underlying Security and/or Underlying Securities and/or a formula as agreed between the Issuer and the relevant Dealer(s), as indicated in the relevant Final Terms.

**'Equity Linked Note'** means an Equity Linked Interest Note or an Equity Linked Redemption Note.

**'Equity Linked Redemption Note'** means a Note in respect of which the amount in respect of principal payable is calculated by reference to an Underlying Security and/or Underlying Securities and/or a formula as agreed between the Issuer and the relevant Dealer(s), as indicated in the relevant Final Terms.

**'Equity Valuation Date(s)'** means the date or dates specified as such in the relevant Final Terms or if that day is not a Scheduled Trading Day, the immediately succeeding Scheduled Trading Day unless such day is a Disrupted Day in the opinion of the Calculation Agent. If such day is a Disrupted Day, then the Equity Valuation Date shall be determined in accordance with Condition 8(b)(i).

**'Euro-zone'** means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community as amended by the Treaty on European Union.

**'Event of Default'** shall have the meaning contained in Condition 14.

**'Exchange'** means:

- (i) in respect of any securities comprised in an Index, each exchange or quotation system, (from time to time) on which, in the determination of the Index Sponsor for the purposes of that Index, such securities are listed, such other stock exchange or quotation system specified in the relevant Final Terms or notified from time to

time to Noteholders in accordance with Condition 18 and (in any such case) any successor to such exchanges or quotation systems or any substitute exchange or quotation system to which trading in the securities/commodities comprising such Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the securities/commodities comprising such Index on such temporary substitute exchange or quotation system as on the original Exchange); or

- (ii) in respect of an Underlying Security, each exchange or quotation system specified as such for such Underlying Security in the relevant Final Terms or notified from time to time to Noteholders in accordance with Condition 18 and any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Underlying Security has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to such Underlying Security on such temporary substitute exchange or quotation system as on the original Exchange).

**'Exchange Business Day'** means, in respect of an Underlying Security or an Index, as the case may be, any Scheduled Trading Day on which each Exchange and each Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time.

**'Exchange Disruption'** means (i) in respect of an Underlying Security, any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent in its sole and absolute discretion) the ability of market participants in general (a) to effect transactions in, or obtain market values for, the Underlying Security on the Exchange, or (b) to effect transactions in, or obtain market values for, futures or options contracts relating to the Underlying Security on any relevant Related Exchange and (ii) in respect of an Index, any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent in its sole and absolute discretion) the ability of market participants in general (a) to effect transactions in, or obtain market values for, in the case of a Multi-Exchange Index, any security comprised in the Index on any relevant Exchange or, in the case of any other Index, securities that comprise 20 per cent. or more of the level of the Index on any relevant Exchange or (b) to effect transactions in, or obtain market values for, futures or options contracts relating to the relevant Index on any relevant Related Exchange.

**'Exchangeable Bearer Notes'** shall have the meaning contained in Condition 2.

**'Exercise Notice'** shall have the meaning contained in Condition 7(e).

**'Extraordinary Dividend'** means, in respect of an Underlying Security, an amount specified or otherwise determined as provided in the relevant Final Terms. If no Extraordinary Dividend is specified or otherwise determined as provided in the relevant Final Terms, the characterisation of a dividend or portion thereof as an Extraordinary Dividend shall be determined by the Calculation Agent.

**'Fallback Reference Price'** means, in respect of any relevant day, that the Calculation Agent will determine the FX Rate on such relevant day on the basis of the exchange rate for one unit of the Base Currency in terms of the Reference Currency for such FX Rate, published by available recognised financial information vendors (as selected by the Calculation Agent) other than the applicable FX Price Source, at or around the applicable Valuation Time on such relevant day.

**'Fallback Valuation Date'** means, the date(s) specified as such in the relevant Final Terms, or, if no date is specified for the Fallback Valuation Date in the relevant Final Terms, then the Fallback Valuation Date for any date on which the FX Rate is required to be determined shall be the second Business Day prior to the next following date upon which any payment or delivery of assets may have to be made by the Issuer by reference to the FX Rate on such day.

**'Fixed Coupon Amount'** shall have the meaning given to it in the relevant Final Terms.

**'Fractional Amount'** means any fractional interest in one Underlying Security to which a Noteholder would be entitled pursuant to Condition 7(f)(ii).

**'Fractional Cash Amount'** means, in respect of each Note and in respect of Underlying Securities of a Company, the amount in the Specified Currency (rounded to the nearest smallest transferable Unit of such currency, half such a unit being rounded downwards) determined by the Calculation Agent in its sole and absolute discretion in accordance with the following formula:

Fractional Cash Amount = (the Reference Price x Fractional Amount x Underlying FX Rate).

Where:

**'Underlying FX Rate'** means, in respect of an Underlying Security, the prevailing spot rate determined by the Calculation Agent in its sole and absolute discretion as the number of units of the Specified Currency that could be bought with one unit of the currency in which the relevant Underlying Security is quoted on the relevant Exchange on the relevant Valuation Date.

**'FX Averaging Reference Date'** means, in respect of an FX Rate, each Initial FX Averaging Date or Averaging Date, subject to any adjustment in accordance with the FX Business Day Convention.

**'FX Business Day'** means, in respect of an FX Rate, each day (other than Saturday or Sunday) on which commercial banks are open for business (including dealings in foreign exchange in accordance with the practice of the foreign exchange market) in (a) the principal financial centre of the Reference Currency and (b) the FX Financial Centres.

**'FX Business Day Convention'** means the convention for adjusting any FX Reference Date or other relevant date if it would otherwise fall on a day that is not an FX Business Day. If the relevant Final Terms specify, in respect of such FX Reference Date or other date, that:

- (i) **'Following'** shall apply to such FX Reference Date or other date, then if the FX Scheduled Reference Date or other scheduled date corresponding to such date is not an FX Business Day, the FX Reference Date or other date will be the first following day that is an FX Business Day;
- (ii) **'Modified Following'** shall apply to such FX Reference Date or other date, then if the FX Scheduled Reference Date or other scheduled date corresponding to such date is not an FX Business Day, the Reference Date or other date will be the first following day that is an FX Business Day unless that day falls in the next calendar month, in which case that date will be the first preceding day that is an FX Business Day;
- (iii) **'Nearest'** shall apply to such FX Reference Date or other date, then if the FX Scheduled Reference Date or other scheduled date corresponding to such date is not an FX Business Day, the FX Reference Date or other date will be (i) the first preceding day that is an FX Business Day if such date falls on a day other than a Sunday or Monday and (ii) the first following day that is an FX Business Day if such date otherwise falls on a Sunday or Monday;
- (iv) **'Preceding'** shall apply to such FX Reference Date or other date, then if the FX Scheduled Reference Date or other scheduled date corresponding to such date is not an FX Business Day, the FX Reference Date or other date will be the first preceding day that is an FX Business Day; or
- (v) **'No Adjustment'** shall apply to such FX Reference Date or other date, then if the FX Scheduled Reference Date or other scheduled date corresponding to such date is not an FX Business Day, the FX Reference Date or other date will nonetheless be such FX Scheduled Reference Date or other scheduled date.

If the relevant Final Terms do not specify an applicable FX Business Day Convention, then it shall be deemed that 'Following' shall apply.

**'FX Financial Centres'** means, in respect of each FX Rate, the financial centre(s) specified in the relevant Final Terms.

**'FX Interest Valuation Date'** means, in respect of an FX Rate, each date specified as such or otherwise determined as provided in the relevant Final Terms, subject to any adjustment in accordance with the FX Business Day Convention.

**'FX Linked Interest Note'** means a Note in respect of which the amount in respect of interest payable is calculated by reference to a foreign exchange rate and/or a basket of foreign exchange rates and/or a formula as agreed between the Issuer and the relevant Dealer(s), as indicated in the relevant Final Terms.

**'FX Linked Note'** means an FX Linked Interest Note or an FX Linked Redemption Note.

**'FX Linked Redemption Note'** means a Note in respect of which the amount in respect of principal payable is calculated by reference to a foreign exchange rate and/or a basket of foreign exchange rates and/or a formula as agreed between the Issuer and the relevant Dealer(s), as indicated in the relevant Final Terms.

**'FX Price Source'** means the price source(s) specified in the relevant Final Terms for such FX Rate or if the relevant rate is not published or announced by such FX Price Source at the relevant time, the successor or alternative price source or page/publication for the relevant rate as determined by the Calculation Agent in its sole and absolute discretion.

**'FX Rate'** means, in respect of any relevant day, the exchange rate of one currency for another currency expressed as a number of units of the Reference Currency (or fractional amounts thereof) per unit of the Base Currency (and, if the relevant Final Terms specify a Number of FX Settlement Days, for settlement in the Number of FX Settlement Days reported and/or calculated and/or published by the FX Rate Sponsor), which appears on the FX Price Source at approximately the applicable Valuation Time on such day, or such other rate specified or otherwise determined as provided in the relevant Final Terms.

**'FX Rate Sponsor'** means, for any FX Rate, the entity specified as such in the relevant Final Terms.

**'FX Reference Date'** means, in respect of an FX Rate, each Initial FX Averaging Date, Initial FX Valuation Date, FX Interest Valuation Date or Averaging Date, subject to any adjustment in accordance with the FX Business Day Convention.

**'FX Reference Dealers'** means, in respect of each FX Rate, four leading dealers in the relevant foreign exchange market, as determined by the Calculation Agent or otherwise specified or determined as provided in the relevant Final Terms.

**'FX Scheduled Reference Date'** means, in respect of an FX Rate and any FX Reference Date, any original date that, but for such day not being an FX Business Day for such FX Rate, would have been such FX Reference Date.

**'FX Valuation Date'** means, in respect of an FX Rate, each date specified as such or otherwise determined as provided in the relevant Final Terms, subject to any adjustment in accordance with the FX Business Day Convention.

**'Hedging Disruption'** means the Issuer and/or any of its Affiliates is unable, after using commercially reasonable efforts, to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the Underlying Security and/or Index and/or relevant FX Rate or other price risk of the Issuer issuing and performing its obligations with respect to the Notes, or (b) realise, recover or remit the proceeds of any such transaction(s) or asset(s).

**'Holder'** shall have the meaning contained in Condition 2.

**'Inconvertibility Event'** means, in respect of an FX Rate, the occurrence of an event which affects the convertibility of the relevant Reference Currency into the Base Currency.

**'Increased Cost of Hedging'** means that the Issuer and/or any of its Affiliates would incur a materially increased (as compared with circumstances existing on the Issue Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the Underlying Security and/or Index and/or FX Rate or other price risk of the Issuer issuing and performing its

obligations with respect to the Notes, or (b) realise, recover or remit the proceeds of any such transaction(s) or asset(s), provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer and/or any of its Affiliates shall not be deemed an Increased Cost of Hedging.

**'Index'** or **'Indices'** means, subject to adjustment in accordance with Condition 9, the Index or Indices specified as such in the relevant Final Terms.

**'Index Cancellation'** means, in respect of an Index, that on or prior to any Valuation Date a relevant Index Sponsor cancels the Index and no Successor Index exists.

**'Index Disruption'** means, in respect of an Index, that on any Valuation Date the Index Sponsor fails to calculate and announce a relevant Index.

**'Index Linked Interest Note'** means a Note in respect of which the amount in respect of interest payable is calculated by reference to an Index and/or Indices and/or a formula as agreed between the Issuer and the relevant Dealer(s), as indicated in the relevant Final Terms.

**'Index Linked Note'** means an Index Linked Interest Note and/or an Index Linked Redemption Note.

**'Index Linked Redemption Note'** means a Note in respect of which the amount in respect of principal payable is calculated by reference to an Index and/or Indices and/or a formula as agreed between the Issuer and the relevant Dealer(s), as indicated in the relevant Final Terms.

**'Index Modification'** means, in respect of an Index, that on or prior to any Valuation Date a relevant Index Sponsor announces that it will make (in the opinion of the Calculation Agent) a material change in the formula for or the method of calculating that Index or in any other way materially modifies that Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent securities and capitalisation and other routine events).

**'Index Sponsor'** means, in respect of an Index, the corporation or other entity specified as such in the relevant Final Terms.

**'Index Valuation Date(s)'** means the date or dates specified as such in the relevant Final Terms or if that day is not a Scheduled Trading Day, the immediately succeeding Scheduled Trading Day unless such day is a Disrupted Day in the opinion of the Calculation Agent. If such day is a Disrupted Day, then the Index Valuation Date shall be determined in accordance with Condition 9(c)(i).

**'Initial FX Averaging Date'** means, in respect of an FX Rate, each date specified as such or otherwise determined as provided in the relevant Final Terms, subject to any adjustment in accordance with the FX Business Day Convention.

**'Initial FX Valuation Date'** means, in respect of an FX Rate, each date specified as such or otherwise determined as provided in the relevant Final Terms, subject to any adjustment in accordance with the FX Business Day Convention.

**'Insolvency'** means by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of, or any analogous proceedings affecting, a Company, at any time (i) all the Underlying Securities of such Company are required to be transferred to a trustee, liquidator or other similar official or (ii) holders of the Underlying Securities of such Company become legally prohibited from transferring them.

**'Interest'** shall have the meaning contained in Condition 12.

**'Interest Accrual Period'** means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

**'Interest Amount'** means:

- (i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified in the relevant Final Terms, shall

mean the Fixed Coupon Amount or Broken Amount specified in the relevant Final Terms as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

- (ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

**'Interest Commencement Date'** means the Issue Date or such other date as may be specified in the relevant Final Terms.

**'Interest Determination Date'** means, with respect to a Rate of Interest and Interest Accrual Period, the date specified in the relevant Final Terms or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling, (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

**'Interest Payment Date'** means the date on which interest for the relevant period falls due.

**'Interest Period'** means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

**'Interest Period Date'** means each Interest Payment Date unless otherwise specified in the relevant Final Terms.

**'ISDA Definitions'** means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc., unless otherwise specified in the relevant Final Terms.

**'Issue Price'** shall have the meaning given to it in the relevant Final Terms.

**'Market Disruption Event'** means (i) in respect of an Underlying Security, the occurrence or existence on any Scheduled Trading Day of any Trading Disruption or an Exchange Disruption, which in either case the Calculation Agent determines in its sole and absolute discretion is material at any time during the one hour period that ends at the relevant Valuation Time, as the case may be, or an Early Closure, and (ii) in respect of an Index, the occurrence or existence on any Scheduled Trading Day of a Trading Disruption or an Exchange Disruption, which in either case the Calculation Agent determines in its sole and absolute discretion is material at any time during the one hour period that ends at the relevant Valuation Time, as the case may be, or an Early Closure, provided that, in the case of a Multi-Exchange Index, the securities comprised in the Index in respect of which a Trading Disruption, Exchange Disruption or an Early Closure occurs or exists amount, in the determination of the Calculation Agent, in aggregate to 20 per cent. or more of the level of the Index. For the purpose of determining whether a Market Disruption Event exists at any time in respect of a security/commodity included in the relevant Index at any time, then the relevant percentage contribution of that security/commodity to the level of the Index shall be based on a comparison of (i) the portion of the level of the relevant Index attributable to that security/commodity relative to (ii) the overall level of the relevant Index, in each case immediately before the occurrence of such Market Disruption Event, as determined by the Calculation Agent.

**'Merger Date'** means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Calculation Agent.

**'Merger Event'** means, in respect of any Underlying Securities, any (i) reclassification or change of such Underlying Securities that results in a transfer of or an irrevocable commitment to transfer all of such Underlying Securities outstanding, to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of the relevant Company with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Company is the continuing entity and which does not result in a reclassification or change of all of such

Underlying Securities outstanding), (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Underlying Securities of the relevant Company that results in a transfer of or an irrevocable commitment to transfer all of such Underlying Securities (other than such Underlying Securities owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the relevant Company or its subsidiaries with or into another entity in which such Company is the continuing entity and which does not result in a reclassification or change of all of such Underlying Securities outstanding but results in the outstanding Underlying Securities (other than Underlying Securities owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Underlying Securities immediately following such event (a '**Reverse Merger**'), in each case if the Merger Date is on or before the relevant Valuation Date.

'**Multi-Exchange Index**' means an Index in respect of which there is more than one Exchange.

'**Nationalisation**' means the event in which all the assets or substantially all the assets of a Company or the Underlying Securities of such a Company are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof.

'**Noteholder**' shall have the meaning contained in Condition 2.

'**Number of FX Settlement Days**' means such number or amount as is specified in the relevant Final Terms.

'**Potential Adjustment Event**' means, with respect to any Company, any of the following:

- (i) a subdivision, consolidation or reclassification of the relevant Underlying Securities (unless resulting in a Merger Event) or a free distribution or dividend of any such Underlying Securities to existing holders by way of bonus, capitalisation or similar issue;
- (ii) a distribution, issue or dividend to existing holders of the relevant Underlying Securities specified in the relevant Final Terms of (a) such Underlying Securities or (b) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Company equally or proportionately with such payments to holders of such Underlying Securities or (c) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the Company as a result of a spin-off or other similar transaction or (d) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or otherwise) at less than the prevailing market price as determined by the Calculation Agent;
- (iii) an Extraordinary Dividend;
- (iv) a call by it in respect of any Underlying Securities that are not fully paid;
- (v) a repurchase by it or any of its subsidiaries of relevant Underlying Securities, whether out of profits or capital and whether the consideration for such repurchase is in cash, new shares, securities or otherwise;
- (vi) an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of such Company pursuant to a shareholder rights plan or arrangement directed against hostile takeovers that provides upon the occurrence of certain events for a distribution of preferred stock, warrants, debt instruments or stock rights at a price below their market value, as determined by the Calculation Agent in its sole and absolute discretion, provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights; or
- (vii) any other event that may have, in the opinion of the Calculation Agent, a diluting or concentrative effect on the theoretical value of the Underlying Securities.

'**Presentation Date**' means the date specified in the relevant Final Terms.

**'Price Source Disruption'** means it becomes impossible or otherwise impracticable to obtain the FX Rate on the FX Reference Date (or if different, the day on which rates for that FX Reference Date would, in the ordinary course, be published or announced by the relevant FX Price Source).

**'Principal'** shall have the meaning contained in Condition 12.

**'Rate of Interest'** means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions in the relevant Final Terms.

**'Record Date'** shall have the meaning contained in Condition 11(b)(ii).

**'Reference Banks'** means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent or as specified in the relevant Final Terms.

**'Reference Currency'** means the currency specified as such in the relevant Final Terms.

**'Reference Level'** means:

- (i) where the Notes are specified in the relevant Final Terms to relate to a single Index, an amount (which shall be deemed to be an amount of the Specified Currency) equal to the official closing level of the Index as determined by the Calculation Agent (or if a Valuation Time other than the Scheduled Closing Time is specified in the relevant Final Terms, the level of the Index determined by the Calculation Agent at such Valuation Time) on the Valuation Date (as defined below) and, if specified in the relevant Final Terms, without regard to any subsequently published correction; and
- (ii) where the Notes are specified in the relevant Final Terms to relate to a Basket of Indices, an amount (which shall be deemed to be an amount of the Specified Currency) equal to the sum of the values calculated for each Index as the official closing level of each Index as determined by the Calculation Agent (or if a Valuation Time other than the Scheduled Closing Time is specified in the relevant Final Terms, the level of each Index determined by the Calculation Agent at such Valuation Time) on the Valuation Date and, if specified in the relevant Final Terms, without regard to any subsequently published correction.

**'Reference Price'** means:

- (i) where the Notes are specified in the relevant Final Terms to relate to a single Underlying Security, an amount equal to the official closing price (or the price at the Valuation Time on the Valuation Date, if a Valuation Time is specified in the relevant Final Terms) of the Underlying Security quoted on the relevant Exchange and, if specified in the relevant Final Terms, without regard to any subsequently published correction as determined by or on behalf of the Calculation Agent (or if, in the opinion of the Calculation Agent, no such official closing price (or, as the case may be, price at the Valuation Time on the Valuation Date, if a Valuation Time is specified in the relevant Final Terms) can be determined at such time, unless the Valuation Date is a Disrupted Day, an amount determined by the Calculation Agent in good faith to be equal to the arithmetic mean of the closing fair market buying price (or the fair market buying price at the Valuation Time on the Valuation Date, if a Valuation Time is specified in the relevant Final Terms) and the closing fair market selling price (or the fair market selling price at the Valuation Time on the Valuation Date, if a Valuation Time is specified in the relevant Final Terms) for the Underlying Security determined, at the Calculation Agent's discretion, either by reference to the arithmetic mean of the foregoing prices or the middle market quotations provided to it by two or more financial institutions (as selected by the Calculation Agent) engaged in the trading of the Underlying Security or by reference to such other factors and source(s) as the Calculation Agent shall decide). The amount determined pursuant to the foregoing

shall be converted, if Exchange Rate is specified as applicable in the relevant Final Terms, into the Specified Currency at the Exchange Rate and such converted amount shall be the Reference Price; and

- (ii) where the Notes are specified in the relevant Final Terms to relate to a Basket of Underlying Securities, an amount equal to the sum of the values calculated for each Underlying Security as the official closing price (or the price at the Valuation Time on the Valuation Date, if a Valuation Time is specified in the relevant Final Terms) of the Underlying Security quoted on the relevant Exchange as determined by or on behalf of the Calculation Agent and, if specified in the relevant Final Terms, without regard to any subsequently published correction (or if, in the opinion of the Calculation Agent, no such official closing price (or price at the Valuation Time on the Valuation Date, if a Valuation Time is specified in the relevant Final Terms) can be determined at such time, unless the Valuation Date is a Disrupted Day, an amount determined by the Calculation Agent in good faith to be equal to the arithmetic mean of the closing fair market buying price (or the fair market buying price at the Valuation Time on the Valuation Date, if a Valuation Time is specified in the relevant Final Terms) and the closing fair market selling price (or the fair market selling price at the Valuation Time on the Valuation Date, if a Valuation Time is specified in the relevant Final Terms) for the Underlying Security determined, at the Calculation Agent's discretion, either by reference to the arithmetic mean of the foregoing prices or the middle market quotations provided to it by two or more financial institutions (as selected by the Calculation Agent) in the trading of the Underlying Security or by reference to such other factors and source(s) as the Calculation Agent shall decide). Each amount determined pursuant to the foregoing shall be converted, if the Exchange Rate is specified as applicable in the relevant Final Terms, into the Specified Currency at the Exchange Rate and the sum of such converted amounts shall be the Reference Price.

**'Reference Rate'** means the rate specified as such in the relevant Final Terms.

**'Register'** shall have the meaning contained in Condition 2.

**'Registered Notes'** shall have the meaning contained in Condition 2.

**'Related Exchange'** means, in respect of an Underlying Security or Index, as the case may be, each exchange or quotation system (as specified in the relevant Final Terms or notified from time to time to Noteholders in accordance with Condition 18), if any, on which the Underlying Security or index, is traded or quoted, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Underlying Security or Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Underlying Security or Index on such temporary substitute exchange or quotation system as on the original Related Exchange) and as may be selected from time to time by the Calculation Agent, provided that where **'All Exchanges'** is specified as the Related Exchange in the relevant Final Terms, 'Related Exchange' shall mean each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Underlying Security or Index.

**'Relevant Date'** shall have the meaning contained in Condition 12.

**'Relevant Screen Page'** means such page, section, caption, column or other part of a particular information service as may be specified in the relevant Final Terms.

**'Restricted Global Certificate'** shall mean a permanent registered global certificate which will initially represent Registered Notes issued by Rabobank Nederland which are sold in the United States to qualified institutional buyers within the meaning of Rule 144A under the United States Securities Act of 1933 (the **'Securities Act'**).

**'Reuters Monitor Money Rates Service'** means the money rates monitor of the Reuters service.

**'Reverse Merger'** has the meaning given to it in the definition of Merger Event.

**'Scheduled Closing Time'** means, in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange and Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside the hours of the regular trading session.

**'Scheduled Trading Day'** means, (i) in respect of an Underlying Security or an Index (other than a Multi-Exchange Index), any day on which each Exchange and Related Exchange are scheduled to be open for trading for their respective trading sessions, and (ii) in respect of a Multi-Exchange Index, any day on which the Index Sponsor is scheduled to publish the level of the Index and each Related Exchange is scheduled to be open for trading for its respective trading session.

**'Scheduled Valuation Date'** means any original date that, but for the occurrence of an event causing a Disrupted Day, would have been a Valuation Date.

**'Screen Rate Determination'** means the manner in which the Rate of Interest is to be determined contained in Condition 6(b)(iii).

**'Senior Notes'** means Notes specified as such in the relevant Final Terms.

**'Settlement Disruption Event'** means, in respect of any Series, (i) an event beyond the control of the Issuer as a result of which, in the opinion of the Calculation Agent, delivery of (one of) the Underlying Securities comprised in any Underlying Securities Amount by or on behalf of the Issuer, in accordance with these Conditions and/or relevant Final Terms, is not practicable; or (ii) the existence of any prohibition or material restriction imposed by applicable law (or by order, decree or regulation of any governmental entity, stock exchange or self regulating body having jurisdiction), including prohibitions or restrictions resulting from action taken or not taken by the Issuer and/or any Affiliate of the Issuer on the ability of the Issuer or any of its Affiliates engaged in hedging transactions relating to the Underlying Securities to transfer the Underlying Securities or a particular class of Underlying Securities comprised in any Underlying Securities Amount.

**'Solvency Rules'** means the solvency rules pursuant to the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) to which the Issuer is subject.

**'Specified Currency'** means the currency specified as such in the relevant Final Terms or, if none is specified, the currency in which the Notes are denominated.

**'Subordinated Notes'** means Tier 2 Notes and subordinated perpetual Notes.

**'Substituted Debtor'** shall have the meaning contained in Condition 15(c)(i).

**'Successor Index'** shall have the meaning contained in Condition 9(a).

**'Successor Index Sponsor'** shall have the meaning contained in Condition 9(a).

**'TARGET Business Day'** means a day on which the TARGET System is open for business.

**'TARGET System'** means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

**'Tender Offer'** means, in respect of any Underlying Security, a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10 per cent. and less than 100 per cent. of the outstanding voting shares of the relevant Company, as determined by the Calculation Agent, in its sole and absolute discretion, based upon the making of filings with governmental or self-regulatory agencies, or such other information as the Calculation Agent determines to be relevant.

**'Tender Offer Date'** means, in respect of a Tender Offer, the date on which voting shares in the amount of applicable thresholds are actually purchased or otherwise obtained, as determined by the Calculation Agent in its sole and absolute discretion.

**'Tier 2 Notes'** means Subordinated Notes which qualify as 'Tier 2 Capital' under the Solvency Rules.

**'Trading Disruption'** means (i) in respect of an Underlying Security, any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (a) relating to the Underlying Security on the Exchange or (b) in futures or options contracts relating to the Underlying Security on any relevant Related Exchange, and (ii) in respect of an Index, any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (a) on any relevant Exchange(s) relating to (in the case of a Multi-Exchange Index) any security comprised in the Index or (in the case of any other Index) securities that compromise 20 per cent. or more of the level of the relevant Index or (b) in futures or options contracts relating to the relevant Index on any relevant Related Exchange.

**'Underlying Securities'** means the shares or other securities or different classes of shares or other securities specified as such in the relevant Final Terms.

**'Underlying Securities Amount'** means, subject to Conditions 7 and 8, in respect of each Note, the number of Underlying Securities so specified in the relevant Final Terms.

**'Underlying Securities Delivery Date'** means, in respect of an Underlying Security, subject to Condition 7, the Maturity Date or, if such day is not a Delivery Day, the first succeeding day that is a Delivery Day.

**'Unit'** shall have the meaning contained in Condition 6(i)(iii).

**'Valid Date'** means a Scheduled Trading Day that is not a Disrupted Day and on which another Averaging Date does not or is not deemed to occur.

**'Valuation Date'** means each Equity Valuation Date, Index Valuation Date, FX Valuation Date and Averaging Date, as applicable.

**'Valuation Time'** means, the time specified as such in the relevant Final Terms or if no such time is specified (i) in respect of an Underlying Security, the close of trading on the relevant Exchange in relation to that Underlying Security, or (ii) in respect of an Index the time with reference to which the Index Sponsor calculates the closing level of the Index, or (iii) in respect of an FX Rate the time with reference to which the FX Rate Sponsor calculates the closing rate of such FX Rate or, in each case, such other time as the Calculation Agent may select and as notified to Noteholders by the Issuer in accordance with Condition 18. If the Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time.

- (b) References to capitalised terms not defined in Condition 1(a) above are to those terms as defined in the first paragraph of the preamble to these Conditions or in the relevant Final Terms.

## 2 Form, Denomination and Title

The Notes are issued in bearer form (**'Bearer Notes'**, which expression includes Notes that are specified to be Exchangeable Bearer Notes), in registered form (**'Registered Notes'**) or in bearer form exchangeable for Registered Notes (**'Exchangeable Bearer Notes'**) in each case in the Specified Denomination(s) shown in the relevant Final Terms.

*All Registered Notes shall have the same Specified Denomination. Where Exchangeable Bearer Notes are issued, the Registered Notes for which they are exchangeable shall have the same Specified Denomination as the lowest denomination of Exchangeable Bearer Notes.*

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note, an Equity Linked Interest Note, an Equity Linked Redemption Note, an FX Linked Interest Note, an FX Linked Redemption Note, an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown in the relevant Final Terms.

This Note is a Senior Note or a Subordinated Note, in each case as indicated in the relevant Final Terms.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Registered Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 3(c), each Certificate shall represent the entire holding of Registered Notes by the same holder. Notes issued by Rabobank Nederland and sold in the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act will initially be represented by a Restricted Global Certificate in registered form.

Title to the Bearer Notes and the Receipts, Coupons and Talons appertaining thereto shall pass by delivery and title to the Registered Notes shall pass by registration in the register which the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"), unless applicable law provides otherwise or provides for additional formalities for transfer of title. In so far as applicable law requires notification to the debtor for a valid transfer of title to the Registered Notes, the registration of the transfer by the Registrar shall constitute evidence of this notification. Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), and "**holder**" (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be).

### **3 Exchanges of Exchangeable Bearer Notes and transfers of Registered Notes**

#### **(a) Exchange of Exchangeable Bearer Notes**

Subject as provided in Condition 3(f), Exchangeable Bearer Notes may be exchanged for the same nominal amount of Registered Notes at the request in writing of the relevant Noteholder and upon surrender of each Exchangeable Bearer Note to be exchanged, together with all unmatured Receipts, Coupons and Talons relating to it, at the specified office of any Transfer Agent; provided, however, that where an Exchangeable Bearer Note is surrendered for exchange after the Record Date for any payment of interest, the Coupon in respect of that payment of interest need not be surrendered with it. Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes that are not Exchangeable Bearer Notes may not be exchanged for Registered Notes.

#### **(b) Transfer of Registered Notes**

One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate (or such other form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer and the Fiscal Agent), duly completed and executed, together with any other evidence as the Registrar or Transfer Agent may reasonably require. In so far as applicable law requires notification to the debtor for a valid transfer of title to the Registered Notes, the registration of the transfer by the Registrar shall constitute evidence of this notification. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor.

**(c) Exercise of Options or partial redemption in respect of Registered Notes**

In the case of an exercise of an Issuer's or Noteholder's option, or a partial redemption of Registered Notes, in respect of a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

**(d) Delivery of new Certificates**

Each new Certificate to be issued pursuant to Conditions 3(a), (b) or (c) shall be available for delivery within three business days of receipt of the request for exchange, form of transfer or Exercise Notice or surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or the Registrar (as the case may be) to whom delivery or surrender of such request for exchange, form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant request for exchange, form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Agent (as defined in the Agency Agreement) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 3(d), 'business day' means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

**(e) Exchange free of charge**

Exchange and transfer of Notes and Certificates on registration, transfer, partial redemption or exercise of an Option shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

**(f) Closed periods**

No Noteholder may require the transfer of a Registered Note to be registered or an Exchangeable Bearer Note to be exchanged for one or more Registered Note(s) (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days before any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 7(d), or (iii) after any such Note has been called for redemption. An Exchangeable Bearer Note called for redemption may, however, be exchanged for one or more Registered Note(s) in respect of which the Certificate is simultaneously surrendered not later than the relevant Record Date.

**4 Status of Notes**

**(a) Senior Notes**

The Senior Notes and the Receipts and Coupons relating to them constitute unsubordinated and (subject to Condition 5) unsecured obligations of the Issuer and such Senior Notes or, as the case may be, Receipts and Coupons of that Issuer shall at all times rank *pari passu* and without any preference among themselves (save for certain mandatory exceptions provided by law). The payment obligations of the Issuer under the Senior Notes and the Receipts and Coupons relating to them shall, save for such exceptions as may be provided by applicable law and subject to Condition 5, at all times rank equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.

**(b) Subordinated Notes**

Subject to exceptions provided by mandatory applicable law, the payment obligations under each of the Subordinated Notes constitute unsecured obligations of the Issuer and shall, in case of (a) the bankruptcy of the Issuer; (b) a situation in which an '**emergency regulation**' (*noodregeling*) as contemplated in paragraph 3.5.5.1 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*), as modified or re-enacted from time to time, (such situation hereinafter being referred to as a '**Moratorium**') is applicable to the Issuer; or (c) dissolution (*ontbinding*) of the Issuer, rank:

- (i) subordinate and junior only to present and future unsubordinated indebtedness of the Issuer;
- (ii) *pari passu* amongst themselves and with any other present and future indebtedness which ranks by or under its own terms or otherwise, *pari passu* with the Subordinated Notes; and
- (iii) senior to any other present and future indebtedness which ranks by or under its own terms or otherwise, subordinate or junior to the Subordinated Notes.

By virtue of such subordination (i) payments to the holders of the Subordinated Notes will, in case of bankruptcy or dissolution of the Issuer or in the event of a Moratorium with respect to the Issuer, only be made after all payment obligations of the Issuer ranking senior to the Subordinated Notes have been satisfied, (ii) any right of set-off by the holder of any Subordinated Note in respect of any amount owed to such holder by the Issuer under or in connection with such Subordinated Note shall be excluded and (iii) each holder of a Subordinated Note shall, by virtue of being the holder of any Subordinated Note, be deemed to have waived all such rights of set-off.

**5 Negative pledge relating to the Senior Notes**

So long as any of the Senior Notes, Receipts or Coupons remain outstanding (as defined in the Agency Agreement), the Issuer undertakes not to secure any of its other indebtedness, whether present or future, which is both (a) represented by bonds, notes or other securities which have an initial life exceeding two years and which are for the time being, or are intended to be, quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other similar securities market and (b) not Domestic Indebtedness.

In this Condition 5, '**Domestic Indebtedness**' means the indebtedness as referred to under (a) above of the Issuer which is denominated or payable (at the option of any party) in euro unless 50 per cent. or more thereof in aggregate principal amount is initially offered or sold outside the Netherlands.

**6 Interest and other calculations**

**(a) Interest on Fixed Rate Notes**

Each Fixed Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 6(j).

**(b) Interest on Floating Rate Notes, Index Linked Interest Notes, Equity Linked Interest Notes and FX Linked Interest Notes**

- (i) *Interest Payment Dates*: Each Floating Rate Note, Index Linked Interest Note, Equity Linked Interest Note and FX Linked Interest Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 6(j). Such Interest Payment Date(s) is/are either shown in the relevant Final Terms as Specified Interest Payment Date(s) or, if no Specified Interest Payment Date(s) is/are specified in the relevant Final Terms, '**Interest Payment Date**' shall mean each

date which falls the number of months or other period specified in the relevant Final Terms as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

- (ii) *Business Day Convention*: If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.
- (iii) *Rate of Interest on Floating Rate Notes*: The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified in the relevant Final Terms and the provisions below relating to ISDA Determination, Screen Rate Determination or any other method of determination which may be provided in the relevant Final Terms shall apply if specified in the relevant Final Terms.

(A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub paragraph (A), '**ISDA Rate**' for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (x) the Floating Rate Option is as specified in the relevant Final Terms;
- (y) the Designated Maturity is a period specified in the relevant Final Terms; and
- (z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the relevant Final Terms.

For the purposes of this sub-paragraph (A), '**Floating Rate**', '**Calculation Agent**', '**Floating Rate Option**', '**Designated Maturity**', '**Reset Date**' and '**Swap Transaction**' have the meanings given to those terms in the ISDA Definitions.

(B) *Screen Rate Determination for Floating Rate Notes*

- (x) Where Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:
- (1) the offered quotation; or
  - (2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time in the case of LIBOR, or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such

offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the relevant Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon.

- (y) If the Relevant Screen Page is not available or, if sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page, or, if sub-paragraph (x)(2) applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent.
- (z) If paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London interbank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee and the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a

different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

**(c) Rate of Interest for Index Linked Interest Notes**

The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined in the manner specified in the relevant Final Terms and interest will accrue by reference to an Index or a Basket of Indices or formula as specified in the relevant Final Terms.

**(d) Rate of Interest on Equity Linked Interest Notes**

In the case of Equity Linked Notes, the Rate of Interest or amount of interest payable in respect of each Interest Accrual Period or on each Specified Interest Payment Date, as the case may be, shall be determined by reference to an Underlying Security or a Basket of Underlying Securities or formula in the manner specified in the relevant Final Terms.

**(e) Rate of Interest on FX Linked Interest Notes**

In the case of FX Linked Interest Notes, the Rate of Interest or amount of interest payable in respect of each Interest Accrual Period or on each Specified Interest Payment Date, as the case may be, shall be determined by reference to an FX Rate and/or a basket of FX Rates and/or a formula as agreed between the Issuer and the relevant Dealer(s), as indicated in the relevant Final Terms.

**(f) Zero Coupon Notes**

Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 7(b)(i)).

**(g) Dual Currency Notes**

In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating the Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified in the relevant Final Terms.

**(h) Partly Paid Notes**

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the relevant Final Terms.

**(i) Accrual of interest**

Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the Rate of Interest in the manner provided in this Condition 6 to the Relevant Date (as defined in Condition 12).

**(j) Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding**

(i) If any Margin is specified in the relevant Final Terms (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest in the case of (x), or the Rates of Interest for the specified

Interest Accrual Periods in the case of (y), calculated in accordance with paragraph (b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin subject always to the next paragraph.

- (ii) If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified in the relevant Final Terms, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
- (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes 'unit' means the lowest amount of such currency that is available as legal tender in the country of such currency.

**(k) Calculations**

The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified in the relevant Final Terms, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

**(l) Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts**

The Calculation Agent shall as soon as practicable on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Fiscal Agent, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange so require, such exchange as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 6(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 14, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition 6 but no publication of

the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

**(m) Calculation Agent**

The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them in the relevant Final Terms and for so long as any Note is outstanding (as defined in the Agency Agreement). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

**7 Redemption, Purchase and Options**

**(a) Redemption by Instalments and Final Redemption**

- (i) Unless previously redeemed, purchased and cancelled as provided in this Condition 7, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.
- (ii) Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date at its Final Redemption Amount (which, unless otherwise provided in these Terms and Conditions or in the relevant Final Terms, is its nominal amount) or, in the case of a Note falling within paragraph (i) above, its final Instalment Amount.

**(b) Early Redemption**

- (i) *Zero Coupon Notes*
  - (A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 7(c), 7(j) or upon it becoming due and payable as provided in Condition 14 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified in the relevant Final Terms.
  - (B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is specified in the relevant Final Terms, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

- (C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 7(c) or upon it becoming due and payable as provided in Condition 14 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the reference therein to the date on which the Note becomes due and payable were replaced by a reference to the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 6(d).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction specified in the relevant Final Terms.

- (ii) *Other Notes*: The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 7(c), Condition 7(j) or upon it becoming due and payable as provided in Condition 14, shall be the Final Redemption Amount unless otherwise specified in the relevant Final Terms.

**(c) Redemption for taxation reasons**

The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is either a Floating Rate Note, an Index Linked Interest Note, an Equity Linked Interest Note or an FX Linked Interest Note) or at any time (if this Note is neither a Floating Rate Note, an Index Linked Interest Note, an Equity Linked Interest Note nor an FX Linked Interest Note) (but subject to consent thereto having been obtained from the Dutch Central Bank (*De Nederlandsche Bank N.V.*) in the case of Subordinated Notes) on giving not less than 30 nor more than 45 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (as described in Condition 7(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 12 as a result of any change in, or amendment to, the laws or regulations of the Netherlands, in respect of any Issuer, Australia in respect of Rabobank Australia Branch and Singapore in respect of Rabobank Singapore Branch or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Before the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

**(d) Redemption at the option of the Issuer**

If Call Option is specified in the relevant Final Terms, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified in the relevant Final Terms) redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to

the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified in the relevant Final Terms and no greater than the Maximum Redemption Amount to be redeemed specified in the relevant Final Terms.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 7.

In the case of a partial redemption, the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange requirements.

**(e) Redemption at the option of Noteholders**

If Put Option is specified in the relevant Final Terms, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified in the relevant Final Terms), redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice (**'Exercise Notice'**) in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

**(f) Delivery of Underlying Securities**

(i) If Physical Settlement is specified as applicable in the relevant Final Terms, the Notes will be redeemed by way of delivery of Underlying Securities and the Issuer will transfer, or procure the delivery by the Delivery Agent of, in respect of each Note, the Underlying Securities Amount to or to the order of the Noteholder (as specified by the Noteholder). In order to obtain delivery of the Underlying Securities Amount, the relevant Noteholder must deliver to any Paying Agent, on or before the Presentation Date, the relevant Note(s) and a duly completed Delivery Notice. No Delivery Notice may be withdrawn after receipt thereof by a Paying Agent. Any determination as to whether such notice has been properly completed and delivered shall be made by the relevant Paying Agent, after consultation with the Issuer and shall be conclusive and binding on the Issuer and the relevant Noteholder. If the relevant Note and the related Delivery Notice are delivered or are deemed to be delivered to any Paying Agent on a day that is not a Business Day, such Note and Delivery Notice shall be deemed to be delivered on the next following Business Day.

If the holder of a Note does not deliver the Note and a Delivery Notice, in each case as set out above, on or before the Presentation Date as provided above, then the Issuer shall have no obligation to make delivery of the Underlying Securities Amount in respect of such Note unless and until a duly completed Delivery Notice (together with the relevant Note) are each delivered as provided above and delivery of such Underlying Securities Amount shall be made as soon as possible thereafter but not earlier than the Underlying Securities Delivery Date.

All Delivery Expenses shall be for the account of the relevant Noteholder and no delivery and/or transfer of any Underlying Securities Amount shall be required to be made until all Delivery Expenses have been paid to the satisfaction of the Issuer by such Noteholder.

For the avoidance of doubt, the relevant holder of a Note shall not be entitled to any additional or further payment by reason of the delivery of the Underlying Securities Amount in respect of such Note occurring after the Underlying Securities Delivery Date as a result of such Delivery Notice or Note being delivered after the Presentation Date.

The Issuer shall on the Underlying Securities Delivery Date, deliver or procure the delivery of the Underlying Securities Amount in respect of each Note to such account at Clearstream, Luxembourg, Euroclear or the other clearing system as may be specified in the relevant Delivery Notice at the risk and expense of the relevant Noteholder. As used herein, **'delivery'** in relation to any Underlying Securities Amount means the carrying out of the steps required of the Issuer (or such person as it may procure to make the relevant delivery) in order to effect the transfer of the relevant Underlying Securities Amount in accordance with the relevant Delivery Notice and **'deliver'** shall be construed accordingly. The Issuer shall not be responsible for any delay or failure in the transfer of such Underlying Securities Amount once such steps have been carried out, whether resulting from settlement periods of clearing systems, acts or omissions of registrars, incompatible or incorrect information being contained in the Delivery Notice or otherwise and shall have no responsibility for the lawfulness of the acquisition of the Underlying Securities comprising the Underlying Securities Amount or any interest therein by any Noteholder or any other person.

Noteholders should note that the actual date on which they become holders of the Underlying Securities comprising the Underlying Securities Amount will depend, among other factors, on the procedures of the relevant clearing systems and share registrar and the effect of any Settlement Disruption Events.

No Noteholder will be entitled to receive dividends or other distributions declared or paid in respect of the Underlying Securities to which such Note gives entitlement or to any other rights relating to or arising out of such Underlying Securities if the date on which the Underlying Securities are quoted ex-dividend or ex-the relevant right falls before the date on which the Underlying Securities are credited into the securities account of the Noteholder.

- (ii) Notes to be redeemed in accordance with this Condition 7 to the same Noteholder will be aggregated for the purpose of determining the Underlying Securities Amount to which such Notes give entitlement (and, for the avoidance of doubt, in the case of a Basket per particular class of Underlying Securities comprised in that Basket). The Noteholders will not be entitled to any interest or other payment or compensation if and to the extent that the delivery of the Underlying Securities Amount will take place after the earlier of the (a) Optional Redemption Date or (b) the Maturity Date (as specified in these Conditions). The number of Underlying Securities comprising the Underlying Securities Amount in respect of a Note will be calculated on the basis of the prevailing formula in the relevant Final Terms rounded down to the next whole integral number of Underlying Securities. Entitlement to the remaining fractions of Underlying Securities will be settled by payment of the Fractional Cash Amount in respect of those fractions rounded up to two decimals, as calculated by the Calculation Agent.

(iii) *Settlement Disruption*

If the Calculation Agent determines that delivery of any Underlying Securities Amount in respect of any Note by the Issuer in accordance with these Conditions is not practicable or permitted by reason of a Settlement Disruption Event subsisting, then the Underlying Securities Delivery Date in respect of such Note shall be postponed to the first following Delivery Day in respect of which no such Settlement Disruption Event is subsisting and notice thereof shall be given to the relevant Noteholder by mail addressed to it at the address specified in the relevant Delivery Notice or in accordance with Condition 18 provided that the Calculation Agent may determine in its sole discretion that the Issuer satisfy its obligations in respect of the relevant Note by delivering or procuring the delivery

of such Underlying Securities Amount using such other commercially reasonable manner as it may select and in such event the Underlying Securities Delivery Date shall be such day as the Calculation Agent deems appropriate in connection with delivery of such Underlying Securities Amount in such other commercially reasonable and lawful manner. No Noteholder shall be entitled to any payment whether of interest or otherwise on such Note in the event of any delay in the delivery of the Underlying Securities Amount pursuant to this paragraph and no liability in respect thereof shall attach to the Issuer.

Where a Settlement Disruption Event affects some but not all of the Underlying Securities comprising the Underlying Securities Amount, the Underlying Securities Delivery Date for the Underlying Securities comprising such Underlying Securities Amount but not affected by the Settlement Disruption Event will be the originally designated Underlying Securities Delivery Date.

For so long as delivery of part or all of the Underlying Securities comprising the Underlying Securities Amount (the '**Affected Underlying Securities**') in respect of any Note is not practicable or permitted by reason of a Settlement Disruption Event, then in lieu of physical delivery of the Affected Underlying Securities and notwithstanding any other provision hereof, the Issuer may elect in its sole discretion to satisfy its obligations in respect of each relevant Note by payment to the relevant Noteholder of the Disruption Cash Settlement Price on the third Business Day following the date that notice of such election is given to the Noteholders in accordance with Condition 18. Payment of the Disruption Cash Settlement Price will be made in such manner as shall be notified to the Noteholders in accordance with Condition 18.

The Issuer shall give notice as soon as practicable to the Noteholders in accordance with Condition 18 that a Settlement Disruption Event has occurred.

**(g) Redemption of Equity Linked Notes following Nationalisation, Delisting, Insolvency, Merger Event or Tender Offer**

If Nationalisation, Delisting, Insolvency, Merger Event or Tender Offer is specified as applicable in the relevant Final Terms and the Calculation Agent determines that any such event has occurred, the Issuer may, having given:

- (i) not less than 5 days' notice to the Noteholders in accordance with Condition 18; and
- (ii) not less than 7 days before the giving of the notice referred to in (i) above, notice to the Fiscal Agent,

redeem all, but not some only, of the Notes then outstanding on the date specified in the notice referred to in (i) above at the Early Redemption Amount specified in the relevant Final Terms together with, if so specified in the Final Terms, interest accrued to (but excluding) the date of redemption.

**(h) Redemption of Index Linked Notes following an Index Modification, Index Cancellation or Index Disruption Event**

If an Index Modification, Index Cancellation or Index Disruption Event occurs, the Issuer in its sole and absolute discretion may redeem all, but not some only, of the Notes at the Early Redemption Amount together with, if so specified in the relevant Final Terms, interest accrued to (but excluding) the date of redemption.

Any determination made that the Notes are to be redeemed in accordance with this Condition shall be notified to Noteholders in accordance with Condition 18, together with the date of such redemption.

**(i) Redemption of Equity Linked Notes, Index Linked Notes and FX Linked Notes following an Additional Disruption Event**

If Additional Disruption Events are specified as applicable in the relevant Final Terms and an Additional Disruption Event occurs, the Issuer in its sole and absolute discretion may redeem all, but not some only, of the Notes at the Early Redemption Amount, together with, if so specified in the relevant Final Terms, interest accrued to (but excluding) the date of redemption.

Any determination made that the Notes are to be redeemed in accordance with this Condition shall be notified to Noteholders in accordance with Condition 18, together with the date of such redemption.

**(j) Redemption for illegality**

In the event that the Issuer determines in good faith that the performance of its obligations under the Notes or that any arrangements made to hedge its obligations under the Notes has or will become unlawful, illegal or otherwise prohibited in whole or in part as a result of compliance with any applicable present or future law, rule, regulation, judgment, order or directive of any governmental, administrative, legislative or judicial authority or power, or in the interpretation thereof, the Issuer having given not less than ten (10) nor more than 30 days' notice to Noteholders in accordance with Condition 18 (which notice shall be irrevocable), may, on expiry of such notice redeem all, but not some only, of the Notes, each Note being redeemed at the Early Redemption Amount together (if appropriate) with interest accrued to (but excluding) the date of redemption.

**(k) Partly Paid Notes**

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 7 and the provisions specified in the relevant Final Terms.

**(l) Purchases**

The Issuer and any of its subsidiaries (with the consent of the Dutch Central Bank in the case of Subordinated Notes) may at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

**(m) Cancellation**

All Notes purchased by or on behalf of the Issuer or any of its subsidiaries (other than Bearer Notes purchased in the ordinary course of business of dealing in securities or in the name of another party) may be surrendered for cancellation and, in each case, if so surrendered, will be cancelled forthwith together with all Notes redeemed by the Issuer (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith), and may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged. Notes may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each Note, together with all unmatured Receipts and Coupons and all unexchanged Talons to the Fiscal Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar.

**(n) Condition to early redemption**

Early redemption of the Subordinated Notes may only be effected after the Issuer has obtained the prior written consent of the Dutch Central Bank (*De Nederlandsche Bank N.V.*).

**8 Provisions Applicable to Equity Linked Notes**

The following provisions apply to Equity Linked Notes:

**(a) Correction of an Underlying Security Price**

If 'Correction of Underlying Security Prices' is specified as applying in the relevant Final Terms and the price of an Underlying Security published on the Equity Valuation Date or Averaging Date, as the case may be, is subsequently corrected and the

correction (the '**Corrected Underlying Security Price**') is published on the relevant Exchange prior to the Correction Cut-Off Date specified in the relevant Final Terms, then such Corrected Underlying Security Price shall be deemed to be the closing price for such Underlying Security for the Equity Valuation Date or Averaging Date, as the case may be, and the Calculation Agent shall notify the Issuer and the Fiscal Agent of (a) that correction and (b) the amount of principal and/or interest (if any) that is payable as a result of that correction and as soon as reasonably practicable thereafter, the Issuer shall make payment of such amount in accordance with Condition 11.

**(b) Disrupted Days**

- (i) If the Calculation Agent determines that any Equity Valuation Date is a Disrupted Day in respect of an Underlying Security, then:
  - (A) where the Notes are specified in the relevant Final Terms to relate to a single Underlying Security, the Equity Valuation Date in respect of that Underlying Security shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day in respect of that Underlying Security, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day. In that case, (a) the eighth Scheduled Trading Day shall be deemed to be the Equity Valuation Date in respect of that Underlying Security, notwithstanding the fact that such day is a Disrupted Day, and (b) the Calculation Agent shall determine the Reference Price as its good faith estimate of the value for the Underlying Security as at the Valuation Time on that eighth Scheduled Trading Day; or
  - (B) where the Notes are specified in the relevant Final Terms to relate to a Basket of Underlying Securities, the Equity Valuation Date in respect of each Underlying Security not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and the Equity Valuation Date in respect of each Affected Security shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day in respect of the Affected Security unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day in respect of the Affected Security. In that case, (a) the eighth Scheduled Trading Day shall be deemed to be the Equity Valuation Date in respect of the Affected Security, notwithstanding the fact that such day is a Disrupted Day, and (b) the Calculation Agent shall determine the Reference Price of the Affected Security as its good faith estimate of the value for the Affected Security as at the Valuation Time on that eighth Scheduled Trading Day.
- (ii) If the Calculation Agent determines that any Averaging Date is a Disrupted Day in respect of an Underlying Security, then:
  - (A) if '**Omission**' is specified in the relevant Final Terms, such Averaging Date will be deemed not to be a relevant Averaging Date for purposes of determining the relevant Reference Price. If no Averaging Date would occur through the operation of this provision, then for the purposes of determining the Reference Price on the final Averaging Date, Condition 8(b)(i) will apply as if such Averaging Date were an Equity Valuation Date that was a Disrupted Day; or
  - (B) if '**Postponement**' is specified in the relevant Final Terms, such Averaging Date shall be deferred in accordance with Condition 8(b)(i) as if it were an Equity Valuation Date that was a Disrupted Day irrespective of whether, pursuant to such determination, that deferred Averaging Date would fall on a date that already is or is deemed to be an Averaging Date for the Equity Linked Notes; or
  - (C) if '**Modified Postponement**' is specified in the relevant Final Terms, then:
    - (a) where the Notes are specified in the relevant Final Terms to relate to a single Underlying Security, the Averaging Date in respect of that Underlying Security shall be the first succeeding Valid Date if the first succeeding Valid Date has not occurred as of the Valuation Time on the

eighth Scheduled Trading Day immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date in respect of the relevant Scheduled Valuation Date, then (i) the eighth Scheduled Trading Day shall be deemed to be the Averaging Date in respect of that Underlying Security (irrespective of whether such day is already an Averaging Date), and (ii) the Calculation Agent shall determine the Reference Price of one such Underlying Security as its good faith estimate of the value for the Underlying Security as at the Valuation Time on that eighth Scheduled Trading Day; or

- (b) where the Notes are specified in the relevant Final Terms to relate to a Basket of Underlying Securities, the Averaging Date in respect of each Underlying Security not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and the Averaging Date in respect of each Affected Security shall be the first succeeding Valid Date in respect of the Affected Security. If the first succeeding Valid Date in relation to an Affected Security has not occurred as of the Valuation Time on the eighth Scheduled Trading Day immediately following the Scheduled Valuation Date, then, (i) the eighth Scheduled Trading Day shall be deemed to be the Averaging Date in respect of the Affected Security (irrespective of whether such day is already an Averaging Date, and (ii) the Calculation Agent shall determine the Reference Price of the Affected Security as its good faith estimate of the value for the Affected Security as at the Valuation Time on that eighth Scheduled Trading Day.

**(c) *Consequences of a Potential Adjustment Event***

If Potential Adjustment Event is specified as applicable in the relevant Final Terms, as soon as reasonably practicable following the occurrence of any Potential Adjustment Event, the Calculation Agent shall, in its sole discretion, determine (as soon as practicable thereafter) whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the Underlying Security and, if so, the appropriate adjustment, if any, to be made to any of these Conditions (including without limitation to the Final Redemption Amount and/or Underlying Securities Amount) or the relevant Final Terms in relation to the Notes to account for the diluting or concentrative effect of such event or otherwise necessary to preserve the economic equivalent of the rights of the Noteholders under the Notes immediately prior to such event, such adjustment to be effective as of the date determined by the Calculation Agent (provided that no adjustments will be made to account solely for changes in volatility, except dividend, stock loan rate or liquidity).

In determining whether an adjustment should be made as a result of the occurrence of a Potential Adjustment Event, if options contracts or futures contracts on the Underlying Securities are traded on any stock exchange, the Calculation Agent may have regard to, but shall not be bound by, any adjustment to the terms of the relevant options contract or futures contract made and announced by such stock exchange. Any adjustments made in accordance with this Condition shall be notified to Noteholders in accordance with Condition 18.

**(d) *Consequences of a Merger Event or Tender Offer***

If a Merger Event or Tender Offer, as the case may be, is specified as applicable in the relevant Final Terms, and a Merger Event or Tender Offer occurs, then on, or after the relevant Merger Date or Tender Offer Date, as the case may be, the Calculation Agent shall:

- (i) (A) make such adjustment to the exercise, settlement, payment or any other terms of the Notes, as the Calculation Agent determines appropriate to account for the economic effect on the Notes of such Merger Event or Tender Offer, as the case may be, (provided that no adjustments will be made to account solely for changes in volatility, excepted dividends, stock loan rate or liquidity relative to the relevant Underlying Securities or to the Notes), which may, but need not be determined by

reference to the adjustment(s) made in respect of such Merger Event or Tender Offer, as the case may be, by an options exchange to options on the relevant Underlying Securities traded on such options exchange, and (B) determine the effective date of any adjustment; or

- (ii) if the Calculation Agent determines that no adjustment that it could make under (i) will produce a commercially reasonable result, then the Issuer shall redeem the Notes at their Early Redemption Amount as at the Merger Date or the Tender Offer Date, as the case may be, in accordance with Condition 7(g).

Any adjustment made in accordance with this Condition shall be notified to Noteholders in accordance with Condition 18.

**(e) Consequences of a Nationalisation, Delisting or Insolvency**

If Nationalisation, Delisting or Insolvency are specified as applicable in the relevant Final Terms then, if a Nationalisation, Delisting or Insolvency event occurs, as the case may be, the Issuer, in its sole and absolute discretion, may:

- (i) (A) require the Calculation Agent to determine in its sole and absolute discretion the appropriate adjustment to any one or more of the Final Redemption Amount and/or the Underlying Securities Amount and/or any other terms of these Terms and Conditions and/or the relevant Final Terms to account for the Nationalisation, Delisting or Insolvency event, as the case may be, and (B) determine the effective date of any adjustment. In determining whether an adjustment should be made as a result of the occurrence of a Nationalisation, Delisting or Insolvency, as the case may be, if options contracts or futures contracts on the Underlying Securities are traded on any stock exchange, the Calculation Agent may have regard to, but shall not be bound by, any adjustment to the terms of the relevant options contract or futures contract made and announced by such stock exchange. Any adjustment made in accordance with this Condition shall be notified to Noteholders in accordance with Condition 18; or
- (ii) redeem the Notes in accordance with Condition 7(g).

**(f) Consequences of an Additional Disruption Event**

If Additional Disruption Events are specified as applicable in the relevant Final Terms then, if an Additional Disruption Event occurs, the Issuer in its sole and absolute discretion may:

- (i) (A) require the Calculation Agent to determine in its sole and absolute discretion the appropriate adjustment to any one or more of the Final Redemption Amount and/or the Underlying Securities Amount and/or any other terms of these Terms and Conditions and/or the relevant Final Terms to account for the Additional Disruption Event, and (B) determine the effective date of any adjustment; or
- (ii) redeem the Notes at their Early Redemption Amount in accordance with Condition 7(i).

Any adjustment made in accordance with this Condition shall be notified to Noteholders in accordance with Condition 18.

**(g) Adjustments for Equity Linked Redemption Notes in respect of Underlying Securities quoted in European Currencies**

In respect of Equity Linked Redemption Notes relating to Underlying Securities originally quoted, listed and/or dealt as of the Issue Date in a currency of a member state of the European Union that has not adopted the single currency in accordance with the Treaty, if such Underlying Securities are at any time after the Issue Date quoted, listed and/or dealt exclusively in Euro on the relevant Exchange or, where no Exchange is specified in the relevant Final Terms, the principal market on which those Underlying Securities are traded, then the Calculation Agent will adjust any one or more of the Final Redemption Amount and/or the Underlying Securities Amount and/or any of the other terms of these Terms and Conditions and/or the relevant Final Terms as the Calculation Agent determines in its sole and absolute discretion to be appropriate to preserve the economic terms of the Notes. The Calculation Agent will make any

conversion necessary for purposes of any such adjustment as of the Valuation Time at an appropriate mid-market spot rate of exchange determined by the Calculation Agent prevailing as of the Valuation Time. No adjustments under this Condition will affect the currency denomination of any payment obligation arising out of the Notes.

## 9 Provisions applicable to Index Linked Notes

The following provisions apply to Index Linked Notes:

### (a) **Adjustments for Successor Index Sponsors and Successor Indices**

If the Index or one of the Indices is (i) not calculated and announced by the Index Sponsor but is calculated and announced by a successor to the Index Sponsor (the **'Successor Index Sponsor'**) acceptable to the Calculation Agent or (ii) replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of the relevant Index or (iii) not in existence on or prior to the Valuation Date, but the Calculation Agent considers there to be in existence at such time an alternative index which, if substituted for the relevant Index, would materially preserve the economic equivalent of the rights of the Noteholders under the Notes immediately prior to such substitution, then the relevant successor Index (the **'Successor Index'**) will be deemed to be the Index so calculated and published by the Successor Index Sponsor or that successor or the alternative index, as the case may be.

### (b) **Correction of an Index**

If Correction of an Index is specified as applying in the relevant Final Terms and the official closing level of an Index published on the Index Valuation Date or Averaging Date, as the case may be, is subsequently corrected and the correction (the **'Corrected Index Level'**) is published by the Index Sponsor or (if applicable) the Successor Index Sponsor prior to the Correction Cut-Off Date specified in the relevant Final Terms, then such Corrected Index Level shall be deemed to be the closing level of such Index for the Index Valuation Date or Averaging Date, as the case may be, and the Calculation Agent shall notify the Issuer and the Fiscal Agent of (a) that correction and (b) the amount of principal and/or interest (if any) that is payable as a result of that correction and as soon as reasonably practicable thereafter, the Issuer shall make payment of such amount in accordance with Condition 11.

### (c) **Disrupted Days**

- (i) If the Calculation Agent determines that any Valuation Date is a Disrupted Day in respect of an Index, then:
  - (A) where the Notes are specified in the relevant Final Terms to relate to a single Index, the Index Valuation Date for such Index shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day for such Index, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day. In that case, (a) the eighth Scheduled Trading Day shall be deemed to be the Index Valuation Date in respect of that Index, notwithstanding the fact that such day is a Disrupted Day, and (b) the Calculation Agent shall determine the Reference Level of the Affected Index as at the Valuation Time on that eighth Scheduled Trading Day in accordance with the formula for and method of calculating the Index last in effect prior to the occurrence of the first Disrupted Day, using the Exchange traded or quoted level as of the Valuation Time on that eighth Scheduled Trading Day of each security/commodity comprised in the Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security/commodity on that eighth Scheduled Trading Day, its good faith estimate of the value for the relevant security/commodity as of the Valuation Time on that eighth Scheduled Trading Day; or
  - (B) where the Notes are specified in the relevant Final Terms to relate to a Basket of Indices, the Index Valuation Date in respect of each Index not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and the Index Valuation Date in respect of each Affected

Index shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day in respect of the Affected Index unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day in respect of the Affected Index. In that case, (a) the eighth Scheduled Trading Day shall be deemed to be the Index Valuation Date in respect of the Affected Index, notwithstanding the fact that such day is a Disrupted Day, and (b) the Calculation Agent shall determine the Reference Level of the Affected Index as at the Valuation Time on that eighth Scheduled Trading Day in accordance with the formula for and method of calculating the Affected Index last in effect prior to the occurrence of the first Disrupted Day, using the Exchange traded or quoted level as of the Valuation Time on that eighth Scheduled Trading Day of each security/commodity comprised in the Affected Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security/commodity on that eighth Scheduled Trading Day, its good faith estimate of the value for the relevant security/commodity as of the Valuation Time on that eighth Scheduled Trading Day).

- (ii) If the Calculation Agent determines that any Averaging Date is a Disrupted Day in respect of an Index, then:
  - (A) if **'Omission'** is specified in the relevant Final Terms, such Averaging Date will be deemed not to be a relevant Averaging Date for purposes of determining the relevant Reference Level. If no Averaging Date would occur through the operation of this provision, then for the purposes of determining the Reference Level on the final Averaging Date, Condition 9(c)(ii) will apply as if such Averaging Date were an Index Valuation Date that was a Disrupted Day; or
  - (B) if **'Postponement'** is specified in the relevant Final Terms, then such Averaging Date shall be deferred in accordance with Condition 9(c)(i) as if it were an Index Valuation Date that was a Disrupted Day irrespective of whether, pursuant to such determination, that deferred Averaging Date would fall on a date that already is or is deemed to be an Averaging Date for the Index Linked Notes; or
  - (C) if **'Modified Postponement'** is specified in the relevant Final Terms:
    - (a) where the Notes are specified in the relevant Final Terms to relate to a single Index, the Averaging Date in respect of that Index shall be the first succeeding Valid Date. If the first succeeding Valid Date has not occurred as of the Valuation Time on the eighth Scheduled Trading Day immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date in respect of the relevant Scheduled Valuation Date, then (i) the eighth Scheduled Trading Day shall be deemed to be the Averaging Date in respect of that Index (irrespective of whether such day is already an Averaging Date), and (ii) the Calculation Agent shall determine the Reference Level of the Affected Index as at the Valuation Time on that eighth Scheduled Trading Day in accordance with the formula for and method of calculating the Index last in effect prior to the occurrence of the first Disrupted Day, using the Exchange traded or quoted level as of the Valuation Time on that eighth Scheduled Trading Day of each security/commodity comprised in the Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security/commodity on that eighth Scheduled Trading Day, its good faith estimate of the value for the relevant security/commodity as of the Valuation Time on that eighth Scheduled Trading Day); or
    - (b) where the Notes are specified in the relevant Final Terms to relate to a Basket of Indices, the Averaging Date in respect of each Index not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and the Averaging Date in respect of each Affected

Index shall be the first Valid Date in respect of the Affected Index unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day in respect of the Affected Index. If the first succeeding Valid Date in relation to an Affected Index has not occurred as of the Valuation Time on the eighth Scheduled Trading Day immediately following the Scheduled Valuation Date, then (i) the eighth Scheduled Trading Day shall be deemed to be the Averaging Date in respect of the Affected Index (irrespective of whether such day is already an Averaging Date), and (ii) the Calculation Agent shall determine the Reference Level of the Affected Index as at the Valuation Time on that eighth Scheduled Trading Day in accordance with the formula for and method of calculating the Affected Index last in effect prior to the occurrence of the first Disrupted Day, using the Exchange traded or quoted level as of the Valuation Time on that eighth Scheduled Trading Day of each security/commodity comprised in the Affected Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security/commodity on that eighth Scheduled Trading Day, its good faith estimate of the value for the relevant security/commodity as of the Valuation Time on that eighth Scheduled Trading Day).

**(d) Consequences of Index Modification, Index Cancellation and Index Disruption Event**

If the Calculation Agent determines in its sole and absolute discretion that an Index Modification, Index Cancellation or Index Disruption Event has occurred, then the Issuer may:

- (i) require the Calculation Agent to determine if such Index Modification, Index Cancellation or Index Disruption Event has a material effect on the Notes and, if so, the Rate of Interest, the Final Redemption Amount and/or any other relevant terms, using, in lieu of a published level of the relevant Index, the level of the relevant Index as at the relevant Valuation Time at the relevant Valuation Date, as determined by the Calculation Agent in accordance with the formula for and method of calculating the relevant Index last in effect prior to that change or failure, but using only those securities/commodities that comprised the relevant Index immediately prior to that change or failure (other than those securities that have since ceased to be listed on the relevant stock exchange); or
- (ii) redeem the Notes at their Early Redemption Amount in accordance with Condition 7(h).

**(e) Consequences of an Additional Disruption Event**

If Additional Disruption Events are specified as applicable in the relevant Final Terms then, if an Additional Disruption Event occurs, the Issuer in its sole and absolute discretion may:

- (i) (A) require the Calculation Agent to determine in its sole and absolute discretion the appropriate adjustment to any one or more of the Final Redemption Amount and/or any other terms of these Terms and Conditions and/or the relevant Final Terms to account for the Additional Disruption Event, and (B) determine the effective date of any adjustment; or
- (ii) redeem the Notes at their Early Redemption Amount in accordance with Condition 7(i).

Any adjustment made in accordance with this Condition shall be notified to Noteholders in accordance with Condition 18.

## 10 Provisions applicable to FX Linked Notes

The following provisions apply to FX Linked Notes:

### (a) *Disrupted Days*

#### (i) *Single FX Rate and FX Reference Dates*

Where the FX Linked Notes relate to a single FX Rate, and if the Calculation Agent determines that any FX Reference Date in respect of such FX Rate is a Disrupted Day, the Calculation Agent shall determine such FX Rate on such FX Reference Date in accordance with the first applicable Disruption Fallback (applied in accordance with its terms).

#### (ii) *FX Rate Basket and FX Reference Dates*

Where the FX Linked Notes relate to a basket of FX Rates, and if the Calculation Agent determines that any FX Reference Date in respect of one or more of such FX Rates is a Disrupted Day, then:

- (A) for each FX Rate for which the Calculation Agent determines that such FX Reference Date is not a Disrupted Day, the FX Rate will be determined on such FX Reference Date from the relevant FX Price Source; and
- (B) for each FX Rate for which the Calculation Agent determines that such FX Reference Date is a Disrupted Day, the Calculation Agent shall determine such FX Rate on such FX Reference Date in accordance with the first applicable Disruption Fallback (applied in accordance with its terms).

#### (iii) *FX Averaging Reference Dates*

If the relevant Final Terms specify that 'FX Averaging Reference Dates — Omission' is applicable, if the Calculation Agent determines that any FX Averaging Reference Date is a Disrupted Day, then such FX Averaging Reference Date will be deemed not to be a relevant FX Averaging Reference Date for the purposes of determining any amount payable under the FX Linked Notes or making any other determination thereunder, provided that, if through the operation of this provision there would not be any FX Averaging Reference Dates, then the final FX Averaging Reference Date will be deemed to be the sole FX Averaging Reference Date, and the Calculation Agent shall determine the FX Rate on such sole FX Averaging Reference Date in accordance with the first applicable Disruption Fallback (applied in accordance with its terms).

### (b) *Fallback Valuation Date*

Notwithstanding any other terms of this Condition 10, if Fallback Valuation Date is specified in the relevant Final Terms to be applicable to any FX Reference Date or any other relevant date (any such date being, for the purposes of this Condition 10(b), an '**FX Relevant Date**') for an FX Rate, and if, following adjustment of such FX Relevant Date on account of the FX Scheduled Reference Date not being an FX Business Day (for the purposes of this Condition 10(b), an '**Affected FX Rate**') the FX Relevant Date would otherwise fall after the specified Fallback Valuation Date in respect of such Affected FX Rate, then such Fallback Valuation Date shall be deemed to be such FX Relevant Date for such Affected FX Rate.

If such Fallback Valuation Date is not an FX Business Day or is a Disrupted Day in respect of such Affected FX Rate, as the case may be, then the Calculation Agent shall determine its good faith estimate of the value for such Affected FX Rate on such Fallback Valuation Date.

### (c) *Corrections to Published and Displayed Rates*

- (i) In any case where an FX Rate is based on information obtained from the Reuters Monitor Money Rates Service, or any other financial information service, the FX Rate will be subject to the corrections, if any, to that information subsequently displayed by that source within one hour of the time when such rate is first displayed by such source, unless the Calculation Agent determines in its sole and absolute discretion that it is not practicable to take into account such correction.

- (ii) Notwithstanding Condition 10(c)(i) above, in any case where the FX Rate is based on information published or announced by any governmental authority in a relevant country, the FX Rate will be subject to the corrections, if any, to that information subsequently published or announced by that source within five days of the relevant FX Reference Date, unless the Calculation Agent determines' in its sole and absolute discretion that it is not practicable to take into account such correction.

**(d) Successor Currency**

Where the relevant Final Terms specify that 'Successor Currency' is applicable in respect of an FX Rate, then:

- (i) each Reference Currency will be deemed to include any lawful successor currency to the Reference Currency (the '**Successor Currency**');
- (ii) if the Calculation Agent determines that on or after the Issue Date but on or before any relevant date under the FX Linked Notes on which an amount may be payable, a country has lawfully eliminated, converted, redenominated or exchanged its currency in effect on the Issue Date or any Successor Currency, as the case may be (the '**Original Currency**') for a Successor Currency, then for the purposes of calculating any amounts of the Original Currency or effecting settlement thereof, any Original Currency amounts will be converted to the Successor Currency by multiplying the amount of Original Currency by a ratio of Successor Currency to Original Currency, which ratio will be calculated on the basis of the exchange rate set forth by the relevant country of the Original Currency for converting the Original Currency into the Successor Currency on the date on which the elimination, conversion, redenomination or exchange took place, as determined by the Calculation Agent. If there is more than one such date, the date closest to such relevant date will be selected (or such other date as may be selected by the Calculation Agent in its sole and absolute discretion); and
- (iii) notwithstanding paragraph (ii) above but subject to paragraph (iv) below, the Calculation Agent may (to the extent permitted by the applicable law), in good faith and in a commercially reasonable manner, select such other exchange rate or other basis for the conversion of an amount of the Original Currency to the Successor Currency and, will make such adjustment(s) that it determines to be appropriate, if any, to any variable, calculation methodology, valuation, settlement, payment terms or any other terms in respect of the FX Linked Notes to account for such elimination, conversion, redenomination or exchange of the Reference Currency.

**(e) Rebasing of FX Linked Notes**

If the relevant Final Terms specify that 'Rebasing' is applicable, then if, on or prior to any FX Reference Date or any other relevant date, the Calculation Agent is unable to obtain a value for an FX Rate (because the Reference Currency and/or Base Currency ceases to exist, or for any other reason other than a temporary disruption, as determined by the Calculation Agent), the Calculation Agent may rebase the FX Linked Notes against another foreign exchange rate determined by the Calculation Agent, in its sole and absolute discretion, to be a comparable foreign exchange rate. If the Calculation Agent determines in its sole and absolute discretion that there is not such a comparable foreign exchange rate, the Issuer may elect to redeem the FX Linked Notes by notice to Holders on the date specified in the notice at the Early Redemption Amount of each FX Linked Note.

**(f) Consequences of an Additional Disruption Event**

If Additional Disruption Events are specified in the relevant Final Terms then, if an Additional Disruption Event has occurred, the Issuer in its sole and absolute discretion may:

- (i) (A) require the Calculation Agent to determine in its sole and absolute discretion the appropriate adjustment to the Final Redemption Amount or any other terms of the FX Linked Notes as the Calculation Agent determines appropriate to account for such Additional Disruption Event, and (B) determine the effective date of any adjustment; or
- (ii) redeem the FX Linked Notes at the Early Redemption Amount in accordance with Condition 7(i).

Any adjustment made in accordance with this Condition shall be notified to Noteholders in accordance with Condition 18.

**(g) FX Rates Definitions**

**Asia/Southeast Asia**

**Chinese Renminbi**

- (i) 'CNY SAEC' or 'CNY01' each means that the Spot Rate for a Rate Calculation Date will be the Chinese Renminbi/U.S. Dollar official fixing rate, expressed as the amount of Chinese Renminbi per one U.S. Dollar, for settlement in two Business Days reported by the People's Bank of China, Beijing, People's Republic of China, which appears on the Reuters Screen 'SAEC' Page opposite the symbol 'USDCNY=' at approximately 9.15 a.m., Beijing time, on that Rate Calculation Date.
- (ii) 'SFEMC CNY INDICATIVE SURVEY RATE' or 'CNY02' each means that the Spot Rate for a Rate Calculation Date will be the Chinese Renminbi/U.S. Dollar Specified Rate for U.S. Dollars, expressed as the amount of Chinese Renminbi per one U.S. Dollar, for settlement in two Business Days, as published on SFEMC's website ([www.sfemc.org](http://www.sfemc.org)) at approximately 3:30 p.m. (Singapore time), or as soon thereafter as practicable, on such Rate Calculation Date. The Spot Rate will be calculated by SFEMC (or a service provider SFEMC may select in its sole discretion) pursuant to the SFEMC CNY Indicative Survey Methodology (which means a methodology, dated as of 1 December 2004, as amended from time to time, for a centralised industry-wide survey of financial institutions that are active participants in the Chinese Renminbi/U.S. Dollar markets for the purpose of determining the SFEMC CNY Indicative Survey Rate).

**Indian Rupee**

- (i) 'INR RBIB' or 'INR01' each means that the Spot Rate for a Rate Calculation Date will be the Indian Rupee/U.S. Dollar reference rate, expressed as the amount of Indian Rupee per one U.S. Dollar, for settlement in two Business Days reported by the Reserve Bank of India which appears on the Reuters Screen RBIB Page at approximately 12:30 p.m., Mumbai time, or as soon thereafter as practicable, on that Rate Calculation Date.
- (ii) 'SFEMC INR INDICATIVE SURVEY RATE' or 'INR02' each means that the Spot Rate for a Rate Calculation Date will be the Indian Rupee/U.S. Dollar Annex A Compendium 10 Specified Rate for U.S. Dollars, expressed as the amount of Indian Rupee per one U.S. Dollar, for settlement in two Business Days, as published on SFEMC's website ([www.sfemc.org](http://www.sfemc.org)) at approximately 3:30 p.m. (Singapore time), or as soon thereafter as practicable, on such Rate Calculation Date. The Spot Rate will be calculated by SFEMC (or a service provider SFEMC may select in its sole discretion) pursuant to the SFEMC INR Indicative Survey Methodology (which means a methodology, dated as of 1 December 2004, as amended from time to time, for a centralised industry-wide survey of financial institutions that are active participants in the Indian Rupee/U.S. Dollar markets for the purpose of determining the SFEMC INR Indicative Survey Rate).

**Korean Won**

- (i) 'KRW KFTC18' or 'KRW02' each means that the Spot Rate for a Rate Calculation Date will be the Korean Won/U.S. Dollar market average rate, expressed as the amount of Korean Won per one U.S. Dollar, for settlement in two Business Days

reported by the Korea Financial Telecommunications and Clearing Corporation which appears on the Reuters Screen KFTC18 Page to the right of the caption 'USD Today' that is available at approximately 3:30 p.m., Seoul time, on the Rate Calculation Date or as soon thereafter as practicable.

- (ii) 'KRW TELERATE 45644' or 'KRW03' each means that the Spot Rate for a Rate Calculation Date will be the Korean Won/U.S. Dollar market average rate, expressed as the amount of Korean Won per one U.S. Dollar, for settlement in two Business Days reported by the Korea Financial Telecommunications and Clearing Corporation which appears on Telerate Page 45644 to the right of the caption 'USD Today' that is available at approximately 3:30 p.m., Seoul time, on the Rate Calculation Date or as soon thereafter as practicable.
- (iii) 'SFEMC KRW INDICATIVE SURVEY RATE' or 'KRW04' each means that the Spot Rate for a Rate Calculation Date will be the Korean Won/U.S. Dollar Specified Rate for U.S. Dollars, expressed as the amount of Korean Won per one U.S. Dollar, for settlement in two Business Days, as published on SFEMC's website ([www.sfemc.org](http://www.sfemc.org)) at approximately 3:30 p.m., Singapore time, or as soon thereafter as practicable, on such Rate Calculation Date. The Spot Rate will be calculated by SFEMC (or a service provider SFEMC may select in its sole discretion) pursuant to the SFEMC KRW Indicative Survey Methodology (which means a methodology, dated as of 1 December 2004, as amended from time to time, for a centralised industry-wide survey of financial institutions that are active participants in the Korean Won/U.S. Dollar markets for the purpose of determining the SFEMC KRW Indicative Survey Rate).

#### **Philippine Peso**

- (i) 'PHP PHPESO' or 'PHP01' each means that the Spot Rate for a Rate Calculation Date will be the Philippine Peso/U.S. Dollar morning weighted average rate for that Rate Calculation Date, expressed as the amount of Philippine Pesos per one U.S. Dollar, for settlement in one Business Day reported by the Philippine Dealing system which appears on the Reuters Screen PHPESO Page to the right of the caption 'AM WT AVE' at approximately 12:30 p.m., Manila time, on that Rate Calculation Date.
- (ii) 'PHP TELERATE 2920' or 'PHP02' each means that the Spot Rate for a Rate Calculation Date will be the Philippine Peso/U.S. Dollar morning weighted average rate for that Rate Calculation Date, expressed as the amount of Philippine Pesos per one U.S. Dollar, for settlement in one Business Day reported by the Philippine Dealing System which appears on the Telerate Page 2920 to the right of the caption 'AM WT AVE' at approximately 12:30 p.m., Manila time, on that Rate Calculation Date.
- (iii) 'PHP TELERATE 15439' or 'PHP03' each means that the Spot Rate for a Rate Calculation date will be the Philippine Peso/U.S. Dollar morning weighted average rate for that Rate Calculation Date, expressed as the amount of Philippine Pesos per one U.S. Dollar, for settlement in on Business Day reported by the Philippine Dealing System which appears on the Telerate Page 15439 to the right of the caption 'AM WT AVE' at approximately 12:30 p.m., Manila time, on that Rate Calculation Date.
- (iv) 'PHP PHPESO1' or 'PHP04' each means that the Spot Rate for a Rate Calculation Date will be the Philippine Peso/U.S. Dollar morning weighted average rate for that Rate Calculation Date, expressed as the amount of Philippine Pesos per one U.S. Dollar, for settlement in one Business Day reported by the Philippine Dealing System which appears on the Reuters Screen PHPESO1 Page to the right of the caption 'AM WT AVE' at approximately 12:30 p.m., Manila time, on that Rate Calculation Date.
- (v) 'SFEMC PHP INDICATIVE SURVEY RATE' or 'PHP05' each means that the Spot Rate for a Rate Calculation Date will be the Philippine Peso/U.S. Dollar Specified Rate for U.S. Dollars, expressed as the amount of Philippine Pesos per one U.S. Dollar, for settlement in one Business Day, as published on SFEMC's website

(www.sfemc.org) at approximately 3:30 p.m., Singapore time, or as soon thereafter as practicable, on such Rate Calculation Date. The Spot Rate will be calculated by SFEMC (or a service provider SFEMC may select in its sole discretion) pursuant to the SFEMC PHP Indicative Survey Methodology (which means a methodology, dated as of 1 December 2004, as amended from time to time, for a centralised industry-wide survey of financial institutions that are active participants in the Philippine Peso/U.S. Dollar markets for the purpose of determining the SFEMC PHP Indicative Survey Rate).

- (vi) 'PHP PDSPESO' or 'PHP06' each means that the Spot Rate for a Rate Calculation Date will be the Philippine Peso/U.S. Dollar morning weighted average rate for that Rate Calculation Date, expressed as the amount of Philippine Pesos per one U.S. Dollar, for settlement in one Business Day reported by the Philippine Dealing System PDEX which appears on the Reuters Screen PDSPESO Page to the right of the caption 'AM WT AVE' at approximately 11:30 a.m., Manila time, or as soon thereafter as practicable, on that Rate Calculation Date.

#### **Taiwanese Dollar**

- (i) 'TWD TELERATE 6161' or 'TWD01' each mean that the Spot Rate for a Rate Calculation Date will be the Taiwanese Dollar/U.S. Dollar spot rate, expressed as the amount of Taiwanese Dollars per one U.S. Dollar, for settlement in two Business Days, reported by the Taipei Forex Inc. which appears on the Telerate Page 6161 under the heading 'Spot' as of 11:00 a.m., Taipei time, on that Rate Calculation Date, or if no rate appears as of 11:00 a.m., Taipei time, the rate that first appears in any of the next succeeding 15 minute intervals after such time, up to and including 12:00 noon, Taipei time, on that Rate Calculation Date.
- (ii) 'TWD TAIFX1' or 'TWD03' each mean that the Spot Rate for a Rate Calculation Date will be the Taiwanese Dollar/U.S. Dollar spot rate, expressed as the amount of Taiwanese Dollars per one U.S. Dollar, for settlement in two Business Days, reported by the Taipei Forex Inc. which appears on the Reuters Screen TAIFX1 Page under the heading 'Spot' as of 11:00 a.m. Taipei time, on that Rate Calculation Date, or if no rate appears as of 11:00 a.m., Taipei time, the rate that first appears in any of the next succeeding 15 minute intervals after such time, up to and including 12:00 noon, Taipei time on that Rate Calculation Date.
- (iii) 'SFEMC TWD INDICATIVE SURVEY RATE' or 'TWD04' each means that the Spot Rate for a Rate Calculation Date will be the Taiwanese Dollar/U.S. Dollar Specified Rate for U.S. Dollars, expressed as the amount of Taiwanese Dollars per one U.S. Dollar, for settlement in two Business Days, as published on SFEMC's website (www.sfemc.org) at approximately 3:30 p.m., Singapore time, or as soon thereafter as practicable, on such Rate Calculation Date. The Spot Rate will be calculated by SFEMC (or a service provider SFEMC may select in its sole discretion) pursuant to the SFEMC TWD Indicative Survey Methodology (which means a methodology, dated as of 1 December 2004, as amended from time to time, for a centralised industry-wide survey of financial institutions that are active participants in the Taiwanese Dollar/U.S. Dollar markets for the purpose of determining the SFEMC TWD Indicative Survey Rate).

#### **Malaysian Ringgit**

- (i) 'MYR ABS' or 'MYR01' each means that the Spot Rate for a Rate Calculation Date will be the Malaysian Ringgit/U.S. Dollar spot rate at 11:00 a.m., Singapore time, expressed as the amount of Malaysian Ringgit per one U.S. Dollar, for settlement in two Business Days, reported by the Association of Banks in Singapore, which appears on the Telerate Page 50157 to the right of the caption 'Spot' under the column 'MYR' at approximately 11:30 a.m., Singapore time, on that Rate Calculation Date.
- (ii) 'SFEMC MYR INDICATIVE SURVEY RATE' or 'MYR02' each means that the Spot Rate for a Rate Calculation Date will be the Malaysian Ringgit/U.S. Dollar Specified Rate for U.S. Dollars, expressed as the amount of Malaysian Ringgit per one U.S. Dollar, for settlement in two Business Days, as published on SFEMC's website

(www.sfemc.org) at approximately 3:30 p.m., Singapore time, or as soon thereafter as practicable, on such Rate Calculation Date. The Spot Rate will be calculated by SFEMC (or a service provider SFEMC may select in its sole discretion) pursuant to the SFEMC MYR Indicative Survey Methodology (which means a methodology, dated as of 15 July 2005, as amended from time to time, for a centralised industry-wide survey of financial institutions that are active participants in the Malaysian Ringgit/U.S. Dollar markets for the purpose of determining the SFEMC MYR Indicative Survey Rate).

#### **Indonesian Rupiah**

- (i) 'IDR ABS' or 'IDR01' each means that the Spot Rate for a Rate Calculation Date will be the Indonesian Rupiah/U.S. Dollar spot rate at 11:00 a.m., Singapore time, expressed as the amount of Indonesian Rupiah per one U.S. Dollar, for settlement in two Business Days, reported by the Association of Banks in Singapore which appears on the Telerate Page 50157 to the right of the caption 'Spot' under the column 'IDR' at approximately 11:30 a.m., Singapore time, on that Rate Calculation Date.
- (ii) 'SFEMC IDR INDICATIVE SURVEY RATE' or 'IDR02' each means that the Spot Rate for a Rate Calculation Date will be the Indonesian Rupiah/U.S. Dollar Specified Rate for U.S. Dollars, expressed as the amount of Indonesian Rupiah per one U.S. Dollar, for settlement in two Business Days, as published on SFEMC's website (www.sfemc.org) at approximately 3:30 p.m., Singapore time, or as soon thereafter as practicable, on such Rate Calculation Date. The Spot Rate will be calculated by SFEMC (or a service provider SFEMC may select in its sole discretion) pursuant to the SFEMC IDR Indicative Survey Methodology (which means a methodology, dated as of 1 December 2004, as amended from time to time, for a centralised industry-wide survey of financial institutions that are active participants in the Indonesian Rupiah/U.S. Dollar markets for the purpose of determining the SFEMC IDR Indicative Survey Rate).

#### **Pakistani Rupee**

- (i) 'PKR SBPK' or 'PKR01' each means that the Spot Rate for a Rate Calculation Date will be the Pakistani Rupee/U.S. Dollar reference rate expressed as the amount of Pakistani Rupees per one U.S. Dollar, for settlement in two Business Days reported by the State Bank of Pakistan (www.sbp.org.pk) at approximately 2:30 pm, Karachi time, on that Rate Calculation Date.
- (ii) 'SFEMC PKR INDICATIVE SURVEY RATE' or 'PKR02' each means that the Spot Rate for a Rate Calculation Date will be the Pakistani Rupee/U.S. Dollar Specified Rate for U.S. Dollars, expressed as the amount of Pakistani Rupees per one U.S. Dollar, for settlement in two Business Days, as published on SFEMC's website (www.sfemc.org) at approximately 3:30 p.m. Singapore time, or as soon thereafter as practicable, on that Rate Calculation Date. The Spot Rate shall be calculated by SFEMC (or a service provider SFEMC may select in its sole discretion) pursuant to the SFEMC PKR Indicative Survey Methodology (which means a methodology, dated as of 14 July 2008, as amended from time to time, for a centralised industry-wide survey of financial institutions that are active participants in the Pakistani Rupee/U.S. Dollar markets for the purpose of determining the SFEMC PKR Indicative Survey Rate).

#### **Vietnamese Dong**

- (i) 'VND ABS' or 'VND01' each means that the Spot Rate for a Rate Calculation Date will be the Vietnamese Dong/U.S. Dollar spot rate at 11:00 a.m., Singapore time, expressed as the amount of Vietnamese Dong per one U.S. Dollar, for settlement in two Business Days reported by the Association of Banks in Singapore, which appears on the Reuters Screen ABSIRFIX01 Page to the right of the caption 'Spot' under the column 'VND' at approximately 11:30 a.m., Singapore time, on that Rate Calculation Date.

- (ii) 'VND FX' or 'VND02' each means that the Spot Rate for a Rate Calculation Date will be the Vietnamese Dong/U.S. Dollar spot rate expressed as the amount of Vietnamese Dong per one U.S. Dollar, for settlement in two Business Days which appears on Reuters Screen VNDFIX=VN Page under the caption 'Spot' and to the right of the caption 'Average' at approximately 11:00 am, Hanoi time, on that Rate Calculation Date.
- (iii) 'SFEMC VND INDICATIVE SURVEY RATE' or 'VND03' each means that the Spot Rate for a Rate Calculation Date will be the Vietnamese Dong/U.S. Dollar Specified Rate for U.S. Dollars, expressed as the amount of Vietnamese Dong per one U.S. Dollar, for settlement in two Business Days, as published on SFEMC's website ([www.sfemc.org](http://www.sfemc.org)) at approximately 3:30 p.m., Singapore time, or as soon as thereafter as practicable, on that Rate Calculation Date. The Spot Rate shall be calculated by SFEMC (or a service provider SFEMC may select in its sole discretion) pursuant to the SFEMC VND Indicative Survey Methodology (which means a methodology, dated as of 14 July 2008, as amended from time to time, for a centralised industry-wide survey of financial institutions that are active participants in the Vietnamese Dong/U.S. Dollar markets for the purpose of determining the SFEMC VND Indicative Survey Rate).

### **Central and Eastern Europe**

#### **Hungarian Forint**

- (i) 'HUF USD Official Rate' or 'HUF01' each means that the Spot Rate for a Rate Calculation Date will be the Hungarian Forint/U.S. Dollar official rate for U.S. Dollars, expressed as the amount of Hungarian Forints per one U.S. Dollar, for settlement in two Business Days calculated by the National Bank of Hungary which appears on the Reuters Screen HUFE page at approximately 12:00 noon, Budapest time, on that Rate Calculation Date.
- (ii) 'HUF EUR Official Rate' or 'HUF02' each means that the Spot Rate for a Rate Calculation Date will be the Hungarian Forint/euro official rate for euros, expressed as the amount of Hungarian Forints per one euro, for settlement in two Business Days calculated by the National Bank of Hungary which appears on the Reuters Screen HUFE page at approximately 12:00 noon, Budapest time, on that Rate Calculation Date.

#### **Polish Zloty**

- (i) 'PLZ NBPQ' or 'PLZ01' each means that the Spot Rate for a Rate Calculation Date will be the Polish Zloty/U.S. Dollar fixing rate, expressed as the amount of Polish Zloty per one U.S. Dollar, for settlement in two Business Days reported by the National Bank of Poland which appears on the Reuters Screen NBPQ Page at approximately 11:00 a.m., Warsaw time, on that Rate Calculation Date.
- (ii) 'PLZ NBPR' or 'PLZ02' each means that the Spot Rate for a Rate Calculation Date will be the Polish Zloty/U.S. Dollar mid rate, expressed as the amount of Polish Zloty per one U.S. Dollar, for settlement in two Business Days reported by the National Bank of Poland which appears on the Reuters Screen NBPR Page below the caption 'Central Parity' at approximately 11:00 a.m., Warsaw time, on that Rate Calculation Date.

#### **Russian Ruble**

- (i) 'RUB MICEXFRX' or 'RUB01' each means that the Spot Rate for a Rate Calculation Date will be the Russian Ruble/U.S. Dollar Specified Rate, expressed as the amount of Russian Rubles per one U.S. Dollar, for settlement on the same day reported by the Moscow Interbank Currency Exchange which appears on the Reuters Screen MICEXFRX Page as of 10:30 a.m., Moscow time, on that Rate Calculation Date.
- (ii) 'RUB MMVB' and 'RUB02' each means that the Spot Rate for a Rate Calculation Date will be the Russian Ruble/U.S. Dollar Specified Rate, expressed as the amount of Russian Rubles per one U.S. Dollar, for settlement on the same day

reported by the Moscow Interbank Currency Exchange which appears on the Reuters Screen MMVB Page as of 10:30 a.m., Moscow time, on that Rate Calculation Date.

- (iii) 'RUB CME-EMTA' and 'RUB03' each means that the Spot Rate for a Rate Calculation Date will be the Russian Ruble/U.S. Dollar Specified Rate, expressed as the amount of Russian Rubles per one U.S. Dollar, for settlement in one Business Day, calculated by the Chicago Mercantile Exchange ('CME') and as published on CME's website, which appears on the Reuters Screen EMTA Page, at approximately 1:30 p.m., Moscow time, on that Rate Calculation Date. The Spot Rate shall be calculated by the CME pursuant to the Chicago Mercantile Exchange/EMTA, Inc. Daily Russian Ruble Per U.S. Dollar Reference Rate Methodology (which means a methodology, effective as of 16 June 2005, as amended from time to time, for a centralised industry-wide survey of financial institutions in Russia that are active participants in the Russian Ruble/U.S. Dollar spot market for the purpose of determining the RUB CME-EMTA Rate).
- (iv) 'EMTA RUB INDICATIVE SURVEY RATE' and 'RUB04' each means that the Spot Rate for a Rate Calculation Date will be the Russian Ruble/U.S. Dollar Specified Rate for U.S. Dollars, expressed as the amount of Russian Rubles per one U.S. Dollar, for settlement in one Business Day, as published on EMTA's web site ([www.emta.org](http://www.emta.org)) at approximately 2:45 p.m., Moscow time, or as soon thereafter as practicable, on such Rate Calculation Date. The Spot Rate shall be calculated by EMTA (or a service provider EMTA may select in its sole discretion) pursuant to the EMTA RUB Indicative Survey Methodology (which means a methodology dated as of 16 June 2005, as amended from time to time, for a centralised industry-wide survey of financial institutions that are active participants in the Russian Ruble/U.S. Dollar spot market for the purpose of determining the EMTA RUB Indicative Survey Rate).

#### **Kazakhstan Tenge**

- (i) 'KZT KASE' or 'KZT01' each means that the Spot Rate for a Rate Calculation Date will be the Kazakhstan Tenge/U.S. Dollar weighted average rate, expressed as the amount of Kazakhstan Tenge per one U.S. Dollar, for settlement on the same Business Day reported by the Kazakhstan Stock Exchange ([www.kase.kz](http://www.kase.kz)) at approximately 11:00 a.m., Almaty time, on that Rate Calculation Date.
- (ii) 'EMTA KZT INDICATIVE SURVEY RATE' or 'KZT02' each means that the Spot Rate for a Rate Calculation Date will be the Kazakhstan Tenge/U.S. Dollar Specified Rate for U.S. Dollars, expressed as the amount of Kazakhstan Tenge per one U.S. Dollar, for settlement on the same Business Day, as published on EMTA's website ([www.emta.org](http://www.emta.org)) at approximately 1:00 p.m., Almaty time, or as soon thereafter as practicable, on that Rate Calculation Date. The Spot Rate shall be calculated by EMTA (or a service provider EMTA may select in its sole discretion) pursuant to the EMTA KZT Indicative Survey Methodology (which means a methodology, dated as of 16 March 2009, as amended from time to time, for a centralised industry-wide survey of financial institutions that are active participants in the Kazakhstan Tenge/U.S. Dollar markets for the purpose of determining the EMTA KZT Indicative Survey Rate).

#### **Ukrainian Hryvnia**

- (i) 'UAH GFI' or 'UAH01' each means that the Spot Rate for a Rate Calculation Date will be the Ukrainian Hryvnia/U.S. Dollar spot rate, expressed as the amount of Ukrainian Hryvnia per one U.S. Dollar, for settlement on the same Business Day reported by GFI Brokers on Thomson Reuters Page GFIU by 9:30 a.m., London time, on that Rate Calculation Date.
- (ii) 'EMTA UAH INDUSTRY SURVEY RATE' or 'UAH02' each means that the Spot Rate for a Rate Calculation Date will be the Ukrainian Hryvnia/U.S. Dollar Specified Rate for U.S. Dollars, expressed as the amount of Ukrainian Hryvnia per one U.S. Dollar, for settlement on the same Business Day calculated by Thomson Reuters pursuant to the EMTA UAH Industry Survey Methodology, which rate appears on

EMTA's website ([www.emta.org](http://www.emta.org)) and on the Thomson Reuters Page EMTAUAHFIX at approximately 11.30am, Kiev time, on that Rate Calculation Date. The 'EMTA UAH Industry Survey Methodology' as used herein means the methodology dated as of March 16, 2009, for a centralised industry wide survey of financial institutions in the Ukrainian Hryvnia/U.S. Dollar spot market for the purposes of determining the EMTA UAH Industry Survey Rate.

- (iii) 'EMTA UAH INDICATIVE SURVEY RATE' or 'UAH03' each means that the Spot Rate for a Rate Calculation Date will be the Ukrainian Hryvnia/U.S. Dollar Specified Rate for U.S. Dollars, expressed as the amount of Ukrainian Hryvnia per one U.S. Dollar, for settlement on the same Business Day, as published on EMTA's website ([www.emta.org](http://www.emta.org)) at approximately 2:00 p.m., Kiev time, or as soon thereafter as practicable, on that Rate Calculation Date. The Spot Rate shall be calculated by EMTA (or a service provider EMTA may select in its sole discretion) pursuant to the EMTA UAH Indicative Survey Methodology (which means a methodology, dated as of 16 March 2009, as amended from time to time, for a centralised industry-wide survey of financial institutions that are active participants in the Ukrainian Hryvnia/U.S. Dollar markets for the purpose of determining the EMTA UAH Indicative Survey Rate).

### **Latin America**

#### **Argentine Peso**

- (i) 'ARS BNAR' or 'ARS01' each means that the Spot Rate for a Rate Calculation Date will be the Argentine Peso/U.S. Dollar Specified Rate, expressed as the amount of Argentine Pesos per one U.S. Dollar, for settlement on the same day which appears on the Reuters Screen BNAR Page at the close of business in Buenos Aires on that Rate Calculation Date.
- (ii) 'EMTA ARS INDUSTRY SURVEY RATE' or 'ARS03' each means that the Spot Rate for a Rate Calculation Date will be the Argentine Peso/U.S. Dollar Specified Rate for U.S. Dollars, expressed as the amount of Argentine Pesos per one U.S. Dollar, for settlement on the same day, as published on EMTA's web site ([www.emta.org](http://www.emta.org)) at approximately 1:00 p.m. (Buenos Aires time), or as soon thereafter as practicable, on such Rate Calculation Date. The Spot Rate shall be calculated by EMTA (or a service provider EMTA may select in its sole discretion) pursuant to the EMTA ARS Industry Survey Methodology (which means a methodology, dated as of 2 January 2003, as amended from time to time, for a centralised industry-wide survey of financial institutions in Buenos Aires that are active participants in the Argentine Peso/U.S. Dollar spot markets for the purpose of determining the EMTA ARS Industry Survey Rate).
- (iii) 'EMTA ARS INDICATIVE SURVEY RATE' or 'ARS04' each means that the Spot Rate for a Rate Calculation Date will be the Argentine Peso/U.S. Dollar Specified Rate for U.S. Dollars, expressed as the amount of Argentine Pesos per one U.S. Dollar, for settlement on the same day, as published on EMTA's web site ([www.emta.org](http://www.emta.org)) at approximately 1:00 p.m. (Buenos Aires time), or as soon thereafter as practicable, on such Rate Calculation Date. The Spot Rate shall be calculated by EMTA (or a service provider EMTA may select in its sole discretion) pursuant to the EMTA ARS Indicative Survey Methodology (which means a methodology, dated as of 2 January 2003, as amended from time to time, for a centralised industry-wide survey of financial institutions that are active participants in the Argentine Peso/U.S. Dollar markets for the purpose of determining the EMTA ARS Indicative Survey Rate).

#### **Brazilian Real**

- (i) 'BRL BRBY' or 'BRL01' each means that the Spot Rate for a Rate Calculation Date will be the Brazilian Real/U.S. Dollar interbank rate, expressed as the amount of Brazilian Reals per one U.S. Dollar, for settlement in two Business Days which appears on the Reuters Screen BRBY Page to the right of the caption 'Interbank', below the heading 'Last' at the Specified Time on that Rate Calculation Date.

- (ii) 'BRL OFFICIAL RATE' or 'BRL02' each means the Spot Rate for a Rate Calculation Date will be the Brazilian Real/U.S. Dollar official rate, expressed as the amount of Brazilian Reais per one U.S. Dollar, for settlement in two Business Days reported by the Banco Central do Brasil in the 'Diário Oficial da União' on the first Business Day following that Rate Calculation Date.
- (iii) 'BRL PCOT' or 'BRL03' each means that the Spot Rate for a Rate Calculation Date will be the Brazilian Real/U.S. Dollar offered rate for U.S. Dollars, expressed as the amount of Brazilian Reais per one U.S. Dollar, for settlement in two Business Days reported by the Banco Central do Brasil on SISBACEN Data System under transaction code PCOT-390, Option 3, at the Specified Time on that Rate Calculation Date.
- (iv) 'BRL PTAX' or 'BRL09' each means that the Spot Rate for a Rate Calculation Date will be the Brazilian Real/U.S. Dollar offered rate for U.S. Dollars, expressed as the amount of Brazilian Reais per one U.S. Dollar, for settlement in two Business Days reported by the Banco Central do Brasil on SISBACEN Data System under transaction code PTAX-800 ('Consulta de Cambio' or Exchange Rate Inquiry), Option 5 ('Cotacões para Contabilidade' or 'Rates for Accounting Purposes') by approximately 6:00 p.m., São Paulo time, on that Rate Calculation Date.
- (v) 'BRL PTAX BRFR' or 'BRL10' each means that the Spot Rate for a Rate Calculation Date will be the Brazilian Real/U.S. Dollar offered rate for U.S. Dollars, expressed as the amount of Brazilian Reais per one U.S. Dollar, for settlement in two Business Days reported by the Banco Central do Brasil on SISBACEN Data System under transaction code PTAX-800 ('Consulta de Cambio' or Exchange Rate Inquiry), Option 5 ('Cotacoes para Contabilidade' or Rates for Accounting Purposes), which appears on Reuters Screen BRFR Page under the caption 'Dolar PTAX' at approximately 8:30 a.m., São Paulo time, on the first Business Day following that Rate Calculation Date.
- (vi) 'BRL INDUSTRY SURVEY RATE' or 'BRL11' each means that the Spot Rate for a Rate Calculation Date will be the Brazilian Real/U.S. Dollar offered rate for U.S. Dollars, expressed as the amount of Brazilian Reais per one U.S. Dollar, for settlement in two Business Days calculated by the Chicago Mercantile Exchange pursuant to the BRL Methodology which appears on the Reuters Screen EMTA Page at approximately 12:30 p.m. São Paulo time, or as soon thereafter as practicable, on the first Business Day following the Rate Calculation Date. 'BRL Methodology' as used herein means the methodology dated 8 November 1999, establishing a centralised industrywide survey of financial institutions in Brazil that are active participants in the Brazilian Real/U.S. Dollar spot markets for the purpose of determining the BRL Industry Survey Rate. (The BRL Methodology is available on the websites of The Foreign Exchange Committee and EMTA.)
- (vii) 'EMTA BRL INDUSTRY SURVEY RATE' or 'BRL12' each means that the Spot Rate for a Rate Calculation Date will be the Brazilian Real/U.S. Dollar Specified Rate for U.S. Dollars, expressed as the amount of Brazilian Reais per one U.S. Dollar, for settlement in two Business Days, as published on EMTA's web site ([www.emta.org](http://www.emta.org)) at approximately 3:45 p.m. (São Paulo time), or as soon thereafter as practicable, on such Rate Calculation Date. The Spot Rate shall be calculated by EMTA (or a service provider EMTA may select in its sole discretion) pursuant to the EMTA BRL Industry Survey Methodology (which means a methodology, dated as of 1 March 2004, as amended from time to time, for a centralised industry-wide survey of financial institutions in Brazil that are active participants in the Brazilian Real/U.S. Dollar spot markets for the purpose of determining the EMTA BRL Industry Survey Rate).
- (viii) 'EMTA BRL INDICATIVE SURVEY RATE' or 'BRL13' each means that the Spot Rate for a Rate Calculation Date will be the Brazilian Real/U.S. Dollar Specified Rate for U.S. Dollars, expressed as the amount of Brazilian Reais per one U.S. Dollar, for settlement in two Business Days, as published on EMTA's web site ([www.emta.org](http://www.emta.org)) at approximately 12:00 p.m. (São Paulo time), or as soon thereafter as practicable, on such Rate Calculation Date. The Spot Rate shall be

calculated by EMTA (or a service provider EMTA may select in its sole discretion) pursuant to the EMTA BRL Indicative Survey Methodology (which means a methodology, dated as of 1 March 2004, as amended from time to time, for a centralised industry-wide survey of financial institutions that are active participants in the Brazilian Real/U.S. Dollar markets for the purpose of determining the EMTA BRL Indicative Survey Rate).

### **Chilean Peso**

- (i) 'CLP BCCHILG' or 'CLP01' each means that the Spot Rate for a Rate Calculation Date will be the Chilean Peso/U.S. Dollar observado rate, expressed as the amount of Chilean Pesos per one U.S. Dollar, for settlement on the same day reported by the Banco Central de Chile which appears on the Reuters Screen BCCHILG Page under the caption 'OBSERVADO' at approximately 10:00 a.m., Santiago time, on the first Business Day following that Rate Calculation Date.
- (ii) 'CLP INFORMAL' or 'CLP02' each means that the Spot Rate for a Rate Calculation Date will be the Chilean Peso/U.S. Dollar informal rate, expressed as the amount of Chilean Pesos per one U.S. Dollar, for settlement on the same day of the informal exchange market which appears on the Reuters Screen CLPP= Page at the Specified Time on that Rate Calculation Date.
- (iii) 'CLP INTERBANK' or 'CLP03' each means that the Spot Rate for a Rate Calculation Date will be the Chilean Peso/U.S. Dollar interbank rate, expressed as the amount of Chilean Pesos per one U.S. Dollar, for settlement on the same day reported by the Banco Central de Chile for the formal exchange market which appears on the Reuters Screen CLP= Page at the Specified Time on that Rate Calculation Date.
- (iv) 'CLP OBSERVADO' or 'CLP04' each means that the Spot Rate for a Rate Calculation Date will be the Chilean Peso/U.S. Dollar observado rate, expressed as the amount of Chilean Pesos per one U.S. Dollar, for settlement on the same day reported by the Banco Central de Chile which appears on the Reuters Screen CLPOB= Page below the caption 'Value' at approximately 10:00 a.m., Santiago time, on the first Business Day following that Rate Calculation Date.
- (v) 'CLP OFFICIAL RATE' or 'CLP08' each means that the Spot Rate for a Rate Calculation Date will be the Chilean Peso/U.S. Dollar official rate, expressed as the amount of Chilean Pesos per one U.S. Dollar, calculated in accordance with Title I, Chapter 1, Number 6 of the Compendium of International Exchange Norms of the Banco Central de Chile and published by the Banco Central de Chile at the Specified Time, if any, on the first Business Day following that Rate Calculation Date.
- (vi) 'CLP TELERATE 38942' or 'CLP09' each means that the Spot Rate for a Rate Calculation Date will be the Chilean Peso/U.S. Dollar observado rate, expressed as the amount of Chilean Pesos per one U.S. Dollar, for settlement on the same day reported by the Banco Central de Chile which appears on the Telerate Page 38942 below the caption 'Dolar Observado' at approximately 10:00 a.m., Santiago time, on the first Business Day following that Rate Calculation Date.
- (vii) 'CLP DÓLAR OBS' or 'CLP10' each means that the Spot Rate for a Rate Calculation Date will be the Chilean Peso/U.S. Dollar 'observado' rate, expressed as the amount of Chilean Pesos per one U.S. Dollar, for settlement in one Business Day reported by the Banco Central de Chile ([www.bcentral.cl](http://www.bcentral.cl)) as the 'Dólar Observado' (Dollar Observado) rate by not later than 10:30 a.m., Santiago time, on the first Business Day following that Rate Calculation Date.
- (viii) 'EMTA CLP INDICATIVE SURVEY RATE' or 'CLP11' each means that the Spot Rate for a Rate Calculation Date will be the Chilean Peso/U.S. Dollar Specified Rate for U.S. Dollars, expressed as the amount of Chilean Pesos per one U.S. Dollar, for settlement on the same day, as published on EMTA's web site ([www.emta.org](http://www.emta.org)) at approximately 11:00 a.m., Santiago time, or as soon thereafter as practicable, on such Rate Calculation Date. The Spot Rate shall be calculated by EMTA (or a service provider EMTA may select in its sole discretion) pursuant to the EMTA

CLP Indicative Survey Methodology (which means a methodology, dated as of 1 August 2006, as amended from time to time, for a centralised industry-wide survey of financial institutions that are active participants in the Chilean Peso/U.S. Dollar markets for the purpose of determining the EMTA CLP Indicative Survey Rate).

### **Colombian Peso**

- (i) 'COP CO/COL03' or 'COP01' each means that the Spot Rate for a Rate Calculation Date will be the Colombian Peso/U.S. Dollar fixing rate, expressed as the amount of Colombian Pesos per one U.S. Dollar, for settlement on the same day reported by the Colombian Banking Superintendency which appears on the Reuters Screen CO/COL03 Page to the right of the caption 'TCRM' ('Tasa de Cierre Representativa del Mercado' or closing market price) below the heading 'Hoy' at approximately 9:30 a.m., Bogota time, on the first Business Day following that Rate Calculation Date.
- (ii) 'COP TRM' or 'COP02' each means that the Spot Rate for a Rate Calculation Date will be the Colombian Peso/U.S. Dollar fixing rate, expressed as the amount of Colombian Pesos per one U.S. Dollar, for settlement on the same day reported by the Colombian Financial Superintendency ([www.banrep.gov.co](http://www.banrep.gov.co)) as the 'Tasa Representativa del Mercado (TRM)' (also referred to as the 'Tasa de Cambio Representativa del Mercado' (TCRM)) by not later than 10:30 a.m., Bogotá time, on the first Business Day following that Rate Calculation Date.
- (iii) 'EMTA COP INDICATIVE SURVEY RATE' or 'COP03' each means that the Spot Rate for a Rate Calculation Date will be the Colombian Peso/U.S. Dollar Specified Rate for U.S. Dollars, expressed as the amount of Colombian Pesos per one U.S. Dollar, for settlement on the same day, as published on EMTA's web site ([www.emta.org](http://www.emta.org)) at approximately 11:30 a.m., Bogotá time, or as soon thereafter as practicable, on such Rate Calculation Date. The Spot Rate shall be calculated by EMTA (or a service provider EMTA may select in its sole discretion) pursuant to the EMTA COP Indicative Survey Methodology (which means a methodology, dated as of 1 August 2006, as amended from time to time, for a centralised industry-wide survey of financial institutions that are active participants in the Colombian Peso/U.S. Dollar markets for the purpose of determining the EMTA COP Indicative Survey Rate).

### **Ecuadorian Sucre**

- (i) 'ECS DNRP' or 'ECS01' each means that the Spot Rate for a Rate Calculation Date will be the Ecuadorian Sucre/U.S. Dollar Specified Rate, expressed as the amount of Ecuadorian Sucres per one U.S. Dollar, for settlement in one Business Day which appears on Reuters Screen DNRP Page below the caption 'Official' at 12:00 noon, Guayaquil time, on that Rate Calculation Date.
- (ii) 'ECS ECBCE02' or 'ECS02' each means that the Spot Rate for a Rate Calculation Date will be the Ecuadorian Sucre/U.S. Dollar Specified Rate, expressed as the amount of Ecuadorian Sucres per one U.S. Dollar, for settlement in one Business Day which appears on Reuters Screen ECBCE02 Page at the Specified Time on that Rate Calculation Date.

### **Mexican Peso**

- (i) 'MXP BNMx' or 'MXP01' each means that the Spot Rate for a Rate Calculation Date will be the Mexican Peso/U.S. Dollar fixing rate, expressed as the amount of Mexican Pesos per one U.S. Dollar, for settlement in two Business Days reported by Banco de Mexico which appears on the Reuters Screen BNMx Page opposite the caption 'Fix' at the close of business in Mexico City on that Rate Calculation Date.
- (ii) 'MXP FIXING RATE' or 'MXP02' each means that the Spot Rate for a Rate Calculation Date will be the Mexican Peso/U.S. Dollar fixing rate, expressed as the amount of Mexican Pesos per one U.S. Dollar, for settlement in two Business Days which is published by Banco de Mexico in the Official Gazette of the Federation pursuant to the 'Disposiciones aplicables a la determinacion del tipo de Câmbio

para solventar obligaciones denominadas en moneda extranjera pagaderas en la Republica Mexicana' (Rules applicable to determine the exchange rate to pay obligations denominated in foreign currency payable in Mexico) on the first Business Day following that Rate Calculation Date.

- (iii) 'MXP MEX01' or 'MXP03' each means that the Spot Rate for a Rate Calculation Date will be the Mexican Peso/U.S. Dollar fixing rate, expressed as the amount of Mexican Pesos per one U.S. Dollar, for settlement in two Business Days reported by Banco de Mexico which appears on Reuters Screen MEX01 Page under the heading 'MXNFI=RR', at the close of business in Mexico City on that Rate Calculation Date.
- (iv) 'MXP PUBLISHE' or 'MXP04' each means the Spot Rate for a Rate Calculation Date will be the Mexican Peso/U.S. Dollar fixing rate, expressed as the amount of Mexican Pesos per one U.S. Dollar, for settlement in two Business Days published by the Bolsa Mexicana de Valores, S.A. de C.V. (as established in Section 2 of the 'Resolution concerning the exchange rate applicable for calculating the Mexican Peso equivalent of principal and interest of Mexican Treasury Notes denominated in foreign currency and payable in Mexican Pesos' published in the Diario Oficial de la Federacion on 11 November 1991) in the Movimiento Diario del Mercado de Valores de la Bolsa Mexicana de Valores, S.A. de C.V. under the heading 'Movimiento Diario del Mercado de Valores' on that Rate Calculation Date.

#### **Peruvian Sol**

- (i) 'PEN PDSB' or 'PEN01' each means that the Spot Rate for a Rate Calculation Date will be the Peruvian Sol/U.S. Dollar Specified Rate, expressed as the amount of Peruvian Sols per one U.S. Dollar, for settlement on that same day which appears on the Reuters Screen PDSB Page in the row entitled 'INTRB' and below the caption 'ULT/REUTERS' at approximately 12:00 noon, Lima time, on that Rate Calculation Date.
- (ii) 'PEN PDSC' or 'PEN02' each means that the Spot Rate for a Rate Calculation Date will be the Peruvian Sol/U.S. Dollar interbank rate expressed as the amount of Peruvian Sols per one U.S. Dollar, for settlement on that same day which appears on the Reuters Screen PDSC Page below the caption 'INTERBANCARIO' as of 11:00 a.m., Lima time, on that Rate Calculation Date.
- (iii) 'PEN WT AVE' or 'PEN03' each means that the Spot Rate for a Rate Calculation Date will be the midpoint of the Peruvian Sol/U.S. Dollar closing weighted average bid and offer ('compra y venta') exchange rates expressed as the amount of Peruvian New Soles per one U.S. Dollar for settlement on the same day, reported by the Superintendencia de Banca, Seguros y AFP ([www.sbs.gob.pe](http://www.sbs.gob.pe)) of the Republic of Peru at approximately 5:00 p.m., Lima time, on that Rate Calculation Date.
- (iv) 'EMTA PEN INDICATIVE SURVEY RATE' or 'PEN04' each means that the Spot Rate for a Rate Calculation Date will be the Peruvian Sol/U.S. Dollar Specified Rate for U.S. Dollars, expressed as the amount of Peruvian Soles per one U.S. Dollar, for settlement on the same day, as published on EMTA's web site ([www.emta.org](http://www.emta.org)) at approximately 11:00 a.m., Lima time, or as soon thereafter as practicable, on such Rate Calculation Date. The Spot Rate shall be calculated by EMTA (or a service provider EMTA may select in its sole discretion) pursuant to the EMTA PEN Indicative Survey Methodology (which means a methodology, dated as of 1 August 2006, as amended from time to time, for a centralised industry-wide survey of financial institutions that are active participants in the Peruvian Sol/U.S. Dollar markets for the purpose of determining the EMTA PEN Indicative Survey Rate).
- (v) 'PEN INTERBANK AVE' or 'PEN05' each means that the Spot Rate for a Rate Calculation Date will be the Peruvian Sol/U.S. Dollar average exchange rate in the interbank market expressed as the amount of Peruvian New Soles per one U.S.

Dollar for settlement on the same day reported by the Banco Central de Reserva del Peru ([www.bcrp.gob.pe](http://www.bcrp.gob.pe)) as the 'Tipo de Cambio Interbancario Promedio' at approximately 2:00 p.m., Lima time, on that Rate Calculation Date.

#### **Venezuelan Bolivar**

- (i) 'VEF FIX' or 'VEF01' each means that the Spot Rate for a Rate Calculation Date will be the midpoint of the Venezuelan Bolivar/U.S. Dollar Tipo de Câmbio De Referencia buying and selling rates, expressed as the amount of Venezuelan Bolivar per one U.S. Dollar, for settlement in two Business Days reported by the Banco Central de Venezuela ([www.bcv.org.ve](http://www.bcv.org.ve)) at approximately 5:00 p.m., Caracas time, on that Rate Calculation Date.

#### **Middle East/Africa**

##### **Israeli Shekel**

- (i) 'ILS BOIJ' or 'ILS01' each means that the Spot Rate for a Rate Calculation Date will be the Israeli Shekel/U.S. Dollar fixing rate, expressed as the amount of Israeli Shekels per one U.S. Dollar, for settlement in two Business Days reported by the Bank of Israel which appears on the Reuters Screen BOIJ Page opposite the symbol 'USD' and below the caption 'REP RATES' at approximately 3:15 p.m., Tel Aviv time, on that Rate Calculation Date.
- (ii) 'ILS FXIL' or 'ILS02' each means that the Spot Rate for a Rate Calculation Date will be the Israeli Shekel/U.S. Dollar Specified Rate, expressed as the amount of Israeli Shekels per one U.S. Dollar, for settlement in two Business Days which appears on the Reuters Screen FXIL Page at the Specified Time, on that Rate Calculation Date.

##### **Lebanese Pound**

- (i) 'LBP BDLX' or 'LBP01' each means that the Spot Rate for a Rate Calculation Date will be the Lebanese Pound/U.S. Dollar Specified Rate, expressed as the amount of Lebanese Pounds per one U.S. Dollar, for settlement in two Business Days which appears on the Reuters Screen BDLX Page as of 12:00 noon, Beirut time, on that Rate Calculation Date.

##### **Moroccan Dirham**

- (i) 'MAD OFFICIAL RATE' or 'MAD01' each means that the Spot Rate for a Rate Calculation Date will be the Moroccan Dirham/U.S. Dollar Specified Rate, expressed as the amount of Moroccan Dirham per one U.S. Dollar, for settlement in two Business Days reported by the Central Bank of Morocco as of 1:00 p.m., Rabat time, on that Rate Calculation Date.

## **11 Payments and Talons**

### **(a) Bearer Notes**

Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 11(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 11(f)(vi)), as the case may be, at the specified office of any Paying Agent outside the United States and Australia by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a bank in the principal financial centre for such currency, or in the case of euro, in a city in which banks have access to the TARGET System and in the case of Japanese yen, the transfer shall be to a non-resident Japanese yen account with a bank in Japan (in the case of payment to a non-resident of Japan).

**(b) Registered Notes**

- (i) Payments of principal (which for the purposes of this Condition 11(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.
- (ii) Interest (which for the purpose of this Condition 11(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof or in case of Registered Notes to be cleared through DTC, on the fifteenth DTC business day before the due date for payment thereof (the '**Record Date**'). For the purpose of this Condition 11(b), '**DTC business day**' means any day on which DTC is open for business. Payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a bank mailed to the holder (or to the first-named of joint holders) of such Note at its address appearing in the Register, provided that no such cheque will be mailed to an address in Australia. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency specified by the payee with a bank in the principal financial centre for such currency, or in the case of euro, in a city in which banks have access to the TARGET System and in the case of Japanese yen, the transfer shall be to a non-resident Japanese yen account with a bank in Japan (in the case of payment to a non-resident of Japan).
- (iii) Payments through DTC: Registered Notes, if specified in the relevant Final Terms, will be issued in the form of one or more Global Certificates and may be registered in the name of or in the name of a nominee for, DTC. Payments of principal and interest in respect of Registered Notes denominated in U.S. Dollars will be made in accordance with (i) and (ii) above. Payments of principal and interest in respect of Registered Notes registered in the name of, or in the name of a nominee for, DTC and denominated in a Specified Currency other than U.S. Dollars will be made or procured to be made by the Fiscal Agent in the Specified Currency in accordance with the following provisions. The amounts in such Specified Currency payable by the Fiscal Agent or its agent to DTC with respect to Registered Notes held by DTC or its nominee will be received from the Issuer by the Fiscal Agent who will make payments in such Specified Currency by wire transfer of same day funds to the designated bank account in such Specified Currency of those DTC participants entitled to receive the relevant payment who have made an irrevocable election to DTC, in the case of interest payments, on or prior to the third DTC business day after the Record Date for the relevant payment of interest and, in the case of payments of principal, at least 12 DTC business days prior to the relevant payment date, to receive that payment in such Specified Currency. The Fiscal Agent, after the Exchange Agent has converted amounts in such Specified Currency into U.S. Dollars, will cause the Exchange Agent to deliver such U.S. Dollar amount in same day funds to DTC for payment through its settlement system to those DTC participants entitled to receive the relevant payment who did not elect to receive such payment in such Specified Currency. The Agency Agreement sets out the manner in which such conversions are to be made.

**(c) Payments in the United States**

Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. Dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or

other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to such Issuer.

**(d) *Payments subject to fiscal laws***

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 12. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

**(e) *Appointment of Agents***

The Fiscal Agent, the Paying Agents, the Registrar, the Transfer Agents, the Exchange Agent and the Calculation Agent initially appointed by the Issuer and its respective specified offices are listed below. The Fiscal Agent, the Paying Agents, the Registrar, the Transfer Agents, the Exchange Agent and the Calculation Agent(s) act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, any Paying Agent, the Registrar, any Transfer Agent, the Exchange Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes in Luxembourg, (iv) one or more Calculation Agent(s) where the Conditions so require, (v) Paying Agents having specified offices in at least two major European cities, (vi) an Exchange Agent, (vii) such other agents as may be required by the rules of any other stock exchange on which the Notes may be listed and (viii) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. Dollars in the circumstances described in paragraph (c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

**(f) *Unmatured Coupons and Receipts and unexchanged Talons***

- (i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes, Index Linked Notes, Equity Linked Notes or FX Linked Notes), they should be surrendered for payment together with all unexpired Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unexpired Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unexpired Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 13).
- (ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Dual Currency Note, Index Linked Note, an Equity Linked Note or an FX Linked Note, unexpired Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
- (iii) Upon the due date for redemption of any Bearer Note, any unexpired Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

- (iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.
- (v) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons and any unexchanged Talon relating to it, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

**(g) Talons**

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 13).

**(h) Non-Business Days**

If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment.

In this paragraph, '**business day**' means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as '**Financial Centres**' in the relevant Final Terms and:

- (i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency (which in the case of Australian Dollars shall be Sydney and in the case of New Zealand Dollars shall be Wellington); or
- (ii) (in the case of a payment in euro) which is a TARGET Business Day.

**12 Taxation**

All payments of principal and interest in respect of the Notes, the Receipts and the Coupons by the Issuer to the Principal Paying Agent shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Netherlands (in the case of Rabobank Nederland, Rabobank Australia Branch and Rabobank Singapore Branch), Australia (in the case of Rabobank Australia Branch) and Singapore (in the case of Rabobank Singapore Branch), or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts (the '**Additional Amounts**') as shall result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Amounts shall be payable with respect to any Note, Receipt or Coupon presented for payment:

- (i) in the country of incorporation of the Issuer (or in the case of Rabobank Australia Branch, Australia, or in the case of Rabobank Singapore Branch, Singapore) (each, as the case may be, a '**Relevant Taxing Jurisdiction**');)

- (ii) in a Relevant Taxing Jurisdiction of the Issuer (wherein and whereof the Issuer is obliged to withhold tax) by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within such Relevant Taxing Jurisdiction in respect of such Note, Receipt or Coupon by reason of, or partly by reason of, such holder having some connection with the Relevant Taxing Jurisdiction of the Issuer other than by reason only of holding such Note or Coupon or the receipt of the relevant payment in respect thereof;
- (iii) by or on behalf of a holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying, or procuring that any third party complies, with any statutory requirements or by making or procuring that a third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the relevant Note (or the Certificate representing it), Receipt or Coupon is presented for payment;
- (iv) where such deduction or withholding is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive;
- (v) (except in the case of Registered Notes) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union;
- (vi) more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such Additional Amounts on presenting the same for payment on the expiry of such period of 30 days;
- (vii) if the Issuer and the relevant Dealer or Dealers in respect of any issue as set forth in the relevant Final Terms provide in the relevant Final Terms that the Notes are Domestic Notes for the purpose of this Condition; or
- (viii) in relation to Notes issued by Rabobank Australia Branch, if such Additional Amounts are payable by reason of the Noteholder being an associate of the Issuer for the purposes of section 128F(6) of the Income Tax Assessment Act 1936 of Australia.

As used in these Conditions, '**Relevant Date**' in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate), Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) '**principal**' shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 7 or any amendment or supplement to it, (ii) '**interest**' shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 6 or any amendment or supplement to it and (iii) '**principal**' and/or '**interest**' shall be deemed to include any Additional Amounts that may be payable under this Condition 12.

### 13 Prescription

Claims against the Issuer for payment of principal or interest in respect of the Notes, Receipts and Coupons (which for this purpose shall not include Talons) shall be prescribed and become void unless made within five years from the date on which such payment first becomes due.

### 14 Events of Default

If, in the case of an issue of Senior Notes, any of the following events (each an '**Event of Default**') occurs or, in the case of an issue of Subordinated Notes, the event specified in (iv) occurs, the holder of any Note may by written notice to the Issuer at its specified office declare such Note to be forthwith due and payable, whereupon the Early Redemption Amount of such

Note together (if applicable) with accrued interest to the date of payment shall become immediately due and payable, unless such Event of Default shall have been remedied prior to the receipt of such notice by the Issuer and provided that repayment of any Subordinated Note under this Condition will only be effected after the Issuer has obtained the prior written consent of the Dutch Central Bank (*De Nederlandsche Bank N.V.*):

- (i) default by the Issuer is made for more than 30 days in the payment of interest or principal in respect of any of the Notes; or
- (ii) the Issuer fails to perform or observe any of its other obligations under the Notes and such failure continues for the period of 60 days next following the service on the Issuer of notice requiring the same to be remedied; or
- (iii) the Issuer fails in the due repayment of borrowed money which exceeds EUR 35,000,000 or its countervalue and such failure continues for a period of 30 days after notice of such failure has been received by the Issuer or the Issuer fails to honour any guarantee or indemnity in excess of EUR 35,000,000 or its countervalue and such failure continues for a period of 30 days after notice of such failure has been received by the Issuer, provided that in each case no Event of Default shall be deemed to have occurred if the Issuer shall contest its liability in good faith or shall have been ordered not to make such payment by a competent court; or
- (iv) the Issuer becomes bankrupt, an administrator is appointed, or an order is made or an effective resolution is passed for the winding-up, liquidation or administration of the Issuer (except for the purposes of a reconstruction or merger the terms of which have previously been approved by a meeting of Noteholders) or an application is filed for a declaration (which is not revoked within a period of 30 days), or a declaration is made, under Article 3:160 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*), as modified or re-enacted from time to time, of the Netherlands in respect of Rabobank Nederland, Rabobank Australia Branch or Rabobank Singapore Branch; or
- (v) the Issuer compromises with its creditors generally or such measures are officially decreed; or
- (vi) the Issuer shall cease to carry on the whole or a substantial part of its business (except for the purposes of a reconstruction or merger the terms of which have previously been approved by a meeting of the Noteholders).

## **15 Meeting of Noteholders, modifications and substitutions**

### **(a) Meetings of Noteholders**

The Agency Agreement contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Agency Agreement) of a modification of any of these Conditions. Such a meeting may be convened by the Issuer or Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of any of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest is shown in the relevant Final Terms, to reduce any such Minimum and/or Maximum Rate of Interest, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or any adjournment of such meeting or

the majority required to pass the Extraordinary Resolution. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Agency Agreement provides that a resolution in writing signed by or on behalf of the Noteholders of not less than 90 per cent. in nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Final Terms in relation to such Series.

**(b) Modification and amendment of Agency Agreement**

The Issuer shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of, or any failure to comply with, the Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders.

The Agency Agreement may be amended by the Issuer and the Fiscal Agent, without the consent of the Registrar or any Paying Agent, Transfer Agent, Exchange Agent, Calculation Agent or holder, for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective provision contained therein or in any manner which the Issuer and the Fiscal Agent may mutually deem necessary or desirable and which does not adversely affect the interests of the holders.

**(c) Substitution of the Issuer**

(i) The Issuer or any previous substitute of the Issuer under this Condition 15 may, and the Noteholders and the Couponholders hereby irrevocably agree in advance that the Issuer or any previous substitute of the Issuer under this Condition may, at any time, substitute any company (incorporated in any country in the world) controlling, controlled by or under common control with Rabobank Nederland as the principal debtor in respect of the Notes or to undertake its obligations in respect of the Notes through any of its branches (any such company or branch, the '**Substituted Debtor**'), provided that:

(a) such documents shall be executed by the Substituted Debtor and (if the Substituted Debtor is not the Issuer) the Issuer or any previous substitute as aforesaid as may be necessary to give full effect to the substitution (together the '**Documents**') and (without limiting the generality of the foregoing) pursuant to which the Substituted Debtor shall undertake in favour of each Noteholder to be bound by these Conditions and the provisions of the Agency Agreement as fully as if the Substituted Debtor had been named in the Notes and the Agency Agreement as the principal debtor in respect of the Notes in place of the Issuer or any previous substitute as aforesaid;

(b) without prejudice to the generality of sub-paragraph (a) above, where the Substituted Debtor is incorporated, domiciled or resident for taxation purposes in a territory other than the Netherlands (where the Issuer is Rabobank Nederland acting through its head office), Australia (where the Issuer is Rabobank Australia Branch) or Singapore (where the Issuer is Rabobank Singapore Branch), or is undertaking its obligations with respect to the Notes through a branch in another such territory, the Documents shall contain a covenant and/or such other provisions as may be necessary to ensure that each Noteholder has the benefit of a covenant in terms corresponding to the provisions of Condition 12 above with the substitution for the references to the Netherlands, Australia or Singapore as appropriate (or any previously substituted territory as the case may be) with territories in which the Substituted Debtor is incorporated, domiciled and/or resident for taxation purposes or, where such Issuer is undertaking its obligations with respect to the Notes through a branch, with the addition of references to the territory in which such branch is located;

- (c) the Documents shall contain a warranty and representation (1) that the Substituted Debtor and the Issuer (or any previous substitute as aforesaid) have obtained all necessary governmental and regulatory approvals and consents for such substitution and (if the Substituted Debtor is not Rabobank Nederland) for the giving by Rabobank Nederland of the Substitution Guarantee (as defined below) in respect of the obligations of the Substituted Debtor, that the Substituted Debtor has obtained all necessary governmental and regulatory approvals and consents for the performance by the Substituted Debtor of its obligations under the Documents and that all such approvals and consents are in full force and effect and (2) that the obligations assumed by the Substituted Debtor and (if the Substituted Debtor is not Rabobank Nederland) the Substitution Guarantee (as defined below) given by Rabobank Nederland are each valid and binding in accordance with their respective terms and enforceable by each Noteholder and that, in the case of the Issuer undertaking its obligations with respect to the Notes through a branch, the Notes remain the valid and binding obligations of such Issuer;
- (d) Condition 14 shall be deemed to be amended so that it shall also be an Event of Default under the said Condition if the Substitution Guarantee (as defined below) shall cease to be valid or binding on or enforceable against Rabobank Nederland; and
- (e) a supplemental Base Prospectus produced and (i) submitted to the AFM for approval, and (ii) following such approval be published in accordance with Article 14 of the Prospectus Directive,

and (if the Substituted Debtor is not Rabobank Nederland) upon the Documents becoming valid and binding obligations of the Substituted Debtor, Rabobank Nederland hereby irrevocably and unconditionally guarantees in favour of each Noteholder the payment of all sums payable by the Substituted Debtor as such principal debtor (such guarantee of Rabobank Nederland herein referred to as the **'Substitution Guarantee'** and being substantially in the form of the Guarantee contained in Schedule 9 of the Agency Agreement, which shall apply *mutatis mutandis* to issues of Notes by the Substituted Debtor).

- (ii) Upon the Documents becoming valid and binding obligations of the Substituted Debtor and (if the Substituted Debtor is not the Issuer) the Issuer and subject to notice having been given in accordance with paragraph (iv) below, the Substituted Debtor shall be deemed to be named in the Notes and Coupons as the principal debtor in place of the Issuer as issuer (or of any previous substitute under these provisions) and the Notes and Coupons shall thereupon be deemed to be amended to give effect to the substitution. The execution of the Documents together with the notice referred to in paragraph (iv) below shall, in the case of the substitution of any other company as principal debtor, operate to release the Issuer as issuer (or such previous substitute as aforesaid) from all of its obligations as principal debtor in respect of the Notes and Coupons.
- (iii) The Documents referred to in paragraph (i) above shall be deposited with and held by the Fiscal Agent for so long as any Notes remain outstanding and for so long as any claim made against the Substituted Debtor or (if the Substituted Debtor is not the Issuer) the Issuer by any Noteholder and Couponholder in relation to the Notes or the Documents shall not have been finally adjudicated, settled or discharged. The Substituted Debtor and (if the Substituted Debtor is not the Issuer) the Issuer acknowledge the right of every Noteholder to the production of the Documents for the enforcement of any of the Notes and Coupons or the Documents.
- (iv) Not later than 15 business days after the execution of the Documents, the Substituted Debtor shall give notice thereof to the Noteholders in accordance with Condition 18.

- (v) For the purposes of this Condition 15, the term '**control**' means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a company, whether by contract or through the ownership, directly or indirectly, of voting shares in such company which, in the aggregate, entitle the holder thereof to elect a majority of its directors, and includes any company in relationship to such first-mentioned company, and for this purpose '**voting shares**' means shares in the capital of a company having under ordinary circumstances the right to elect the directors thereof, and '**controlling**', '**controlled**' and '**under common control**' shall be construed accordingly.

## **16 Replacement of Notes, Certificates, Receipts, Coupons and Talons**

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange regulations, at the specified office of the Fiscal Agent (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by such Issuer in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as such Issuer may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

## **17 Further issues**

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes which have the same terms and conditions as the Notes (except for the Issue Price, the Issue Date and the first Interest Payment Date) and so that the same shall be consolidated and form a single Series with such Notes, and references in these Conditions to '**Notes**' shall be construed accordingly.

## **18 Notices**

Notices to the holders of Registered Notes shall be published in accordance with the procedure set out in this Condition for Bearer Notes and shall be mailed to them at their respective addresses in the Register and shall be deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the Financial Times). So long as the Notes are listed on the Luxembourg Stock Exchange, notices to holders of the Notes shall also be published either on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) or in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) respectively. If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange on which the Notes are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above.

Couponholders and Receiptholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition 18.

## **19 Governing Law and Jurisdiction**

### **(a) Governing law**

The Notes, the Receipts, the Coupons and the Talons and all non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, the laws of the Netherlands.

**(b) Jurisdiction**

The competent courts of Amsterdam, the Netherlands (and, in the case of Rabobank Nederland, also the United States Federal and New York State courts sitting in New York City, the Borough of Manhattan) are to have non-exclusive jurisdiction to settle any disputes which may arise out of or in connection with any Notes, Receipts, Coupons or Talons and, accordingly, any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons or Talons ('**Proceedings**') may be brought in such courts. These submissions are made for the benefit of each of the holders of the Notes, Receipts, Coupons and Talons and shall not affect the right of any of them to take Proceedings in any other court of competent jurisdiction.

**(c) Service of process**

Rabobank Nederland irrevocably appoints its New York branch at 245 Park Avenue, New York, New York 10167 as its agent in New York to receive, for it and on its behalf, service of process in any Proceedings in New York. Such service shall be deemed completed on delivery to the relevant process agent (whether or not it is forwarded to and received by Rabobank Nederland). If for any reason either process agent ceases to be able to act as such or no longer has an address in Utrecht or New York City, Rabobank Nederland irrevocably agrees to appoint a substitute process agent and shall immediately notify Noteholders of such appointment in accordance with Condition 18. Nothing shall affect the right to serve process in any manner permitted by law. For the avoidance of doubt, service of process upon Rabobank Nederland at Croeselaan 18, 3521 CB Utrecht, the Netherlands will also constitute service of process upon Rabobank Australia Branch and Rabobank Singapore Branch.

## **SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM**

### **Initial issue of Notes**

Each Tranche of Notes in bearer form will be initially represented by a Global Note, in bearer form without Coupons, which will be deposited on behalf of the subscribers of the relevant Notes as follows:

- (a) if the Global Notes are stated in the relevant Final Terms to be issued in CGN form, in the case of a Tranche intended to be cleared through Euroclear and/or Clearstream, Luxembourg, the Global Notes will be deposited with a common depository (the 'Common Depository') for Euroclear and Clearstream, Luxembourg on or prior to the original issue date of the Tranche; or
- (b) if the Global Notes are stated in the relevant Final Terms to be issued in CGN form, in the case of a Tranche intended to be cleared through an Alternative Clearing System (as defined in 2.2 below), the Global Notes will be deposited as otherwise agreed between the Issuer and the relevant Dealer, on or about the issue date of the relevant Notes; or
- (c) if the Global Notes are stated in the relevant Final Terms to be issued in NGN form, the Global Notes will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper.

In the case of (c) above, or in the case of Global Certificates to be held under the NSS (as the case may be) depositing the Global Notes or the Global Certificates with the Common Safekeeper does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

No interest will be payable in respect of a temporary Global Note except as provided below. Each Tranche of Notes in registered form will be represented by Certificates and may be represented by a Global Certificate.

Upon deposit of the temporary Global Note(s) (if the Global Note(s) are in CGN form) with the Common Depository or registration of the Registered Notes (in respect of Global Certificates which are not held under the NSS) in the name of the nominee for Euroclear and/or Clearstream, Luxembourg and delivery of the relevant Global Certificate to the Common Depository, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid and, in the case of Notes held through Euroclear France, the 'intermédiaires habilités' (each an 'Approved Intermediary') who are entitled, directly or indirectly, to hold such Notes according to the records of Euroclear France, will likewise credit each subscriber with a principal amount of Notes equal to the principal amount thereof for which it has subscribed and paid.

Upon deposit of the temporary Global Note(s) (if the Global Note(s) are in NGN form), the nominal amount of the Notes shall be the aggregate amount from time to time entered in the records of Euroclear or Clearstream, Luxembourg. The records of such clearing system shall be conclusive evidence of the nominal amount of Notes represented by the Global Note and a statement issued by such clearing system at any time shall be conclusive evidence of the records of the relevant clearing system at that time.

Upon the initial deposit of a Global Certificate which is not held under the NSS and registration of Registered Notes in the name of a nominee for DTC and delivery of the relevant Global Certificate to a custodian for DTC, DTC will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Any payment due in respect of a Global Note or a Global Certificate will be made to each of Euroclear, Clearstream, Luxembourg, DTC or an Approved Intermediary in respect of the portion of the Global Note or a Global Certificate held for its account. An accountholder with Euroclear, Clearstream, Luxembourg or an Approved Intermediary with an interest in a temporary Global Note will be required, in order to have credited to its account any portion of any payment, to present a certificate in the form set out in the Agency Agreement substantially to the effect that the beneficial owner of the relevant interest in the Global Note is not within the United States or a

U.S. person as such terms are defined by the U.S. Internal Revenue Code and the regulations thereunder.

### **Relationship of Accountholders with Clearing Systems**

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg, DTC or Approved Intermediary, or any other clearing system as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg, DTC or such Approved Intermediary or clearing system (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, DTC, Euroclear France or such clearing system (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

### **Exchange**

1 *Temporary Global Notes.* Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

- 1.1 if the relevant Final Terms indicate that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see 'General Description of the Programme — Selling Restrictions'), in whole, but not in part, for the Definitive Notes defined and described below; and
- 1.2 otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Final Terms, for Definitive Notes.

Each temporary Global Note that is also an Exchangeable Bearer Note will be exchangeable for Registered Notes in accordance with the Terms and Conditions in addition to any permanent Global Note or Definitive Notes for which it may be exchangeable and, before its Exchange Date, will also be exchangeable in whole or in part for Registered Notes only.

2 *Permanent Global Notes.* Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under 'Partial Exchange of Permanent Global Notes', in part for Definitive Notes or, in the case of 2.1 below, Registered Notes:

- 2.1 if the permanent Global Note is an Exchangeable Bearer Note, by the holder giving notice to the Fiscal Agent of its election to exchange the whole or a part of such Global Note for Registered Notes; and
- 2.2 otherwise, (1) if the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or any other clearing system (an 'Alternative Clearing System') and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so or (2) if principal in respect of any Notes is not paid when due, by the holder giving notice to the Fiscal Agent of its election for such exchange.

3 *Unrestricted Global Certificates.* If the Final Terms state that the Unrestricted Notes are to be represented by an Unrestricted Global Certificate on issue, transfers of the holding of such Notes represented by any Unrestricted Global Certificate pursuant to Condition 3(b) may only be made in part:

- 3.1 if such Notes are held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or
- 3.2 if principal in respect of any Note is not paid when due; or
- 3.3 with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to 3.1 or 3.2 above, the person entered in the Register as holder of the relevant Registered Notes ('Registered Holder') has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

- 4 *Restricted Global Certificates.* If the Final Terms state that the Restricted Notes issued by Rabobank Nederland are to be represented by a Restricted Global Certificate on issue, transfers of the holding of Notes represented by that Restricted Global Certificate pursuant to Condition 3(b) may only be made in part:

4.1 if such Notes are held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System (except for DTC) and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

4.2 if such Notes are held on behalf of a custodian for DTC and if DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depository with respect to that Restricted Global Certificate or DTC ceases to be a 'clearing agency' registered under the Exchange Act or is at any time no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC; or

4.3 if principal in respect of any Note is not paid when due; or

4.4 with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to 4.1 or 4.2 above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer. Individual Certificates issued in exchange for a beneficial interest in a Restricted Global Certificate shall bear the legend applicable to such Notes as set out under 'Transfer Restrictions'.

- 5 *Partial Exchange of Permanent Global Notes.* For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions (1) for Registered Notes if the permanent Global Note is an Exchangeable Bearer Note and the part submitted for exchange is to be exchanged for Registered Notes, or (2) for Definitive Notes (i) if principal in respect of any Notes is not paid when due or (ii) if so provided in, and in accordance with, the Conditions (which will be set out in the relevant Final Terms) relating to Partly Paid Notes.

- 6 *Delivery of Notes.* If the Global Note is a CGN, on or after any due date for exchange the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Fiscal Agent. In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes or Registered Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes and/or Certificates, as the case may be, or if the Global Note is a NGN, the Issuer will procure that details of such exchange be entered *pro rata* in the records of the relevant clearing system. In this Base Prospectus, 'Definitive Notes' means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed and Certificates will be printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Agency Agreement. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

In the event that a Global Note is exchanged for Definitive Notes, such Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a Definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

- 7 *Exchange Date.* 'Exchange Date' means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of an exchange for Registered Notes five days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Fiscal Agent is located and in the city in which the relevant clearing system is located.
- 8 *Legend.* Each Global Note and any Bearer Note, Talon, Coupon or Receipt issued in compliance with the D Rules under TEFRA will bear the following legend:

'Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code.'

The sections of the U.S. Internal Revenue Code referred to in the legend provide that a United States taxpayer, with certain exceptions, will not be permitted to deduct any loss, and will not be eligible for capital gains treatment with respect to any gain realised on any sale, exchange or redemption of Bearer Notes or any related Coupons.

In the case of Restricted Notes issued by Rabobank Nederland, each Restricted Global Certificate and each Certificate issued in exchange for a beneficial interest in a Restricted Global Certificate will bear a legend applicable to purchasers who purchase the Registered Notes pursuant to Rule 144A as described under 'Transfer Restrictions'.

#### **Amendment to conditions**

The Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the Terms and Conditions of the Notes set out in this Base Prospectus. The following is a summary of certain of those provisions as set forth in the Global Notes and, where indicated, the Global Certificates:

- 1 *Payments.* No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes or Registered Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note in CGN form will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Fiscal Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. If the Global Note is a CGN, a record of each payment so made will be endorsed on each Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the Notes. Conditions 10(e)(viii) and 11(v) will apply to Definitive Notes only. If the Global Note is an NGN or if the Global Certificate is held under the NSS, the Issuer shall procure that details of each such payment shall be entered *pro rata* in the records of the relevant clearing system and, in the case of payments of principal, the nominal amount of the Notes recorded in the records of the relevant clearing system and represented by the Global Note or the Global Certificate will be reduced accordingly. Payments under a NGN will be made to its holder. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of the relevant clearing system shall not affect such discharge. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of 'business day' set out in Condition 11(h).
- 2 *Prescription.* Claims against the Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of five years from the date on which such payment first becomes due.

- 3 *Meetings.* The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall (unless such permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. (All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholder's holding, whether or not represented by a Global Certificate.)
- 4 *Cancellation.* Cancellation of any Note represented by a permanent Global Note that is required to be cancelled will be effected by reduction in the nominal amount of the relevant permanent Global Note.
- 5 *Purchase.* Notes represented by a permanent Global Note may only be purchased by the Issuer or any of its subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.
- 6 *Issuer's Option.* Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system or Approved Intermediary in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg, Clearstream Banking AG, Euroclear France or any other clearing system (as the case may be) (with such partial redemption to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion).
- 7 *Noteholders' Options.* Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Fiscal Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time, where the permanent Global Note is a CGN, presenting the permanent Global Note to the Fiscal Agent, or to a Paying Agent acting on behalf of the Fiscal Agent, for notation. Where the Global Note is an NGN or where the Global Certificate is held under the NSS, the Issuer shall procure that details of such exercise shall be entered *pro rata* in the records of the relevant clearing system and the nominal amount of the Notes recorded in those records will be reduced accordingly.
- 8 *NGN Nominal Amount.* Where the Global Note is an NGN, the Issuer shall procure that any exchange, payment, cancellation, exercise of any option or any right under the Notes, as the case may be, in addition to the circumstances set out above shall be entered in the records of the relevant clearing systems and upon any such entry being made, in respect of payments of principal, the nominal amount of the Notes represented by such Global Note shall be adjusted accordingly.
- 9 *Events of Default.* Each Global Note provides that the holder may cause such Global Note, or a portion of it, to become due and repayable in the circumstances described in Condition 14 by stating in the notice to the Fiscal Agent the nominal amount of such Global Note that is becoming due and repayable. If principal in respect of any Note is not paid when due, the holder of a Global Note or Registered Notes represented by a Global Certificate may elect for direct enforcement rights against the Issuer under the terms of a Covenant executed by the Issuer and the Fiscal Agent on 6 May 2011 to come into effect in relation to the whole or a part of such Global Note or one or more Registered Notes in favour of the persons entitled to such part of such Global Note or such Registered Notes represented by such Global Certificate, as the case may be, as accountholders with a clearing system. Following any such acquisition of direct rights, the Global Note or, as the case may be, the

Global Certificate and the corresponding entry in the register kept by the Registrar will become void as to the specified portion or Registered Notes, as the case may be. However, no such election may be made in respect of Notes represented by a Global Certificate unless the transfer of the whole or a part of the holding of Notes represented by that Global Certificate shall have been improperly withheld or refused.

- 10 *Notices.* So long as any Notes are represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note except that, so long as the Notes are listed on Euronext Amsterdam or on the Luxembourg Stock Exchange and the rules of such exchange so require, notices shall also be published in the Euronext Daily Official List and a daily newspaper having general circulation in the Netherlands and/or either on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) or in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*).
- 11 *Record Date in respect of Registered Notes.* Each payment in respect of Registered Notes whilst in global form will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where Clearing System Business Day means Monday to Friday inclusive except 25 December and 1 January.

#### **Partly Paid Notes**

The provisions relating to Partly Paid Notes are not set out in this Base Prospectus, but will be contained in the relevant Final Terms and thereby in the Global Notes. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged for an interest in a permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes (subject to the provisions of the relevant Final Terms and relevant provisions of law) and shall have no further obligation to their holder in respect of them.

## **USE OF PROCEEDS**

The net proceeds from the issues of the Notes will be used by the Issuer in connection with its banking business.

## CLEARING AND SETTLEMENT

### Bearer Notes

The Issuer may make applications in respect of Notes in CGN form to Clearstream, Luxembourg and/or Euroclear for acceptance in their respective book-entry systems in respect of any Series of Bearer Notes. In respect of Bearer Notes in CGN form, a temporary Global Note and/or a permanent Global Note in bearer form without coupons may be deposited with a Common Depository for Clearstream, Luxembourg and/or Euroclear or an Alternative Clearing System as agreed between the Issuer and Dealer. Transfers of interests in such temporary Global Notes in CGN form or permanent Global Notes in CGN form will be made in accordance with the normal Euromarket debt securities operating procedures of Clearstream, Luxembourg and Euroclear or, if appropriate, the Alternative Clearing System. The Issuer may make applications in respect of Notes in NGN form, to the Common Safekeeper for acceptance in its book-entry systems in respect of any Series of Bearer Notes. In respect of Bearer Notes in NGN form, a temporary Global Note and/or a permanent Global Note in bearer form without coupons will be deposited with the Common Safekeeper. Transfers of interests in such temporary Global Notes in NGN form, or permanent Global Notes in NGN form will be made in accordance with the normal operating procedures of the Common Safekeeper. Each Global Note deposited with the Common Safekeeper or with a Common Depository on behalf of Euroclear and Clearstream, Luxembourg will have an ISIN and a Common Code.

### Registered Notes

The Issuer may make applications to Clearstream, Luxembourg and/or Euroclear for acceptance in their respective book-entry systems in respect of the Notes to be represented by an Unrestricted Global Certificate or (in the case of Restricted Notes issued by Rabobank Nederland) a Restricted Global Certificate. Each Unrestricted Global Certificate or (in the case of Restricted Notes issued by Rabobank Nederland) Restricted Global Certificate deposited with (i) (in respect of Registered Notes which are not held under the NSS) a Common Depository on behalf of, or (ii) (in respect of Registered Notes which are held under the NSS) a Common Safekeeper on behalf of, Clearstream, Luxembourg and/or Euroclear will have an ISIN and a Common Code.

Rabobank Nederland and a relevant U.S. agent appointed for such purpose that is an eligible DTC participant may make application to DTC for acceptance in its book-entry settlement system of the Registered Notes issued by Rabobank Nederland represented by a Restricted Global Certificate. Each such Restricted Global Certificate will have a CUSIP number. Each Restricted Global Certificate will be subject to restrictions on transfer contained in a legend appearing on the front of such Global Certificate, as set out under 'Transfer Restrictions'. In certain circumstances, as described below in 'Transfers of Registered Notes', transfers of interests in a Restricted Global Certificate may be made as a result of which such legend may no longer be required.

In the case of a Tranche of Registered Notes to be cleared through the facilities of DTC, the custodian, with whom the Restricted Global Certificates are deposited, and DTC will electronically record the nominal amount of the Restricted Notes held within the DTC system. Investors in Notes of such Tranche may hold their beneficial interests in an Unrestricted Global Certificate only through Clearstream, Luxembourg or Euroclear. Investors may hold their beneficial interests in a Restricted Global Certificate directly through DTC if they are participants in the DTC system, or indirectly through organisations which are participants in such system.

Payments of the principal of, and interest on, each Restricted Global Certificate registered in the name of DTC's nominee will be to or to the order of its nominee as the registered owner of such Restricted Global Certificate. Rabobank Nederland expects that the nominee, upon receipt of any such payment, will immediately credit DTC participants' accounts with payments in amounts proportionate to their respective beneficial interests in the nominal amount of the relevant Restricted Global Certificate as shown on the records of DTC or the nominee. Rabobank Nederland also expects that payments by DTC participants to owners of beneficial interests in such Restricted Global Certificate held through such DTC participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC participants. None of Rabobank Nederland, any Paying

Agent or any Transfer Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the Restricted Global Certificates or for maintaining, supervising or reviewing any records relating to such ownership interests.

All Registered Notes will initially be in the form of an Unrestricted Global Certificate and/or (in the case of Restricted Notes issued by Rabobank Nederland) a Restricted Global Certificate. Individual Certificates will only be available, in the case of Notes initially represented by an Unrestricted Global Certificate, in amounts specified in the relevant Final Terms, and, in the case of Notes initially represented by a Restricted Global Certificate, in amounts of U.S.\$100,000 (or its equivalent rounded upwards as agreed between the Issuer and the relevant Dealer(s)), or higher integral multiples of U.S.\$1,000, in certain limited circumstances described below.

### **Transfers of Registered Notes**

Transfers of interests in Global Certificates within DTC, Clearstream, Luxembourg and Euroclear will be in accordance with the usual rules and operating procedures of the relevant clearing system. The laws of some states in the United States require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Restricted Global Certificate to such persons may be limited. Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Restricted Global Certificate to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

Beneficial interests in an Unrestricted Global Certificate may only be held through Clearstream, Luxembourg or Euroclear. In the case of Registered Notes to be cleared through Euroclear, Clearstream, Luxembourg and/or DTC, transfers may be made at any time by a holder of an interest in an Unrestricted Global Certificate to a transferee who wishes to take delivery of such interest through the Restricted Global Certificate for the same Series of Notes provided that any such transfer made on or prior to the expiration of the distribution compliance period (as used in 'Plan of Distribution') relating to the Notes represented by such Unrestricted Global Certificate will only be made upon receipt by the Registrar or any Transfer Agent of a written certificate from Euroclear or Clearstream, Luxembourg, as the case may be (based on a written certificate from the transferor of such interest), to the effect that such transfer is being made to a person whom the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities law of any state of the United States or any other jurisdiction. Any such transfer made thereafter of the Notes represented by such Unrestricted Global Certificate will only be made upon request through Clearstream, Luxembourg or Euroclear by the holder of an interest in the Unrestricted Global Certificate to the Fiscal Agent of details of that account at either Euroclear or Clearstream, Luxembourg or DTC to be credited with the relevant interest in the Restricted Global Certificate. Transfers at any time by a holder of any interest in the Restricted Global Certificate to a transferee who takes delivery of such interest through an Unrestricted Global Certificate will only be made upon delivery to the Registrar or any Transfer Agent of a certificate setting forth compliance with the provisions of Regulation S and giving details of the account at Euroclear or Clearstream, Luxembourg, as the case may be, and/or DTC to be credited and debited, respectively, with an interest in the relevant Global Certificates.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described above and under 'Transfer Restrictions', cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the custodian, the Registrar and the Fiscal Agent.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream, Luxembourg and/or Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream,

Luxembourg and Euroclear, on the other, transfers of interests in the relevant Global Certificates will be effected through the Fiscal Agent, the custodian and the Registrar receiving instructions (and where appropriate certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. Transfers will be effected on the later of (i) three business days after the trade date for the disposal of the interest in the relevant Global Certificate resulting in such transfer and (ii) two business days after receipt by the Fiscal Agent or the Registrar, as the case may be, of the necessary certification or information to effect such transfer. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

For a further description of restrictions on transfer of Registered Notes, see 'Transfer Restrictions'.

DTC has advised Rabobank Nederland that it will take any action permitted to be taken by a holder of Registered Notes (including, without limitation, the presentation of Restricted Global Certificates for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in Restricted Global Certificates are credited and only in respect of such portion of the aggregate nominal amount of the relevant Restricted Global Certificates as to which such participant or participants has or have given such direction. However, in the circumstances described above, DTC will surrender the relevant Restricted Global Certificates for exchange for individual Certificates (which will, in the case of Restricted Notes, bear the legend applicable to transfers pursuant to Rule 144A).

DTC has advised Rabobank Nederland as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a 'banking organisation' under the laws of the State of New York, a member of the U.S. Federal Reserve System, a 'clearing corporation' within the meaning of the New York Uniform Commercial Code and a 'clearing agency' registered pursuant to the provisions of section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic computerised book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC direct participant, either directly or indirectly.

Although DTC, Clearstream, Luxembourg and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in the Global Certificates among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Issuer nor any Paying Agent nor any Transfer Agent will have any responsibility for the performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

While a Restricted Global Certificate is lodged with DTC or the custodian, Restricted Notes represented by individual Certificates will not be eligible for clearing or settlement through DTC, Clearstream, Luxembourg or Euroclear.

### **Individual Certificates**

Registration of title to Registered Notes in a name other than a depositary or its nominee for Clearstream, Luxembourg and Euroclear or for DTC will be permitted only (i) in the case of Restricted Global Certificates in the circumstances set forth in 'Summary of Provisions Relating to the Notes while in Global Form – Exchange – Restricted Global Certificates' or (ii) in the case of Unrestricted Global Certificates in the circumstances set forth in 'Summary of Provisions Relating to the Notes while in Global Form – Exchange – Unrestricted Global Certificates'. In such circumstances, the Issuer will cause sufficient individual Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Noteholder(s). A person having an interest in a Global Certificate must provide the Registrar with:

- (i) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual Certificates; and
- (ii) in the case of a Restricted Global Certificate only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange, or in the case of a simultaneous resale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. Individual Certificates issued pursuant to this paragraph (ii) shall bear the legends applicable to transfers pursuant to Rule 144A.

#### **Pre-issue trades settlement**

It is expected that delivery of Notes will be made against payment therefor on the relevant Issue Date, which could be more than three business days following the date of pricing. Under Rule 15c6-1 of the SEC under the Exchange Act, trades in the United States secondary market generally are required to settle within three business days (T+3), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Registered Notes in the United States on the date of pricing or the next succeeding business days until the relevant Issue Date will be required, by virtue of the fact that the Notes initially will settle beyond T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Notes may be affected by such local settlement practices and purchasers of Notes who wish to trade Notes between the date of pricing and the relevant Issue Date should consult their own adviser.

#### **General**

For a listing on Euronext Amsterdam, Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V. or its legal successor will be involved in clearing and settlement.

## DESCRIPTION OF BUSINESS OF RABOBANK GROUP

### General

Rabobank Group is an international financial service provider operating on the basis of cooperative principles. At 31 December 2010, it comprises 141 independent local Rabobanks and their central organisation Rabobank Nederland and its subsidiaries. Rabobank Group operates in 48 countries. Its operations include domestic retail banking, wholesale banking and international retail banking, asset management and investment, leasing and real estate. It serves approximately 10 million clients around the world. In the Netherlands, its focus is on all-finance services and, internationally, on food and agri. Rabobank Group entities have strong inter-relationships due to Rabobank's cooperative structure.

Rabobank Nederland has the highest credit rating awarded by the international rating agencies Standard & Poor's (AAA since 1981) and Moody's (Aaa since 1981). Standard & Poor's and Moody's revised their outlook on these ratings from stable to negative in 2009. In terms of Tier 1 capital, Rabobank Group is among the world's 25 largest financial institutions (*source: The Banker*).

Rabobank Group's cooperative core business comprises independent local Rabobanks. Clients can become members of their local Rabobank. In turn, the local Rabobanks are members of Rabobank Nederland, the supralocal cooperative organisation that advises and supports the banks in their local services. Rabobank Nederland also supervises the operations, sourcing, solvency and liquidity of the local Rabobanks. With 911 branches and 2,963 cash-dispensing machines at 31 December 2010, the local Rabobanks form a dense banking network in the Netherlands. The website [www.rabobank.nl](http://www.rabobank.nl) serves over three million online banking customers. In the Netherlands, the local Rabobanks serve approximately 6.8 million retail clients, and approximately 0.8 million corporate clients, offering a comprehensive package of financial services.

Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) is the holding company of a number of specialised subsidiaries in the Netherlands and abroad. Rabobank International is Rabobank Group's wholesale bank and international retail bank.

Historically, Rabobank Group has engaged primarily in lending to the agricultural and horticultural sectors in the Dutch market. Since the 1990s, Rabobank Group has also offered a wide variety of commercial banking and other financial services not only in the Netherlands but also internationally. As part of an ongoing programme, Rabobank Group has increased both the number and type of products and services available to its customers in order to diversify from a traditional savings and mortgage-based business to become a provider of a full range of financial products and services, both in the Netherlands and internationally. To this end, Rabobank Group pursues an all-finance concept, meaning that it provides an integrated range of financial services comprising primarily domestic retail banking, wholesale banking and international retail banking, asset management and investment, leasing, real estate and distribution of insurance products to a wide range of both individual and corporate customers. As part of this all-finance strategy, Rabobank Group focuses on operations that produce fee-based income in addition to its traditional interest-based income sources.

At 31 December 2010, Rabobank Group had total assets of € 652.5 billion, a private sector loan portfolio of € 436.3 billion, amounts due to customers of € 298.8 billion, savings deposits of € 130.9 billion and equity of € 40.8 billion. Of the private sector loan portfolio, € 208.0 billion, virtually all of which are mortgages, consists of loans to private individuals, € 147.7 billion of loans to the trade, industry and services sector and € 80.6 billion of loans to the food and agri sector. At 31 December 2010, its Tier 1 ratio, which is the ratio between Tier 1 capital and total risk-weighted assets, was 15.7 per cent. For the year ended 31 December 2010, Rabobank Group's efficiency ratio was 64.5 per cent., and the return on equity, or net profit expressed as a percentage of Tier 1 capital, was 8.6 per cent. For the year ended 31 December 2010, Rabobank Group realised a net profit of € 2,772 million and a risk-adjusted return on capital ('RAROC') of 12.5 per cent. after tax. At 31 December 2010, Rabobank Group had 58,714 full-time employees.

## Rabobank Group

### Rabobank Group Organisation chart

Situation at 31 December 2010



### Business activities of Rabobank Group

Through Rabobank Nederland, the local Rabobanks and its subsidiaries, Rabobank Group provides services in the following five core business areas: domestic retail banking, wholesale banking and international retail banking, asset management and investment, leasing and real estate.

#### Domestic retail banking

The domestic retail banking business comprises the local Rabobanks, Obvion N.V. ('Obvion') and Rabohypotheekbank N.V. ('Rabohypotheekbank'). In the Netherlands, Rabobank is the largest mortgage bank, savings bank and insurance agent. Based on internal estimates, the Group believes it is also the leading bank for the small and medium-sized enterprises sector in the Netherlands. Obvion focuses exclusively on collaboration with independent brokers.

At 31 December 2010, Rabobank Group's domestic retail banking operations had total assets of € 360.9 billion, a private sector loan portfolio of € 286.9 billion, amounts due to customers of € 192.8 billion and savings deposits of € 112.6 billion. For the year ended 31 December 2010, Rabobank Group's domestic retail banking operations accounted for 51 per cent., or € 6,509 million, of Rabobank Group's total income and 66 per cent., or € 1,843 million, of Rabobank Group's net profit. At 31 December 2010, Rabobank Group's domestic retail banking operations employed 27,322 full-time employees.

#### Local Rabobanks

The 141 (at 31 December 2010) local Rabobanks are independent cooperative entities, each with their own operating areas. With 911 branches and 2,963 cash dispensing machines at 31 December 2010, they are one of the leading local banks in the Netherlands with a dense branch network. The website [www.rabobank.nl](http://www.rabobank.nl) serves over three million online banking customers. Proximity and commitment to their clients enhances the local Rabobanks' responsiveness and speed of decision-making. Their commitment is reflected in their close ties with local associations and institutions. The local Rabobanks are committed to providing maximum service to their clients by making optimum use of different distribution channels, such as branch offices, the internet and the telephone. Together, the local Rabobanks serve approximately 6.8 million private clients and

approximately 0.8 million corporate clients in the Netherlands with a comprehensive package of financial services. Many private individuals have current, savings and/or investment accounts and/or mortgages with the local Rabobanks. The local Rabobanks constitute a major financier of Dutch industry, from small high street shops to listed enterprises. Furthermore, the local Rabobanks traditionally have had close ties with the agricultural sector and together, they are the largest insurance broker in the Netherlands (source: Insurance Magazine Yearbook 2010 (*AM Jaarboek 2010*)).

#### ***Obvion N.V.***

Obvion is a joint venture of Rabobank Group and APG (a pension assets manager). It is a provider of mortgages and a number of service products, including guarantees and bridging loans. Obvion focuses exclusively on collaboration with independent brokers. Rabobank Group has a 50 per cent. shareholding in Obvion and a voting share of 70 per cent.

#### ***Rabohypotheekbank***

Rabohypotheekbank, with its statutory seat in Amsterdam, the Netherlands, provides mortgage-lending documentation services to all of the local Rabobanks and is owned 100 per cent. by Rabobank Nederland.

Rabohypotheekbank also serves as a supplementary financing vehicle for the local Rabobanks in the event that they choose not to make certain mortgage loans to their customers entirely on their own, either for liquidity or lending-limit reasons or because of the nature of the required financing. The majority of Rabohypotheekbank's loans are secured by mortgages on residential property. Its loans are funded by term loans from, or guaranteed by, Rabobank Nederland and by the issuance of mortgage bonds. Rabohypotheekbank does not engage in the financing of real estate development. At 31 December 2010, Rabohypotheekbank had assets of € 10.7 billion.

### ***Wholesale banking and international retail banking***

#### ***Rabobank International***

Rabobank International, which is the wholesale banking business and international retail banking business, focuses its activities on the food and agri sector. Rabobank International is a division of Rabobank Nederland and has offices in 29 countries. Its activities are subdivided into the following regions: the Netherlands, Europe outside the Netherlands, North and South America, Australia and New Zealand and Asia. Across these regions, Rabobank International has created a number of units with global operations: Global Financial Markets, Global Client Solutions, Global Acquisition Finance, Renewable Energy & Infrastructure Finance, Direct Banking and Trade & Commodity Finance. For optimum service to their clients and markets, the various regions and the units with global operations work closely together. In addition to customer-focused activities, Global Financial Markets manages the trade in money market products for the day-to-day management of the liquidity position, the credit risk and the market risk of Rabobank Group and its clients. Global Acquisition Finance is involved in financing acquisitions by private equity companies and has a significant market share in the agricultural market. Global Client Solutions offers client-tailored products aimed at both the asset and liability sides of the balance sheet. The Renewable Energy & Infrastructure Finance department operates in the sustainable sectors wind, solar, bio fuels and biomass. The Trade & Commodity Finance department serves clients that operate in the market for agricultural products and, on a limited scale, other commodities as well. This department also offers a large number of export finance products. Direct Banking services clients with saving products in Belgium, Australia, Ireland and New Zealand.

Rabobank's retail activities are performed under the Rabobank label, with the exception of the Irish ACCBank, which is a wholly owned subsidiary, and the Polish Bank BGZ, in which Rabobank International has a 59 per cent. stake.

Over the last few years, Rabobank International has strengthened its position in retail banking. It expanded its activities in the United States by acquiring Community Bank of Central California in 2006 and Mid-State Bank & Trust in 2007. Smaller acquisitions of retail banking activities were made in Chile and Indonesia in 2007. In 2008, Rabobank International increased its 46 per cent. stake in the Polish Bank BGZ to a majority interest of 59 per cent. In 2010 Rabobank acquired Napa Community Bank as well as specific assets and liabilities of Butte Community Bank and Pacific State Bank in California.

In addition, Rabobank International has interests in private equity. Under the Rabo Capital label, Rabobank Group's investment unit, Rabo Private Equity, focuses on medium-sized Dutch enterprises. Its Rabo Ventures label focuses on new enterprises in the clean technology sector. Rabobank also participates in independent private equity enterprises such as Langholm and a number of Gilde funds.

At 31 December 2010, Rabobank Group's wholesale banking and international retail banking operations had total assets of € 440.1 billion and a private sector loan portfolio of € 99.1 billion. For the year ended 31 December 2010, Rabobank Group's wholesale banking and international retail banking operations accounted for 28 per cent., or € 3,579 million, of Rabobank Group's total income and 28 per cent., or € 774 million, of Rabobank Group's net profit. At 31 December 2010, Rabobank Group's wholesale banking and international retail banking operations had approximately 15,200 full-time employees.

### ***Asset management and investment***

Rabobank Group's asset management business is handled by Robeco Group N.V. ('Robeco'), an asset manager with global operations, as well as by the Swiss private bank, Bank Sarasin & Cie S.A. ('Sarasin') and by Schretlen & Co N.V. ('Schretlen & Co'), a Dutch private bank. Rabobank Group has a 46 per cent. stake in Sarasin and a voting share of 69 per cent.

At 31 December 2010, the assets under management and held in custody for clients of Rabobank Group's asset management and investment operations amounted € 270.4 billion. For the year ended 31 December 2010, Rabobank Group's asset management and investment operations accounted for 10 per cent., or € 1,208 million, of Rabobank Group's total income and 6 per cent., or € 167 million, of Rabobank Group's net profit. At 31 December 2010, Rabobank Group's asset management and investment operations had approximately 3,200 full-time employees.

#### ***Robeco Groep N.V.***

Robeco was founded in Rotterdam in 1929. It provides investment products and services to both institutional and private clients around the world. Services to private individuals are provided both through banks and other distribution partners, and through direct channels. Robeco's product range includes equity and fixed-income investments and money market funds and alternative investments funds. In addition to its offices in the Netherlands, Robeco has branches in Europe, the United States, Asia and the Middle East.

Rabobank Nederland owns a 100 per cent. equity interest in Robeco. Robeco has its statutory seat in Rotterdam. Its issued and fully paid-up share capital amounted to € 4,537,803 (4,537,803 shares with a nominal value of € 1 each) at 31 December 2010.

For the year ended 31 December 2010, Robeco's net profit was € 97 million, corresponding to a profit of € 21.4 per share. At 31 December 2010, Rabobank Nederland's liabilities to Robeco amounted to € 621 million (bonds), € 568 million (current accounts), € 28 million (loans and deposits) and € 19 million (derivatives). At 31 December 2010 Rabobank Nederland's claims on Robeco amounted to € 253 million (loans), € 154 million (current accounts), € 1 million (professional securities transactions) and € 295 million (derivatives).

At 31 December 2010, Robeco managed € 149.6 billion in assets.

#### ***Bank Sarasin & Cie S.A.***

Founded in 1841, the Sarasin Group is one of Switzerland's leading private banks. Rabobank Group has a 46 per cent. shareholding in Sarasin and a voting share of 69 per cent. Sarasin's shares are listed at the Swiss stock exchange SWX. The Sarasin Group prioritises sustainability. The Sarasin Group offers a high level of services and expertise as an investment advisor and asset manager for high net-worth private individuals and institutional clients. Internationally, the Sarasin Group operates in 15 countries in Europe, the Middle East and Asia. Rabobank clients have access to Sarasin's investment funds through the local Rabobanks.

At 31 December 2010, Sarasin managed € 82.5 billion in assets.

#### ***Schretlen & Co N.V.***

Schretlen & Co is the asset management specialist within Rabobank Group. The business is focused primarily on high net-worth individuals and medium-sized institutional investors in the Netherlands. Its core activities comprise asset management and advice, combined with estate

planning. In addition to its head office in Amsterdam, Schretlen & Co has branches in Apeldoorn, Heerenveen, Rotterdam and Waalre. Rabobank Nederland owns a 100 per cent. equity interest in Schretlen & Co.

At 31 December 2010, Schretlen & Co managed € 8.4 billion in assets.

#### ***Leasing, De Lage Landen International B.V.***

De Lage Landen International B.V. ('De Lage Landen') is the subsidiary responsible for Rabobank Group's leasing business. It uses vendor finance to assist producers and distributors in their sales in more than 30 countries. With its innovative finance programmes, De Lage Landen stands out in a competitive market. In the Netherlands, it offers a broad range of lease and trade finance products, which it markets both directly and through the local Rabobanks. Through international car lease company Athlon Car Lease, De Lage Landen operates in nine countries in Europe. In the Netherlands, De Lage Landen strengthens Rabobank Group's position in the Dutch consumer credit market, in part through the Freo online brand.

Rabobank Nederland owns a 100 per cent. equity interest in De Lage Landen. De Lage Landen has its statutory seat in Eindhoven, the Netherlands. Its issued share capital amounts to € 98,470,307 all of which is owned by Rabobank Nederland. At 31 December 2010, Rabobank Nederland's liabilities to De Lage Landen amounted to € 1,205 million. At 31 December 2010 Rabobank Nederland's claims on De Lage Landen amounted to € 22,662 million (loans, current accounts, financial assets and derivatives). All liabilities of De Lage Landen are guaranteed (through the cross guarantee system) by Rabobank Nederland and the other participants of this system.

At 31 December 2010, De Lage Landen had a loan portfolio of € 25.7 billion. For the year ended 31 December 2010, De Lage Landen accounted for 9 per cent., or € 1,181 million, of Rabobank Group's total income and 7 per cent., or € 201 million, of Rabobank Group's net profit. At 31 December 2010 Rabobank Group's Leasing operations employed approximately 4,800 full-time employees.

#### ***Real estate, Rabo Vastgoedgroep N.V.***

Rabo Real Estate Group (Rabo Vastgoedgroep N.V. ('Rabo Vastgoedgroep')) is a prominent real estate enterprise. It operates in the private and corporate markets and has three core activities: residential and commercial real estate development, real estate finance and serving real estate investors. Bouwfonds Property Development is responsible for residential development and MAB Development for the development of commercial real estate. Financing commercial real estate is done by FGH Bank. Bouwfonds REIM is responsible for real estate related investments. In addition to these three core activities, Rabo Real Estate Group contributes to social real estate development and financing through Fondsenbeheer Nederland.

For the year ended 31 December 2010, the Rabo Real Estate Group sold 9,278 houses. At 31 December 2010 Rabo Real Estate Group managed € 7.2 billion of real estate assets and its loan portfolio amounted to € 17.8 billion. For the year ended 31 December 2010, the Real Estate operations accounted for 4 per cent., or € 493 million, of Rabobank Group's total income and 2 per cent., or € 42 million, of Rabobank Group's net profit. At 31 December 2010, Rabobank Group's Real Estate operations had 1,559 full-time employees.

### **Participations**

#### ***Eureko B.V.***

Rabobank has a 31 per cent. interest in Eureko B.V. ('Eureko'). Rabobank does not exercise control over Eureko and therefore does not consolidate Eureko as a subsidiary in Rabobank's financial statements. Eureko is accounted for as an associate in Rabobank's financial statements in accordance with the equity method. With a workforce of approximately 22,397 full-time equivalents, Eureko is the market leader in the area of insurance in the Netherlands (source: Eureko Annual Report 2010), where it serves a broad customer base of private individuals as well as government agencies and corporate clients. Eureko occupies a relatively minor position outside the Netherlands, operating in seven other European countries. Rabobank and Eureko work closely together in the area of insurance. Achmea, which is part of Eureko, operates in the Dutch domestic market with brands including Centraal Beheer Achmea, Interpolis, Avéro Achmea, FBTO, Agis Zorgverzekeringen and Zilveren Kruis Achmea. Interpolis is the prime supplier of insurance products to clients of the local Rabobanks, offering a broad range of non-life, health and life

insurance policies for both private individuals and enterprises. Serving over a million private individuals and several hundreds of thousands of enterprises, Interpolis is one of the major players in the Dutch insurance market and in the agricultural sector.

## **Recent developments**

### ***Issue of Capital Securities***

On 26 January 2011, Rabobank Nederland issued U.S.\$2,000,000,000 Perpetual Non-Cumulative Capital Securities. Subject to the terms and conditions and in accordance with the procedures as set out in the Prospectus dated 24 January 2011, interest on the Capital Securities will accrue on their prevailing principal amount from (and including) 26 January 2011 to (but excluding) 26 July 2016 at an initial rate of 8.375 per cent. per annum. The Capital Securities are perpetual securities and therefore have no fixed or final redemption date.

### ***License for banking presence in India***

On 1 April 2011, Rabobank announced that it received approval from the Reserve Bank of India to establish a banking presence in India through a branch to be located in Mumbai. This will enable Rabobank to expand its range of services in the Indian market. Rabobank's application for this license is part of Rabobank's international strategy to expand its activities in major growth markets with a strong food and agriculture base.

## **Strategy of Rabobank Group**

Rabobank's strategic objectives are set out in its Strategic Framework. Following changes in the Dutch banking market that took place in 2008, and the turbulent developments in the international financial markets, Rabobank Group formulated certain adjustments to its Strategic Framework and, at the end of 2008, Rabobank Group introduced a revised Strategic Framework covering the period 2009-2012. Under these proposals, the principles of the previous framework were refocused and reprioritised in several areas. Rabobank approved the new Strategic Framework on 18 March 2009 in its Central Delegates Assembly.

The Strategic Framework offers Rabobank Group the opportunity to hold a strong market position in the Netherlands and abroad in the long term, and also provides a basis for continuing as a going concern and creating customer value. Moreover, Rabobank is taking steps in anticipation of the new regulations relating to solvency and liquidity introduced by the Basel Committee on Banking Supervision.

### ***Strategy principles***

As a cooperative, Rabobank prioritises clients' interests, and Rabobank's structure and processes are focused accordingly. Through their influence and control, members enforce discipline on the cooperative.

As an all-finance service provider, Rabobank Group offers a comprehensive package of financial products and services. Rabobank believes that the diversification within the group benefits its financial stability, and that Rabobank Group's broad range of knowledge and expertise results in innovation and synergies within Rabobank. Market leadership remains important to Rabobank Group, but Rabobank believes this must be balanced with prudent margins and Rabobank Group's cooperative mandate.

International growth is necessary because opportunities for growth in the domestic market are set to gradually level out. Moreover, Rabobank believes food and agri is an attractive niche because of its global knowledge of food and agri, which it attributes to its connection with the agricultural and horticultural sectors of the Dutch market. Rabobank International also intends to expand its activities in sustainable energy and clean technology.

Under the present economic conditions Rabobank believes a high credit rating is important and that a healthy balance sheet, stable profit growth and a high Tier 1 ratio are prerequisites for a high credit rating.

In addition, the Corporate Social Responsibility ('CSR') policy within Rabobank Group, including its core banking processes, must meet high standards.

### **Strategy adjustment**

Under the revised Strategic Framework, Rabobank is putting greater emphasis on sound balance sheet ratios. Growth in lending largely depends on growth in amounts due to customers and as a result, Rabobank believes that both the local Rabobanks and Rabobank International should provide for a significant part of their own funding. Expansion of the activities of subsidiaries will be aligned with the volume of funding available at Rabobank Group level.

In the Netherlands, Rabobank aims to be the largest bank for corporate enterprises. A stronger position in the corporate market offers banks additional opportunities to the 'private entrepreneur' as well. Rabobank also seeks further growth in the private-banking segment through differentiated customer service, collaboration with subsidiaries and improved quality of advice.

Rabobank aims to develop further as a cooperative. The revised Strategic Framework will enable local Rabobanks to respond to changing client priorities. At the same time, the programme introduces an optimised servicing model and produces cost reductions from standardisation. In order to maintain their market leadership, the local Rabobanks must operate at competitive rates.

Rabobank International will focus more on Rabobank Group's core activities. In the Netherlands, this means supporting Rabobank Group's aim to be the largest corporate bank in the Netherlands. Outside the Netherlands, Rabobank International intends to focus more on food and agri. In addition, Rabobank International plans to expand its activities in the areas of sustainable energy and clean technology. Global Financial Markets will confine itself to client-related activities and liquidity management; other activities will be phased out. In the Netherlands, Rabo Development intends to gradually increase the number of minority interests in partner banks having a food and agri focus in developing countries. Abroad, the Rabobank Foundation will focus on countries where Rabobank International and/or Rabo Development operate.

Rabobank Group's subsidiaries will similarly focus more on supporting the realisation of Rabobank Group's core objectives: market leadership in all-finance services in the Netherlands and building up a distinct position as the world's pre-eminent food and agri bank. Other important main functions of the subsidiaries and participations will continue to be leveraging of specialisations and achieving sound financial returns.

### **Strategic core objectives**

Rabobank Group's strategic core objectives are:

- to achieve all-finance market leadership in the Netherlands;
- to strengthen Rabobank's position as the leading international food and agri bank;
- to expand, and develop additional synergies with, Rabobank Group subsidiaries.

### **Strategy for domestic retail banking**

Rabobank Group aims to be the market leader in all-finance in the Netherlands. The local Rabobanks and Obvion's mortgage sales are important components in this strategy. In its strategy update, Rabobank indicated that it aims to be the largest corporate bank in the Netherlands. In order to achieve this Rabobank must improve on its current market position, particularly at the high end of the market. Rabobank also aims to expand in the private banking market. As a result of the increased focus on strong balance sheet ratios, the local Rabobanks intend to finance a large proportion of their increased lending from growth in amounts due to customers.

### **Strategy for wholesale banking and international retail banking**

In accordance with Rabobank Group's strategy, Rabobank International focuses on the food and agri sector and aims to expand its global network for both its wholesale and retail rural banking activities in major agricultural markets. By providing international operations to both the high end of the corporate market and to retail clients in the Netherlands, Rabobank International's strategy contributes to Rabobank Group's strengthening of its all-finance position. The food and agri product range will be improved and enlarged through collaboration with Rothschild Investment Banking. The international retail banking business continues to grow, particularly in the core markets of Australia, New Zealand, the United States, Brazil and Poland. Following an adjustment in Rabobank International's business model for Global Financial Markets, Rabobank

International will focus more on its core clients while reducing the number of complex products. Products relating to sustainable energy and clean technology will be developed further.

### **Strategy for asset management and investment**

The asset manager Robeco and the private banks Sarasin and Schretlen & Co offer high-quality services to different types of investors. The range of innovative products and services offered will be expanded. 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 consolidate its positions in the Netherlands and abroad.

### **Strategy for leasing**

De Lage Landen provides a wide range of lease and factoring products to Rabobank clients 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.

### **Strategy for real estate**

Rabo Real Estate Group is the largest integrated real estate enterprise in the Netherlands (measured by Rabobank's own surveys). One of its objectives is to be the most sustainable real estate enterprise in the Netherlands. Rabo Real Estate Group aims 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. Internationally, Rabo Real Estate Group anticipates controlled growth of its activities, particularly in Germany and France.

### **Corporate social responsibility**

One of the cornerstones of the Strategic Framework is a high quality policy for corporate social responsibility. Within this scope, Rabobank continued to develop its CSR policy and activities in 2010.

### **Employees**

Rabobank Group needs the right people to achieve its strategic goals. Rabobank invests in its employees, not just in terms of their conditions of employment, but also by providing training, opportunities for growth and healthcare, and helping employees achieve a good work/life balance. Rabobank Group's workforce is ageing and, in a changing and innovative environment such as Rabobank's, it is vital that its employees are versatile and have the relevant skills. Rabobank also prioritises talent development, diversity and raising awareness of CSR among its employees.

For the year ended 31 December 2010, the rate of absenteeism was 3.8 per cent. and Rabobank's employee satisfaction score was 86 per cent. according to internal surveys. At 31 December 2010, Rabobank Group employed 58,714 full-time employees.

### **Competition**

Rabobank Group competes in the Netherlands with several other large commercial banks and financial institutions, such as ABN AMRO, ING Group and SNS Reaal, and also with smaller financial institutions in specific markets. Over the last few years, banks have increased their emphasis on the credit quality of borrowers. This emphasis, combined with the deregulation of capital markets, has increased competition among banks in the Netherlands significantly. In addition, life insurance companies and pension funds in the Netherlands have become major competitors in the markets for residential mortgage loans and savings deposits. In 2008, several large commercial banks and financial institutions in the Netherlands, including ABN AMRO, ING Group and SNS Reaal, received financial support from the Dutch government. These developments may affect the competitive environment in which Rabobank Group operates in the Netherlands and Rabobank expects competition in the Dutch savings market to continue in 2011.

The Dutch mortgage loan market is highly competitive. Driven by the tax deductibility of mortgage loan interest payments, Dutch homeowners usually take out relatively high mortgage loans. This does not necessarily indicate a high risk for banks with mortgage-lending operations. The local Rabobanks have a balanced mortgage loan portfolio with a weighted loan-to-value of

approximately 64 per cent. Historically, mortgage lending in the Netherlands has been relatively low risk and all mortgage loans are collateralised. Mortgage loan defaults do not occur frequently, either in Rabobank Group's mortgage lending operations or in the Netherlands generally. Almost all mortgages in the Netherlands have a maturity of 30 years. Generally, mortgages have a long-term (greater than five years) fixed interest rate, after which period the rate is reset at the current market rate. Customers generally do not have the option to prepay on their mortgage loan without incurring a penalty fee, thus reducing the interest rate risks related to mortgage loan refinancing for Rabobank Group.

### **Market shares in the Netherlands**

As an all-finance service provider, Rabobank Group offers a comprehensive package of financial products and services. Set forth below is information regarding Rabobank Group's shares in selected markets. The percentages of market share should be read as percentages of the relevant Dutch market as a whole.

*Residential mortgages:* For the year ended 31 December 2010, Rabobank Group had a market share of approximately 29.3 per cent. of the total amount of new home mortgages in the Dutch mortgage market by value (25.7 per cent. by local Rabobanks and 3.6 per cent. by Obvion; source: Dutch Land Registry Office (*Kadaster*)). Rabobank Group is the largest mortgage-lending institution in the Netherlands (measured by Rabobank's own surveys).

*Saving deposits of individuals:* At 31 December 2010, Rabobank Group had a market share of approximately 39.7 per cent. of the Dutch savings market (source: Statistics Netherlands (*Centraal Bureau voor de Statistiek*)). Rabobank Group is the largest savings institution in the Netherlands measured as a percentage of the amount of saving deposits. Of the total saving deposits in the Netherlands, 38.2 per cent. are held by the local Rabobanks and 1.5 per cent. are held by Robeco Direct's savings bank Roparco.

*Lending to small and medium-sized enterprises:* At 31 December 2010, Rabobank Group had a market share of approximately 43 per cent. of domestic loans to the trade, industry and services sector (i.e. small enterprises with fewer than 100 employees; measured by Rabobank's own surveys).

*Agricultural loans:* At 31 December 2010, Rabobank Group had a market share of approximately 84 per cent. of loans and advances made by banks to the Dutch primary agricultural sector (measured by Rabobank's own surveys).

### **Properties**

Rabobank Nederland and the local Rabobanks typically own the land and buildings used in the ordinary course of their business activities in the Netherlands. Outside the Netherlands, some Rabobank Group entities also own the land and buildings used in the ordinary course of their business activities. In addition, Rabobank Group's investment portfolio includes investments in land and buildings. Rabobank believes that Rabobank Group's facilities are adequate for its present needs in all material respects.

### **Insurance**

On behalf of all entities of Rabobank Group, Rabobank has taken out a group policy that is customary for the financial industry. Rabobank is of the opinion that this insurance, which is banker's blanket and professional indemnity, is of an adequate level.

### **Legal proceedings**

Rabobank Group is involved in governmental, litigation and arbitration proceedings in the Netherlands and in foreign jurisdictions, including the United States, involving claims by and against Rabobank Group which arise in the ordinary course of its businesses, including in connection with Rabobank Group's activities as an insurer, lender, employer, investor and taxpayer during a period covering at least the previous 12 months. While it is not feasible to predict or determine the ultimate outcome of all pending or threatened proceedings and litigation, Rabobank believes that the ultimate outcome of the various proceedings and litigation already commenced, and/or any threatened proceedings and litigation, will not have a material adverse or significant effect on Rabobank Group's financial condition or profitability, given its size, robust balance sheet, stable income stream and prudent provisioning policy.

## **RABOBANK GROUP STRUCTURE**

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. Its focus is on all-finance services in the Netherlands and on food and agri business internationally. Rabobank Group comprises independent local Rabobanks plus Rabobank Nederland, their umbrella organisation, and a number of specialist subsidiaries. Rabobank Nederland is the holding company of a number of specialised subsidiaries in the Netherlands and abroad.

The umbrella organisation of Rabobank Group, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland), having its statutory seat in Amsterdam, is a cooperative entity formed primarily as a result of the merger of the two largest banking cooperative entities in the Netherlands and was incorporated with unlimited duration on 22 December 1970. A cooperative under the laws of the Netherlands has members and has the statutory objective to provide for certain material needs of its members. Rabobank Nederland was registered with the Trade Register of the Chamber of Commerce in Utrecht, the Netherlands in December 1970 under number 30046259. The executive offices are located at: Croeselaan 18, 3521 CB Utrecht, the Netherlands. The telephone number is: +31 (0)30 2160000.

Membership in Rabobank Nederland is open only to cooperative banks whose articles of association have been approved by Rabobank Nederland. In addition to being a member of Rabobank Nederland, each local Rabobank has shares in Rabobank Nederland in accordance with Article 15 of Rabobank Nederland's articles of association. The shares are fully paid up on issuance and are not permitted to be pledged, given in usufruct, or otherwise encumbered, alienated or transferred. The articles of association provide that shares may be issued only pursuant to a resolution of the General Meeting proposed by Rabobank Nederland's Executive Board and approved by its Supervisory Board. Pursuant to the articles of association, each local Rabobank is obliged, by virtue of its membership, to participate in any future issue of shares. As of 1 July 2010, as approved by the General Meeting on 17 June 2010, the total number of outstanding shares of Rabobank has been increased from 4,001,200 to 6,001,800 shares of € 1,000 each, thus increasing the share capital of Rabobank Nederland from € 4,001 million to € 6,002 million. On the basis of a prescribed allocation formula, taking into account the total balance sheet position, Tier 1 capital and commercial profits of each local Rabobank, these shares were distributed to the members. In 2010, a dividend of € 438 million, as approved by the General Meeting, was distributed to the local Rabobanks. At Rabobank Group level, this increase in share capital and distribution of dividend has no impact on equity.

As members of Rabobank Nederland, the local Rabobanks have certain ownership rights with respect to Rabobank Nederland. However, their position with respect to ownership cannot be compared to the position of shareholders in a corporation. Pursuant to Rabobank Nederland's articles of association, if, in the event of Rabobank Nederland's liquidation, whether by court order or otherwise, its assets should prove to be insufficient to meet its liabilities, the local Rabobanks, as members of Rabobank Nederland at the time of the liquidation as well as those who ceased to be members in the year prior to the liquidation, shall be liable for the deficit in proportion to their respective last adopted balance sheet totals. If it should prove impossible to recover the share of one or more liable members or former members in the shortfall, the remaining liable parties shall be liable in the same proportion for the amount not recovered. Under the articles of association of Rabobank Nederland, the total amount for which members or former members are liable shall never exceed 3 per cent. of its last adopted balance sheet total. However, this limitation of liability under the articles of association of Rabobank Nederland does not affect the liability of the local Rabobanks under the cross-guarantee system and their liability under the compensation agreements (as described below).

Rabobank Nederland's functions within Rabobank Group can be broadly divided into several areas. Traditionally, an important task of Rabobank Nederland has been its function as a bankers' bank. Another important task is to provide service to the local Rabobanks in the form of support, advice and guidance. Rabobank Nederland negotiates rights in the name of the local Rabobanks and enters into commitments on their behalf, provided that such commitments have the same implications for all local Rabobanks (for instance, the entering into of collective labour agreements on behalf of the local Rabobanks). Furthermore, Rabobank Nederland is entrusted with the supervision of the local Rabobanks pursuant to the provisions of the Financial Supervision Act

(*Wet op het financieel toezicht*). Finally, Rabobank Nederland operates its own banking business, both complementary to and independent of the business of the local Rabobanks and is the holding company of various subsidiaries.

Through mergers, the number of local Rabobanks has decreased from 153 at 31 December 2008, to 147 at 31 December 2009 and to 141 at 31 December 2010. The local Rabobanks are organised as cooperative entities under the laws of the Netherlands and draw all of their members from their customers. At 31 December 2010, the local Rabobanks had approximately 1,801,000 members. Members of the local Rabobanks do not make capital contributions to the local Rabobanks and are not entitled to the equity of the local Rabobanks. Members are not liable for any obligations of the local Rabobanks.

For regulatory and financial reporting purposes, Rabobank Nederland and the local Rabobanks, as well as the participating subsidiaries, are treated as one consolidated entity.

## **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 act 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 Financial Supervision Act 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 (*Autoriteit Financiële Markten* or 'AFM') is exercised through Rabobank Nederland.

### ***Internal liability (cross-guarantee system)***

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 collectively make up a single organisation. An internal liability relationship exists between these legal entities, as referred to in Article 3:111 of the Financial Supervision Act. This relationship is formalised in an internal cross-guarantee system (*kruislingse garantieregeling*), 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. Within Rabobank Group the participating entities are:

- Rabobank Nederland
- Local Rabobanks
- Rabohypotheekbank N.V.
- Raiffeisenhypotheekbank N.V.
- De Lage Landen Financial Services B.V.
- De Lage Landen Financiering B.V.
- De Lage Landen International B.V.
- De Lage Landen Trade Finance B.V.
- Schretlen & Co N.V.

The local Rabobanks are also parties to several compensation agreements whereby shortfalls of local Rabobanks with respect to equity, profitability, loan loss reserves and financing losses are financed by charging all other local Rabobanks.

### **403 Declaration**

Rabobank Nederland has assumed liability for the debts arising from legal transactions of a number of Rabobank Group companies under section 2:403 of the Dutch Civil Code (*Burgerlijk Wetboek*).

In addition, Rabobank Nederland provides (bank) guarantees in its ordinary course of business.

### **Rabobank Nederland's activities**

#### ***Capital adequacy and liquidity***

The cross-guarantee system operates in concert with the regulatory and administrative supervision of the local Rabobanks by Rabobank Nederland. Notwithstanding the fact that Rabobank Nederland and the local Rabobanks are supervised by the Dutch Central Bank (*De Nederlandsche Bank N.V.*) on a consolidated basis, based on Article 3:111 of the Financial Supervision Act, Rabobank Nederland has responsibility for ensuring compliance by the local Rabobanks with the applicable capital adequacy and liquidity regulations. The capital adequacy regulations are intended to preserve a bank's ability to withstand loan losses and other business risks through reserves and retained earnings. The internal standards actually applied by Rabobank Nederland, however, are more conservative than the regulations promulgated by the law. This policy partly reflects the fact that local Rabobanks, which cannot raise new capital by issuing shares, can only grow and maintain an appropriate ratio of reserves to total liabilities by making profits. Any local Rabobank whose ratio of reserves to total liabilities fails to meet internal solvency standards is subject to stricter supervision by Rabobank Nederland. In particular, Rabobank Nederland may restrict such local Rabobank's authority to make lending decisions within Rabobank Group's lending limits.

The local Rabobanks are permitted to have accounts only with Rabobank Nederland, which is the sole outlet for each local Rabobank's excess liquidity and acts as treasurer to the local Rabobanks.

#### ***Supervision on market conduct***

Pursuant to section 2:105 of the Financial Supervision Act, Rabobank Nederland has been designated by the Minister of Finance (*Ministerie van Financiën*) as an undertaking which is deemed to have a collective licence, applying both to itself and to all local Rabobanks. As a consequence of this collective licence, the supervision by the AFM, as far as compliance with the rules on market conduct pursuant to the Financial Supervision Act is concerned, will be directed at Rabobank Nederland. In turn, Rabobank Nederland plays a central role in the supervision of the conduct of the local Rabobanks.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion should be read in conjunction with the financial statements and the notes thereto of Rabobank Group included in this Base Prospectus. Certain figures for Rabobank Group at and for the year ended 31 December 2009 included in the following discussion have been restated as a result of changes in accounting policies and presentation. See below "Change in accounting policies and certain restatements" for further information. As of 2005, the financial statements have been prepared in accordance with IFRS as adopted by the European Union. The financial data in the (sub) paragraphs in this chapter marked with an asterisk (\*) has not been directly extracted from the audited financial statements but instead is unaudited and derived from the accounting records of Rabobank Nederland, unless otherwise stated.*

### **Business overview\***

Rabobank Group is an international financial service provider operating on the basis of cooperative principles. At 31 December 2010, it comprises 141 independent local Rabobanks and their central organisation Rabobank Nederland and its subsidiaries. Rabobank Group operates in 48 countries. Its operations include domestic retail banking, wholesale banking and international retail banking, asset management and investment, leasing and real estate. It serves approximately 10 million clients around the world. In the Netherlands, its focus is on all-finance services and, internationally, on food and agri. Rabobank Group entities have strong relationships due to Rabobank's cooperative structure. At 31 December 2010, Rabobank Group had total assets of € 652.5 billion and 58,714 full-time employees.

Rabobank Nederland has the highest credit rating awarded by the international rating agencies Standard & Poor's (AAA since 1981) and Moody's (Aaa since 1981). In terms of Tier 1 capital, Rabobank Group is among the world's 25 largest financial institutions (source: *The Banker*).

Rabobank Nederland, the local Rabobanks and certain subsidiaries in Rabobank Group are linked through a 'cross-guarantee system'. The cross-guarantee system provides for intra-group credit support among Rabobank Nederland, all local Rabobanks and certain of Rabobank Group's subsidiaries that are the other participating institutions. Under the cross-guarantee system, funds are made available by each participating institution if another participant suffers a shortfall in its funds. If a participating institution is liquidated and has insufficient assets to cover its liabilities, the other participating institutions are liable for its debts. For more details, see 'Rabobank Group Structure' – Internal liability (cross-guarantee system)'.

The independent local Rabobanks make up Rabobank Group's cooperative core business. Clients can become members of their local Rabobank. In turn, the local Rabobanks are members of Rabobank Nederland, the supralocal cooperative organisation that advises and supports the banks in their local services. Rabobank Nederland also supervises the operations, sourcing, solvency and liquidity of the local Rabobanks. With 911 branches and 2,963 cash-dispensing machines at 31 December 2010, the local Rabobanks form a dense banking network in the Netherlands. The website [www.rabobank.nl](http://www.rabobank.nl) serves over three million online banking customers. In the Netherlands, the local Rabobanks serve approximately 6.8 million retail clients and approximately 0.8 million corporate clients, both private and corporate, offering a comprehensive package of financial services.

Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) is the holding company of a number of specialised subsidiaries in the Netherlands and abroad. Rabobank International is Rabobank Group's wholesale bank and international retail bank.

### **Factors affecting results of operations**

#### **General market conditions\***

Rabobank Group's results of operations are affected by a variety of market conditions, including economic cycles, fluctuations in stock markets, interest rates and increased competition. The financial crisis, which started in the second half of 2007, has affected banks particularly in respect of funding, due to the liquidity shortage. In the Netherlands, competition for savings is likely to continue. The recession impacted Rabobank Group's growth in lending and resulted in loan losses above Rabobank Group's long-term average.

In 2010, 61 per cent. of Rabobank Group's total income was derived from its Dutch operations. Accordingly, changes in the Dutch economy, the levels of Dutch consumer spending and changes in the Dutch real estate, securities and other markets may have a material effect on Rabobank Group's operations. However, because of Rabobank Group's high level of product diversification, it has not experienced major fluctuations in its levels of profitability in the past. Outside of the Netherlands, the markets Rabobank Group focuses on, i.e. principally food and agri, are impacted by business cycles only in a limited way.

Although Rabobank Group expects that the foregoing factors will continue to affect its consolidated results of operations, it believes that the impact of any one of these factors is mitigated by its high level of product diversification. However, a protracted economic downturn in the Netherlands or Rabobank Group's other major markets could have a material negative impact on its results of operations. See 'Risk Factors – Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme – Business and general economic conditions'.

### ***Stock market fluctuations***

Since the outbreak of the financial crisis in the second half of 2007, equity markets have been adversely affected. Stock prices dropped significantly in 2008 and in the first quarter of 2009. As share prices improved from the second quarter of 2009, global stock markets made a partial recovery from 2008. While stock prices increased during 2010, uncertainty among investors and market volatility remain high. A further decline in the stock markets could adversely affect Rabobank Group's results of operations and its financial assets.

### ***Interest rates***

Changes in prevailing interest rates (including changes in the difference between the levels of prevailing short-term and long-term rates) can materially affect Rabobank Group's results. For example, the relatively low interest rate environment in the Netherlands and Rabobank Group's other major markets has driven growth in mortgage volumes, which is positive. However, a low interest rate environment also adversely affected Rabobank Group's results, as due to the structure of its balance sheet, Rabobank has a significant level of non- and low-interest bearing liabilities (its reserves, balances on payment accounts and current accounts). Generally, a sustained period of lower interest rates will reduce the yields on the assets that are financed with these liabilities. Conversely, rising interest rates should, over time, increase investment income but may, at the same time, reduce the market value of pre-existing investment portfolios. Rising rates can also lead to higher or lower interest margins depending on whether Rabobank Group's interest-earning assets reprice at a faster rate than interest-bearing liabilities or the degree to which the spreads on assets or liabilities narrow or widen. Although interest rates may prolong the upward trend that started in the second half of 2010, Rabobank expects that the relatively low interest rate environment that it faced in the recent past is likely to continue in 2011, with a corresponding impact on Rabobank Group's results.

As discussed under 'Risk Management – Interest rate risk', Rabobank Group generally takes a limited interest rate position that is managed within strict limits and designed to take advantage of expected changes in interest rates and the yield curve.

### ***Critical accounting policies***

The accounting policies that are most critical to Rabobank Group's business operations and the understanding of its results are identified below. In each case, the application of these policies requires Rabobank to make complex judgements based on information and financial data that may change in future periods, the results of which can have a significant effect on Rabobank Group's results of operations. As a result, determinations regarding these items necessarily involve the use of assumptions and judgements as to future events and are subject to change. Different assumptions or judgements could lead to materially different results. See the footnotes to the audited consolidated financial statements elsewhere in this Base Prospectus for additional discussion of the application of Rabobank Group's accounting policies.

### ***Value adjustments***

Rabobank regularly assesses the adequacy of the allowance for loan losses by performing ongoing evaluations of the loan portfolio. Rabobank's policies and procedures to measure impairment are IFRS compliant. Rabobank considers a loan to be impaired when, based on

current information and events, it is probable that Rabobank will not be able to collect all amounts due (principal and interest) according to the original contractual terms of the loan.

Rabobank distinguishes:

- Specific allowances for impaired corporate loans. For these loans, impairment is measured on a case-by-case basis. Once a loan is identified as impaired, the impairment amount is measured as the difference between the carrying amount and the recoverable amount of the loan. The recoverable amount equals the present value of expected future cash flows discounted at the loan's effective rate.
- Collective allowances for loans that are not significant enough to be assessed individually. Retail portfolios of loans that are not individually assessed for impairment are grouped into pools, based on similar risk characteristics, and are collectively assessed for impairment. The allowance is set using IFRS-adjusted Basel II parameters.
- An Incurred But Not Reported ('IBNR') allowance for losses on loans that have been incurred but have not yet been individually identified at the balance sheet date. Non-impaired loans are included in groups with similar risk characteristics and are collectively assessed for the potential losses, based on IFRS-adjusted expected loss parameters. Furthermore, factors are used which assume that within three to six months impairment will be discovered.

The impairment amount thus determined is recorded in the profit and loss account as a bad debt cost with the corresponding credit posted as an allowance against the loan balance in the balance sheet.

The Provisioning Committee headed by the CFO decides twice a year on allowance-taking for all impaired loans above a certain threshold (currently over € 45 million).

### ***Trading activities***

Rabobank's trading portfolio is carried at fair value based on market prices or model prices if the market prices are not available. The market value of financial instruments in Rabobank Group's trading portfolio is generally based on listed market prices or broker-dealer price quotations. If prices are not readily determinable, fair value is based on valuation models. The fair value of certain financial instruments, including OTC derivative instruments, are valued using valuations models that consider, among other factors, contractual and market prices, correlations, time value, credit, yield curve volatility factors and/or prepayment rates of the underlying positions.

### ***Change in accounting policies***

As a result of changes in accounting policies and presentation, certain figures for Rabobank Group for the year ended 31 December 2009 in this Base Prospectus have been restated. With effect from 1 January 2010, the treatment of impairments of 'Loans to customers' previously classified as 'Available-for-sale financial assets' has changed compared with the 2009 Consolidated Financial Statements. See the Consolidated Financial Statements 2010 Rabobank Group, under note 2.1.1, 'Changes in accounting policies and presentation'. Where the year ended 31 December 2010 is compared with the year ended 31 December 2009, the restated figures for 2009 are discussed.

## Results of operations

The following table sets forth certain summarised financial information for Rabobank Group for the years indicated:

	<b>Year ended 31 December</b>			
<i>(in millions of euro)</i>	2010	2009 (restated)	2009	2008
Interest	8,614	8,075	8,046	8,517
Commission	2,831	2,575	2,575	2,889
Other results	1,271	1,784	1,246	246
<b>Total income</b>	<b>12,716</b>	<b>12,434</b>	<b>11,867</b>	<b>11,652</b>
Staff costs	4,919	4,603	3,869	4,290
Other administrative expenses	2,706	2,908	2,908	2,796
Depreciation and amortisation	571	527	527	525
<b>Operating expenses</b>	<b>8,196</b>	<b>8,038</b>	<b>7,304</b>	<b>7,611</b>
<b>Gross result</b>	<b>4,520</b>	<b>4,396</b>	<b>4,563</b>	<b>4,041</b>
Value adjustments	1,234	1,959	1,959	1,189
<b>Operating profit before taxation</b>	<b>3,286</b>	<b>2,437</b>	<b>2,604</b>	<b>2,852</b>
Taxation	514	229	316	98
<b>Net profit</b>	<b>2,772</b>	<b>2,208</b>	<b>2,288</b>	<b>2,754</b>

### **Year ended 31 December 2010 compared to year ended 31 December 2009**

*Total income.* Rabobank Group's total income increased 2 per cent. in 2010, rising to € 12,716 million compared to € 12,434 million in 2009.

*Interest.* Due to recovered margins on savings deposits and an increase in lending, interest income increased 7 per cent. to € 8,614 million in 2010 compared to € 8,075 million in 2009.

*Commission.* Commission increased 10 per cent. to € 2,831 million in 2010 compared to € 2,575 million in 2009. Asset management fees rose because more assets were managed for clients.

*Other results.* Other results fell sharply in 2010 to € 1,271 million compared to € 1,784 million in 2009. Other results had been relatively high in 2009 due mainly to the amortisation of actuarial gains and the repurchase of debt securities.

*Operating expenses.* Rabobank Group's operating expenses rose by 2 per cent. in 2010 to € 8,196 million compared to € 8,038 million in 2009, mainly due to an increase in staff costs because of the devaluation of the euro.

*Staff costs.* Staff costs increased by 7 per cent. to € 4,919 million in 2010 compared to € 4,603 million in 2009. Staff costs rose notably at Rabobank International and, to a lesser extent, at De Lage Landen because of the depreciation of the euro. Higher pension costs also contributed to the rise in staff costs.

*Other administrative expenses.* Other administrative expenses dropped by 7 per cent. to € 2,706 million in 2010 compared to € 2,908 million in 2009. The administrative expenses dropped due to tighter group-wide cost control and lower costs incurred for the deposit guarantee system.

*Depreciation and amortisation.* Depreciation and amortisation charges increased 8 per cent. to € 571 million in 2010 compared to € 527 million in 2009.

*Value adjustments.* Many of Rabobank Group's corporate clients were able to improve their financial position. As a result, Rabobank made considerably fewer allocations on balance to the allowance for loan losses. Bad debt costs were down mainly at the local Rabobanks, Rabobank International and De Lage Landen. At Group level, value adjustments dropped by 37 per cent., falling to € 1,234 million in 2010 compared to € 1,959 million in 2009. At 29 basis points of

average lending (2009: 48), bad debt costs are still slightly above the long-term average of 23 basis points (based on the period 2000 to 2009).

*Taxation.* The recognised tax expense was € 514 million in 2010 compared to € 229 million in 2009, which corresponds to an effective tax rate of 15.6 per cent. (2009: 9.4 per cent.).

*Net profit.* Net profit increased by 26 per cent. to € 2,772 million in 2010 compared to € 2,208 million in 2009 primarily due to lower bad debt costs, but also because of higher interest income and a moderate rise in expenses. An amount of € 1,846 million (in 2009: € 1,395 million) remains net of non-controlling interests and payments on Rabo Member Certificates and hybrid equity instruments. This amount was used to bolster Rabobank's capital position.

### **Year ended 31 December 2009 compared to year ended 31 December 2008**

*Total income.* Rabobank Group's total income increased 2 per cent. to € 11,867 million in 2009 compared to € 11,652 million in 2008, due to an increase in other income.

*Interest.* The local Rabobanks and Robeco Direct saw a decrease in their savings margins due to strong competition in the savings market. This had a significant impact on interest income, which fell by 6 per cent. to € 8,046 million in 2009 compared to € 8,517 million in 2008. However, a recovery of the margins on new mortgage loans, business loans, lease transactions and property loans had a positive effect on interest income.

*Commission.* The local Rabobanks experienced a decline in commission from treasury services. At Group level, this was a factor in the 11 per cent. drop in commission income to € 2,575 million in 2009 compared to € 2,889 million in 2008.

*Other results.* Other results increased by € 1,000 million in 2009 to € 1,246 million compared to € 246 million in 2008 which was related to rising trading income in 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 impact on earnings.

*Operating expenses.* Cost cuts were achieved throughout Rabobank Group. Total operating expenses decreased by 4 per cent. in 2009, falling to € 7,304 million compared to € 7,611 million in 2008. Staff costs accounted for 53 per cent. of total operating expenses.

*Staff costs.* The decrease 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 headcount by 2 per cent. to 59,311 (2008: 60,568) full-time employees at group level. Staff costs fell by 10 per cent. to € 3,869 million compared to € 4,290 million in 2008 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.* Other administrative expenses increased by 4 per cent. to € 2,908 million compared to € 2,796 million in 2008 due, in particular, to the provision of € 200 million that was formed for the collapse of DSB Bank. This provision was formed within the scope of the deposit guarantee scheme.

*Depreciation.* Depreciation was almost stable at € 527 million compared to € 525 million in 2008.

*Value adjustments.* Value adjustments increased at Group level due to the poor economic conditions, which particularly affected the local Rabobanks, but also Rabobank International and De Lage Landen. The 'value adjustments' item rose by € 770 million to € 1,959 million in 2009 compared to € 1,189 million in 2008. This corresponds with 48 (2008: 31) basis points of the average loan portfolio volume, which is above the 10-year average of 21 basis points (based on the period 1999 to 2008).

*Taxation.* The recognised tax expense in 2009 amounted to € 316 million compared to € 98 million in 2008. This corresponds with an effective tax rate of 12.1 per cent. (2008: 3.4 per cent.). The tax-exempt share of profit of associates, including the equity interest in Eureko, is a factor in the lower tax rate.

*Net profit.* Rabobank Group's net profit decreased by 17 per cent. in 2009 to € 2,288 million, compared to € 2,754 million in 2008. Net of non-controlling interests, payments on Rabobank Member Certificates and hybrid capital instruments, the amount remaining was € 1,475 million compared to € 2,089 million in 2008.

## Segment discussion\*

### Domestic retail banking

The following table sets forth certain summarised financial information for Rabobank Group's domestic retail banking business for the years indicated:

	Year ended 31 December		
(in millions of euro)	2010	2009	2008
Interest	4,894	4,360	4,758
Commission	1,321	1,261	1,354
Other results	294	505	42
<b>Total income</b>	<b>6,509</b>	<b>6,126</b>	<b>6,154</b>
Staff costs	2,160	2,196	2,264
Other administrative expenses	1,553	1,569	1,639
Depreciation and amortisation	120	133	141
<b>Operating expenses</b>	<b>3,833</b>	<b>3,898</b>	<b>4,044</b>
<b>Gross result</b>	<b>2,676</b>	<b>2,228</b>	<b>2,110</b>
Value adjustments	358	721	199
<b>Operating profit before taxation</b>	<b>2,318</b>	<b>1,507</b>	<b>1,911</b>
Taxation	475	294	478
<b>Net profit</b>	<b>1,843</b>	<b>1,213</b>	<b>1,433</b>

### Year ended 31 December 2010 compared to year ended 31 December 2009

*Total income.* Domestic retail banking total income increased by 6 per cent., rising to € 6,509 million in 2010, compared to € 6,126 million in 2009.

*Interest.* Interest income increased 12 per cent. to € 4,894 million in 2010, compared to € 4,360 million in 2009, as a result of recovered margins, particularly on savings deposits.

*Commission.* Commission showed a limited 5 per cent. rise to € 1,321 million in 2010, compared to € 1,261 million in 2009, in part as a result of the issue of new products.

*Other results.* Other results were comprised mostly of dividends from Rabobank Nederland; this item amounted to € 294 million in 2010, compared to € 505 million in 2009.

*Operating expenses.* Total operating expenses at domestic retail banking decreased 2 per cent. in 2010, falling to € 3,833 million in 2010, compared to € 3,898 million in 2009, principally as a result of a decrease in staff costs.

*Staff costs.* There was a decline in costs of contract staff and other staff costs. The headcount was down 4 per cent. to 27,322 full time employees (2009: 28,529). Owing to these developments, staff costs fell by 2 per cent. on balance to € 2,161 million in 2010, compared to € 2,196 million in 2009.

*Other administrative expenses.* At € 1,553 million in 2010, compared to € 1,569 million in 2009, other administrative expenses were virtually stable.

*Depreciation and amortisation.* Depreciation charges on real estate and equipment were lower in 2010, as a result of which depreciation and amortisation decreased by 11 per cent., dropping to € 119 million, compared to € 133 million in 2009.

*Value adjustments.* The economic recovery of 2010 is reflected in developments in bad debt costs at domestic retail banking, which dropped compared to 2009. Value adjustments fell by 50 per cent. to € 358 million, compared to € 721 million in 2009. This corresponds to 13 (2009: 26) basis points of average lending, which is moving towards the long-term average of 11 basis points (based on the period 2000 to 2009). Of total lending, 69 per cent. is comprised of home mortgage loans. Bad debt costs on home mortgage loans were low at 4 basis points.

*Taxation.* Taxation increased in 2010 by € 181 million to € 475 million compared to € 294 million in 2009.

*Net profit.* Net profit increased by 52 per cent. to € 1,843 million in 2010 compared to € 1,213 million in 2009.

### **Year ended 31 December 2009 compared to year ended 31 December 2008**

*Total income.* The domestic retail banking division recorded total income of € 6,126 million in 2009 compared to € 6,154 million in 2008.

*Interest.* Strong competition in the savings market led to a decline in the savings margin at the local Rabobanks. Margins on new mortgages and business loans increased. On balance, interest income fell by 8 per cent. to € 4,360 million in 2009 compared to € 4,758 million in 2008.

*Commission.* The decrease in commissions on treasury services and lower growth in lending were factors in the 7 per cent. decrease in commissions to € 1,261 million in 2009 compared to € 1,354 million in 2008.

*Other results.* Other results rose by € 463 million to € 505 million in 2009 compared to € 42 million in 2008 due to the repurchase of debt securities and dividend income received from Rabobank Nederland.

*Operating expenses.* Total operating expenses in domestic retail banking were down 4 per cent. to € 3,898 million in 2009 compared to € 4,044 million in 2008; expenses fell in the second half of 2009 in particular.

*Staff costs.* Fewer employees were needed, both at the local Rabobanks and Obvion, resulting in a 1 per cent. reduction in the employee base to 28,529 (2008: 28,953) full-time employees. Due in part to this reduction, the lower number of contract staff and the fall in pension costs, staff costs experienced a 3 per cent. decrease to € 2,196 million in 2009 compared to € 2,264 million in 2008.

*Other administrative expenses.* Other administrative expenses decreased 4 per cent. to € 1,569 million in 2009 compared to € 1,639 million in 2008, which was due, in part, to lower advertising and office expenses.

*Depreciation and amortisation.* Depreciation charges fell by 6 per cent. to € 133 million compared to € 141 million in 2008, partly because of lower depreciation charges on real estate and equipment.

*Value adjustments.* The ongoing challenging economic situation in the Netherlands has a significant impact on many sectors of the Dutch 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 trade, industry and services 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 experienced pressure on profitability and liquidity. Businesses that face 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. These were up €522 million in domestic retail banking, increasing to €721 million in 2009 compared to €199 million in 2008. Bad debt costs amounted to 26 (2008: 8) basis points of average lending, which is higher than the 10-year average of 10 basis points (based on the period from 1999 to 2008). Of the loan portfolio, 68 per cent. is comprised of residential mortgages; as in previous years, bad debt costs on this segment of the portfolio were minor at 2 basis points.

*Taxation.* Taxation decreased in 2009 by €184 million to €294 million compared to €478 million in 2008.

*Net profit.* Net profit decreased by 15 per cent. to €1,213 million in 2009 compared to €1,433 million in 2008.

### **Wholesale banking and international retail banking**

The following table sets forth certain summarised financial information for Rabobank Group's wholesale banking and international retail banking business for the years indicated:

	<b>Year ended 31 December</b>			
	2010	2009	2009	2008
<i>(in millions of euro)</i>		(restated)		
Interest	2,813	2,955	2,926	3,156
Commission	460	488	488	304
Other results	306	(63)	133	(1,463)
<b>Total income</b>	<b>3,579</b>	<b>3,380</b>	<b>3,547</b>	<b>1,997</b>
Staff costs	1,020	998	998	909
Other administrative expenses	811	691	691	715
Depreciation and amortisation	108	94	94	84
<b>Operating expenses</b>	<b>1,939</b>	<b>1,783</b>	<b>1,783</b>	<b>1,708</b>
<b>Gross result</b>	<b>1,640</b>	<b>1,597</b>	<b>1,764</b>	<b>289</b>
Value adjustments	597	940	940	786
<b>Operating profit before taxation</b>	<b>1,043</b>	<b>657</b>	<b>824</b>	<b>(497)</b>
Taxation	269	91	178	(524)
<b>Net profit</b>	<b>774</b>	<b>566</b>	<b>646</b>	<b>27</b>

#### **Year ended 31 December 2010 compared to year ended 31 December 2009**

*Total income.* Total income at Rabobank International increased to € 3,579 million in 2010 compared to € 3,380 million in 2009, due chiefly to a rise in other results. The increase was also partly attributable to the depreciation of the euro over the period.

*Interest.* Interest income fell by 5 per cent. to € 2,813 million in 2010, compared to € 2,955 million in 2009. Global Financial Markets benefited from developments in the yield curve in 2009, which boosted interest income in 2009.

*Commission.* Commission fell by 6 per cent. to € 460 million compared to € 488 million in 2009.

*Other results.* The rise in other results by € 369 million to € 306 million in 2010, compared to a negative amount of € 63 million in 2009, was attributable in part to a gain of € 152 million on the sale of some of the equity interest in Indian-based Yes Bank and to higher trading income at Global Financial Markets.

*Operating expenses.* Rabobank International's total operating expenses increased by 9 per cent. to € 1,939 million, compared to € 1,783 million in 2009. The increase was partly attributable to the depreciation of the euro over the period.

*Staff costs.* Owing in part to an increase in headcount, staff costs increased 2 per cent. to € 1,020 million, compared to € 998 million in 2009. This increase related to the acquisition of three banks in California and the broadening of activities at Bank BGZ.

*Other administrative expenses.* Higher consulting and administrative expenses led to a 17 per cent. rise in other administrative expenses to € 811 million in 2010, compared to € 691 million in 2009.

*Depreciation and amortisation.* Due to higher amortisation charges on software, depreciation and amortisation charges rose by 15 per cent. to € 108 million, compared to € 94 million in 2009.

*Value adjustments.* The upturn in the economy and good credit risk management resulted in a drop in value adjustments at Rabobank International; which decreased 36 per cent. to € 597 million, compared to € 940 million in 2009. The improved economy resulted in a sharp drop in bad debt costs at the wholesale banking division in particular. Owing in part to the continued recession in Ireland, the decline in value adjustments was more limited at the international retail

banking division. Bad debt costs amounted to 64 (2009: 105) basis points of average lending, which is higher than the long-term average of 52 basis points (based on the period 2000 to 2009).

*Taxation.* Taxation increased in 2010 by € 178 million to € 269 million compared to € 91 million in 2009.

*Net profit.* Net profit increased by 37 per cent. to € 774 million in 2010 compared to € 566 million in 2009.

### **Year ended 31 December 2009 compared to year ended 31 December 2008**

*Total income.* Income at Global Financial Markets increased in 2009 due to increased client activity in 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 78 per cent. increase in total income to € 3,547 million in 2009 compared to € 1,997 million in 2008. The poorer conditions in the private equity market resulted in some impairments. Income decreased at Global Acquisition Finance and Global Client Solutions as a result of lower activity levels. The corporate banking departments experienced higher income in 2009 than in 2008. Income decreased at ACCBank due to poor conditions in the Irish construction and property development sectors. The non-European retail banks saw an increase in income, allowing income from international retail banking to rise by 3 per cent. to € 893 million in 2009 compared to € 864 million in 2008.

*Interest.* Interest income decreased by 7 per cent. to € 2,926 million in 2009 compared to € 3,156 million in 2008 at Rabobank International due in part to fewer loans being issued.

*Commission.* Due in part to an increase in the number of refinancing and restructuring transactions, commission income at Rabobank International rose by 61 per cent. to € 488 million compared to € 304 million in 2008.

*Other results.* Income at Global Financial Markets increased in 2009 due to increased client activity in 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 results at Rabobank International by € 1,596 million to € 133 million in 2009 compared to a loss of € 1,463 million in 2008.

*Operating expenses.* In 2009 operating expenses at Rabobank International experienced a 4 per cent. increase to € 1,783 million in 2009 compared to € 1,708 million in 2008.

*Staff costs.* Staff costs increased 10 per cent. to € 998 million in 2009 compared to € 909 million in 2008 due to reorganisations and higher pension costs incurred for foreign employees. The employee base decreased by 5 per cent. to 14,534 (2008: 15,223) full-time employees primarily as a result of job cuts at the retail divisions in Australia and New Zealand, at ACCBank, and at Bank BGZ.

*Other administrative expenses.* Lower marketing and travel expenses were factors in the 3 per cent. decrease in other administrative expenses to € 691 million compared to € 715 million in 2008.

*Depreciation.* Depreciation and amortisation charges were up 12 per cent. to € 94 million compared to € 84 million in 2008 because of higher amortisation of software and intangibles.

*Value adjustments.* The economic crisis affected nearly every sector of the market. Some Rabobank International clients experienced financial difficulties as a result, which led to an increase in value adjustments. The Irish real estate 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 € 154 million in 2009 to € 940 million compared to € 786 million in 2008. This corresponds to 105 (2008: 93) basis points of the average loan portfolio, which is above the 10-year average of 48 basis points (based on the period from 1999 to 2008).

*Taxation.* Taxation was € 178 million in 2009 compared to a negative amount of € 524 million in 2008.

*Net profit.* Net profit increased by € 619 million to € 646 million in 2009 compared to € 27 million in 2008.

## Asset management and investment

The following table sets forth certain summarised financial information for Rabobank Group's asset management and investment business for the years indicated:

	Year ended 31 December		
(in millions of euro)	2010	2009	2008
Interest	166	104	144
Commission	995	757	1,084
Other results	47	123	390
<b>Total income</b>	<b>1,208</b>	<b>984</b>	<b>1,618</b>
Staff costs	564	553	559
Other administrative expenses	287	288	352
Depreciation and amortisation	116	109	102
<b>Operating expenses</b>	<b>968</b>	<b>950</b>	<b>1,013</b>
<b>Gross result</b>	<b>240</b>	<b>34</b>	<b>605</b>
Value adjustments	2	4	42
<b>Operating profit before taxation</b>	<b>238</b>	<b>30</b>	<b>563</b>
Taxation	71	17	125
<b>Net profit</b>	<b>167</b>	<b>13</b>	<b>438</b>

### Year ended 31 December 2010 compared to year ended 31 December 2009

*Total income.* On the back of higher commissions and higher interest income, total income from asset management was 23 per cent. higher in 2010, at € 1,208 million compared to € 984 million in 2009. For both Robeco's core business and its subsidiaries, management fees were higher than in 2009.

*Interest.* Total interest income was 60 per cent. higher in 2010, at € 166 million compared to € 104 million in 2009, due in particular to growth in Robeco's interest income.

*Commission.* Commission increased by 31 per cent. to € 995 million in 2010, compared to € 757 million in 2009. Asset management fees were higher than in 2009 for both Robeco's core business and its subsidiaries Transtrend and Harbor. The increase in asset management fees is a direct result of the average growth in managed assets and Transtrend's higher performance-related income.

*Other results.* Sarasin generated less income from trading activities in 2010 and contributed to the €76 million drop in other results to € 47 million, compared to € 123 million in 2009.

*Operating expenses.* Sarasin's operating expenses increased as a result of the appreciation of the Swiss franc. Total operating expenses at group level were 2 per cent. higher in 2010, rising to € 968 million in 2010, compared to € 950 million in 2009, due in part to cost control measures at Robeco.

*Staff costs.* Staff costs were 2 per cent. higher, rising to € 564 million in 2010, compared to € 553 million in 2009.

*Other administrative expenses.* Other administrative expenses were relatively constant at € 287 million in 2010, compared to € 288 million in 2009.

*Depreciation and amortisation.* Due to higher amortisation of intangible assets, depreciation and amortisation charges rose by 7 per cent. to € 116 million in 2010 compared to € 109 million in 2009.

*Value adjustments.* The total amount of value adjustments for asset management operations was € 2 million in 2010 compared to € 4 million in 2009.

*Taxation.* Taxation increased in 2010 by € 54 million to € 71 million compared to € 17 million in 2009.

*Net profit.* Net profit increased by € 154 million to € 167 million in 2010.

**Year ended 31 December 2009 compared to year ended 31 December 2008**

*Total income.* In 2008, the gain on the sale of Alex and the performance-related commission fees from Robeco subsidiary Transtrend made a significant contribution to income. In 2009, total income from asset management declined by 39 per cent. to € 984 million in 2009 compared to € 1,618 million in 2008. Not including the gain on the sale of Alex, the decline was 21 per cent.

*Interest.* Interest income for Robeco Direct was lower due to fierce competition in the savings market. This was a significant factor in the 28 per cent. decrease in interest income to € 104 million in 2009 compared to € 144 million in 2008.

*Commission.* The lower performance-related commission fees at Robeco's subsidiary Transtrend were the main driver for the 30 per cent. decline in total commission income to € 757 million compared to € 1,084 million in 2008. The regular asset management fees, that depend on average assets managed during the year, dropped slightly.

*Other results.* Other results decreased by € 267 million to € 123 million in 2009 compared to € 390 million in 2008. Not including the gain on the sale of Alex, other results were € 100 million higher due in part to higher trading results for Sarasin.

*Operating expenses.* 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 experienced a 6 per cent. decrease to € 950 million in 2009 compared to € 1,013 million in 2008.

*Staff costs.* Staff costs decreased by 1 per cent. to € 553 million in 2009 compared to € 559 million in 2008 mainly as a result of the cost reduction programme at Robeco. This programme resulted in a 13 per cent. decrease in staffing levels to 3,191 (2008: 3,620) full-time employees.

*Other administrative expenses.* The cost reduction programme at Robeco resulted in other administrative expenses declining by 18 per cent. to € 288 million in 2009 compared to € 352 million in 2008.

*Depreciation.* Due in part to higher amortisation of software and intangible assets, depreciation and amortisation charges were 7 per cent. higher, at € 109 million in 2009 compared to € 102 million in 2008.

*Value adjustments.* 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 by virtue of the mortgage portfolio. The total amount of value adjustments for asset management operations was € 4 million in 2009 compared to € 42 million in 2008.

*Taxation.* Taxation decreased by € 108 million to € 17 million in 2009 compared to € 125 million in 2008.

*Net profit.* Net profit decreased by € 425 million to € 13 million in 2009 compared to € 438 million in 2008.

## Leasing

The following table sets forth certain summarised financial information for Rabobank Group's leasing business for the years indicated:

	Year ended 31 December		
(in millions of euro)	2010	2009	2008
Interest	658	590	530
Commission	83	59	61
Other results	440	377	424
<b>Total income</b>	<b>1,181</b>	<b>1,026</b>	<b>1,015</b>
Staff costs	416	375	377
Other administrative expenses	244	206	188
Depreciation and amortisation	40	35	31
<b>Operating expenses</b>	<b>700</b>	<b>616</b>	<b>596</b>
<b>Gross result</b>	<b>481</b>	<b>410</b>	<b>419</b>
Value adjustments	214	300	118
<b>Operating profit before taxation</b>	<b>267</b>	<b>110</b>	<b>301</b>
Taxation	66	(2)	66
<b>Net profit</b>	<b>201</b>	<b>112</b>	<b>235</b>

### Year ended 31 December 2010 compared to year ended 31 December 2009

*Total income.* De Lage Landen's total income increased by 15 per cent., rising to € 1,181 million in 2010, compared to € 1,026 million in 2009. Approximately one third of the increase was due to depreciation of the euro over the period.

*Interest.* Active portfolio management led to a higher interest margin on new contracts. This, combined with growth in the portfolio, raised De Lage Landen's interest income by 12 per cent. to € 658 million, compared to € 590 million in 2009.

*Commission.* Contract renewals caused commission to rise by 41 per cent. to € 83 million, compared to € 59 million in 2009.

*Other results.* Other results increased by 17 per cent. to € 440 million, compared to € 377 million in 2009. The increase in other results was attributable to higher residual value gains on the second-hand car market.

*Operating expenses.* Total operating expenses at De Lage Landen rose by 14 per cent. to € 700 million in 2010, compared to € 616 million in 2009. Currency effects accounted for about one third of this rise. After adjustment, a moderate increase in operating expenses remains.

*Staff costs.* In addition to the depreciation of the euro over the period, the 2 per cent. increase in headcount to 4,835 in 2010 compared to 4,734 in 2009 contributed to the rise in staff costs by 11 per cent. to € 416 million in 2010, compared to € 375 million in 2009.

*Other administrative expenses.* Other administrative expenses were up 18 per cent. to € 244 million, compared to € 206 million in 2009.

*Depreciation and amortisation.* The depreciation and amortisation item increased by 14 per cent. to € 40 million, compared to € 35 million in 2009, due to higher amortisation charges of software.

*Value adjustments.* Value adjustments were down € 86 million to € 214 million at De Lage Landen in 2010 due to a tight risk management policy and supported by the tentative economic recovery. Expressed in basis points of average lending, bad debt costs stood at 90 basis points (2009: 132 basis points), which is above the long-term average of 63 basis points (based on the period 2000 to 2009).

*Taxation.* Taxation increased in 2010 by € 68 million to € 66 million compared to a negative amount of € 2 million in 2009.

*Net profit.* Net profit increased 79 per cent. to € 201 million in 2010 compared to € 112 million in 2009.

***Year ended 31 December 2009 compared to year ended 31 December 2008***

*Total income.* At De Lage Landen total income increased by 1 per cent. to € 1,026 million in 2009 compared to € 1,015 million in 2008 as a result of higher interest income.

*Interest.* Interest income increased by 11 per cent. to € 590 million in 2009 compared to € 530 million in 2008 due to higher margins on new business and growth in the lending volume.

*Commission.* Lower agency commission caused total commission to decrease by 3 per cent. to € 59 million in 2009 compared to € 61 million in 2008.

*Other results.* The downturn in the market for second-hand cars led to an 11 per cent. decline in other results to € 377 million in 2009 compared to € 424 million in 2008.

*Operating expenses.* Total operating expenses incurred in the leasing division in the reporting period increased by 3 per cent. to € 616 million in 2009 compared to € 596 million in 2008.

*Staff costs.* Staff costs fell by 1 per cent. to € 375 million in 2009 compared to € 377 million in 2008. The acquisition of Masterlease's Italian car leasing operations, which resulted in approximately 45 additional full-time employees, was a factor in the 1 per cent. increase in the total employee base to 4,734 (2008: 4,667) full-time employees.

*Other administrative expenses.* Other administrative expenses rose by 10 per cent. to € 206 million in 2009 compared to € 188 million as a result of asset impairments.

*Depreciation.* Depreciation increased by € 4 million to € 35 million in 2009 compared to € 31 million in 2008.

*Value adjustments.* The poor economic situation caused value adjustments at De Lage Landen to rise by € 182 million to € 300 million in 2009 compared to € 118 million in 2008. Expressed in basis points of the average lending volume, bad debt costs were 132 (2008: 56) basis points. This is above the 10 year average of 56 basis points (based on the period from 1999 to 2008).

*Taxation.* Taxation decreased by € 68 million to a negative amount of € 2 million in 2009 compared to € 66 million in 2008.

*Net profit.* Net profit decreased 52 per cent. to € 112 million in 2009 compared to € 235 million in 2008.

## Real estate

The following table sets forth certain summarised financial information for Rabobank Group's real estate business for the years indicated:

	Year ended 31 December		
(in millions of euro)	2010	2009	2008
Interest	253	182	85
Commission	26	44	31
Other results	214	283	311
<b>Total income</b>	<b>493</b>	<b>509</b>	<b>427</b>
Staff costs	193	196	220
Other administrative expenses	145	164	131
Depreciation and amortisation	29	37	43
<b>Operating expenses</b>	<b>367</b>	<b>397</b>	<b>394</b>
<b>Gross result</b>	<b>126</b>	<b>112</b>	<b>33</b>
Value adjustments	63	22	0
<b>Operating profit before taxation</b>	<b>63</b>	<b>90</b>	<b>33</b>
Taxation	21	22	9
<b>Net profit</b>	<b>42</b>	<b>68</b>	<b>24</b>

### Year ended 31 December 2010 compared to year ended 31 December 2009

*Total income.* During 2010, total income in Rabobank Group's real estate business decreased by 3 per cent. to € 493 million in 2010 compared to € 509 million in 2009.

*Interest.* Interest income increased by € 71 million to € 253 million in 2010 compared to € 182 million in 2009, thanks to higher margins on new loans and contract renewals, favourable developments in interest rates and volume growth.

*Commission.* Commission fell by 41 per cent. to € 26 million, compared to € 44 million in 2009. Commissions were high in 2009 because of a one-off payment to FGH Bank as a result of the repurchase of debt securities.

*Other results.* Owing in particular to the fact that Bouwfonds Property Development completed lower priced homes on average, other results dropped to € 214 million in 2010, compared to € 283 million in 2009.

*Operating expenses.* Rabo Real Estate Group's total operating expenses declined by 8 per cent. in 2010, falling to € 367 million, compared to € 397 million in 2009. The drop in other administrative expenses was the main factor in the lower operating expenses.

*Staff costs.* Staff costs fell by 2 per cent. to € 193 million, compared to € 196 million in 2009.

*Other administrative expenses.* The drop in other administrative expenses was the main factor in lower operating expenses. Other administrative expenses were down 12 per cent. to € 145 million in 2010, compared to € 164 million in 2009, thanks to the cost-cutting programme initiated in 2010.

*Depreciation and amortisation.* Depreciation and amortisation decreased by € 8 million to € 29 million in 2010 compared to € 37 million in 2009.

*Value adjustments.* Value adjustments stood at € 63 million in 2010, compared to € 22 million in 2009, which corresponds to 36 (2009: 14) basis points of average lending. Despite the tentative recovery that started in mid-2009, the Dutch property market continued to suffer the consequences of the credit crunch. Bad debt costs were up at Rabo Real Estate Group because of the late-cycle character of the business.

*Taxation.* Taxation decreased by € 1 million to € 21 million in 2010 compared to € 22 million in 2009.

*Net profit.* Net profit decreased by € 26 million to € 42 million in 2010 compared to € 68 million in 2009.

### **Year ended 31 December 2009 compared to year ended 31 December 2008**

*Total income.* During 2009, total income in Rabobank Group's real estate business increased by 19 per cent. to € 509 million in 2009 compared to € 427 million in 2008.

*Interest.* Interest income increased by € 97 million to € 182 million in 2009 compared to € 85 million in 2008, mainly as a result of yield curve trends and higher margins on new real estate loans and renewals.

*Commission.* Although commission from issues fell owing to lower levels of activity at Bouwfonds REIM, total commissions rose by 42 per cent. to € 44 million in 2009 compared to € 31 million in 2008 due to the fee received by FGH Bank in connection with the buy-back of debt securities.

*Other results.* Bouwfonds Property Development sold fewer homes in 2009 than in 2008, and a greater proportion was sold to housing associations and investors at a lower average margin. MAB Development also completed fewer properties in 2009. These developments contributed to the 9 per cent. decline in other results, which fell to € 283 million in 2009 compared to € 311 million in 2008.

*Operating expenses.* Total operating expenses increased by 1 per cent. to € 397 million in 2009 compared to € 394 million in 2008.

*Staff costs.* Given the deteriorating conditions in the market, Rabo Real Estate Group initiated a major cost-cutting programme in 2009. The immediate result of this step was an 11 per cent. decrease in staff costs to € 196 million in 2009 compared to € 220 million in 2008. The number of employees decreased by 11 per cent. to 1,549 (2008: 1,743) full-time employees.

*Other administrative expenses.* The cost cutting programme led to additional reorganisation expenses. This contributed to a 25 per cent. increase in other administrative expenses to € 164 million in 2009 compared to € 131 million in 2008.

*Depreciation.* In 2009 depreciation decreased by € 6 million to € 37 million in 2009 compared to € 43 million in 2008.

*Value adjustments.* During 2009, FGH Bank had to deal with several clients that had difficulties. As a consequence, value adjustments amounted to € 22 million in 2009 compared to nil in 2008. Expressed as a percentage of the average loan portfolio, bad debt costs accounted for 14 basis points.

*Taxation.* In 2009 taxation increased by € 13 million to € 22 million in 2009 compared to € 9 million in 2008.

*Net profit.* Net profit increased by € 44 million to € 68 million in 2009 compared to € 24 million in 2008.

### **Liquidity and capital resources**

Rabobank Group's total assets were € 652.5 billion at 31 December 2010, a 7 per cent. increase from € 607.5 billion at 31 December 2009. The largest proportion of Rabobank Group's existing lending portfolio (not including investments in Dutch treasury securities, other Dutch public sector bonds and securities and interbank deposit placements) consists of residential mortgage loans, which in the Netherlands are primarily fixed rate.

### **Loan portfolio**

Despite the modest economic recovery, the growth in lending at domestic retail banking was marginally lower in 2010 than in 2009. Consumer confidence remains low owing in part to government reductions in expenditure, and businesses remain hesitant to invest. Producers remain cautious due to the financial crisis and many continue to struggle with overcapacity. Most of the growth in lending at Rabobank International and De Lage Landen was due to the depreciation of the euro over the period. The loans to customers item increased by 5 per cent., or € 22.5 billion, to € 455.9 billion at 31 December 2010 from € 433.4 billion at 31 December 2009. The private sector loan portfolio increased by € 21.1 billion to € 436.3 billion at 31 December 2010, an increase of 5 per cent. from € 415.2 billion at 31 December 2009. Loans to private individuals, primarily for mortgage finance, was up € 7.9 billion, or 4 per cent., to

€ 208.0 billion at 31 December 2010. Residential mortgage loans are granted by local Rabobanks and by Obvion. These loans are secured on underlying properties and have maturities up to 30 years. Loans to the trade, industry and services sector increased by € 4.0 billion to € 147.7 billion at 31 December 2010, a 3 per cent. increase compared to 31 December 2009. Lending to the food and agri sector increased by € 9.1 billion to € 80.6 billion at 31 December 2010, a 13 per cent. increase.

The following table shows a breakdown of Rabobank Group's total lending outstanding to the private sector at 31 December 2010 and 31 December 2009, by category of borrower:

<b>At 31 December</b>				
<i>(in millions of euro and as percentage of total private sector lending)</i>	2010		2009	
Private individuals	208,005	48%	200,094	48%
Trade, industry and services sector	147,669	34%	143,679	35%
Food and agri sector	80,618	18%	71,462	17%
<b>Total private sector lending</b>	<b>436,292</b>	<b>100%</b>	<b>415,235</b>	<b>100%</b>

The maturities of loans granted by Rabobank Group vary from overdraft facilities to 30-year term loans.

The following table provides a breakdown of the remaining maturity of Rabobank Group's total loans to customers (public and private sector) and professional securities transactions at 31 December 2010 and 31 December 2009:

<b>At 31 December</b>				
<i>(in millions of euro and as percentage of total loans to customers)</i>	2010		2009	
Less than 1 year	108,260	24%	83,319	19%
More than 1 year	347,681	76%	350,551	81%
<b>Total loans to customers</b>	<b>455,941</b>	<b>100%</b>	<b>433,870</b>	<b>100%</b>

### **Funding**

At 31 December 2010, amounts due to customers of Rabobank Group were € 298.8 billion, an increase of 4 per cent. compared to 31 December 2009. The balance held in savings deposits increased by € 9.6 billion to € 130.9 billion, an increase of 8 per cent. Other amounts due to customers (including current accounts, repurchase agreements and time deposits) increased by € 2.9 billion to € 167.8 billion at 31 December 2010, largely due to an increase in current account/settlement accounts. Current account/settlement accounts increased by € 10.8 billion to € 87.0 billion. At 31 December 2010, debt securities in issue (including certificates of deposit, commercial paper and bonds) totalled € 196.8 billion compared to € 171.8 billion at 31 December 2009. Savings deposits (except fixed-time deposits, from 1 month to 10 years) generally bear interest at rates that Rabobank Nederland can unilaterally change.

The following table shows Rabobank Group's sources of funding by source at 31 December 2010, 31 December 2009 and 31 December 2008:

<i>(in millions of euro)</i>	<b>Year ended 31 December</b>		
	2010	2009	2008
Savings deposits	130,928	121,373	114,680
Other due to customers	167,833	164,965	189,534
Debt securities in issue	196,819	171,752	135,779
Other financial liabilities at fair value through profit and loss	29,867	27,319	24,797
<b>Total</b>	<b>525,447</b>	<b>485,409</b>	<b>464,790</b>

Rabobank Group also receives funds from the interbank and institutional market. Rabobank Group's total due to other banks were € 23.5 billion at 31 December 2010, a 5 per cent. increase from € 22.4 billion at 31 December 2009.

#### **Other financial assets\***

Other financial assets comprise debt securities and other assets. Other financial assets are subdivided into the following categories:

- Trading financial assets;
- Other financial assets at fair value through profit or loss;
- Available-for-sale financial assets; and
- Held-to-maturity assets.

#### **Other financial assets at 31 December 2010**

<i>(in millions of euro)</i>	Trading	Other at fair value through profit and loss	Available-for-sale	Held-to-maturity	Total
Purchased loans	2,600	—	—	—	2,600
Short-term government securities	1,292	—	1,744	—	3,036
Government bonds	2,351	1,018	42,963	208	46,540
Other debt securities	3,982	7,535	9,652	10	21,179
<b>Total debt securities</b>	<b>10,225</b>	<b>8,553</b>	<b>54,359</b>	<b>218</b>	<b>73,355</b>
Venture capital	—	608	—	—	608
Equity instruments	2,762	427	1,099	—	4,288
<b>Total other assets</b>	<b>2,762</b>	<b>1,035</b>	<b>1,099</b>	<b>—</b>	<b>4,896</b>
<b>Total</b>	<b>12,987</b>	<b>9,588</b>	<b>55,458</b>	<b>218</b>	<b>78,251</b>
Category 1 <sup>1</sup>	6,842	2,577	49,547	—	58,966
Category 2 <sup>1</sup>	5,618	4,951	5,689	—	16,258
Category 3 <sup>1</sup>	527	2,060	222	—	2,809

Note:

(1) Category 1: quoted prices in active markets for identical assets or liabilities; category 2: inputs other than quoted prices included in category 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); category 3: inputs for the asset or liability not based on observable market data.

## Other financial assets at 31 December 2009

<i>(in millions of euro)</i>	Trading	Other at fair value through profit and loss	Available-for-sale	Held-to-maturity	Total
Purchased loans	3,644	—	—	—	3,644
Short-term government securities	893	113	887	—	1,893
Government bonds	1,802	762	14,209	360	17,133
Other debt securities	4,094	5,780	17,228	58	27,160
<b>Total debt securities</b>	<b>10,433</b>	<b>6,655</b>	<b>32,324</b>	<b>418</b>	<b>49,830</b>
Venture capital	—	518	—	—	518
Equity instruments	2,328	1,949	1,025	—	5,302
<b>Total other assets</b>	<b>2,328</b>	<b>2,467</b>	<b>1,025</b>	<b>—</b>	<b>5,820</b>
<b>Total</b>	<b>12,761</b>	<b>9,122</b>	<b>33,349</b>	<b>418</b>	<b>55,650</b>
Category 1 <sup>1</sup>	6,010	3,548	31,265	—	40,823
Category 2 <sup>1</sup>	5,967	4,103	1,311	—	11,381
Category 3 <sup>1</sup>	784	1,471	773	—	3,028

Note:

(1) Category 1: quoted prices in active markets for identical assets or liabilities; category 2: inputs other than quoted prices included in category 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); category 3: inputs for the asset or liability not based on observable market data.

### **Credit related commitments\***

Credit granting liabilities represent the unused portions of funds authorised for the granting of credit in the form of loans, guarantees, letters of credit and other lending related financial instruments. Rabobank's credit risk exposure from credit granting liabilities consists of potential losses amounting to the unused portion of the authorised funds. The total expected loss is lower than the total of unused funds, however, because credit granting liabilities are subject to the clients in question continuing to meet specific standards of creditworthiness. Guarantees represent irrevocable undertakings that, provided certain conditions are met, Rabobank will make payments on behalf of clients if they are unable to meet their financial obligations to third parties. Rabobank also accepts credit granting liabilities in the form of credit facilities made available to ensure that clients' liquidity requirements can be met, but which have not yet been drawn upon.

### **At 31 December**

<i>(in millions of euro)</i>	2010	2009	2008
Guarantees	10,084	10,117	9,515
Letters of credit	4,910	3,887	1,540
Credit granting liabilities	34,670	30,420	31,388
Other contingent liabilities	66	240	208
<b>Total credit related and contingent liabilities</b>	<b>49,730</b>	<b>44,664</b>	<b>42,651</b>
Revocable credit facilities	41,229	39,890	44,402
<b>Total credit related commitments</b>	<b>84,554</b>	<b>84,554</b>	<b>87,053</b>

### **Capital adequacy**

The Dutch Central Bank (*De Nederlandsche Bank*), in conjunction with other bank supervisors, regards the risk asset ratio developed by the Basel Committee as a key supervisory tool and sets individual ratio requirements for banks in the Netherlands. This ratio was designed to meet the dual objectives of strengthening the soundness and stability of the international banking system and of creating a fair and consistent supervisory framework for international banks by means of an international convergence of capital measurement and capital standards. The technique involves the application of risk weightings to assets (which for this purpose

includes both balance sheet assets and off-balance sheet items) to reflect the credit and other risks associated with broad categories of transactions and counterparties.

On 1 January 2008, Rabobank Group adopted the Advanced Internal Rating Based ('AIRB') Approach to the majority of its significant portfolios that contain credit risk in accordance with the approvals granted by the Dutch Central Bank, and various local regulators, as required. However, there remains a small portion of the portfolio that is subject to the Standardised Approach ('SA'). Individually, these portfolios are relatively small or are related to new acquisitions in companies that themselves did not yet follow the AIRB Approach.

The Tier 1 ratio and the BIS ratio are the most common ratios used in the financial world to measure solvency. The Tier 1 ratio expresses the relationship between Tier 1 capital and total risk-weighted assets. At 31 December 2010, Rabobank Group's Tier 1 ratio stood at 15.7 per cent (year-end 2009; 13.8 per cent.). The minimum requirement set by the external supervisors is 4 per cent. The high Tier 1 ratio is one of the reasons for Rabobank Group's high credit rating.

Due in part to the further roll-out of Basel II, portfolio developments and stricter control of solvency requirements, these assets were down € 13.7 billion to € 219.6 billion at 31 December 2010 compared to € 233.2 billion 31 December 2009. Retained earnings were a contributing factor in the € 2.3 billion increase in Tier 1 capital to € 34.5 billion at 31 December 2010 compared to 31 December 2009. See 'Regulation of Rabobank Group' for further discussion of the Basel standards.

The BIS ratio is calculated by dividing the total of Tier 1 and Tier 2 capital by the total of risk-weighted assets. At 31 December 2010, the BIS ratio stood at 16.3 per cent. (year-end 2009: 14.1 per cent.). This exceeds the minimum requirement set by the external supervisors of 8.0 per cent.

The following table sets forth the risk-weighted capital ratios of Rabobank Group at 31 December 2010, 31 December 2009 and 31 December 2008:

#### Development in capital and solvency ratios

	<b>At 31 December</b>		
<i>(in millions of euro, except percentages)</i>	2010	2009	2008
Tier 1 capital	34,461	32,152	30,358
Tier 1 ratio	15.7%	13.8%	12.7%
Qualifying capital	35,734	32,973	30,912
BIS ratio	16.3%	14.1%	13.0%

#### Selected statistical information\*

The following section discusses selected statistical information regarding Rabobank Group's operations. Unless otherwise indicated, average balances are calculated based on monthly balances and geographic data are based on the domicile of the customer. See 'Results of operations' for an analysis of fluctuations in Rabobank Group's results between periods.

#### Return on equity and assets

The following table presents information relating to Rabobank Group's return on equity and assets for each of the past five years:

<i>(in percentages)</i>	2010	2009	2008	2007	2006
Return on assets <sup>1</sup>	0.42	0.37	0.47	0.45	0.43
Return on equity <sup>2</sup>	5.60	6.36	8.67	8.81	8.57
Equity to assets ratio <sup>3</sup>	6.05	5.82	5.47	5.20	5.09

Notes:

(1) Net profit as a percentage of total average assets, based on month-end balances.

(2) Net profit as a percentage of average equity, based on quarter-end balances.

(3) Average equity divided by average total assets, based on quarter-end balances.

The following table presents information relating to payments on Rabobank Member Certificates for each of the past five years:

<i>(in millions of euro, except percentages)</i>	2010	2009	2008	2007	2006
Outstanding Rabobank Member Certificates <sup>1</sup>	6,368	6,275	6,180	5,948	5,812
Payments	303	318	316	299	277
Average yield	4.76%	5.07%	5.11%	5.03%	4.77%

Note:

(1) Average Outstanding Rabobank Member Certificates based on month-end balances.

### **Loan portfolio**

Rabobank Group's loan portfolio consists of loans, overdrafts, assets subject to operating leases, finance lease receivables to governments, corporations and consumers and reverse repurchase agreements. The following table analyses Rabobank Group's loan portfolio by sector at 31 December 2010, 31 December 2009 and 31 December 2008:

	<b>At 31 December</b>		
<i>(in millions of euro)</i>	2010	2009	2008
Private sector lending	436,292	415,235	408,620
Government clients	5,602	3,936	8,848
Securities transactions due from private sector lending	7,840	8,368	3,812
Interest rate hedges (hedge accounting)	6,207	5,818	5,003
<b>Total loans to customers</b>	<b>455,941</b>	<b>433,357</b>	<b>426,283</b>
Value adjustments in loans to customers	(3,845)	(4,399)	(3,130)
Reclassified assets	6,954	8,135	9,994
<b>Gross loans to customers</b>	<b>452,832</b>	<b>429,621</b>	<b>419,419</b>

The table below sets forth a geographic breakdown of Rabobank Group's loan portfolio at 31 December 2010, 31 December 2009 and 31 December 2008:

	<b>At 31 December</b>		
<i>(in millions of euro)</i>	2010	2009	2008
The Netherlands	1,847	1,698	1,196
Other countries in the EU zone	484	482	2,654
North America	510	469	498
Latin America	11	44	781
Asia	2,603	1,073	3,668
Australia	10	7	4
Other countries	137	163	47
<b>Total government clients</b>	<b>5,602</b>	<b>3,936</b>	<b>8,848</b>
The Netherlands	320,446	311,964	298,172
Other countries in the EU zone	38,283	37,259	43,228
North America	41,245	36,194	40,415
Latin America	9,739	8,837	7,372
Asia	7,925	6,112	5,803
Australia	18,555	14,837	12,830
Other countries	99	32	800
<b>Total private sector lending</b>	<b>436,292</b>	<b>415,235</b>	<b>408,620</b>

## Risk elements\*

### **Breakdown of assets and liabilities by repayment date\***

The table below shows Rabobank's assets and liabilities grouped by the period remaining between the reporting date and the contract repayment date. These amounts correspond with the statement of financial position.

**At 31 December 2010**

<i>Payments due by period (in millions of euro)</i>	On demand	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Cash and cash equivalents	6,271	7,197	3	—	—	13,471
Due from other banks	12,369	14,251	1,602	3,218	2,071	33,511
Trading financial assets	58	1,187	5,209	3,878	2,655	12,987
Other financial assets at fair value through profit or loss	8	2,082	362	2,420	4,716	9,588
Derivative financial instruments	672	4,132	4,461	15,903	18,779	43,947
Loans to customers	24,788	55,378	28,094	81,820	265,861	455,941
Available-for-sale financial assets	20	3,411	4,245	13,573	34,209	55,458
Held-to-maturity financial assets	—	100	10	108	—	218
Other assets (including current tax assets)	1,030	1,841	4,168	2,311	804	10,154
<b>Total financial assets</b>	<b>45,216</b>	<b>89,579</b>	<b>48,154</b>	<b>123,231</b>	<b>329,095</b>	<b>635,275</b>
Due to other banks	941	14,856	3,211	3,150	1,318	23,476
Due to customers	205,603	56,472	13,497	11,622	11,567	298,761
Debt securities in issue	—	38,594	55,504	70,664	32,057	196,819
Derivative financial instruments and other trade liabilities	5,021	4,114	4,760	16,843	18,902	49,640
Other debts (incl. current tax liabilities)	786	5,852	1,159	377	25	8,199
Other financial liabilities at fair value through profit or loss	414	2,234	6,288	9,546	11,385	29,867
Subordinated debt	—	—	—	462	2,020	2,482
<b>Total financial liabilities</b>	<b>212,765</b>	<b>122,122</b>	<b>84,419</b>	<b>112,664</b>	<b>77,274</b>	<b>609,244</b>
<b>Net liquidity surplus/(deficit)</b>	<b>(175,854)</b>	<b>(24,238)</b>	<b>(36,265)</b>	<b>10,567</b>	<b>251,821</b>	<b>26,031</b>

The above breakdown was compiled on the basis of contract information, without taking into account actual movements in items in the statement of financial position. This is taken into account, however, for the day-to-day management of the liquidity risk. Customer savings are an example. By contract, they are payable on demand. However, experience has shown that this is a stable source of financing at the long-term disposal of the bank. The regulations of the supervisory authority are also factored in. Based on the liquidity criteria of the Dutch Central Bank, Rabobank had a substantial liquidity surplus at 31 December 2010 and throughout 2010. The average liquidity surplus was 40 per cent. of the total liquidity requirement. The surplus at 31 December 2010 was 69 per cent.

The liquidity requirements to meet payments under guarantees and stand-by letters of credit are considerably lower than the size of the liabilities, as Rabobank does not generally expect that third parties to such arrangements will draw funds. The total open position relating to contractual obligations to provide credit does not necessarily represent Rabobank's future cash resource needs, as many of these obligations will lapse or terminate without financing being required.

### **Interest rate sensitivity**

The three key indicators used for managing the interest rate risk are the Basis Point Value, the Equity at Risk and the Income at Risk.

The Basis Point Value ('BPV') is the absolute loss of market value of equity after a parallel increase of the yield curve with 1 basis point. In 2010, the BPV did not exceed € 28 million.

Long-term interest rate risk is measured and managed using the Equity at Risk concept. Equity at Risk is the sensitivity of Rabobank Group equity's market value to interest rate fluctuations. A 200 basis point overnight parallel shock of the curve will result in a 10 per cent. drop in market value of equity.

Short-term interest rate risk is monitored using the Income at Risk concept. This is the maximum amount of interest income that is put at risk on an annual basis, based on certain interest rate scenarios. If interest rates were to gradually decrease with a maximum of 200 basis points over a one-year period, the interest income would increase by € 8 million.

### **Cross-border outstandings\***

Cross-border outstandings are defined as loans (including accrued interest), acceptances, interest-earning deposits with other banks, other interest-earning investments and any other monetary assets which are denominated in a currency other than the functional currency of the office or subsidiary where the extension of credit is booked. To the extent that the material local currency outstandings are not hedged or are not funded by local currency borrowings, such amounts are included in cross-border outstandings.

At 31 December 2010, there were no cross-border outstandings exceeding 1 per cent. of total assets in any country where current conditions give rise to liquidity problems which are expected to have a material impact on the timely repayment of interest or principal.

The following table analyses cross-border outstandings at the end of each of the last three years, stating the name of the country and the aggregate amount of cross-border outstandings in each foreign country where such outstandings exceeded 1 per cent. of total assets, by type of borrower:

<i>(in millions of euro)</i>	Banks	Public authorities	Private sector	Total
<b>At 31 December 2010</b>				
France	4,398	12,151	3,368	19,917
Germany	4,054	9,441	5,955	19,450
Ireland	228	177	6,880	7,285
United Kingdom	7,650	440	10,377	18,467
Poland	70	2,970	5,982	9,022
United States	6,685	6,876	55,551	69,112
Brazil	955	1,040	5,267	7,262
Japan	2,918	5,207	210	8,335
Australia	824	888	14,363	16,075
<b>At 31 December 2009</b>				
France	2,702	1,889	4,735	9,326
Germany	3,923	2,821	5,037	11,781
Ireland	499	346	7,958	8,803
United Kingdom	11,732	1,858	11,212	24,802
Poland	142	1,915	5,375	7,432
United States	7,437	6,444	48,494	62,375
Australia	1,050	412	11,943	13,405
<b>At 31 December 2008</b>				
France	2,856	1,595	4,5	8,951
Germany	4,624	3,919	6,825	15,368
Ireland	925	561	9,273	10,759
United Kingdom	11,857	2,566	9,276	23,699
Poland	161	1,438	5,048	6,647
United States	5,796	8,225	51,169	65,190
Japan	914	6,664	205	7,783
Australia	1,427	1,164	9,36	11,951

### **Diversification of loan portfolio\***

One of the principal factors influencing the quality of the earnings and the loan portfolio is diversification of loans, e.g. by industry or by region. Rabobank Group uses the, North America Industry Classification System ('NAICS') as the leading system to classify industries. NAICS distinguishes a large number of sectors, subsectors and industries.

The following table is based on data according to NAICS and represents the loan portfolio of Rabobank Group loans by main sector at 31 December 2010:

<b>At 31 December 2010</b>			
<i>(in millions of euro)</i>	On balance	Off balance	Total
Animal protein	13,361	285	13,645
Dairy	14,955	188	15,143
Grain and oilseeds	14,787	456	15,243
Fruit and vegetables	9,295	105	9,400
Food retail and foodservice	4,640	152	4,792
Farm inputs	5,456	191	5,647
Flowers	3,582	15	3,597
Beverages	3,497	38	3,535
Miscellaneous crops	1,966	2	1,968
Sugar	1,625	134	1,759
Other	7,454	109	7,563
<b>Total private sector lending to food and agri</b>	<b>80,618</b>	<b>1,674</b>	<b>82,292</b>
Lessors of real estate	28,447	84	28,531
Finance and insurance excluding banks	23,112	1,464	24,576
Wholesale	16,577	3,775	20,352
Manufacturing	8,759	1,401	10,160
Construction	9,439	1,962	11,401
Transportation and warehousing	7,162	439	7,601
Activities related to real estate	7,811	94	7,905
Non food retail	4,367	596	4,963
Healthcare and social assistance	5,365	38	5,403
Professional, scientific and technical services	4,999	216	5,215
Information and communication	2,135	91	2,226
Arts entertainment and recreation	1,401	42	1,443
Utilities	1,650	485	2,135
Other services	26,445	2,095	28,543
<b>Total private sector lending to trade, manufacturing and services</b>	<b>147,669</b>	<b>12,782</b>	<b>160,452</b>
Private individuals	208,005	502	208,571
<b>Total private sector lending</b>	<b>436,292</b>	<b>14,959</b>	<b>451,315</b>

Apart from due from other banks (€ 33.5 billion at 31 December 2010 which is 5 per cent. of total assets), Rabobank's only significant risk concentration is in the portfolio of loans to private individuals which accounted for 48 per cent. of the total loan portfolio at 31 December 2010. This portfolio has a very low risk profile as evidenced by the actual losses incurred in previous years. The proportion of the total loan portfolio attributable to the food and agri sector was 18 per cent. in 2010. The proportion of the total loan portfolio attributable to trade, industry and services was 34 per cent. at 31 December 2010. Loans to trade, industry and services and loans to the food and agri sector are both spread over a wide range of industries in many different countries. None of these shares represents more than 10 per cent. of the total client loan portfolio. Continuing poor market conditions in the Netherlands have a significant impact on many industry sectors. For the local Rabobanks, bad debt costs in the food and agri sector are concentrated in glass horticulture, and virtually all segments in the trade, industry and services sector have been

significantly affected, inland shipping in particular. For Rabobank International, bad debt costs were significantly influenced by the allowance formed for the Irish real estate portfolio.

### **Impaired loans**

Loans for which an allowance has been made are called impaired loans. At 31 December 2010, these loans amounted to € 9,284 million (2009: € 9,294 million). The allowance for loan losses amounted to € 4,014 million (2009: € 4,569 million), which corresponds to a 43 per cent. (2009: 49 per cent.) coverage. Rabobank Group forms allowances 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 full 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 31 December 2010, impaired loans corresponded to 2.1 per cent. (2009: 2.3 per cent.) of the private sector loan portfolio.

The following table provides an analysis of Rabobank Group's impaired loans by business at 31 December 2010, 31 December 2009 and 31 December 2008:

	<b>At 31 December</b>		
<i>(in millions of euro)</i>	2010	2009	2008
Domestic retail banking	4,462	4,305	2,831
Wholesale banking and international retail banking	2,999	3,559	3,182
Leasing	960	1,066	379
Real estate	793	295	—
Other	70	69	182
<b>Rabobank Group</b>	<b>9,284</b>	<b>9,294</b>	<b>6,573</b>

### Summary of loan loss experience

The following table shows the movements in the allocation of the allowance for loan losses on loans accounted for as loans to customers for the past three years:

<i>(in millions of euro)</i>	2010	2009	2008
Domestic retail banking	2,030	1,398	1,303
Wholesale banking and international retail banking	1,915	1,415	721
Asset management and investment	9	5	4
Leasing	387	246	226
Real estate	45	25	27
Other	13	41	1
<b>Total balance at 1 January</b>	<b>4,399</b>	<b>3,130</b>	<b>2,282</b>
Domestic retail banking	1,124	1,541	534
Wholesale banking and international retail banking	1,296	1,500	1,137
Asset management and investment	7	7	5
Leasing	287	331	195
Real estate	67	36	16
Other	—	14	42
<b>Total additions</b>	<b>2,781</b>	<b>3,429</b>	<b>1,929</b>
Domestic retail banking	(759)	(805)	(323)
Wholesale banking and international retail banking	(665)	(556)	(387)
Asset management and investment	(1)	—	—
Leasing	(29)	(23)	(55)
Real estate	(4)	(14)	(15)
Other	—	(42)	—
<b>Total reversal of impairments</b>	<b>(1,458)</b>	<b>(1,440)</b>	<b>(780)</b>
Domestic retail banking	(235)	(191)	(164)
Wholesale banking and international retail banking	(1,560)	(382)	(155)
Asset management and investment	(6)	(3)	(4)
Leasing	(219)	(182)	(116)
Real estate	(14)	(6)	(2)
Other	—	—	—
<b>Total written off</b>	<b>(2,034)</b>	<b>(764)</b>	<b>(441)</b>
Domestic retail banking	101	87	48
Wholesale banking and international retail banking	34	(62)	99
Asset management and investment	3	—	—
Leasing	18	15	(4)
Real estate	—	4	(1)
Other	1	—	(2)
<b>Total other</b>	<b>157</b>	<b>44</b>	<b>140</b>
Domestic retail banking	2,261	2,030	1,398
Wholesale banking and international retail banking	1,020	1,915	1,415
Asset management and investment	12	9	5
Leasing	444	387	246
Real estate	94	45	25
Other	14	13	41
<b>Total balance at 31 December</b>	<b>3,845</b>	<b>4,399</b>	<b>3,130</b>

**Due to customers\***

The following table presents a breakdown of due to customers at 31 December 2010, 31 December 2009 and 31 December 2008. Interest rates paid on time deposits and savings deposits reflect market conditions and not all current accounts/settlement accounts earn interest.

	<b>At 31 December</b>		
<i>(in millions of euro)</i>	2010	2009	2008
Time deposits	46,846	47,897	81,554
Current accounts/settlement accounts	71,147	63,388	59,832
Repurchase agreements	2,017	1,207	664
Other	25,966	32,666	31,326
<b>Total due to customers by businesses</b>	<b>145,976</b>	<b>145,158</b>	<b>173,376</b>
Savings deposits	130,928	121,373	114,680
Current accounts/settlement accounts	15,812	12,768	13,230
Other	6,045	7,039	2,928
<b>Total due to customers by individuals</b>	<b>152,785</b>	<b>141,180</b>	<b>130,838</b>
<b>Total due to customers</b>	<b>298,761</b>	<b>286,338</b>	<b>304,214</b>

**Short-term borrowings\***

Short-term borrowings are borrowings with an original maturity of one year or less. These are included in Rabobank Group's consolidated statement of financial position under 'Debt securities in issue'. An analysis of the balance of short-term borrowings at 31 December 2010, 31 December 2009 and 31 December 2008 is provided below.

<i>(in millions of euro)</i>	2010	2009	2008
Year-end balance	72,795	78,370	55,385
Average balance	80,424	77,160	61,010
Maximum month-end balance	88,623	82,167	68,963

**Long-term borrowings**

Long-term borrowings are borrowings with an original maturity of more than one year. These are included in Rabobank Group's consolidated statement of financial position under 'Debt securities in issue' and 'Other financial liabilities at fair value through profit and loss'. An analysis of the balance of long-term borrowings at 31 December 2010, 31 December 2009 and 31 December 2008 is provided below.

<i>(in millions of euro)</i>	2010	2009	2008
Year-end balance	153,891	120,701	105,191
Average balance	141,209	116,309	110,327
Maximum month-end balance	153,891	122,776	112,900

## SELECTED FINANCIAL INFORMATION

The following selected financial data are derived from the audited consolidated financial statements of Rabobank Group, which have been audited by Ernst & Young Accountants LLP, the independent auditor in the Netherlands, with the exception of the equity capital ratio and the bad debt costs, the latter being derived from the annual report of Rabobank Group. The data should be read in conjunction with the consolidated financial statements, related notes incorporated by reference herein and the 'Management's Discussion and Analysis of Financial Condition and Results of Operations' included in this Base Prospectus. The Rabobank audited consolidated financial statements for the year ended 31 December 2010 and 31 December 2009 have been prepared in accordance with IFRS as adopted by the European Union.

### Consolidated statement of financial position

	<b>At 31 December</b>		
<i>(in millions of euro)</i>	2010	2009 (restated)	2009
<b>ASSETS</b>			
Cash and cash equivalents	13,471	16,565	16,565
Due from other banks	33,511	35,641	35,641
Trading financial assets	12,987	12,761	12,761
Other financial assets at fair value through profit or loss	9,588	9,122	9,122
Derivative financial instruments	43,947	39,091	39,091
Loans to customers	455,941	433,357	433,870
Available-for-sale financial assets	55,458	33,349	33,349
Held-to-maturity financial assets	218	418	418
Investments in associates	3,539	4,056	4,056
Intangible assets	3,675	3,736	3,736
Property and equipment	6,006	6,124	6,124
Investment properties	816	1,363	1,363
Current tax assets	357	240	240
Deferred tax assets	1,200	1,358	1,174
Employee benefits	1,668	1,467	1,467
Other assets	10,154	8,835	8,721
<b>Total assets</b>	652,536	607,483	607,698

	<b>At 31 December</b>		
<i>(in millions of euro)</i>	2010	2009 (restated)	2009
<b>LIABILITIES</b>			
Due to other banks	23,476	22,429	22,429
Due to customers	298,761	286,338	286,338
Debt securities in issue	196,819	171,752	171,752
Derivative financial instruments and other trade liabilities	49,640	48,765	48,765
Other debts	8,199	8,083	8,083
Other financial liabilities at fair value through profit or loss	29,867	27,319	27,319
Provisions	979	1,095	1,095
Current tax liabilities	359	468	468
Deferred tax liabilities	731	489	489
Employee benefits	466	500	500
Subordinated debt	2,482	2,362	2,362
<b>Total liabilities</b>	611,779	569,600	569,600

**At 31 December**

<i>(in millions of euro)</i>	2010	2009 (restated)	2009
<b>EQUITY</b>			
Equity of Rabobank Nederland and local Rabobanks	24,749	21,963	22,178
Rabobank Member Certificates issued by a group company	6,583	6,315	6,315
	31,332	28,278	28,493
Capital Securities and Trust Preferred Securities III to VI	6,306	6,182	6,182
Non-controlling interests	3,119	3,423	3,423
<b>Total equity</b>	40,757	37,883	38,098
<b>Total equity and liabilities</b>	652,536	607,483	607,698

**Consolidated statement of income**

**Year ended 31 December**

<i>(in millions of euro)</i>	2010	2009 (restated)	2009
Interest income	19,928	19,795	19,766
Interest expense	11,314	11,720	11,720
<b>Interest</b>	8,614	8,075	8,046
Commission income	3,469	3,015	3,015
Commission expense	638	440	440
<b>Commission</b>	2,831	2,575	2,575
Income from associates	292	592	592
Net income from financial assets and liabilities at fair value through profit or loss	231	(422)	(226)
Gains on available-for-sale financial assets	105	138	138
Other income	643	1,476	742
<b>Income</b>	12,716	12,434	11,867
Staff costs	4,919	4,603	3,869
Other administrative expenses	2,706	2,908	2,908
Depreciation and amortisation	571	527	527
<b>Operating expenses</b>	8,196	8,038	7,304
Value adjustments	1,234	1,959	1,959
<b>Operating profit before taxation</b>	3,286	2,437	2,604
Income tax expense	514	229	316
<b>Net profit</b>	2,772	2,208	2,288
Of which attributable to Rabobank Nederland and local Rabobanks	1,846	1,395	1,475
Of which attributable to holders of Rabobank Member Certificates	303	318	318
Of which attributable to Capital Securities	460	308	308
Of which attributable to Trust Preferred Securities III to VI	73	78	78
Of which attributable to non-controlling interests	90	109	109
<b>Net profit for the year</b>	2,772	2,208	2,288

**Financial ratios:**

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<i>(in millions of euro)</i>	2010	2009
BIS ratio	16.3%	14.1%
Tier 1 ratio	15.7%	13.8%
Equity capital ratio <sup>1</sup>	14.2%	12.4%
Bad debt costs (in basis points of average lending)	29	48

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## Note:

(1) The equity capital ratio is calculated by dividing retained earnings and Rabobank Member Certificates by total of risk-weighted assets.

## **RISK MANAGEMENT**

Rabobank Group places a high priority on the management of risk and has extensive procedures in place for systematic risk management. Within Rabobank Group, the risk management policies relating to interest rate risk, market risk and liquidity risk are developed and monitored by the Balance Sheet and Risk Management Committee Rabobank Group ('BRMC-RG') in cooperation with the Group Risk Management department. The BRMC-RG is responsible for balance sheet management, establishing risk policy, setting risk measurement standards, broadly determining limits and monitoring developments, and advising the Executive Board on all relevant issues regarding risk management. Rabobank Group's risk management policies relating to credit risk are developed by the Policy Credit Committee Rabobank Group in cooperation with the Group Risk Management and the Credit Risk Management department. These two committees report to the Executive Board, which is ultimately responsible for risk management within Rabobank Group.

The principal risks faced by Rabobank Group are credit risk, country risk, interest rate risk, liquidity risk, market risk and operational risk. Rabobank has implemented an economic capital framework to determine the amount of capital it should hold on the basis of its risk profile and desired credit rating. Economic capital represents the amount of capital needed to cover for all risks associated with a certain activity. The economic capital framework makes it possible to compare different risk categories with each other because all risks are analysed by using the same methodology. See also 'Risk Factors'.

### **Risk Adjusted Return On Capital**

Relating the profit achieved on a certain activity to the capital required for that activity produces the Risk-Adjusted Return On Capital ('RAROC'). RAROC is calculated by dividing economic return by economic capital. The calculation and review of RAROC across Rabobank Group's business activities and entities assists Rabobank Group in striking a balance between risk, returns and capital for both Rabobank Group and its constituent parts. This approach encourages each individual group entity to ensure appropriate compensation for the risks it runs. RAROC is therefore an essential instrument for positioning products in the market at the right price.

The use of the RAROC model to classify Rabobank Group's activities also plays a significant part in the allocation of capital to the various group entities and the different risk categories. If the calculated RAROC lags behind a formulated minimum result to be achieved, which is a reflection of the costs of the capital employed, economic value is wasted. A higher RAROC implies the creation of economic value. For the year ended 31 December 2010, Rabobank realised a RAROC after tax of 12.5 per cent.

### **Credit risk**

Rabobank Group aims to offer continuity in its services. It therefore pursues a prudent credit policy. Once granted, loans are carefully managed so there is a continuous monitoring of credit risk. At 31 December 2010, 48 per cent. of Rabobank Group's credit loan portfolio to the private sector consisted of loans to private individuals, mainly residential mortgages, which tend to have a very low risk profile in relative terms. The remaining 52 per cent. was a highly diversified portfolio of loans to business clients in the Netherlands and internationally.

Approval of larger credit applications is decided on by committees. A structure consisting of various committees has been established, with the total exposure including the requested financing determining the applicable committee level. The Executive Board itself decides on the largest credit applications. Rabobank Group has three Policy Credit Committees ('PCCs'): Rabobank Group PCC and the Rabobank International and Member Banks PCCs. Rabobank Group PCC establishes Rabobank Group's credit risk policy. Rabobank Group entities define and establish their own credit policies within this framework. In this context, the Member Banks PCC is responsible for domestic retail banking and the Rabobank International PCC for wholesale banking and international retail banking. Rabobank Group PCC is chaired by the CFO and the Executive Board is represented by three members. The CFO also chairs the Rabobank International and Member Banks 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 familiar with the industry in which a client operates and can assess its clients' financial performance. Corporate social responsibility implies responsible financing; accordingly, corporate social responsibility guidelines apply to the lending process as well.

With respect to the management of Rabobank Group's exposure to credit risk, Rabobank Nederland's Credit Risk Management department and Group Risk Management department play a key role. Credit applications beyond certain limits are subject to a thorough credit analysis by credit officers of Credit Risk Management. Group Risk Management monitors Rabobank Group's credit portfolio and develops new methods for quantifying credit risks.

Risk profiling is also undertaken at the portfolio level using internal risk classifications for portfolio modelling. Internal credit ratings are assigned to borrowers by allocating all outstanding loans into various risk categories on a regular basis.

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 even 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 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 the expected exposure to the client in the event of, and at the time of, a counterparty's default. At year-end 2010, the EAD of the total Advanced IRB loan portfolio was € 546 billion (2009: € 501 billion). This EAD includes the expected 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, the form of which varies from payment arrears of ninety days to bankruptcy. The weighted average PD of the total Advanced IRB loan portfolio is 1.21 per cent. (2009: 1.34 per cent.). This improvement in PD was caused by a change in the PD of existing debtors as well as by changes in the composition of the portfolio (inflow and outflow of clients), the implementation of new models and policy changes.

The following table shows the impaired loans (i.e. the amount of loans for which an allowance has been taken) of 31 December 2010, 2009 and 2008 per business unit as a percentage of private sector loans:

#### Impaired loans/private sector lending per business unit

	<b>At 31 December</b>		
<i>(in percentages)</i>	2010	2009	2008
Domestic retail banking	1.56	1.55	1.05
Wholesale banking and international retail banking	3.25	4.19	3.48
Leasing	3.93	4.64	1.95
Real Estate	4.40	1.73	n.a.
<b>Rabobank Group</b>	<b>2.16</b>	<b>2.28</b>	<b>1.65</b>

#### Bad and doubtful debt

Once a loan has been granted, ongoing credit management takes place as part of which new information, both financial and non-financial, is assessed. The bank monitors if the client meets all its obligations and whether it can be expected the client will continue to do so. If this is not the case, credit management is intensified, monitoring becomes more frequent and a closer

eye is kept on credit terms. Guidance is provided by a special unit within Rabobank Group, particularly in case of larger and more complex loans granted to businesses whose continuity is at stake. If it is probable that the debtor will be unable to fulfil its contractual obligations, this is a matter of impairment and an allowance is made which is charged to income.

The table below sets forth Rabobank Group's bad debt costs for the three years ended 31 December 2010, 2009 and 2008, per business unit as a percentage of private sector lending:

#### **Bad debt costs/average private sector lending per business unit**

	<b>Year ended 31 December</b>		
<i>(in percentages)</i>	2010	2009	2008
Domestic retail	0.13	0.26	0.08
Wholesale banking and international retail banking	0.64	1.05	0.93
Leasing	0.90	1.32	0.56
Real estate	0.36	0.14	—
<b>Rabobank Group</b>	<b>0.29</b>	<b>0.48</b>	<b>0.31</b>

#### **Structured credit, monoline insurers and governments**

In view of the cautious economic recovery and the situation on the financial markets Rabobank Group has made limited additional provisions with a negative impact of € 46 million on net profit after taxes in 2010. An additional provision of € 21 million after tax was made for a liquidity facility granted by Rabobank which was partly secured on subprime-related assets.

Rabobank Group's trading and investment portfolios have limited direct exposure to more structured investments, which amounted to € 5.8 billion (at 31 December 2010), the majority of which is AAA-rated.

In a number of cases, monoline insurers are the counterparty to credit default swaps that hedge the credit risk of certain investments. In most cases, solvency objectives are the main reason for the existence of these hedges rather than the credit quality of these investments. The creditworthiness of a number of monoline insurers is subject to downward pressure, which was also reflected by the downgrading of the credit ratings of these institutions. Counterparty risk relating to these monoline insurers arises in case the value of the credit default swaps with these counterparties increases, due to a decrease of the fair value of the underlying investments, or because other insured investments can lead to payment claims against these insurers. In this the credit quality of the investments and time-related aspects are taken into account. At 31 December 2010 the total counterparty risk before provisions amounted to € 1,330 million. The total provisions on that date ended up at € 1,114 million. The remaining counterparty risk at 31 December 2010 amounted to € 216 million.

Rabobank Group's exposure to monoline insurers will only result in realised losses in the event that high default levels in investments insured by the monoline insurers occur. Real losses only occur if both the investment and the monoline insurer in question are in default.

In its investment and trading portfolios at 31 December 2010 Rabobank Group has a very limited exposure to government bonds issued by countries that are currently perceived as less creditworthy by the market: Italy € 388 million, Greece € 373 million, Spain € 137 million, Portugal € 80 million and Ireland € 50 million.

#### **Country risk**

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 the 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 requirements for transfer risk, is reported every quarter to Rabobank Group's Balance Sheet and Risk Management Committee Rabobank Group (the 'BRMC-RG') and the Country Limit Committee. The calculations of additional capital requirements for transfer risk are made in accordance with internal guidelines and cover all countries where transfer risk is relevant.

At 31 December 2010, the net transfer risk before provisions for non-OECD countries was 1.4 per cent. (2009: 1.3 per cent.).

### Interest rate risk

Rabobank Group is exposed to structural interest rate risk in its balance sheet. Interest rate risk can result from, among other things, mismatches in assets and liabilities; for example, mismatches between the periods for which interest rates are fixed on loans and funds entrusted. Rabobank Group manages interest rate risk by using both the accrual based Income at Risk concept and the value based Equity at Risk concept. Based on the Income at Risk and Equity at Risk analyses, the Executive Board forms an opinion with regard to the acceptability of losses related to projected interest rate scenarios, and decides upon limits with regard to the Group's interest rate risk profile.

Rabobank Group's short-term interest rate risk can be quantified by looking at the sensitivity of the interest income for changes in interest rates. This 'Income at Risk' represents the change in interest income for the coming 24 months, due to parallel increases/decreases in interest rates of 200 basis points, assuming a static balance sheet structure and no management intervention. In this interest rate scenario a gradual increase/decrease of 200 basis points is assumed during the first year, while during the second year interest rates are assumed to remain steady.

Rabobank Group's long-term interest rate risk is measured and controlled based on the concept of 'Equity at Risk', which is the sensitivity of Rabobank Group's market value of equity to an instant parallel change in interest rates of 200 basis points.

At 31 December 2010, the Income at Risk ('IatR') and Equity at Risk ('EatR') for Rabobank Group were as follows:

<i>(in millions of euro, except percentages)</i>	200 basis points increase	200 basis points decrease
IatR 1-12 months	41	8
IatR 13-24 months	202	(111)
EatR	(10%)	9%

Rabobank Group performs complementary scenario analyses to assess the impact of changes in customer behaviour and the economic environment.

### Liquidity risk

Liquidity risk is the risk that the bank is not able to meet its financial liabilities when due, as well as the risk that it is unable to fund increases in assets either at reasonable prices or at all. Rabobank Group policy is that long-term lending is financed by funding from customers or by long-term funding from the professional market. 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 over the next 30 days are calculated and reported on a daily basis, including any conduits. In addition, limits have been set on the outgoing cash flows per 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, being sold directly on the market, or by means of pledging them to central banks.

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.

Liquidity risk is an organisation-wide matter and managed by Treasury Rabobank Group in cooperation with Rabobank International Global Financial Markets. Several methods have been developed to measure and manage liquidity risk. Methods used to measure liquidity risk include the CA/CL method (Core Assets/Core Liabilities). Using various time periods, a quantification is made of the assets, unused facilities and liabilities that are expected to remain on the balance sheet after assumed and closely defined stress scenarios have occurred. These remaining assets and liabilities are referred to as Core Assets and Core Liabilities, respectively, and their inter-relationship is the liquidity ratio. A ratio below 1.2 is considered adequate and in 2010, this was the case for 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 40 per cent. on average.

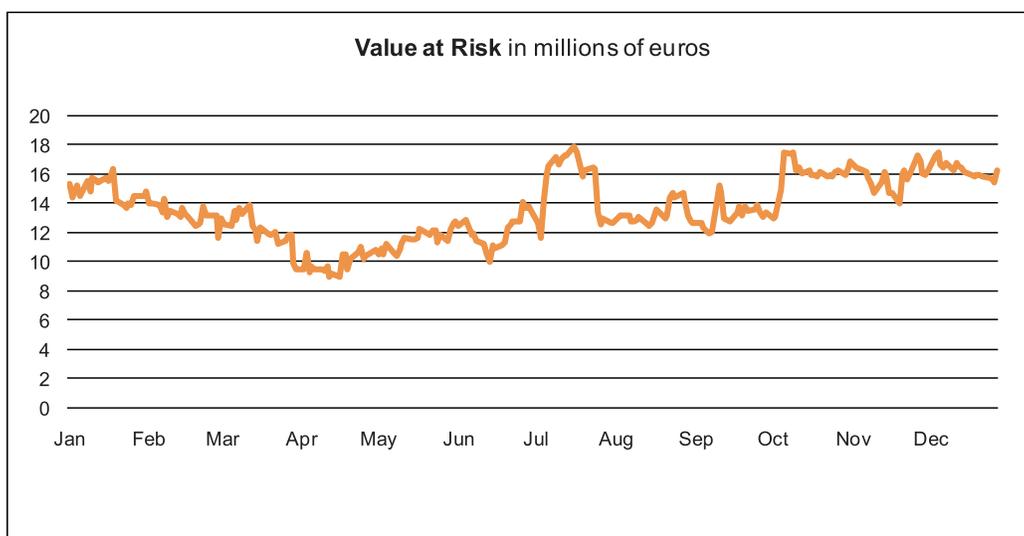
Outstanding asset-backed commercial paper ('ABCP') amounted to € 14.0 billion at 31 December 2010 (year end 2009: € 15.3 billion). These conduits are mainly used for funding of own originated loans and customer loans and receivables, and are fully integrated in the Group's liquidity risk management framework.

### **Market risk**

Market risk relates to the change in value of Rabobank Group's trading portfolio as a consequence of changes in market prices, such as interest rates, foreign exchange rates, credit spreads, commodity prices and equity share prices. The BRMC-RG is responsible for developing and supervising market risk policies and monitors Rabobank Group's worldwide market risk profile. On a daily basis, the Market Risk department measures and reports the market risk positions. Market risk is calculated based on internally developed risk models and systems, which are approved and accepted by the Dutch Central Bank. Rabobank Group's risk models are based on the 'Value at Risk' concept. Value at Risk describes the maximum possible loss that Rabobank Group can suffer in a single day, based on historical market price changes and a given certain confidence interval. Value at Risk within Rabobank Group is based on actual historical market circumstances. To measure the potential impact of strong adverse market price movements, stress tests are applied. These 'event risk scenarios' measure the effect of sharp and sudden changes in market prices. Statistical models are also used to generate other risk measures which assist the Market Risk department, as well as the BRMC-RG in evaluating Rabobank Group's market positions.

For the year ended 31 December 2010, the Value at Risk fluctuated between € 9 million (2009: € 23 million) and € 18 million (2009: € 50 million), with an average of € 14 million (2009: € 32 million). The decrease of the average Value at Risk compared to 2009 follows from improvements in calculation methods and from changes in positions, books and activities.

Value at Risk models have certain limitations; they are more reliable during normal market conditions, and historical data may fail to predict the future. Therefore, Value at Risk results cannot guarantee that actual risk will follow the statistical estimate. The performance of the Value at Risk models is regularly reviewed by means of back testing. These back testing results are reported both internally, as well as to the regulator. In addition to Value at Risk, also other risk indicators are used for market risk management.



Source: Rabobank Group Annual Report 2010

### **Operational risk**

Operational risk is the risk of direct or indirect losses arising from deficiencies in procedures and systems and from human failures or from external events. Rabobank Group has a Group-wide operational risk policy. Decentralised procedures are set up at all entities to record operational incidents and report them on a quarterly basis to the central Operational Risk department. In addition, sophisticated instruments are made available to enable operational risk management within each Rabobank Group entity. The management of each Rabobank Group entity is responsible for developing policies and procedures to manage operational risks in line with Rabobank Group Operational Risk Management policy.

## GOVERNANCE OF RABOBANK GROUP

### Corporate governance

In recent years the corporate governance of organisations has been of particular public interest. On account of its cooperative organisation, Rabobank's corporate governance is characterised by a robust 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 distinguishing feature in Rabobank Group's governance is the Central Delegates Assembly, Rabobank Group's parliament, which meets at least four times a year and where Rabobank Nederland's members are able to participate in virtually all Rabobank Nederland's strategic decisions.

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 observes the Banking Code, which was adopted in 2009 by the Netherlands Bankers' Association and came into force on 1 January 2010.

### Executive Board

The Executive Board (*raad van bestuur*) of Rabobank Nederland is responsible for the management of Rabobank Nederland and, indirectly, its affiliated entities. The management of Rabobank Group is based on its strategic principles and, by extension, on the interrelationship between risk, return and equity. 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. The Executive Board reports on all these aspects to the Supervisory Board (*raad van commissarissen*) of Rabobank Nederland, the Central Delegates Assembly and the General Meeting (*algemene vergadering*) of Rabobank Nederland, which is formed by the members, i.e. the local Rabobanks.

The Financial Supervision Act and related subordinate legislation, as well as regulations imposed by the Dutch supervisory authorities have formulated standards for financial institutions. The supervision of Rabobank Nederland's solvency and stability — i.e. prudential supervision — is performed by the Dutch Central Bank, while the AFM supervises orderly and transparent market processes, sound relationships between market parties and conscientious customer treatment, i.e. conduct supervision. Obviously, these 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. The Executive Board is responsible for the authorisation of debenture issues of Rabobank Nederland, under the approval of the Supervisory Board.

### Supervisory Board

The Supervisory Board performs the supervisory role within Rabobank Nederland. This means that 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 the compliance with the law, the Articles of Association and other relevant rules and regulations. In practice, this means that the achievement of Rabobank 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. Certain key Executive Board decisions are subject to Supervisory Board approval. Examples include decisions on strategic collaboration with third parties, major investments and acquisitions, as well as the annual adoption of policy plans and the budget.

The members of the Supervisory Board are appointed by the General Meeting of Rabobank Nederland on 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 nomination 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 determines 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 ordinary shareholders like companies do. The local cooperative Rabobanks are members of the Rabobank Nederland cooperative and hence 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 (*Centrale Kringvergadering*) ('CKV'), which meets at least 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 establishment of rules that are binding on all local Rabobanks and the establishment of Rabobank'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 the CKV's 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 CKV advises 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 company to its shareholders. Because of the special relationship between Rabobank Nederland and its members, the CKV enjoys almost full 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 in 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 CKV and subjects items for the agenda to formality compliance tests. 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.

In order to maintain maximum effectiveness of the CKV, an internal committee was established in 2006 whose task was to advise on the CKV's desired future size and composition. The committee's recommendations included the following: to reduce the CKV membership from 120 to 72, to introduce observers in the CKV and to confirm the CKV's composition according to the ratio of '2 elected members to 1 appointed member'. These recommendations have been implemented.

### **General Meeting**

The General Meeting (*algemene vergadering*) 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 regulations, and the appointment of members of the Supervisory Board. The CKV 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. Because of the special relationship between Rabobank Nederland and its members, the General Meeting enjoys almost full attendance.

### **Local Rabobanks**

#### **Corporate governance at the local Rabobanks**

In the past, the local Rabobanks could 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 and from mid-2010 they began to be replaced by a single governance model: the 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**

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 bank's operations. The Supervisory Board supervises the Board.

#### **Executive model**

In the executive model, each local Rabobank has a Board of Directors comprising several persons appointed by the Supervisory Board, which operates under the supervision of the Supervisory Board. In this model, no Board members are elected by the members from their ranks, as is the case in the partnership model.

## **Rabo model**

The governance structure of the Rabo model is comparable to the governance structure of the Executive model. In this model, each local Rabobank has a Board of Directors comprising several persons appointed by the Supervisory Board, which operates under the supervision of the Supervisory Board. A delegation of the members (*de ledenraad*) has important powers, such as to appoint the members of the Supervisory Board, to amend the articles of association, to approve of a merger and to adopt the financial statements. Each member of a local Rabobank belongs to an electoral district and has the power to vote for a candidate of that electoral district as a member of the delegation of members (*de ledenraad*). From mid-2010 the Rabo model began to replace the Partnership model and the Executive model.

## **Member council**

Local Rabobanks using the executive model must institute a member council in order to firmly and permanently embed member influence and control in the structure. 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. The General Meeting continues to exist, but decides only on major issues that impact the local Rabobank's continued existence.

## **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. In the case of 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.

## **Banking Code**

On 9 September 2009, the Banking Code for 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 commenced compliance preparations in 2009. Rabobank intends fully to observe the Banking Code and has only one departure, which will be explained according to the 'comply or explain' principle.

## **Controls over financial reporting**

Rabobank Group constantly seeks to improve its corporate governance and overall internal controls, with the aim of achieving an open culture and transparent accountability in respect of

policies and supervision, and to remain in line with the leading standards across the globe. Accordingly, Rabobank Group voluntarily implemented internal controls over its financial reporting in a manner similar to that of US-registered companies pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 (the 'Sarbanes-Oxley Act'), 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 offer opportunities to identify and remedy any deficiencies at an early 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.

### Members of Supervisory Board and Executive Board

#### Supervisory Board of Rabobank Nederland

The following persons, all of whom are resident in the Netherlands, are appointed as members of the Supervisory Board and the Executive Board of Rabobank Nederland, respectively:

Name	Born	Year Appointed <sup>(1)</sup>	Term Expires	Nationality
Lense (L.) Koopmans, Chairman	1943	2002	2013	Dutch
Antoon (A.J.A.M.) Vermeer, Vice Chairman	1949	2002	2014	Dutch
Irene (I.P.) Asscher-Vonk	1944	2009	2013	Dutch
Bernard (B.) Bijvoet	1940	2002	2012	Dutch
Tom (A.) de Bruijn	1953	2009	2013	Dutch
Wout (W) Dekker <sup>(2)</sup>	1956	2010	2014	Dutch
Louise (L.O.) Fresco	1952	2006	2014	Dutch
Leo (S.L.J.) Graafsma <sup>(2)</sup>	1949	2010	2014	Dutch
Erik (E.A.J.) van de Merwe <sup>(2)</sup>	1950	2010	2014	Dutch
Marinus (M.) Minderhoud <sup>(3)</sup>	1946	2002	2011	Dutch
Martin (M.J.M.) Tielen	1942	2002	2013	Dutch
Cees (C.P.) Veerman <sup>(3)</sup>	1949	2007	2011	Dutch
Arnold (A.H.C.M.) Walravens <sup>(3)</sup>	1940	2004	2011	Dutch

Notes:

- (1) As a result of a 2002 amendment of the management organisation of Rabobank Nederland, the former supervisory council was replaced by the Supervisory Board due to which the appointment date for a number of supervisory directors was fixed at 2002 even though they had been previously on the supervisory council.
- (2) Mr Dekker and Mr Van de Merwe have been members of the Supervisory Board since 17 June 2010, and Mr Graafsma joined the Supervisory Board on 29 September 2010.
- (3) Mr Minderhoud, Mr Veerman and Mr Walravens are scheduled to retire in 2011. They will be eligible for re-appointment.

**Mr L. Koopmans (Lense)**

<i>Date of Birth</i>	17 June 1943
<i>Profession</i>	<ul style="list-style-type: none"><li>– Professional supervisory director</li><li>– Former Professor at the Erasmus University of Rotterdam</li><li>– Emeritus Professor at the University of Groningen</li></ul>
<i>Main positions</i>	<ul style="list-style-type: none"><li>– Chairman of the Supervisory Board of Rabobank Nederland</li><li>– Chairman of the Board of Directors of Stichting TBI</li></ul>
<i>Nationality</i>	Dutch
<i>Auxiliary positions</i>	<u>Supervisory Directorships:</u> <ul style="list-style-type: none"><li>– Chairman of the Supervisory Board of Siers Groep B.V.</li><li>– Chairman of the Supervisory Board of Arriva Nederland B.V.</li><li>– Chairman of the Supervisory Board of TSS B.V.</li><li>– Vice-Chairman of the Supervisory Board of KIWA N.V.</li></ul> <u>Other auxiliary positions:</u> <ul style="list-style-type: none"><li>– Member of the Board of Directors of Stichting Administratiekantoor Unilever N.V.</li><li>– Vice-Chairman of the Board of Supervision of the University Medical Center Groningen</li><li>– Chairman of the Board of Supervision of the Fries Museum en Prinsessehof</li></ul>
<i>Date of first appointment to the Supervisory Board</i>	June 2002 (Member of the Board of Directors from June 1996 until June 2002)
<i>Current term of appointment to the Supervisory Board</i>	June 2009 – June 2013

**Mr A.J.A.M. Vermeer (Antoon)**

<i>Date of Birth</i>	21 October 1949
<i>Profession</i>	Professional director / supervisory director
<i>Main positions</i>	Member of a dairy farming partnership ( <i>maatschap melkveehouderijbedrijf</i> )
<i>Nationality</i>	Dutch
<i>Additional positions</i>	<u>Supervisory Directorships:</u> <ul style="list-style-type: none"><li>– Vice-Chairman of the Supervisory Board of Rabobank Nederland</li><li>– Chairman of the Supervisory Board of VION N.V.</li><li>– Member of the Supervisory Board of Eureko B.V.</li></ul> <u>Other additional positions:</u> <ul style="list-style-type: none"><li>– Member of the Board of Governors of the ZLTO Food, Farming and Agribusiness Chair, Tilburg University</li><li>– Chairman Board of Supervision of HAS Den Bosch</li><li>– Chairman Council for the Rural Area (<i>Raad voor het Landelijk Gebied</i>)</li></ul>
<i>Date of first appointment to the Supervisory Board</i>	June 2002
<i>Current term of appointment to the Supervisory Board</i>	June 2010 – to be decided (June 2014 at the latest)

**Mrs I.P. Asscher-Vonk (Irene)**

*Date of Birth* 5 September 1944  
*Profession* Professional supervisory director  
*Main position* Emeritus professor at the Radboud University, Nijmegen  
*Nationality* Dutch  
*Auxiliary positions* Supervisory Directorships:

- Member of the Supervisory Board of Rabobank Nederland
- Member of the Supervisory Board of KLM
- Member of the Supervisory Board of Arriva Nederland
- Member of the Supervisory Board of Philip Morris Holland
- Member of the Supervisory Board of TBI

Other auxiliary positions:

- Chairman of the Episcopal Court (*Bisschoppelijk Scheidsgerecht*)
- Chairman National Arbitration Board for Schools (*Landelijke Geschillencommissie Scholen*)

  
*Date of first appointment to the Supervisory Board* June 2009  
*Current term of appointment to the Supervisory Board* June 2009 – June 2013

**Mr B. Bijvoet (Bernard)**

*Date of Birth* 12 April 1940  
*Profession* Professional supervisory director  
*Main position* None  
*Nationality* Dutch  
*Auxiliary positions* Supervisory Directorships:

- Member of the Supervisory Board of Rabobank Nederland
- Member of the Supervisory Board of Eureko B.V.
- Chairman of the Supervisory Board of A-ware Food Group

  
*Date of first appointment to the Supervisory Board* June 2002  
*Current term of appointment to the Supervisory Board* June 2008 – June 2012

**Mr A. de Bruijn (Tom)**

*Date of Birth* 9 July 1953  
*Profession*

- Entrepreneur
- Professional director / professional supervisory director

  
*Main position* Grower of cut flowers and potted plants  
*Nationality* Dutch  
*Auxiliary positions* Supervisory Directorships:

- Member of the Supervisory Board of Rabobank Nederland

Other auxiliary positions:

- Acting member of the Board of Directors of Vereniging Achmea
- Chairman Program Advisory Committee Greenhouse

- Farming Research (*Commodity Board for Horticulture / productschap tuinbouw*)
- Member of the Board of the Dutch Foundation for Innovation in Greenhouse Farming (*Stichting Innovatie Glastuinbouw Nederland*)
- Chairman of the Cooperative Growers Society FresQ (*Coöperatieve Telersvereniging*)
- Member of the Board of the Dutch Produce Association (Branch association of market organisations in vegetables, fruit and fungi in The Netherlands)

*Date of first appointment to the Supervisory Board*

June 2009

*Current term of appointment to the Supervisory Board*

June 2009 – June 2013

**Mr W. Dekker (Wout)**

*Date of Birth*

10 November 1956

*Profession*

– Professional director

*Main position*

Chief Executive Officer / Chairman Executive Board Nutreco N.V.

*Nationality*

Dutch

*Auxiliary Positions*

Supervisory Directorships:

- Member of the Supervisory Board of Rabobank Nederland
- Member Supervisory Board (member audit committee, member Remuneration Committee) Macintosh Retail Group N.V.

Other auxiliary positions:

- Member Taskforce Biodiversity & Natural Resources
- Member Advisory Council for Issuers NYSE Euronext Amsterdam

*Date of first appointment to the Supervisory Board*

June 2010

*Current term of appointment to the Supervisory Board*

June 2010 – to be decided (June 2014 at the latest)

**Mrs L.O. Fresco (Louise)**

*Date of Birth*

11 February 1952

*Profession*

– Professional director

– Professor

*Main positions*

– University Professor, University of Amsterdam

*Nationality*

Dutch

*Auxiliary positions*

Supervisory Directorships:

- Member of the Supervisory Board of Rabobank Nederland
- Non-executive Director, Unilever N.V./Unilever PLC

Other auxiliary positions:

- Crown-Appointed Member of the Social and Economic Council of the Netherlands (SER)
- Distinguished Professor at Wageningen University
- Member of the Recommendation Committee for the University Asylum Fund
- Vice-chairman of the Board of Supervision of the United Nations University in Tokyo

- Member Royal Holland Society of Sciences and Humanities
- Member Royal Netherlands Academy of Arts and Sciences
- Member of the Spanish Academy of Engineering Sciences and the Swedish Academy of Agricultural and Forestry Sciences
- Member of the Advisory Board of Wereldvoedselprijs (World Food Prize)
- Member of the Board of Erasmusprijs
- Member of the Board of the Concertgebouworkest
- Member of the former Delta Committee
- Member of the Trilateral Committee
- Member InterAcademy Council
- Columnist NRC Handelsblad

*Date of first appointment to the Supervisory Board*

June 2006

*Current term of appointment to the Supervisory Board*

June 2010 – June 2014

**Mr S.L.J. Graafsma RA (Leo)**

*Date of Birth*

29 March 1949

*Former profession*

- Accountant / associate of an audit, tax and advisory firm

*Nationality*

Dutch

*Auxiliary Positions*

- Deputy member of the ‘Accountantskamer’ (Chamber of accountants) resulting from the ‘Wet Tuchtrechtspraak Accountants’ (Disciplinary jurisdiction accountants)

*Date of first appointment to the Supervisory Board*

June 2010

*Current term of appointment to the Supervisory Board*

June 2010 – June 2014

**Mr E.A.J. van de Merwe (Erik)**

*Date of Birth*

30 December 1950

*Profession*

- Advisor
- Professional director / professional supervisory director

*Nationality*

Dutch

*Auxiliary Positions*

Supervisory Directorships:

- Member of the Supervisory Board of Rabobank Nederland
- Chairman of the Supervisory Board of Fornix Biosciences N.V.
- Chairman of the Supervisory Board (and audit committee) of Staalbankiers N.V.
- Chairman of the Supervisory Board (and audit committee) of Achmea Bank Holding N.V.
- Chairman of the Supervisory Board of Welke Beheer N.V.
- Member of the Supervisory Board (and Chairman of the audit committee) of Eureko B.V.

Other auxiliary positions:

- Non-executive Chairman of GWK Travelex N.V.

- Member of the Board of Directors of Vereniging Achmea
- Member of the Board of Governors of the postgraduate study Corporate Compliance, VU University Amsterdam
- Member Board of Supervision and Chairman audit committee of the Dutch Burns Foundation (Nederlandse Brandwonden Stichting)
- Member Advisory Council Euro Tissue Bank
- Member Advisory Council Dutch Institute of Internal Auditors (IIA)
- Member Arbitration committee Dutch Securities Institute (DSI)
- Jurymember Sijthoff Award

*Date of first appointment to the Supervisory Board*

June 2010

*Current term of appointment to the Supervisory Board*

June 2010 – June 2014

**Mr M. Minderhoud (Marinus)**

*Date of Birth*

13 September 1946

*Profession*

None

*Main position*

None

*Nationality*

Dutch

*Auxiliary Positions*

Supervisory Directorships:

- Member of the Supervisory Board of Rabobank Nederland
- Vice-Chairman of the Supervisory Board of Eureko B.V.
- Chairman of the Supervisory Board of Agis Zorgverzekeringen N.V.
- Chairman Vodafone International Holdings B.V.
- Chairman of Vodafone Europe B.V.

*Date of first appointment to the Supervisory Board*

June 2002

*Current term of appointment to the Supervisory Board*

June 2007 – June 2011

**Mr M.J.M. Tielen (Martin)**

*Date of Birth*

22 September 1942

*Profession*

Professor

*Main position*

Emeritus Professor at Utrecht University

*Nationality*

Dutch

*Auxiliary positions*

Supervisory Directorships:

- Member of the Supervisory Board of Rabobank Nederland

Other auxiliary positions:

- Chairman Evaluation Team EAEVE to Faculty of Veterinary Medicine, Afyon, Turkey
- Chairman of the Stichting Stimuleren Agrarisch Onderwijs en Praktijk
- Chairman of the Stichting Professor Tielen Fonds
- Acting member of the Board of Directors of Vereniging Achmea

– Professor Honoris Causa University of Environmental and Life Science in Wroclaw, Poland

*Date of first appointment to the Supervisory Board* June 2002

*Current term of appointment to the Supervisory Board* June 2009 – June 2013

**Mr C.P. Veerman (Cees)**

*Date of Birth* 8 March 1949

*Profession*

- Professor
- Professional director / supervisory director

*Main positions*

- CEO of Bracamonte B.V. in Groesbeek
- Professor at Tilburg University and Wageningen University focusing on the field of sustainable rural development from a European perspective
- Crop farmer

*Nationality* Dutch

*Auxiliary positions* Supervisory Directorships:

- Member of the Supervisory Board of Rabobank Nederland
- Member of the Supervisory Board of USG People
- Member of the Supervisory Board of DHV Holding B.V.
- Member of the Supervisory Board of Prominent
- Member of the Supervisory Board of Barenbrug B.V.
- Chairman of the Supervisory Board of Koninklijke Reesink N.V.
- Member of the Supervisory Board of Ikazia Hospital Rotterdam
- Member of the Supervisory Board of KDS
- Chairman of the Board of Supervision of the knowledge for Climate (Kennis voor Klimaat)
- Chairman of the Board of Supervision Deltares

- Other auxiliary positions:
- Chairman Deltacommissie (2008)
  - Chairman of the Society for the Preservation of Nature Reserves in the Netherlands (*Vereniging Natuurmonumenten*)
  - Chairman Project Administration Noord Zuidlijn
  - Chairman Board of Supervision Roosevelt Academy
  - Chairman Review Committee TI Pharma
  - Chairman Committee Toekomstbestendig Hoger Onderwijs Stelsel
  - Chairman Advisory Board Dutch Delta Academy
  - Member of the Governing Board of the Netherlands Organisation for Scientific Research (NWO)

*Date of first appointment to the Supervisory Board* June 2007

*Current term of appointment to the Supervisory Board* June 2007 – June 2011

**Mr A.H.C.M. Walravens (Arnold)**

*Date of Birth* 4 May 1940

<i>Profession</i>	Advisor
<i>Main position</i>	<ul style="list-style-type: none"> <li>– Chairman of the Supervisory Board of Eureko B.V.</li> <li>– Emeritus Professor Technical University Delft</li> </ul>
<i>Nationality</i>	Dutch
<i>Auxiliary positions</i>	<u>Supervisory Directorships:</u> <ul style="list-style-type: none"> <li>– Member of the Supervisory Board of Rabobank Nederland</li> <li>– Chairman of the Supervisory Board of Achmea Re Luxemburg</li> <li>– Member of the Supervisory Board of OWM Molest-risico W.A.</li> <li>– Chairman of the Supervisory Board of Sneep Industries B.V.</li> </ul> <u>Other auxiliary positions:</u> <ul style="list-style-type: none"> <li>– Vice-Chairman of the Board of Vereniging Achmea</li> <li>– Chairman of the Board of MBA Studies, IEDC, Bled School of Management Slovenia</li> <li>– Member of the Senate of the International Executive Development Center, Slovenia</li> <li>– Director/owner 'Aan de Oude Delft', Art and Auction Services</li> <li>– Member Business Board Atag B.V.</li> </ul>
<i>Date of first appointment to the Supervisory Board</i>	June 2004
<i>Current term of appointment to the Supervisory Board</i>	June 2007 – June 2011

### **Executive Board of Rabobank Nederland**

Name	Born	Year Appointed	Nationality
Piet (P.W.) Moerland, Chairman	1949	2009	Dutch
Bert (A.) Bruggink, CFO	1963	2004	Dutch
Berry (B.J.) Marttin	1965	2009	Dutch and Brazilian
Sipko (S.N.) Schat	1960	2006	Dutch
Piet (P.J.A.) van Schijndel	1960	2002	Dutch
Gerlinde (A.G.) Silvis	1959	2009	Dutch

*Piet (P. W.) Moerland:* Mr. Moerland was appointed to Rabobank Nederland's Executive Board as of 1 January 2003 and was appointed Chairman of the Executive Board of Rabobank Nederland as of 1 July 2009. Mr. Moerland is responsible for Audit Rabobank Group and the Supervisory and Legal and Fiscal Affairs directorates. His portfolio furthermore includes the Knowledge & Economic Research, Communications and Corporate Social Responsibility directorates. After completing his degree and dissertation in the field of economics at the Erasmus University of Rotterdam in 1978, Mr. Moerland undertook a position with Rabobank Nederland's Central Group Staff from 1979 to 1980. Mr. Moerland then took a position as a professor of business administration with a focus on economics at the University of Groningen from 1981 to 1987 and as a professor of business economics with a focus on corporate finance at the University of Tilburg from 1988 to 2002. Mr. Moerland also had a sponsored chair as a professor of corporate governance at the University of Tilburg. Within Rabobank Group, Mr. Moerland serves as a member of the Board of Directors of Rabobank Foundation. Outside Rabobank, Mr. Moerland serves as a member of the Supervisory Board of Essent N.V. (electricity), member of the Advisory Board of the Dutch Order of Accountants and Administration Consultants, member of the Board of Directors of the NVB (Association of Dutch Banks), chairman

of the European Association of Co-operative Banks (Groupement) and Member of the Board of Directors International Raiffeisen Union (IRU).

*Bert (A.) Bruggink:* Mr. Bruggink was appointed Chief Financial Officer of the Executive Board of Rabobank Nederland as of 15 November 2004. Mr. Bruggink is responsible for Control Rabobank Group, Credit Risk Management, Group Risk Management, Treasury Rabobank Group and Special Asset Management Rabobank. Mr. Bruggink joined Rabobank Group in 1986. After several different jobs in Finance and Control within Rabobank Group, he became Head of Finance and Control Rabobank International (1994-1998) and Group Finance Director Rabobank Group (1998-2004). As CFO he fulfils several additional functions. He also works as a part-time professor in the Twente University of Technology (Financial Institutions and Markets). He is a member of the Advisory Council of Isala Klinieken, member of the Board of Supervisory Directors ROVA and member of the Supervisory Board of the Nederlandse Financierings Maatschappij voor Ontwikkelingslanden (FMO). He is a member of the Dutch Banking Association Policy Committee of Supervision & Monetary Affairs and a member of the Policy Committee of the Dutch Central Bank/Dutch Banking Association Mixed Working Group. Mr. Bruggink serves as chairman of the Board of Rabobank Ledencertificaten N.V.

*Berry (B.J.) Marttin:* Mr. Marttin was appointed to Rabobank Nederland's Executive Board as of 1 July 2009. Mr. Marttin joined Rabobank in 1990. Within the Executive Board, Mr. Marttin is responsible for the international retail network, the regional international operations, international risk management and Rabobank Development. Shortly after earning his degree in business administration in Brazil, he went to work for Rabobank as an international management trainee. During the more than 14 years that he worked for Rabobank International on various continents and in a range of roles, he gained extensive experience as an international banker in both wholesale and retail banking. After fulfilling a number of positions in Brazil, Mr. Marttin was appointed food and agri account manager in Curacao. He then continued his career as Head of International Corporates in Hong Kong. Mr. Marttin subsequently moved to Indonesia four years later to take up an appointment as Head of Risk Management. Thereafter, Mr. Marttin served as Deputy General Manager of Rural Banking in Australia and New Zealand. Prior to his appointment to Rabobank Nederland's Executive Board, he was Chairman of the Board of Directors of Rabobank Amsterdam. Mr. Marttin is a member of the Steering Committee Unico Banking Group and member of the Board of Directors American Chambers of Commerce. Mr. Marttin serves as chairman of the Foundation Supervision Internal Market Rabo Extra Member Notes (*Stichting Toezicht Interne Markt Rabo Extra Ledenobligaties*).

*Sipko (S.N.) Schat:* Mr. Schat was appointed to Rabobank Nederland's Executive Board as of 1 July 2006. Mr. Schat is responsible for the international wholesale business and is primarily responsible for Corporate Clients Large Businesses, Corporate Finance, Trade & Commodity Finance and Global Financial Markets. Mr. Schat took a position as in-house counsel with Rabobank Nederland between 1985 and 1990. Mr. Schat was senior manager Structured Finance between 1990 and 1995, Head Corporate Finance of Rabobank Ireland plc between January 1994 and December 1994, Head Structured Finance Europe between 1995 and 1999 and Head Corporate Finance of Rabobank International between 1999 and 2002. Mr. Schat also held positions as Head Corporate Finance (worldwide), member of the Supervisory Board of Rabobank Ireland plc and Managing Director of Rabo Merchant Bank N.V. As of April 2002 responsible for North and South America and as of September 2004 responsible for Corporate Finance, Trade Finance, Private Equity and Corporate Advisory. He is also a member of the Supervisory Board of De Lage Landen International, member of the Supervisory Board of Rabo Vastgoedgroep and member of the Supervisory Board of Bank Sarasin & Cie AG.

*Piet (P.J.A.) van Schijndel:* Mr. van Schijndel was appointed to Rabobank Nederland's Executive Board as of 1 December 2002. Mr. van Schijndel is responsible for the Retail, Private Banking and Group ICT directorates. Mr. van Schijndel took a position as a management consultant with Rabobank Nederland from 1975 to 1977. From 1977 to 1979, Mr. van Schijndel was Head of Insurance Administration. From 1979 to 1983, Mr. van Schijndel was a member of the Staff Group Directorate Insurance. Thereafter, he served as Acting Head and Head of the Insurance and Travel Directorate from 1983 to 1986 and from 1986 to 1990, respectively, Vice-chairman of the Executive Board of Interpolis from 1990 to 1997 and Chairman of the Executive Board of Interpolis from 1998 to 2002. Mr. van Schijndel serves as Chairman of the Supervisory Boards of Obvion, Rabohypotheekbank and Robeco and Chairman of the Supervisory Board of De Lage Landen. Furthermore, Mr. van Schijndel is a member of the Board of Directors of the

NVB (Association of Dutch Banks), a member of the Board of the Nederlandse Rode Kruis, and a member of the Supervisory Board of St. Elisabeth Ziekenhuis Tilburg. He is also Chairman of the Supervisory Board of Orbay. Mr. van Schijndel serves as chairman of the Stichting Administratiekantoor Rabobank Ledencertificaten.

*Gerlinde (A.G.) Silvis:* Mrs. Silvis was appointed to Rabobank Nederland's Executive Board as of 1 July 2009. Mrs. Silvis is responsible for the Small- and Medium-Sized Enterprises, Company Management, Co-operative & Management Affairs and Human Resources directorates. Mrs. Silvis joined Rabobank in 1984. Having begun working for Rabobank Nederland as a management trainee, she then went on to hold a number of positions within the securities division, the international division, the payments division and Rabofacet. In her role as Head of Administrative Affairs, she was closely engaged in the process of merging local Rabobanks. In recent years, she has served as Head of the Management and Talent Development Directorate and has been responsible for merging the Human Resources and Management and Talent Development directorates into a single directorate providing integrated services for the entire Rabobank Group. Mrs. Silvis serves as chairman of the board of the Foundation Contingency Fund Rabobanken (*Stichting Garantiefonds Rabobanken*) and Chairman of the Board of the Foundation Supervision Internal Market Rabobank Member Certificates (*Stichting Toezicht Interne Markt Rabobank Ledencertificaten*).

#### **Administrative, management and supervisory bodies — conflicts of interests**

The Issuer is not aware of any potential conflicts of interest between the duties to Rabobank and their private interests or other duties of the persons listed above under 'Supervisory Board of Rabobank Nederland' and 'Executive Board of Rabobank Nederland'.

#### **Administrative, management and supervisory bodies — business address**

The business address of the members of Rabobank's Supervisory Board and Executive Board is Croeselaan 18, 3521 CB Utrecht, the Netherlands.

## REGULATION OF RABOBANK GROUP

Rabobank Nederland is a bank organised under the laws of the Netherlands. The principal Dutch law on supervision applicable to Rabobank Nederland is the Financial Supervision Act (*Wet op het financieel toezicht*), which entered into force on 1 January 2007 and under which Rabobank Nederland is supervised by the Dutch Central Bank (*De Nederlandsche Bank N.V.*), the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*) and the Dutch Ministry of Finance (*Ministerie van Financiën*). Rabobank Nederland and the various Rabobank Group entities are also subject to certain European Union ('EU') legislation, which has a significant impact on the regulation of Rabobank Group's banking, asset management and broker-dealer businesses in the EU, and the regulation and supervision of local supervisory authorities of the various countries in which Rabobank Group does business.

### Basel Standards

The Basel Committee on Banking Supervision of the Bank for International Settlements (the 'Basel Committee') develops international capital adequacy guidelines based on the relationship between a bank's capital and its credit risks. In this context, on 15 July 1988, the Basel Committee adopted risk-based capital guidelines (the 'Basel guidelines'), which were implemented by banking regulators in the countries that have endorsed them. The Basel guidelines are intended to strengthen the soundness and stability of the international banking system. The Basel guidelines are also intended to reduce competitive inequality among international banks by harmonising the definition of capital and the rules for the evaluation of asset risks and by establishing a uniform target capital base ratio (capital to risk-weighted assets). Supervisory authorities in each jurisdiction have, however, some discretion in determining whether to include particular instruments as capital under the Basel guidelines and to assign different weights, within a prescribed range, to various categories of assets. The Basel guidelines were adopted by the European Community and applied to all banks and financial institutions in the EU, and on 1 January 1991, the Dutch Central Bank implemented them and they were made part of Dutch regulations.

In June 1999, the Basel Committee proposed a review of the Basel guidelines of 1988. A new accord ('Basel II' – the previous Basel guidelines being referred to as 'Basel I') was published in June 2004. Basel II is a flexible framework that is more closely in line with internal risk control and that results in a more sophisticated credit risk weighting. The Basel II framework, consisting of three 'pillars', reinforces these risk-sensitive requirements by laying out principles for banks to assess the adequacy of their capital ('Pillar 1') and for supervisors to review such assessments to ensure banks have adequate capital to support their risks ('Pillar 2'). It also seeks to strengthen market discipline by enhancing transparency in banks' financial reporting ('Pillar 3').

Basel II provides a range of options for determining the capital requirements for credit risk and also operational risk. In comparison to Basel I, Pillar 1 of the new capital framework aligns the minimum capital requirements more closely to each bank's actual risk of economic loss. Pursuant to Pillar 2, effective supervisory review of banks' internal assessments of their overall risks is exercised to ensure that bank management is exercising sound judgement and has reserved adequate capital for these risks. Pillar 3 uses market discipline to motivate prudent management by increasing transparency in banks' public reporting.

Instead of the previous 'one size fits all' approach, under Basel II banks have the option to choose between various approaches, each with a different level of sophistication in risk management, ranging from simple via intermediate to advanced, giving banks the possibility to select approaches that are most appropriate for their operations and their financial market infrastructure.

For credit risk, banks can choose between the 'Standardised Approach', the 'Foundation Internal Ratings Based Approach' and the 'Advanced Internal Ratings Based Approach'. The Standardised Approach is based on external credit ratings and is the least complex. The two Internal Ratings Based Approaches allow banks to use internal credit rating systems to assess the adequacy of their capital. The Foundation Internal Ratings Based Approach allows banks to use their own credit rating systems with respect to the 'Probability of Default'. In addition to this component of credit risk, the Advanced Internal Ratings Based Approach allows banks to use their own credit rating systems with respect to the 'Exposure at Default' and the 'Loss Given

Default'. Rabobank Group has chosen the most sophisticated approach, the Advanced Internal Ratings Based Approach.

For operational risk, banks can also choose between three approaches with different levels of sophistication, the most refined one being the 'Advanced Measurement Approach'. Rabobank Group has chosen the Advanced Measurement Approach.

In the future, under Basel III, capital and liquidity requirements will increase. On 17 December 2009, the Basel Committee proposed a number of fundamental reforms to the regulatory capital framework in its consultative document entitled 'Strengthening the resilience of the banking sector'. The Basel Committee published its economic impact assessment on 18 August 2010 and, on 12 September 2010, the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee, announced further details of the proposed substantial strengthening of existing capital requirements. On 16 December 2010 the Basel Committee issued its final view on Basel III. The framework sets out rules for higher and better quality capital, better risk coverage, the introduction of a leverage ratio as a backstop to the risk-based requirements, measures to promote the build-up of capital that can be drawn down in periods of stress, and the introduction of two liquidity standards. The Basel Committee's package of reforms includes increasing the minimum common equity (or equivalent) requirement from 2 per cent. (before the application of regulatory adjustments) to 4.5 per cent. (after the application of stricter regulatory adjustments which will be gradually phased in from 1 January 2013 until 1 January 2017). The total Tier 1 capital requirement will increase from 4 per cent. to 6 per cent. In addition, banks will be required to maintain, in the form of common equity (or equivalent), a capital conservation buffer of 2.5 per cent. to withstand future periods of stress, bringing the total common equity (or equivalent) requirements to 7 per cent. If there is excess credit growth in any given country resulting in a system-wide build up of risk, a countercyclical buffer of up to 2.5 per cent. of common equity (or other fully loss absorbing capital) may be applied as an extension of the conservation buffer. Furthermore, banks considered to have systemic importance should have loss absorbing capacity beyond these standards. The capital requirements are to be supplemented by a leverage ratio, and a liquidity coverage ratio and a net stable funding ratio will also be introduced. The proposed reforms are expected to be implemented from the beginning of 2013, although certain requirements are subject to a series of transitional arrangements and will be phased in over a period of time, to become fully effective by 2019.

The Basel Committee's reforms have introduced two international minimum standards for liquidity risk supervision with the aim of ensuring banks have an adequate liquidity buffer to absorb liquidity shocks. The first one is the liquidity coverage ratio ('LCR'; to be introduced on 1 January 2015), which is a test to promote short-term resilience of a bank's liquidity risk profile by ensuring that it has sufficiently high-quality liquid assets to survive a significant stress scenario lasting for 30 days. The second one is a net stable funding ratio ('NSFR'; to be introduced on 1 January 2018), which is a test to promote resilience over a longer period by creating additional incentives for banks to fund their activities with more stable funding on an ongoing basis. The NSFR test is similar to the LCR except the period over which it is tested is one year.

There can be no assurance that, prior to its implementation in 2013, the Basel Committee will not amend the package of reforms described above. Further, the European Commission and/or the Dutch Central Bank may implement the package of reforms in a manner that is different from that which is currently envisaged, or may impose additional capital requirements on Dutch banks.

### **European Union standards**

The European Union had adopted a capital adequacy regulation for credit institutions in all its member states based on the Basel I guidelines. In 1989, the EC adopted the Council Directive of 17 April 1989 on the 'own funds' of credit institutions (the 'Own Funds Directive'), defining qualifying capital ('own funds'), and the Council Directive of 18 December 1989 on a capital base ratio for credit institutions (the 'Capital Base Ratio Directive' and, together with the Own Funds Directive, the 'Capital Directives'), setting forth the required ratio of own funds to risk-adjusted assets and off-balance sheet items. The Capital Directives required EU member states to transform the provisions of the Capital Base Ratio Directive and the provisions of the Own Funds Directive into national law directly binding on banks operating in the member states. The Capital Directives permitted EU member states, when transforming the Capital Directives into national law, to establish more stringent, but not more lenient requirements. In 1993, the EC adopted the

Directive of 15 March 1995 on the capital adequacy of investment firms and credit institutions ('EEC Directive 1993/6') and in 2000 the Directive of 20 March 2000 on the taking up and pursuit of the Business of Credit Institutions ('EC Directive 2000/12'), which directive consolidated various previous directives, including the Capital Directives.

EC Directive 2000/12 and EEC Directive 1993/6 have been recast by EC Directives 2006/48 and 2006/49 (the 'Capital Requirements Directive'), respectively, to introduce the new capital requirements framework agreed by the Basel Committee. The new rules on capital requirements reflect the flexible structure and the major components of Basel II, tailored to the specific features of the EU market. The simple and intermediate approaches of Basel II have been available from January 2007 and the most advanced approaches since January 2008.

On 16 December 2002, the EU adopted a directive on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate. This directive aims to address the supervisory issues that arise from the blurring of distinctions between the activities of firms in each of the banking, securities, investment services and insurance sectors. The main objectives of the directive are to:

- ensure that a financial conglomerate has adequate capital;
- introduce methods for calculating a conglomerate's overall solvency position;
- deal with the issues of intra-group transactions, exposure to risk and the suitability and professionalism of management at financial conglomerate level; and
- prevent situations in which the same capital is used simultaneously as a buffer against risk in two or more entities which are members of the same financial conglomerate ('double gearing') and where a parent issues debt and downstreams the proceeds as equity to its regulated subsidiaries ('excessive leveraging').

The directive was implemented in the Netherlands in the Financial Supervision Act that came into effect on 1 January 2007.

The Capital Requirements Directive has been amended three times in 2009 and once in 2010 to repair shortcomings identified in the original Capital Requirements Directive. The amendments entered into force as of 31 December 2010 with certain further amendments due to enter into force on 31 December 2011. Further amendments to the Capital Requirements Directive will take place in the future due to the implementation of the new requirements under Basel III.

In 2010, agreement was reached at EU level on the introduction of a new supervisory structure for the financial sector. The new European architecture consists of the existing national authorities and the newly created European Systemic Risk Board ('ESRB') and the following three European Authorities: Banking ('EBA'), Insurance and Occupational Pensions ('EIOPA') and Securities and Markets ('ESMA'). These institutions have been in place since 1 January 2011. Operational day-to-day supervision continues to be with national supervisors.

The European Commission is proposing a European Crisis Management Framework. In this framework different issues will be addressed, such as prevention tools and early intervention and final resolution mechanisms. Rabobank Group generally supports the Basel Committee and European Commission reform programmes to strengthen the global capital and liquidity regulations and reduce market volatility. Notwithstanding, a number of proposals may hamper traditional retail-oriented institutions in their intermediary function, and thus reduce their ability to play their important role in the European economy. Further, the new rules still allow national regulators a measure of autonomy. For instance, the liquidity requirements assign relatively extensive powers to national regulators, which may affect the level playing field in the European Internal Market. Hence the biggest challenge for policy makers and supervisors is to take a coordinated and unified approach. It is essential that supervisors and regulators across the globe adopt a more consistent and coordinated approach (for example, while Europe is already introducing Basel III, Basel II is not yet fully applied in the US).

If the regulatory capital requirements, liquidity restrictions or ratios applied to Rabobank Group are increased in the future, any failure of Rabobank Group to maintain such increased regulatory capital ratios could result in administrative actions or sanctions, which may have an adverse effect on Rabobank Group's operating results, financial condition and prospects.

## **Dutch regulation**

### **General**

As of September 2002, banking supervision in the Netherlands has been divided into prudential supervision, carried out by the Dutch Central Bank, and conduct of business supervision, carried out by the Netherlands Authority for the Financial Markets.

Pursuant to authority granted under the Financial Supervision Act, the Dutch Central Bank, on behalf of the Dutch Minister of Finance, supervises and regulates the majority of Rabobank Group's activities. The Netherlands Authority for the Financial Markets supervises primarily the conduct of business. Set forth below is a brief summary of the principal aspects of the Financial Supervision Act.

### **Scope of the Financial Supervision Act**

A bank is any enterprise whose business it is to receive repayable funds from outside a closed circle and from others than professional market parties, and to grant credits for its own account. Rabobank Nederland and various Rabobank Group entities, including each of the local Rabobanks, are banks and, because they are engaged in the securities business as well as the commercial banking business, each is considered a 'universal bank'.

### **Licensing**

Under the Financial Supervision Act, a bank established in the Netherlands is required to obtain a licence from the Dutch Central Bank before engaging in any banking activities. The requirements to obtain a licence, among others, are as follows: (i) the day-to-day policy of the bank must be determined by at least two persons; (ii) the bank must have a body of at least three members which has tasks similar to those of a board of supervisory directors; and (iii) the bank must have a minimum own funds (*eigen vermogen*) of € 5,000,000. Also, the Dutch Central Bank shall refuse to grant a licence if, among other things, it is of the view that (i) the persons who determine the day-to-day policy of the bank have insufficient expertise to engage in the business of the bank, (ii) the trustworthiness of the persons who determine the policy of the bank is not beyond doubt, or (iii) through a qualified holding in the bank, influence on the policy of such enterprise or institution may be exercised which is contrary to 'prudent banking policy' (*gezonde en prudente bedrijfsvoering*). In addition to certain other grounds, the licence may be revoked if a bank fails to comply with the requirements for maintaining it.

### **Reporting and investigation**

A bank is required to file with the Dutch Central Bank its annual financial statements in a form approved by the Dutch Central Bank, which includes a statement of financial position and a statement of income that have been certified by an appropriately qualified auditor. In addition, a bank is required to file quarterly (and some monthly) statements, on a basis established by the Dutch Central Bank, which also has the option to demand more frequent reports.

Rabobank Nederland and the local Rabobanks must file consolidated quarterly (and some monthly) reports as well as annual reports that provide a true and fair view of their respective financial position and results with the Dutch Central Bank. Rabobank Nederland's independent auditor audits these reports annually.

Under the Dutch Financial Supervision Act, Rabobank Nederland is required to make its annual financial statements and its semi-annual financial statements generally available to the public within four months and two months, respectively, of the end of a period to which the financial information relates. In addition, Rabobank must make generally available an interim management statement during each half-year period. Such interim management statement must be made public in the period between 10 weeks after the beginning and six weeks before the end of the relevant half-year period. The annual and semi-annual financial statements and the interim management statements must be filed with the AFM simultaneously with their publication.

### **Supervision**

The Dutch Central Bank exercises supervision with respect to the solvency and liquidity of banks, supervision of the administrative organisation of banks and structure supervision relating to banks. To this end, the Dutch Central Bank has issued the following general regulations:

### **Solvency supervision**

The regulations of the Dutch Central Bank on solvency supervision require – in broad terms – that a bank maintains own funds in an amount equal to at least 8 per cent. of its risk-weighted assets and operations. These regulations also impose limitations on the aggregate amount of claims (including extensions of credit) a bank may have against one debtor or a group of related debtors. Since the implementation of the Financial Supervision Act, the regulations have become more sophisticated, being derived from the new capital measurement guidelines of Basel II as described under ‘Basel standards’ above and as laid down in EU directives described above under ‘European Union standards’. For credit risk Rabobank uses the Advanced Internal Ratings Based Approach. For operational risk, Rabobank uses the most refined approach, the Advanced Measurement Approach.

### **Liquidity supervision**

The regulations of the Dutch Central Bank relating to liquidity supervision require that a bank maintains sufficient liquid assets against certain liabilities of the bank. The basic principle of the liquidity regulations is that liquid assets must be held against ‘net’ liabilities of banks (after netting out claims and liabilities in a maturity schedule) so that the liabilities can be met on the due dates or on demand, as the case may be. These regulations impose additional liquidity requirements if the amount of liabilities of a bank with respect to one debtor or group of related debtors exceeds a certain limit.

### **Structure supervision**

The Financial Supervision Act provides that a bank must obtain a declaration of no-objection from the Minister of Finance (or in certain cases from the Dutch Central Bank) before, among other things, (i) reducing its own funds (*eigen vermogen*) by way of repayment of capital or distribution of reserves or making disbursements from the item comprising the cover for general banking risks as referred to in article 2:424 of the Dutch Civil Code, (ii) acquiring or increasing a qualified holding in a regulated institution such as a bank or other regulated financial institution, if the balance sheet total of that institution at the time of the acquisition or increase amounts to more than 1 per cent. of the bank’s consolidated balance sheet total, (iii) acquiring or increasing a ‘qualified holding’ in another enterprise than those mentioned under (ii) if the amount paid for the acquisition or the increase together with any amounts paid for prior acquisitions and prior increases exceeds 1 per cent. of the consolidated own funds of the bank, (iv) acquiring directly or indirectly all or a substantial part of the assets and liabilities of another enterprise or institution if this amounts to more than 1 per cent. of the bank’s consolidated balance sheet total, (v) merging with another enterprise or institution if the balance sheet total thereof amounts to more than 1 per cent. of the bank’s consolidated balance sheet total or (vi) proceeding with a financial or corporate reorganisation. For the purposes of the Financial Supervision Act, ‘qualified holding’ is defined to mean the holding, directly or indirectly, of an interest of at least 10 per cent. of the issued share capital or voting rights in an enterprise, or a similar form of control.

In addition, any person is permitted to hold, acquire or increase a qualified holding in a Dutch bank, or to exercise any voting power in connection with such holding, only after such person has obtained a declaration of no objection from the Minister of Finance (or in certain cases from the Dutch Central Bank).

### **Administrative supervision**

The Dutch Central Bank also supervises the administrative organisation of the individual banks, their financial accounting system and internal controls. The administrative organisation must be such as to ensure that a bank has at all times a reliable and up-to-date overview of its rights and obligations. Furthermore, the electronic data processing systems, which form the core of the accounting system, must be secured in such a way as to ensure optimum continuity, reliability and security against fraud. As part of the supervision of the administrative organisation, the Dutch Central Bank has also stipulated that this system must be able to prevent conflicts of interests, including the abuse of inside information.

### **Emergencies**

The Financial Supervision Act contains an ‘emergency regulation’ which can be declared in respect of a bank by a Dutch court at the request of the Dutch Central Bank in the interest of the combined creditors of the bank. As of the date of the emergency, only the court-appointed

administrators have the authority to exercise the powers of the bodies of the bank. A bank can also be declared in a state of bankruptcy by the court.

## **U.S. regulation**

### ***Dodd-Frank***

In the United States the Dodd-Frank Wall Street Reform and Consumer Reform Act ('Dodd-Frank') contains very significant reforms, the full effect of which can only be assessed when the implementation rules are finalised. There have also been numerous derivative proposals from the Commodity Futures Exchange Commission ('CFTC') and the Securities and Exchange Commission ('SEC') plus joint agency proposals to implement minimum capital standards (the Collins Amendment) and market risk capital guidelines.

## CAPITALISATION OF RABOBANK GROUP

The following table sets forth in summary form Rabobank Group's consolidated own funds and consolidated long-term and short-term debt securities at 31 December 2010 and at 31 December 2009:

	<b>At 31 December</b>	
<i>(in millions of euro)</i>	2010	2009
<b>Equity of Rabobank Nederland and local Rabobanks</b>		
Retained earnings and other reserves	24,749	21,963
Rabobank Member Certificates issued by a group company	6,583	6,315
Capital Securities and Trust Preferred Securities III to VI	6,306	6,182
Non-controlling interests	3,119	3,423
<b>Total equity</b>	<b>40,757</b>	<b>37,883</b>
Subordinated debt	2,482	2,362
Long-term debt securities in issue	124,024	93,382
Short-term debt securities in issue	72,795	78,370
<b>Total capitalisation</b>	<b>240,058</b>	<b>211,997</b>
<b>Breakdown of reserves and retained earnings</b>		
Revaluation reserves for available-for-sale financial assets	48	(368)
Other reserves	80	(322)
Retained earnings	24,621	22,653
<b>Total reserves and retained earnings</b>	<b>24,749</b>	<b>21,963</b>

On 26 January 2011 Rabobank Nederland issued U.S.\$2,000,000,000 Perpetual Non-Cumulative Capital Securities.

There has been no other material change in the capitalisation of Rabobank Group since 31 December 2010.

## **RABOBANK AUSTRALIA BRANCH**

ABN 70 003 917 655

Rabobank Australia Branch is otherwise described as the Australian Branch of Rabobank Nederland.

Rabobank Australia Group encompasses all the operating entities of Rabobank Group in Australia and New Zealand, including the Australian Branch of Rabobank Nederland, the New Zealand Branch of Rabobank Nederland, Rabobank Australia Limited, Rabo Australia Limited and Rabobank New Zealand Limited, together with their subsidiary companies.

Rabobank Nederland entered the Australian market in 1990 through the establishment of a representative office. This office acted as a liaison office for the global Rabobank Group by fulfilling a supporting and advisory role with respect to business and marketing opportunities in both Australia and New Zealand.

In 1996, Rabobank Nederland was granted banking authorities to engage in banking on a branch basis in Australia and New Zealand. Rabobank Australia Branch is the holder of an Australian Financial Services Licence. This is in line with Rabobank Nederland's international strategy, which is primarily targeted at establishing Rabobank Nederland as a global leader in the financing of international food and agri business.

The Australian-based Rabobank Australia Group office staff are all employed by Rabobank Australia Branch.

Rabobank Australia Branch does not publish annual or interim accounts. Because it is a branch of Rabobank Nederland, its financial results are incorporated in the financial statements of Rabobank Nederland.

Rabobank Australia Branch is not a stand-alone or separately incorporated legal entity and it does not have any share capital.

## **RABOBANK SINGAPORE BRANCH**

Rabobank Singapore Branch is the Singapore Branch of Rabobank Nederland.

Rabobank Nederland entered the Singaporean market in 1986 through the establishment of Rabobank Singapore Branch (which was then licensed to operate as an Offshore Bank in Singapore by the Monetary Authority of Singapore). Rabobank Singapore Branch is registered as a foreign company with the Accounting and Corporate Regulatory Authority in Singapore and currently bears the registration number S86FC3634A.

Rabobank Singapore Branch is currently licensed as a Wholesale Bank by the Monetary Authority of Singapore to carry out a wide range of approved banking business.

Rabobank Singapore Branch prepares and files with the Accounting and Corporate Regulatory Authority in Singapore annual statutory accounts that reflect its operations in Singapore only. Rabobank Singapore Branch does not publish interim accounts. Because it is a branch of Rabobank Nederland, its financial results are incorporated in the financial statements of Rabobank Nederland.

Rabobank Singapore Branch is not a separately incorporated legal entity and its capital is not represented by shares.

## TAXATION

### EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required, from 1 July 2005, to provide to the tax authorities of another Member State details of payment of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). Belgium used to operate a withholding tax system at a rate no higher than 20 per cent. in relation to such payments until 31 December 2009 and switched to the provision of information (instead of the withholding tax) as from 1 January 2010. The Savings Directive provides for current withholding tax rate of 20 per cent. increasing to a 35 per cent. withholding tax rate as of 1 July 2011.

Also with effect from 1 July 2005, a number of non-EU countries including Switzerland, and certain dependent or associated territories of certain Member States have agreed to adopt similar measures (either provision of information or transitional withholding) (a withholding system in the case of Switzerland) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories.

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

### Taxation in the Netherlands

The following is intended as general information only and it does not purport to present any comprehensive or complete description of all aspects of Dutch tax law which could be of relevance to a holder of Notes. Prospective holders of a Note ('Noteholder') should therefore consult their tax adviser regarding the tax consequences of any purchase, ownership or disposal of Notes.

The following summary is based on Dutch tax law as applied and interpreted by Dutch tax courts and as published and in effect on the date hereof, without prejudice to any amendments introduced at a later date and implemented with or without retroactive effect.

For the purpose of this paragraph, 'Dutch Taxes' shall mean taxes of whatever nature levied by or on behalf of the Netherlands or any of its subdivisions or taxing authorities.

### Withholding tax

All payments in respect of the Notes can be made without withholding or deduction for or on account of any Dutch Taxes.

### Taxes on income and capital gains

#### (a) Residents of the Netherlands

The description of certain Dutch tax consequences in this paragraph is only intended for the following Noteholders:

- (i) individuals who are resident or deemed to be resident in the Netherlands;
- (ii) individuals who opt to be treated as if resident in the Netherlands for purposes of Dutch taxation ((i) and (ii) jointly 'Dutch Individuals'); and
- (iii) entities that are subject to the Dutch Corporate Tax Act 1969 ('CITA') and are resident or deemed to be resident of the Netherlands for the purposes of the CITA, excluding:
  - pension funds (*pensioenfondsen*) and other entities, that are in full or in part exempt from Dutch corporate tax; and
  - investment institutions (*beleggingsinstellingen*); ('Dutch Corporate Entities').

#### *Dutch Individuals not engaged or deemed to be engaged in an enterprise or in miscellaneous activities*

Generally, a Dutch Individual who holds Notes (i) that are not attributable to an enterprise from which he derives profits as an entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the equity of such enterprise other than as an entrepreneur or a shareholder, or (ii) from which he derives benefits which are not taxable as benefits from miscellaneous activities (*resultaat uit overige werkzaamheden*), will be subject annually to an income tax imposed on a fictitious yield on such Notes. The Notes held by such Dutch Individual will be taxed under the regime for savings and investments (*inkomen uit sparen en beleggen*). Irrespective of the actual income or capital gains realised, the annual taxable benefit of all the assets and liabilities of a Dutch Individual that are taxed under this regime, including the Notes, is set at a fixed amount. The fixed amount equals 4 per cent. of the net fair market value of these assets and liabilities measured, in general, at the beginning of every calendar year. The current tax rate under the regime for savings and investments is a flat rate of 30 per cent.

#### *Dutch Individuals engaged or deemed to be engaged in an enterprise or in miscellaneous activities*

Dutch Individuals are generally subject to income tax at progressive rates with a maximum of 52 per cent. with respect to any benefits derived or deemed to be derived from Notes (including any capital gains realised on the disposal thereof) that are either attributable to an enterprise from which a Dutch Individual derives profits, whether as an entrepreneur or pursuant to a co-entitlement to the equity of such enterprise (other than as an entrepreneur or a shareholder), or attributable to miscellaneous activities (*resultaat uit overige werkzaamheden*) including, without limitation, activities which are beyond the scope of normal, active portfolio management (*normaal, actief vermogensbeheer*).

#### *Dutch Corporate Entities*

Dutch Corporate Entities are generally subject to corporate tax at statutory rates up to 25 per cent. with respect to any benefits derived or deemed to be derived (including any capital gains realised on the disposal thereof) from Notes.

#### *(b) Non-residents of the Netherlands*

A Noteholder other than a Dutch Individual or Dutch Corporate Entity will not be subject to any Dutch Taxes on income or capital gains in respect of the ownership and disposal of the Notes, except if:

- the Noteholder derives profits from an enterprise, whether as an entrepreneur or pursuant to a co-entitlement to the equity of such enterprise other than as an entrepreneur or a shareholder, which enterprise is, in whole or in part, carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) in the Netherlands, to which the Notes are attributable; or
- the Noteholder is an individual and derives benefits from miscellaneous activities (*resultaat uit overige werkzaamheden*) as defined in the Personal Income Tax Act 2001 performed in the Netherlands in respect of the Notes, including, without limitation, activities which are beyond the scope of normal, active portfolio management (*normaal, actief vermogensbeheer*); or
- the Noteholder is entitled to a share in the profits of an enterprise managed in the Netherlands, other than by way of the holding of securities, to which the Notes are attributable.

#### **Gift tax or inheritance tax**

No gift or inheritance taxes will arise in the Netherlands in respect of the transfer or deemed transfer of the Notes by way of a gift by, or on the death of, a Noteholder who is not a resident or deemed resident of the Netherlands for the purpose of the relevant provisions, provided that:

- (i) the transfer is not construed as an inheritance or bequest or as a gift made by or on behalf of a person who, at the time of the gift or death, is or is deemed to be a resident of the Netherlands for the purpose of the relevant provisions; and
- (ii) in the case of a gift of Notes by an individual holder who at the date of the gift was neither resident nor deemed to be resident in the Netherlands, such individual holder does not die within 180 days after the date of the gift, while being resident or deemed to be resident of the Netherlands.

Where a gift of Notes only takes place if certain conditions are met, no gift tax will arise if the Noteholder is neither (i) a resident or deemed resident of the Netherlands nor (ii) a resident or deemed resident within 180 days after the date on which the conditions are fulfilled.

For purposes of Dutch gift and inheritance tax, an individual who is of Dutch nationality will be deemed to be a resident of the Netherlands if he has been a resident in the Netherlands at any time during the 10 years preceding the date of the gift or his death. For purposes of Dutch gift tax, an individual will, irrespective of his nationality, be deemed to be resident of the Netherlands if he has been a resident in the Netherlands at any time during the 12 months preceding the date of the gift.

### **Other taxes**

No other Dutch Taxes, such as turnover tax, or other similar tax or duty (including stamp duty and court fees), are due by a Noteholder by reason only of the issue, acquisition or transfer of the Notes.

### **Residency**

A Noteholder will not become a resident, or a deemed resident, of the Netherlands for tax purposes, or become subject to Dutch Taxes, by reason only of the Issuer's performance, or the Noteholder's acquisition (by way of issue or transfer to it), holding and/or disposal of the Notes.

### **Taxation in Australia**

The comments below are of a general nature and are based on provisions currently in force in Australia at the date of this Base Prospectus. They relate to the position of persons who are the beneficial owners of the Notes. The comments are not exhaustive and, in particular, do not deal with the position of certain classes of Noteholders (including, without limitation, custodians and other third parties who hold Notes on behalf of Australian residents or non-residents of Australia who carry on a trade or business at or through a permanent establishment in Australia). Noteholders should consult their own professional advisers in relation to the Australian taxation implications of acquiring, holding or disposing of the Notes in their own particular circumstances.

An exemption from Australian interest withholding tax imposed under Division 11A of Part III of the *Income Tax Assessment Act 1936* of Australia (the 'Tax Act') should apply with respect to Notes issued by Rabobank Australia Branch under section 128F of the Tax Act for payments of interest (or amounts in the nature of interest) to non-residents of Australia who do not derive that interest in carrying on business at or through a permanent establishment in Australia, or to Australian residents who derive that interest in carrying on a business at or through a permanent establishment outside Australia, if the requirements of section 128F of the Tax Act are complied with.

Interest (or an amount in the nature of interest) is exempt from Australian withholding tax under section 128F of the Tax Act if the Issuer of the Notes is either:

- (a) an Australian resident company at the time the Notes are issued and when the interest is paid; or
- (b) a company not resident in Australia carrying on business at or through a permanent establishment in Australia at the time the Notes are issued and when the interest is paid;

and the 'public offer' test is satisfied.

Broadly, and subject to the exception outlined below, the public offer test is satisfied if the Notes are issued as a result of being offered for issue:

- (a) to at least 10 persons each of whom:
  - (i) was carrying on a business of providing finance, or investing or dealing in securities, in the course of operating in financial markets; and
  - (ii) was not known, or suspected, by Rabobank to be an associate (as defined in subsection (9) of section 128F of the Tax Act) of any of the other persons covered by this paragraph; or
- (b) to at least 100 persons whom it is reasonable for Rabobank to regard as having acquired instruments similar to the Notes in the past or being likely to acquire instruments similar to the Notes in the future; or

- (c) as a result of being accepted for listing on a stock exchange, where Rabobank Australia Branch has entered into an agreement with the dealer, manager or underwriter in relation to the placement of the Notes requiring Rabobank Australia Branch to seek such a listing; or
- (d) as a result of negotiations being initiated publicly in electronic form, or in another form, that is used by financial markets for dealing in instruments similar to the Notes; or
- (e) to a dealer, manager or underwriter in relation to the placement of the Notes who, under an agreement with Rabobank Australia Branch offered the Notes for sale within 30 days in a way covered by any of paragraphs (a) to (d) above.

In relation to the issue of a Global Note, the 'public offer' test will be satisfied if the Global Note falls within the definition of 'global bond' set out in subsection (10) of section 128F of the Tax Act. Broadly speaking, this will be the case if the following requirements are satisfied:

- (a) the Global Note describes itself as a global bond or a global note; and
- (b) it is issued to a clearing house (as defined in subsection (9) of section 128F of the Tax Act) or to a person as trustee or agent for, or otherwise on behalf of, one or more clearing houses; and
- (c) in connection with the issue of the Global Note, the clearing house or houses confer rights in relation to the Global Note on other persons and will record the existence of the rights; and
- (d) before the issue of the Global Note, Rabobank Australia Branch or a Dealer, in relation to the placement of debentures or debt interests, on behalf of Rabobank Australia Branch announces that, as a result of the issue, such rights will be able to be created; and
- (e) the announcement is made in a way or ways covered by any of subsections (3)(a) to (e) of section 128F of the Tax Act (reading a reference in those paragraphs to 'debentures or debt interests' as if it were a reference to the rights referred to in paragraph (d) above and a reference to the 'company' as if it included a reference to the Dealer); and
- (f) under the terms of the Global Note, interests in the Global Note are able to be surrendered, whether or not in particular circumstances, in exchange for other debentures issued by Rabobank Australia Branch that are not themselves Global Notes.

The public offer test is not satisfied if at the time of issue Rabobank knew, or had reasonable grounds to suspect, that:

- (a) the Note or an interest in the Note was being, or would later be, acquired directly or indirectly by an associate (as defined in subsection (9) of section 128F of the Tax Act) of Rabobank; and
- (b) either:
  - (i) the associate is a non-resident of Australia and the Note, or interest in the Note, was not being, or would not be, acquired by the associate in carrying on a business at or through a permanent establishment in Australia; or
  - (ii) the associate is a resident of Australia and the Note, or interest in the Note, was being, or would be, acquired by the associate in carrying on a business at or through a permanent establishment in a country outside Australia; and
- (c) the Note or interest in the Note, was not being, or would not be, acquired by the associate in the capacity of a dealer, manager or underwriter in relation to the placement of the Notes, or a clearing house, custodian, funds manager or responsible entity of a registered scheme (as defined in the Corporations Act 2001 of Australia).

The exemption in section 128F of the Tax Act does not apply to interest (or an amount in the nature of interest) paid by Rabobank Australia Branch to a holder in respect of a Note, if Rabobank was aware or had reasonable grounds to suspect, at the time of payment, that:

- (a) the holder is an associate (as defined in subsection (9) of section 128F of the Tax Act) of Rabobank; and
- (b) either:

- (i) the associate is a non-resident of Australia and the payment is not received by the associate in respect of a Note that the associate acquired in carrying on a business at or through a permanent establishment in Australia; or
- (ii) the associate is a resident of Australia and the payment is received by the associate in respect of a Note that the associate acquired in carrying on a business at or through a permanent establishment in a country outside Australia; and
- (c) the associate does not receive the payment in the capacity of a clearing house, paying agent, custodian, funds manager or responsible entity of a registered scheme (as defined in the Corporations Act 2001 of Australia).

An 'associate' of Rabobank Australia Branch (the 'Issuer') for the purposes of section 128F of the Tax Act (when the issuer is not a trustee) includes: (i) a person or entity which holds more than 50 per cent. of the voting shares in or otherwise controls the issuer, (ii) an entity in which more than 50 per cent. of the voting shares are held by, or which is otherwise controlled by, the issuer, (iii) the trustee of a trust where the issuer is capable of benefiting (whether directly or indirectly) under a trust, and (iv) a person or entity which is an 'associate' of another person or entity which is an 'associate' of the issuer under any of the foregoing.

In certain circumstances, section 126 of the Tax Act imposes a type of withholding tax at the rate of 45 per cent. on the payment of interest on bearer notes if the issuer fails to disclose the names and addresses of the holders to the Australian Tax Office. The Australian Tax Office is of the view that the holder of a debenture for the purposes of section 126(e) of the Tax Act is the person or entity in possession of the debenture and that this is the person or entity to whom the issuer makes the payment of interest. Section 126 does not apply if the interest payable under a bearer note is subject to interest withholding tax under Division 11A of the Tax Act or if the interest is exempt from withholding under section 128F to the extent it applies to non-residents of Australia who are not engaged in carrying on business in Australia at or through a permanent establishment in Australia. Consequently section 126 should only apply to persons or entities in possession of bearer notes who are residents of Australia or non-residents who are engaged in carrying on business in Australia at or through a permanent establishment in Australia. Where interests in the relevant Notes are held by persons through Euroclear and/or Clearstream, Luxembourg, Rabobank Australia Branch intends to treat the operators of those systems as the holders of the relevant Notes for the purpose of section 126.

If Rabobank Australia Branch is compelled by law at any time to withhold or deduct an amount in respect of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the Commonwealth of Australia or any authority therein having the power to tax, it will, except as stated in the Notes, pay such additional amounts as will result in the payment to the Noteholders concerned of the sum which would otherwise have been payable on the Notes.

The *Taxation Administration Act 1953* of Australia also requires a further type of withholding (Foreign Resident Withholding) which broadly provides that an entity carrying on business in Australia must withhold an amount from certain payments (prescribed by regulation) paid to non-residents, unless an appropriate exemption applies. Foreign Resident Withholding does not apply to payments of interest for the purposes of Division 11A of Part III of the Tax Act. Noteholders should obtain their own specific advice as to the effect (if any) of the Foreign Resident Withholding provisions in respect of any other payments received in connection with the Notes.

Rabobank Australia Branch has been advised by its Australian counsel that, under current Australian law:

- (a) subject to compliance with the requirements of section 128F of the Tax Act referred to above, payments of principal and interest (or amounts in the nature of, or in substitution for, interest) to a holder of a Note who:
  - (i) is a non-resident of Australia;
  - (ii) during the taxable year has not carried on business at or through a permanent establishment within Australia; and

- (iii) is not an associate (as defined in subsection (9) of section 128F of the Tax Act) of Rabobank other than an associate who receives the payment in the capacity of a clearing house, paying agent, custodian, funds manager or responsible entity of a registered scheme (as referred to above) or, if the holder is such an associate, Rabobank did not know this or have reasonable grounds to suspect it,  
shall not be subject to Australian withholding tax or Australian income tax;
- (b) a holder of a Note who is a non-resident of Australia and who during the taxable year has not carried on business at or through a permanent establishment in Australia:
  - (i) will not be subject to Australian income tax on gains realised during that year on sale or redemption of the Note, provided that such gains do not have an Australian source and the Note was not used at any time by the holder in carrying on a business at or through a permanent establishment in Australia. A gain arising on the sale of a Note by a non-Australian resident holder to another non-Australian resident where the Note is sold outside Australia and all negotiations and documentation are conducted and executed outside Australia would not be regarded as having an Australian source; and
  - (ii) will not be subject to Australian capital gains tax on gains realised during that year on sale or redemption of the Note;
- (c) the Notes should not be subject to death, estate or succession duties imposed by Australia or by any instrumentality thereof or therein, if held outside Australia, or by a non-resident, at the time of death;
- (d) provided:
  - (i) any Notes issued in Australia will only be issued by Rabobank Australia Branch which has its central management and control in New South Wales ('NSW');
  - (ii) the register of Notes is kept by Rabobank Australia Branch in NSW;
  - (iii) any Notes are executed in NSW; and
  - (iv) money subscribed for the Notes is not paid into South Australia,  
no *ad valorem* stamp duty nor issue registration or similar taxes should be payable in Australia on the issue or transfer of the Notes;
- (e) no Australian goods and services tax should be payable on the issue or transfer of Notes or in respect of the payment of principal or interest on the Notes;
- (f) Australian resident Noteholders and non-resident Noteholders who hold their Notes in the course of carrying on a business through an Australian permanent establishment, will be required to include any interest derived in respect of the Notes in their assessable income. Depending upon the terms of the Notes, such Noteholders may also be required to include in their assessable income, or may be allowed a deduction in respect of, any profit or loss (respectively) on sale or redemption of the Notes;
- (g) payment of interest on Notes issued by Rabobank Australia Branch to Australian residents may be subject to withholding tax under Part VA of the Tax Act and section 12-140 of Schedule 1 of the *Taxation Administration Act 1953 of Australia* where the recipient of the interest does not quote their tax file number, or in certain circumstances, their Australian Business Number, or proof of some other relevant exemption. Any such tax will be withheld at the then current rate. The rate at the date of this document is 46.5 per cent.;
- (h) payment in respect of the Notes should be able to be made free and clear of Australian withholding tax imposed pursuant to section 12-190 of Schedule 1 of the *Taxation Administration Act*;
- (i) Division 974 of the *Income Tax Assessment Act 1997* of Australia (the '1997 Act') contains tests for characterising debt (for all entities) and equity (for companies) for Australian tax purposes including interest withholding tax. The issuer intends to issue Notes which are to be characterised as 'debt interests' for the purposes of the tests provided in Division 974 and the returns on the Notes should be treated as 'interests' for the purposes of the interest withholding tax provisions in the Tax Act (including

section 128F of that Act). A more detailed consideration of the rules set out in Division 974 of the 1997 Act and the thin capitalisation rules set out in Division 820 of the 1997 Act is beyond the scope of this summary.

The Tax Laws Amendment (Taxation of Financial Arrangements) Act was enacted on 26 March 2009. These new rules represent a code for taxation of receipts and payments in relation to financial arrangements.

The new legislation applies to financial arrangements entered into in income years commencing on or after 1 July 2010 (1 January 2011 for Rabobank). A taxpayer may however elect to have the legislation apply a year earlier to income years commencing on or after 1 July 2009 (1 January 2010 for Rabobank) and may elect to apply the legislation to existing financial arrangements.

The measures should not apply to holders of Notes who are non-residents of Australia and who do not hold their Notes in the course of carrying on business at or through a permanent establishment in Australia.

### **Taxation in Singapore**

The statements below are general in nature and are based on certain aspects of current tax laws in Singapore, and administrative guidelines issued by the Monetary Authority of Singapore ('MAS') in force at the date of this Base Prospectus and are subject to any changes in such laws, measures or guidelines, or the interpretation of such laws, measures or guidelines, occurring after such date, which changes could be made on a retroactive basis. These laws and guidelines are also subject to various interpretations and the relevant tax authorities or the courts could later disagree with the explanations or conclusions set out below. Neither these statements nor any other statements in this Base Prospectus are intended or are to be regarded as advice on the tax position of any holder of the Notes or of any person acquiring, selling, or otherwise dealing with the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. The statements made herein do not purport to be a comprehensive or exhaustive description of all the tax considerations that may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or financial institutions in Singapore which have been granted the relevant Financial Sector Incentive tax incentive(s)) may be subject to special rules or tax rates. Prospective holders of the Notes are advised to consult their own tax advisers as to the Singapore or other tax consequences of the acquisition, ownership of or disposal of the Notes, including in particular, the effect of any foreign, state or local tax laws to which they are subject. It is emphasised that neither the Issuer nor any other persons involved in the Programme accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of the Notes.

### ***Singapore interest and other payments***

Subject to the following paragraphs, under section 12(6) of the Income Tax Act, Chapter 134 of Singapore (the 'Income Tax Act'), the following payments are deemed to be derived from Singapore:

- (a) any interest, commission, fee or any other payment in connection with any loan or indebtedness or with any arrangement, management, guarantee, or service relating to any loan or indebtedness which is (i) borne, directly or indirectly, by a person resident in Singapore or a permanent establishment in Singapore (except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore or any immovable property situated outside Singapore); or (ii) deductible against any income accruing in or derived from Singapore; or
- (b) any income derived from loans where the funds provided by such loans are brought into or used in Singapore.

This is expected to apply to payments made by Rabobank Singapore Branch. Further, such payments where made to a person not known to the paying party to be a resident in Singapore for tax purposes, are generally subject to withholding tax in Singapore. The rate at which tax is to be withheld for such payments (other than those subject to 15 per cent. final withholding tax described below) to non-resident persons other than non-resident individuals is 17 per cent. with effect from the Year of Assessment 2010. The applicable rate for non-resident individuals is 20

per cent. However, if the payment is derived by a person not resident in Singapore otherwise than from any trade, business, profession or vocation carried on or exercised by such person in Singapore and is not effectively connected with any permanent establishment in Singapore of that person, the payment is subject to a final withholding tax of 15 per cent. The rate of 15 per cent. may be reduced by applicable tax treaties.

However, certain Singapore-sourced investment income derived by individuals from financial instruments is exempt from tax, including:

- (a) interest from debt securities derived on or after 1 January 2004;
- (b) discount income (not including discount income arising from secondary trading) from debt securities derived on or after 17 February 2006; and
- (c) prepayment fee, redemption premium or break cost from debt securities derived on or after 15 February 2007,

except where such income is derived by individuals through a partnership in Singapore or is derived from the carrying on of a trade, business or profession.

In addition, if the Dealers for more than half of the principal amount of a tranche of Notes which are debt securities issued under the Programme during the period from the date of this Base Prospectus to 31 December 2013 are:

- (i) financial institutions who have been awarded 'Financial Sector Incentive (Bond Market) Company' status by the Minister for Finance of Singapore or such person as he may appoint; or
- (ii) financial institutions in Singapore where their staff based in Singapore have a leading and substantial role in the distribution of such tranche of Notes,

such tranche of Notes ('Relevant Notes') would be 'qualifying debt securities' under the Income Tax Act.

If the Relevant Notes are 'qualifying debt securities':

- (a) subject to certain prescribed conditions having been fulfilled (including the furnishing by the Issuer, or such other person as the Comptroller of Income Tax in Singapore (the 'Comptroller') may direct, of a return on debt securities for the Relevant Notes within such period as the Comptroller may specify and such other particulars in connection with the Relevant Notes as the Comptroller may require to the Comptroller and the MAS and the inclusion by the Issuer in all offering documents relating to the Relevant Notes of a statement to the effect that where interest, discount income, prepayment fee, redemption premium or break cost is derived from the Relevant Notes by a person who is not resident in Singapore and who carries on any operation in Singapore through a permanent establishment in Singapore, the tax exemption for qualifying debt securities shall not apply if such non-resident person acquires the Relevant Notes using funds and profits from that person's operations through the Singapore permanent establishment), interest, discount income (not including discount income arising from secondary trading), prepayment fee, redemption premium and break cost (collectively, the 'Qualifying Income') from the Relevant Notes derived by a holder who is not resident in Singapore and who (aa) does not have any permanent establishment in Singapore, or (bb) carries on any operation in Singapore through a permanent establishment in Singapore but the funds used by that person to acquire the Relevant Notes are not funds and profits of that person's operations through a permanent establishment in Singapore, are exempt from Singapore tax;
- (b) subject to certain conditions having been fulfilled (including the furnishing by the Issuer, or such other person as the Comptroller may direct, of a return on debt securities for the Relevant Notes within such period as the Comptroller may specify and such other particulars in connection with the Relevant Notes as the Comptroller may require to the Comptroller and the MAS), Qualifying Income from the Relevant Notes derived by any company or a body of persons (as defined in the Income Tax Act) in Singapore is subject to tax at a concessionary rate of 10 per cent.; and

- (c) subject to:
- (i) the Issuer including in all offering documents relating to the Relevant Notes a statement to the effect that any person whose interest, discount income, prepayment fee, redemption premium or break cost derived from the Relevant Notes is not exempt from tax shall include such income in a return of income made under the Income Tax Act; and
  - (ii) the Issuer, or such other person as the Comptroller may direct, furnishing to the Comptroller and MAS a return on debt securities for the Relevant Notes within such period as the Comptroller may specify and such other particulars in connection with the Relevant Notes as the Comptroller may require,

Qualifying Income derived from the Relevant Notes is not subject to withholding of tax by the Issuer.

However, notwithstanding the foregoing:

- (i) if during the primary launch of any tranche of Relevant Notes, such Relevant Notes are issued to fewer than four persons and 50 per cent. or more of the principal amount of such Relevant Notes is beneficially held or funded, directly or indirectly, by related parties of the Issuer, such Relevant Notes would not qualify as 'qualifying debt securities'; and
- (ii) even though a particular tranche of Relevant Notes are 'qualifying debt securities', if, at any time during the tenure of such tranche of Relevant Notes, 50 per cent. or more of the principal amount of such Relevant Notes is held beneficially or funded, directly or indirectly, by any related party(ies) of the Issuer, Qualifying Income derived from that tranche of Relevant Notes held by:
  - (a) any related party of the Issuer; or
  - (b) any other person where the funds used by such person to acquire such Relevant Notes are obtained, directly or indirectly, from any related party of the Issuer,

shall not be eligible for the tax exemption or concessionary rate of tax described above.

The term 'related party', in relation to a person, means any other person who, directly or indirectly, controls that person, or is controlled, directly or indirectly, by that person, or where he and that other person, directly or indirectly, are under the control of a common person.

The terms 'break cost', 'prepayment fee' and 'redemption premium' are defined in the Income Tax Act as follows:

- (i) 'break cost', in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by any loss or liability incurred by the holder of the securities in connection with such redemption;
- (ii) 'prepayment fee', in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by the terms of the issuance of the securities; and
- (iii) 'redemption premium', in relation to debt securities and qualifying debt securities, means any premium payable by the issuer of the securities on the redemption of the securities upon their maturity.

References to 'break cost', 'prepayment fee' and 'redemption premium' in this Singapore tax disclosure have their same meaning as in the Income Tax Act.

Notwithstanding that the Issuer is permitted to make payments of interest, discount income, prepayment fee, redemption premium and break cost in respect of the Relevant Notes without deduction or withholding for tax under section 45 or 45A of the Income Tax Act, any person whose interest, discount income, prepayment fee, redemption premium or break cost derived from the Relevant Notes is not exempt from tax is required under the Income Tax Act to include such income in a return of income made under the Income Tax Act.

The Qualifying Debt Securities Plus Scheme ('QDS Plus Scheme') has also been introduced as an enhancement of the Qualifying Debt Securities Scheme. Under the QDS Plus Scheme, subject to certain conditions having been fulfilled (including the furnishing by the Issuer, or such other person as the Comptroller may direct, of a return on debt securities in respect of the qualifying debt securities within such period as the Comptroller may specify and such other particulars in connection with the qualifying debt securities as the Comptroller may require to the Comptroller and MAS), income tax exemption is granted on interest, discount income (not including discount income arising from secondary trading), prepayment fee, redemption premium and break cost derived by any investor from qualifying debt securities (excluding Singapore Government Securities) which:

- (a) are issued during the period from 16 February 2008 to 31 December 2013;
- (b) have an original maturity of not less than 10 years;
- (c) cannot be redeemed, called, exchanged or converted within 10 years from the date of their issue; and
- (d) cannot be re-opened with a resulting tenure of less than 10 years to the original maturity date.

However, even though a particular tranche of Relevant Notes are 'qualifying debt securities' which qualify under the QDS Plus Scheme, if, at any time during the tenure of such tranche of Relevant Notes, 50 per cent. or more of the issue of such Relevant Notes is held beneficially or funded, directly or indirectly, by any related party(ies) of the Issuer, interest, discount income, prepayment fees, redemption premium and break costs from such Relevant Notes derived by:

- (i) any related party of the Issuer; or
- (ii) any other person where the funds used by such person to acquire such Relevant Notes are obtained, directly or indirectly, from any related party of the Issuer,

shall not be eligible for the tax exemption under the QDS Plus Scheme as described above.

### **Capital gains**

Any gains considered to be in the nature of capital made from the sale of the Notes will not be taxable in Singapore. However, any gains derived by any person from the sale of the Notes which are gains from any trade, business, profession or vocation carried on by that person, if accruing in or derived from Singapore, may be taxable as such gains are considered revenue in nature.

Holders of the Notes who apply or are required to apply Singapore Financial Reporting Standard 39 – Financial Instruments – Recognition and Measurement ('FRS 39'), may for Singapore income tax purposes be required to recognise gains or losses (not being gains or losses in the nature of capital) on the Notes, irrespective of disposal, in accordance with FRS 39. Please see the section below on 'Income tax implications arising from the adoption of FRS 39'.

### ***Income tax implications arising from the adoption of FRS 39***

Singapore registered companies with annual periods beginning on or after 1 January 2005 are generally required to comply with FRS 39 for accounting purposes. The Inland Revenue Authority of Singapore has issued a circular entitled 'Income Tax Implications Arising from the Adoption of FRS 39 – Financial Instruments: Recognition and Measurement' (the 'FRS 39 Circular'). The Income Tax Act has since been amended to give effect to the FRS 39 Circular.

The FRS 39 Circular generally applies, subject to certain 'opt-out' provisions, to taxpayers who are required to comply with FRS 39 for financial reporting purposes.

Holders of the Notes who may be subject to the tax treatment under the FRS 39 Circular should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Notes.

### ***Estate duty***

Singapore estate duty has been abolished with respect to all deaths occurring on or after 15 February 2008.

## **Taxation in Luxembourg**

*The comments below are intended as a basic summary of certain tax consequences in relation to the purchase, ownership and disposition of the Notes under Luxembourg law. Persons who are in any doubt as to their tax position should consult a professional tax adviser.*

### **Withholding tax**

Under Luxembourg tax law currently in effect and with the possible exception of interest paid to individual Noteholders and to certain entities, there is no Luxembourg withholding tax on payments of interest (including accrued but unpaid interest). There is also no Luxembourg withholding tax, with the possible exception of payments made to individual Noteholders and to certain entities, upon repayment of principal in case of reimbursement, redemption, repurchase or exchange of the Notes.

#### *Luxembourg non-resident individuals*

Under the Luxembourg laws dated 21 June 2005 implementing the European Council Directive 2003/48/EC on the taxation of savings income (the 'Savings Directive') and several agreements concluded between Luxembourg and certain dependent or associated territories of the European Union ('EU'), a Luxembourg-based paying agent (within the meaning of the Savings Directive) is required since 1 July 2005 to withhold tax on interest and other similar income paid by it to (or under certain circumstances, to the benefit of) an individual resident in another Member State or in certain EU dependent or associated territories, unless the beneficiary of the interest payments elects for an exchange of information or for the tax certificate procedure. The same regime applies to payments of interest and other similar income made to certain 'residual entities' within the meaning of Article 4.2 of the Savings Directive established in a Member State or in certain EU dependent or associated territories (i.e. entities which are not legal persons (the Finnish and Swedish companies listed in Article 4.5 of the Savings Directive are not considered as legal persons for this purpose), whose profits are not taxed under the general arrangements for the business taxation, and that is not, or has not opted to be considered as, an UCITS recognised in accordance with Council Directive 85/611/EEC).

The withholding tax rate is 20 per cent. increasing to 35 per cent. as from 1 July 2011. The withholding tax system will only apply during a transitional period, the ending of which depends on the conclusion of certain agreements relating to information exchange with certain third countries.

#### *Luxembourg resident individuals*

A 10 per cent. withholding tax has been introduced, as from 1 January 2006, on interest payments made by Luxembourg paying agents (defined in the same way as in the Savings Directive) to Luxembourg individual residents or to certain residual entities that secure interest payments on behalf of such individuals (unless such entities have opted either to be treated as UCITS recognised in accordance with the Council Directive 85/611/EEC or for the exchange of information regime). Only interest accrued after 1 July 2005 falls within the scope of the withholding tax.

Pursuant to the Luxembourg law of 23 December 2005 as amended by the law of 17 July 2008, Luxembourg resident individuals, acting in the course of their private wealth, can opt to self-declare and pay a 10 per cent. tax on interest payments made after 31 December 2007 by paying agents (defined in the same way as in the Savings Directive) located in an EU Member State other than Luxembourg, a Member State of the European Economic Area other than an EU Member State or in a State or territory which has concluded an international agreement directly related to the Savings Directive.

The 10 per cent. withholding tax or the 10 per cent. self-declared tax represents the final tax liability for the Luxembourg individual resident taxpayers, receiving the interest payment in the course of their private wealth.

## **Taxation in the United States**

To ensure compliance with Internal Revenue Service Circular 230, U.S. Holders are hereby notified that: (a) any discussion of federal tax issues in this Base Prospectus is not intended or written by us to be relied upon, and cannot be relied upon by U.S. Holders for the purpose of avoiding penalties that may be imposed on U.S. Holders under the Internal Revenue Code; (b) such discussion is written to support the promotion or marketing of the transactions or matters

addressed herein; and (c) U.S. Holders should seek advice based on their particular circumstances from an independent tax adviser.

*The following is a summary of certain material U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes by a U.S. Holder (as defined below). Except where otherwise expressly noted, all references to Notes in this summary refer only to Registered Notes issued by Rabobank Nederland. This summary does not address the material U.S. federal income tax consequences of every type of Note which may be issued under the Programme, and the relevant Final Terms may contain additional or modified disclosure concerning the material U.S. federal income tax consequences relevant to such type of Note as appropriate. This summary deals only with purchasers of Notes that are U.S. Holders and that will hold the Notes as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors, and does not address state, local, foreign or other tax laws. In particular, this summary does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, investors liable for the alternative minimum tax, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the Notes as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes or investors whose functional currency is not the U.S. Dollar). Moreover, the summary does not address the U.S. federal income tax treatment of (i) Equity Linked Notes, (ii) FX Linked Notes, (iii) Notes for which payments of principal or interest are denominated in, or determined by reference to, more than one currency, or (iv) Notes with a term of more than 30 years. The U.S. federal income tax consequences of owning any such Notes will be discussed in the relevant Final Terms.*

*As used herein, the term 'U.S. Holder' means a beneficial owner of Notes that is for U.S. federal income tax purposes (i) a citizen or resident of the United States, (ii) a corporation, or other entity treated as a corporation, created or organised under the laws of the United States or any State thereof, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has elected to be treated as a domestic trust.*

*The U.S. federal income tax treatment of a partner in a partnership that holds Notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are partnerships should consult their tax adviser concerning the U.S. federal income tax consequences to their partners of the acquisition, ownership and disposition of Notes by the partnership.*

*The summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended (the 'Code'), its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as currently in effect and all subject to change at any time, possibly with retroactive effect.*

*Bearer Notes (including Exchangeable Bearer Notes while in bearer form) are not being offered to U.S. Holders. A U.S. Holder who owns a Bearer Note may be subject to limitations under United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Code.*

**THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR OWN TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.**

### ***Payments of interest***

Interest on a Note, whether payable in U.S. Dollars or a currency, composite currency or basket of currencies other than U.S. Dollars (a 'foreign currency'), other than interest on a 'Discount Note' that is not 'qualified stated interest' (each as defined below under '- Original Issue Discount – General'), will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on the holder's method of accounting for tax purposes. Interest paid by

Rabobank Nederland on the Notes and original issue discount, if any, accrued with respect to the Notes (as described below under ‘- Original Issue Discount’) generally will constitute income from sources outside the United States. Prospective purchasers should consult their tax advisers concerning the applicability of the foreign tax credit and source of income rules to income attributable to the Notes.

### **Original Issue Discount**

#### *General*

The following is a summary of the principal U.S. federal income tax consequences of the ownership of Notes issued with original issue discount (‘OID’).

A Note, other than a Note with a term of one year or less (a ‘Short-Term Note’), will be treated as issued with OID (a ‘Discount Note’) if the excess of the Note’s ‘stated redemption price at maturity’ over its issue price is equal to or more than a *de minimis* amount (0.25 per cent. of the Note’s stated redemption price at maturity multiplied by the number of complete years to its maturity). An obligation that provides for the payment of amounts other than qualified stated interest before maturity (an ‘instalment obligation’) will be treated as a Discount Note if the excess of the Note’s stated redemption price at maturity over its issue price is equal to or greater than 0.25 per cent. of the Note’s stated redemption price at maturity multiplied by the weighted average maturity of the Note. A Note’s weighted average maturity is the sum of the following amounts determined for each payment on a Note (other than a payment of qualified stated interest): (i) the number of complete years from the issue date until the payment is made multiplied by (ii) a fraction, the numerator of which is the amount of the payment and the denominator of which is the Note’s stated redemption price at maturity. Generally, the issue price of a Note will be the first price at which a substantial amount of Notes included in the issue of which the Note is a part is sold to persons other than bond houses, brokers, or similar persons or organisations acting in the capacity of underwriters, placement agents or wholesalers. The stated redemption price at maturity of a Note is the total of all payments provided by the Note that are not payments of ‘qualified stated interest’. A qualified stated interest payment is generally any one of a series of stated interest payments on a Note that are unconditionally payable at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods), or a variable rate (in the circumstances described below under ‘- Floating Rate Notes’), applied to the outstanding principal amount of the Note. Solely for purposes of determining whether a Note has OID, Rabobank Nederland will be deemed to exercise any call option that has the effect of decreasing the yield on the Note, and the U.S. Holder will be deemed to exercise any put option that has the effect of increasing the yield on the Note.

U.S. Holders of Discount Notes must include OID in income calculated on a constant-yield method before the receipt of cash attributable to the income, and generally will have to include in income increasingly greater amounts of OID over the life of the Discount Notes. The amount of OID includible in income by a U.S. Holder of a Discount Note is the sum of the daily portions of OID with respect to the Discount Note for each day during the taxable year or portion of the taxable year on which the U.S. Holder holds the Discount Note (‘accrued OID’). The daily portion is determined by allocating to each day in any ‘accrual period’ a *pro rata* portion of the OID allocable to that accrual period. Accrual periods with respect to a Note may be of any length selected by the U.S. Holder and may vary in length over the term of the Note as long as (i) no accrual period is longer than one year and (ii) each scheduled payment of interest or principal on the Note occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the product of the Discount Note’s adjusted issue price at the beginning of the accrual period and the Discount Note’s yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of qualified stated interest on the Note allocable to the accrual period. The ‘adjusted issue price’ of a Discount Note at the beginning of any accrual period is the issue price of the Note increased by (x) the amount of accrued OID for each prior accrual period and decreased by (y) the amount of any payments previously made on the Note that were not qualified stated interest payments.

#### *Acquisition premium*

A U.S. Holder that purchases a Discount Note for an amount less than or equal to the sum of all amounts payable on the Note after the purchase date other than payments of qualified stated interest but in excess of its adjusted issue price (any such excess being ‘acquisition

premium”) and that does not make the election described below under ‘Election to Treat All Interest as Original Issue Discount’ is permitted to reduce the daily portions of OID by a fraction, the numerator of which is the excess of the U.S. Holder’s adjusted basis in the Note immediately after its purchase over the Note’s adjusted issue price, and the denominator of which is the excess of the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, over the Note’s adjusted issue price.

#### *Market discount*

A Note, other than a Short-Term Note, generally will be treated as purchased at a market discount (a ‘Market Discount Note’) if the Note’s stated redemption price at maturity or, in the case of a Discount Note, the Note’s ‘revised issue price’, exceeds the amount for which the U.S. Holder purchased the Note by at least 0.25 per cent. of the Note’s stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the Note’s maturity (or, in the case of a Note that is an instalment obligation, the Note’s weighted average maturity). If this excess is not sufficient to cause the Note to be a Market Discount Note, then the excess constitutes ‘*de minimis* market discount’. For this purpose, the ‘revised issue price’ of a Note generally equals its issue price, increased by the amount of any OID that has accrued on the Note, and decreased by the amount of any payments previously made on the Note that were not qualified stated interest payments.

Under current law, any gain recognised on the maturity or disposition of a Market Discount Note (including any payment on a Note that is not qualified stated interest) will be treated as ordinary income to the extent that the gain does not exceed the accrued market discount on the Note. Alternatively, a U.S. Holder of a Market Discount Note may elect to include market discount in income currently over the life of the Note. This election shall apply to all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year to which the election applies. This election may not be revoked without the consent of the U.S. Internal Revenue Service (the ‘IRS’). A U.S. Holder of a Market Discount Note that does not elect to include market discount in income currently will generally be required to defer deductions for interest on borrowings incurred to purchase or carry a Market Discount Note that is in excess of the interest and OID on the Note includible in the U.S. Holder’s income, to the extent that this excess interest expense does not exceed the portion of the market discount allocable to the days on which the Market Discount Note was held by the U.S. Holder.

Under current law, market discount will accrue on a straight-line basis unless the U.S. Holder elects to accrue the market discount on a constant-yield method. This election applies only to the Note with respect to which it is made and is irrevocable.

#### *Election to Treat All Interest as Original Issue Discount*

A U.S. Holder may elect to include in gross income all interest that accrues on a Note using the constant-yield method described above under ‘- Original Issue Discount – General,’ with certain modifications. For purposes of this election, interest includes stated interest, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortisable bond premium (described below under ‘Notes Purchased at a Premium’) or acquisition premium. This election will generally apply only to the Note with respect to which it is made and may not be revoked without the consent of the IRS. If the election to apply the constant-yield method to all interest on a Note is made with respect to a Market Discount Note, the electing U.S. Holder will be treated as having made the election discussed above under ‘Market Discount’ to include market discount in income currently over the life of all debt instruments with market discount held or thereafter acquired by the U.S. Holder. U.S. Holders should consult their tax advisers concerning the propriety and consequences of this election.

#### *Floating Rate Notes*

Notes that provide for interest at variable rates (‘Floating Rate Notes’) generally will bear interest at a ‘qualified floating rate’ and thus will be treated as ‘variable rate debt instruments’ under Treasury regulations governing accrual of OID. A Floating Rate Note will qualify as a ‘variable rate debt instrument’ if (a) its issue price does not exceed the total noncontingent principal payments due under the Floating Rate Note by more than a specified *de minimis* amount, (b) it provides for stated interest, paid or compounded at least annually, at (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified

inverse floating rate and (c) it does not provide for any principal payments that are contingent (other than as described in (a) above).

A 'qualified floating rate' is any variable rate where variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Floating Rate Note is denominated. A fixed multiple of a qualified floating rate will constitute a qualified floating rate only if the multiple is greater than 0.65 but not more than 1.35. A variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate, will also constitute a qualified floating rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Floating Rate Note (e.g., two or more qualified floating rates with values within 25 basis points of each other as determined on the Floating Rate Note's issue date) will be treated as a single qualified floating rate. Notwithstanding the foregoing, a variable rate that would otherwise constitute a qualified floating rate but which is subject to one or more restrictions such as a maximum numerical limitation (i.e., a cap) or a minimum numerical limitation (i.e., a floor) may, under certain circumstances, fail to be treated as a qualified floating rate unless the cap or floor is fixed throughout the term of the Note.

An 'objective rate' is a rate that is not itself a qualified floating rate but which is determined using a single fixed formula and which is based on objective financial or economic information (e.g., one or more qualified floating rates or the yield of actively traded personal property). A rate will not qualify as an objective rate if it is based on information that is within the control of Rabobank Nederland (or a related party) or that is unique to the circumstances of Rabobank Nederland (or a related party), such as dividends, profits or the value of Rabobank Nederland's stock (although a rate does not fail to be an objective rate merely because it is based on the credit quality of Rabobank Nederland). Other variable interest rates may be treated as objective rates if so designated by the IRS in the future. Despite the foregoing, a variable rate of interest on a Floating Rate Note will not constitute an objective rate if it is reasonably expected that the average value of the rate during the first half of the Floating Rate Note's term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Floating Rate Note's term. A 'qualified inverse floating rate' is any objective rate where the rate is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. If a Floating Rate Note provides for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period and if the variable rate on the Floating Rate Note's issue date is intended to approximate the fixed rate (e.g., the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 25 basis points), then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be.

A qualified floating rate or objective rate in effect at any time during the term of the instrument must be set at a 'current value' of that rate. A 'current value' of a rate is the value of the rate on any day that is no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

If a Floating Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof qualifies as a 'variable rate debt instrument', then any stated interest on the Note which is unconditionally payable in cash or property (other than debt instruments of the Issuer) at least annually will constitute qualified stated interest and will be taxed accordingly. Thus, a Floating Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof and that qualifies as a 'variable rate debt instrument' will generally not be treated as having been issued with OID unless the Floating Rate Note is issued at a 'true' discount (i.e., at a price below the Note's stated principal amount) in excess of a specified *de minimis* amount. OID on a Floating Rate Note arising from 'true' discount is allocated to an accrual period using the constant-yield method described above by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate, or (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the Floating Rate Note.

In general, any other Floating Rate Note that qualifies as a 'variable rate debt instrument' will be converted into an 'equivalent' fixed rate debt instrument for purposes of determining the amount and accrual of OID and qualified stated interest on the Floating Rate Note. Such a Floating Rate Note must be converted into an 'equivalent' fixed rate debt instrument by substituting any qualified floating rate or qualified inverse floating rate provided for under the terms of the Floating Rate Note with a fixed rate equal to the value of the qualified floating rate or qualified inverse floating rate, as the case may be, as of the Floating Rate Note's issue date. Any objective rate (other than a qualified inverse floating rate) provided for under the terms of the Floating Rate Note is converted into a fixed rate that reflects the yield that is reasonably expected for the Floating Rate Note. In the case of a Floating Rate Note that qualifies as a 'variable rate debt instrument' and provides for stated interest at a fixed rate in addition to either one or more qualified floating rates or a qualified inverse floating rate, the fixed rate is initially converted into a qualified floating rate (or a qualified inverse floating rate, if the Floating Rate Note provides for a qualified inverse floating rate). Under these circumstances, the qualified floating rate or qualified inverse floating rate that replaces the fixed rate must be such that the fair market value of the Floating Rate Note as of the Floating Rate Note's issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse floating rate, the Floating Rate Note is then converted into an 'equivalent' fixed rate debt instrument in the manner described above.

Once the Floating Rate Note is converted into an 'equivalent' fixed rate debt instrument pursuant to the foregoing rules, the amount of OID and qualified stated interest, if any, are determined for the 'equivalent' fixed rate debt instrument by applying the general OID rules to the 'equivalent' fixed rate debt instrument and a U.S. Holder of the Floating Rate Note will account for the OID and qualified stated interest as if the U.S. Holder held the 'equivalent' fixed rate debt instrument. In each accrual period, appropriate adjustments will be made to the amount of qualified stated interest or OID assumed to have been accrued or paid with respect to the 'equivalent' fixed rate debt instrument in the event that these amounts differ from the actual amount of interest accrued or paid on the Floating Rate Note during the accrual period.

If a Floating Rate Note, such as a Note the payments on which are determined by reference to an index, does not qualify as a 'variable rate debt instrument', then the Floating Rate Note will be treated as a contingent payment debt obligation. See 'Contingent Payment Debt Instruments' below for a discussion of the U.S. federal income tax treatment of such Notes.

#### *Short-Term Notes*

In general, an individual or other cash basis U.S. Holder of a Short-Term Note is not required to accrue OID (as specially defined below for the purposes of this paragraph) for U.S. federal income tax purposes unless it elects to do so (but may be required to include any stated interest in income as the interest is received). Accrual basis U.S. Holders and certain other U.S. Holders are required to accrue OID on Short-Term Notes on a straight-line basis or, if the U.S. Holder so elects, under the constant-yield method (based on daily compounding). In the case of a U.S. Holder not required and not electing to include OID in income currently, any gain realised on the sale or retirement of the Short-Term Note will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant-yield method) through the date of sale or retirement. U.S. Holders who are not required and do not elect to accrue OID on Short-Term Notes will be required to defer deductions for interest on borrowings allocable to Short-Term Notes in an amount not exceeding the deferred income until the deferred income is realised.

For purposes of determining the amount of OID subject to these rules, all interest payments on a Short-Term Note, are included in the Short-Term Note's stated redemption price at maturity. A U.S. Holder may elect to determine OID on a Short-Term Note as if the Short-Term Note had been originally issued to the U.S. Holder at the U.S. Holder's purchase price for the Short-Term Note. This election shall apply to all obligations with a maturity of one year or less acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

#### *Fungible issue*

Rabobank Nederland may, without the consent of the Noteholders, issue additional Notes with identical terms. These additional Notes, even if they are treated for non-tax purposes as part

of the same series as the original Notes, in some cases may be treated as a separate series for U.S. federal income tax purposes. In such a case, the additional Notes may be considered to have been issued with OID even if the original Notes had no OID, or the additional Notes may have a greater amount of OID than the original Notes. These differences may affect the market value of the original Notes if the additional Notes are not otherwise distinguishable from the original Notes.

### ***Notes purchased at a premium***

A U.S. Holder that purchases a Note for an amount in excess of its principal amount, or for a Discount Note, its stated redemption price at maturity, may elect to treat the excess as 'amortisable bond premium', in which case the amount required to be included in the U.S. Holder's income each year with respect to interest on the Note will be reduced by the amount of amortisable bond premium allocable (based on the Note's yield to maturity) to that year. Any election to amortise bond premium shall apply to all bonds (other than bonds the interest on which is excludable from gross income for U.S. federal income tax purposes) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. See also '- Original Issue Discount – Election to Treat All Interest as Original Issue Discount'.

### ***Contingent Payment Debt Instruments***

Certain Series or Tranches of Notes may be treated as 'contingent payment debt instruments' for U.S. federal income tax purposes ('Contingent Notes'). Under applicable U.S. Treasury regulations, interest on Contingent Notes will be treated as 'original issue discount' ('OID'), and must be accrued on a constant-yield basis based on a yield to maturity that reflects the rate at which the Issuer would issue a comparable fixed-rate non-exchangeable instrument (the 'comparable yield'), in accordance with a projected payment schedule. This projected payment schedule must include each non-contingent payment on the Contingent Notes and an estimated amount for each contingent payment, and must produce the comparable yield.

The Issuer is required to provide to holders, solely for U.S. federal income tax purposes, a schedule of the projected amounts of payments on Contingent Notes. This schedule must produce the comparable yield. The comparable yield and projected payment schedule will be available from the Issuer by submitting a written request for such information to Head of Investor Relations, Croeselaan 18, 3521 CB Utrecht, The Netherlands or e-mail: [ir@rabobank.com](mailto:ir@rabobank.com).

THE COMPARABLE YIELD AND PROJECTED PAYMENT SCHEDULE WILL NOT BE DETERMINED FOR ANY PURPOSE OTHER THAN FOR THE DETERMINATION OF INTEREST ACCRUALS AND ADJUSTMENTS THEREOF IN RESPECT OF CONTINGENT NOTES FOR UNITED STATES FEDERAL INCOME TAX PURPOSES AND WILL NOT CONSTITUTE A PROJECTION OR REPRESENTATION REGARDING THE ACTUAL AMOUNTS PAYABLE TO THE HOLDERS OF THE NOTES.

The use of the comparable yield and the calculation of the projected payment schedule will be based upon a number of assumptions and estimates and will not be a prediction, representation or guarantee of the actual amounts of interest that may be paid to a U.S. Holder or the actual yield of the Contingent Notes. A U.S. Holder will generally be bound by the comparable yield and the projected payment schedule determined by the Issuer, unless the U.S. Holder determines its own comparable yield and projected payment schedule and explicitly discloses such schedule to the IRS, and explains to the IRS the reason for preparing its own schedule. The Issuer's determination, however, is not binding on the IRS, and it is possible that the IRS could conclude that some other comparable yield or projected payment schedule should be used instead.

A U.S. Holder of a Contingent Note will generally be required to include OID in income pursuant to the rules discussed in the third paragraph under 'Original Issue Discount – General', above, applied to the projected payment schedule. The 'adjusted issue price' of a Contingent Note at the beginning of any accrual period is the issue price of the Note increased by the amount of accrued OID for each prior accrual period, and decreased by the projected amount of any payments on the Note. No additional income will be recognised upon the receipt of payments of stated interest in amounts equal to the annual payments included in the projected payment schedule described above. Any differences between actual payments received by the U.S. Holder on the Notes in a taxable year and the projected amount of those payments will be accounted for

as additional interest (in the case of a positive adjustment) or as an offset to interest income in respect of the Note (in the case of a negative adjustment), for the taxable year in which the actual payment is made. If the negative adjustment for any taxable year exceeds the amount of OID on the Contingent Note for that year, the excess will be treated as an ordinary loss, but only to the extent the U.S. Holder's total OID inclusions on the Contingent Note exceed the total amount of any ordinary loss in respect of the Contingent Note claimed by the U.S. Holder under this rule in prior taxable years. Any negative adjustment that is not allowed as an ordinary loss for the taxable year is carried forward to the next taxable year, and is taken into account in determining whether the U.S. Holder has a net positive or negative adjustment for that year. However, any negative adjustment that is carried forward to a taxable year in which the Contingent Note is sold, exchanged or retired, to the extent not applied to OID accrued for such year, reduces the U.S. Holder's amount realised on the sale, exchange or retirement.

### **Purchase, sale and retirement of Notes**

#### *Notes other than Contingent Notes*

A U.S. Holder's tax basis in a Note will generally be its cost increased by the amount of any OID or market discount included in the U.S. Holder's income with respect to the Note and the amount, if any, of income attributable to *de minimis* OID and *de minimis* market discount included in the U.S. Holder's income with respect to the Note, and reduced by (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortisable bond premium applied to reduce interest on the Note. A U.S. Holder will generally recognise gain or loss on the sale or retirement of a Note equal to the difference between the amount realised on the sale or retirement and the tax basis of the Note. The amount realised does not include the amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income. Except to the extent described above under 'Original Issue Discount – Market Discount' or 'Original Issue Discount – Short-Term Notes' or attributable to changes in exchange rates (as discussed below), gain or loss recognised on the sale or retirement of a Note will be capital gain or loss and will be long-term capital gain or loss if the U.S. Holder's holding period in the Notes exceeds one year.

Gain or loss realised by a U.S. Holder on the sale or retirement of a Note generally will be U.S. source.

#### *Contingent Notes*

Gain from the sale or retirement of a Contingent Note will be treated as interest income taxable at ordinary income (rather than capital gains) rates. Any loss will be ordinary loss to the extent that the U.S. Holder's total interest inclusions to the date of sale or retirement exceed the total net negative adjustments that the U.S. Holder took into account as ordinary loss, and any further loss will be capital loss. Gain or loss realised by a U.S. Holder on the sale or retirement of a Contingent Note will generally be foreign source.

A U.S. Holder's tax basis in a Contingent Note will generally be equal to its cost, increased by the amount of interest previously accrued with respect to the Note (determined without regard to any positive or negative adjustments reflecting the difference between actual payments and projected payments), increased or decreased by the amount of any positive or negative adjustment that the Holder is required to make to account for the difference between the Holder's purchase price for the Note and the adjusted issue price of the Note at the time of the purchase, and decreased by the amount of any projected payments scheduled to be made on the Note to the U.S. Holder through such date (without regard to the actual amount paid).

#### *Substitution of Issuer*

The terms of the Notes provide that, in certain circumstances (as described above under 'Terms and Conditions of the Notes – Meeting of Noteholders, Modifications and Substitutions'), the obligations of Rabobank Nederland under the Notes may be assumed by another entity. Any such assumption might be treated for U.S. federal income tax purposes as a deemed disposition of Notes by a U.S. Holder in exchange for new notes issued by the new obligor. As a result of this deemed disposition, a U.S. Holder could be required to recognise capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the issue price of the new notes (as determined for U.S. federal income tax purposes) and the U.S. Holder's tax basis in the Notes. U.S. Holders should consult their tax advisers concerning the U.S. federal income tax consequences to them of a change in obligor with respect to the Notes.

## **Foreign currency notes**

### *Interest*

If an interest payment is denominated in, or determined by reference to, a foreign currency, the amount of income recognised by a cash basis U.S. Holder will be the U.S. Dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. Dollars.

An accrual basis U.S. Holder may determine the amount of income recognised with respect to an interest payment denominated in, or determined by reference to, a foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within the taxable year).

Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year). Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. Dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS.

Upon receipt of an interest payment (including a payment attributable to accrued but unpaid interest upon the sale or retirement of a Note) denominated in, or determined by reference to, a foreign currency, the U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. Dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. Dollars.

### *OID*

OID for each accrual period on a Discount Note that is denominated in, or determined by reference to, a foreign currency, will be determined in the foreign currency and then translated into U.S. Dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above. Upon receipt of an amount attributable to OID (whether in connection with a payment on the Note or a sale of the Note), a U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. Dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. Dollars.

### *Market discount*

Market Discount on a Note that is denominated in, or determined by reference to, a foreign currency, will be accrued in the foreign currency. If the U.S. Holder elects to include market discount in income currently, the accrued market discount will be translated into U.S. Dollars at the average exchange rate for the accrual period (or portion thereof within the U.S. Holder's taxable year). Upon the receipt of an amount attributable to accrued market discount, the U.S. Holder may recognise U.S. source exchange gain or loss (which will be taxable as ordinary income or loss) determined in the same manner as for accrued interest or OID. A U.S. Holder that does not elect to include market discount in income currently will recognise, upon the disposition or maturity of the Note, the U.S. Dollar value of the amount accrued, calculated at the spot rate on that date, and no part of this accrued market discount will be treated as exchange gain or loss.

### *Bond premium*

Bond premium (including acquisition premium) on a Note that is denominated in, or determined by reference to, a foreign currency, will be computed in units of the foreign currency, and any such bond premium that is taken into account currently will reduce interest income in units of the foreign currency. On the date bond premium offsets interest income, a U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) measured by the difference between the spot rate in effect on that date, and on the date the Notes were

acquired by the U.S. Holder. A U.S. Holder that does not elect to take bond premium (other than acquisition premium) into account currently will recognise a market loss when the Note matures.

#### *Foreign Currency Contingent Notes*

Special rules apply to determine the accrual of OID, and the amount, timing, source and character of any gain or loss on a Contingent Note that is denominated in, or determined by reference to, a foreign currency (a 'Foreign Currency Contingent Note'). The rules applicable to Foreign Currency Contingent Notes are complex, and U.S. Holders are urged to consult their tax advisers concerning the application of these rules.

Under these rules, a U.S. Holder of a Foreign Currency Contingent Note will generally be required to accrue OID in the foreign currency in which the Foreign Currency Contingent Note is denominated (i) at a yield at which the Issuer would issue a fixed rate debt instrument denominated in the same foreign currency with terms and conditions similar to those of the Foreign Currency Contingent Note, and (ii) in accordance with a projected payment schedule determined by the Issuer, under rules similar to those described above under 'Contingent Payment Debt Instruments'. The amount of OID on a Foreign Currency Contingent Note that accrues in any accrual period will be the product of the comparable yield of the Foreign Currency Contingent Note (adjusted to reflect the length of the accrual period) and the adjusted issue price of the Foreign Currency Contingent Note. The adjusted issue price of a Foreign Currency Contingent Note will generally be determined under the rules described above, and will be denominated in the foreign currency of the Foreign Currency Contingent Note.

OID on a Foreign Currency Contingent Note will be translated into U.S. dollars under translation rules similar to those described above under 'Foreign Currency—Interest'. Any positive adjustment (i.e. the excess of actual payments over projected payments) in respect of a Foreign Currency Contingent Note for a taxable year will be translated into U.S. dollars at the spot rate on the last day of the taxable year in which the adjustment is taken into account, or if earlier, the date on which the Foreign Currency Contingent Note is disposed of. The amount of any negative adjustment on a Foreign Currency Contingent Note (i.e. the excess of projected payments over actual payments) that is offset against accrued but unpaid OID will be translated into U.S. dollars at the same rate at which the OID was accrued. To the extent a net negative adjustment exceeds the amount of accrued but unpaid OID, the negative adjustment will be treated as offsetting OID that has accrued and been paid on the Foreign Currency Contingent Note, and will be translated into U.S. dollars at the spot rate on the date the Foreign Currency Contingent Note was issued. Any net negative adjustment carry forward will be carried forward in the relevant foreign currency.

#### *Sale or retirement*

##### *Notes other than Foreign Currency Contingent Notes.*

As discussed above under 'Purchase, Sale and Retirement of Notes', a U.S. Holder will generally recognise gain or loss on the sale or retirement of a Note equal to the difference between the amount realised on the sale or retirement and its tax basis in the Note. A U.S. Holder's tax basis in a Note that is denominated in a foreign currency will be determined by reference to the U.S. Dollar cost of the Note. The U.S. Dollar cost of a Note purchased with foreign currency will generally be the U.S. Dollar value of the purchase price on the date of purchase or, in the case of Notes traded on an established securities market, as defined in the applicable Treasury Regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the purchase.

The amount realised on a sale or retirement for an amount in foreign currency will be the U.S. Dollar value of this amount on the date of sale or retirement or, in the case of Notes traded on an established securities market, as defined in the applicable Treasury Regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the sale. Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

A U.S. Holder will recognise U.S. source exchange rate gain or loss (taxable as ordinary income or loss) on the sale or retirement of a Note equal to the difference, if any, between the U.S. Dollar values of the U.S. Holder's purchase price for the Note (or, if less, the principal amount of the Note) (i) on the date of sale or retirement and (ii) the date on which the U.S. Holder acquired the Note. Any such exchange rate gain or loss will be realised only to the extent of total gain or loss realised on the sale or retirement.

*Foreign Currency Contingent Notes.* Upon a sale, exchange or retirement of a Foreign Currency Contingent Note, a U.S. Holder will generally recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange or retirement and the U.S. Holder's tax basis in the Foreign Currency Contingent Note, both translated into U.S. dollars as described below. A U.S. Holder's tax basis in a Foreign Currency Contingent Note will equal (i) the cost thereof (translated into U.S. dollars at the spot rate on the issue date), (ii) increased by the amount of OID previously accrued on the Foreign Currency Contingent Note (disregarding any positive or negative adjustments and translated into U.S. dollars using the exchange rate applicable to such OID) and (iii) decreased by the projected amount of all prior payments in respect of the Foreign Currency Contingent Note. The U.S. dollar amount of the projected payments described in clause (iii) of the preceding sentence is determined by (i) first allocating the payments to the most recently accrued OID to which prior amounts have not already been allocated and translating those amounts into U.S. dollars at the rate at which the OID was accrued and (ii) then allocating any remaining amount to principal and translating such amount into U.S. dollars at the spot rate on the date the Foreign Currency Contingent Note was acquired by the U.S. Holder. For this purpose, any accrued OID reduced by a negative adjustment carry forward will be treated as principal.

The amount realised by a U.S. Holder upon the sale, exchange or retirement of a Foreign Currency Contingent Note will equal the amount of cash and the fair market value (determined in foreign currency) of any property received. If a U.S. Holder holds a Foreign Currency Contingent Note until its scheduled maturity, the U.S. dollar equivalent of the amount realised will be determined by separating such amount realised into principal and one or more OID components, based on the principal and OID comprising the U.S. Holder's basis, with the amount realised allocated first to OID (and allocated to the most recently accrued amounts first) and any remaining amounts allocated to principal. The U.S. dollar equivalent of the amount realized upon a sale, exchange or unscheduled retirement of a Foreign Currency Contingent Note will be determined in a similar manner, but will first be allocated to principal and then any accrued OID (and will be allocated to the earliest accrued amounts first). Each component of the amount realized will be translated into U.S. dollars using the exchange rate used with respect to the corresponding principal or accrued OID. The amount of any gain realized upon a sale, exchange or unscheduled retirement of a Foreign Currency Contingent Note will be equal to the excess of the amount realized over the holder's tax basis, both expressed in foreign currency, and will be translated into U.S. dollars using the spot rate on the payment date. Gain from the sale or retirement of a Foreign Currency Contingent Note will generally be treated as interest income taxable at ordinary income (rather than capital gains) rates. Any loss will be ordinary loss to the extent that the U.S. Holder's total OID inclusions to the date of sale or retirement exceed the total net negative adjustments that the U.S. Holder took into account as ordinary loss, and any further loss will be capital loss. Gain or loss realized by a U.S. Holder on the sale or retirement of a Foreign Currency Contingent Note will generally be foreign source. Prospective purchasers should consult their tax advisers as to the foreign tax credit implications of the sale or retirement of Foreign Currency Contingent Notes.

A U.S. Holder will also recognise U.S. source exchange rate gain or loss (taxable as ordinary income or loss) on the receipt of foreign currency in respect of a Foreign Currency Contingent Note if the exchange rate in effect on the date the payment is received differs from the rate applicable to the principal or accrued OID to which such payment relates.

#### *Disposition of foreign currency*

Foreign currency received as interest on a Note or on the sale or retirement of a Note will have a tax basis equal to its U.S. Dollar value at the time the interest is received or at the time of the sale or retirement. Foreign currency that is purchased will generally have a tax basis equal to the U.S. Dollar value of the foreign currency on the date of purchase. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase Notes or an exchange for U.S. Dollars) will be ordinary U.S. income or loss.

#### *Backup withholding and information reporting*

In general, payments of interest and accruals of OID on, and the proceeds of a sale, redemption or other disposition of, the Notes payable to a U.S. Holder by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding will apply to these payments, including

payments of OID, if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

#### *Reportable transactions*

A U.S. taxpayer that participates in a 'reportable transaction' will be required to disclose this participation to the IRS. The scope and application of these rules is not entirely clear. A U.S. Holder may be required to treat a foreign currency exchange loss from the Notes as a reportable transaction if the loss exceeds U.S.\$50,000 in a single taxable year, if the U.S. Holder is an individual or trust, or higher amounts for other non-individual U.S. Holders. In the event the acquisition, holding or disposition of Notes constitutes participation in a 'reportable transaction' for purposes of these rules, a U.S. Holder will be required to disclose its investment by filing Form 8886 with the IRS. A penalty in the amount of U.S.\$10,000 in the case of a natural person and U.S.\$50,000 in all other cases is generally imposed on any taxpayer that fails to timely file an information return with the IRS with respect to a transaction resulting in a loss that is treated as a reportable transaction. Accordingly, if a U.S. Holder realises a loss on any Note (or, possibly, aggregate losses from the Notes) satisfying the monetary thresholds discussed above, the U.S. Holder could be required to file an information return with the IRS, and failure to do so may subject the U.S. Holder to the penalties described above. In addition, the Issuer and its advisers may also be required to disclose the transaction to the IRS: and to maintain a list of U.S. Holders, and to furnish this list and certain other information to the IRS upon written request. Prospective purchasers are urged to consult their tax advisers regarding the application of these rules to the acquisition, holding or disposition of Notes.

#### ***Foreign Financial Asset Reporting***

Recently enacted legislation imposes new reporting requirements on the holding of certain foreign financial assets, including debt of foreign entities, if the aggregate value of all of these assets exceeds U.S.\$50,000. The Notes are expected to constitute foreign financial assets subject to these requirements unless the Notes are regularly traded on an established securities market and held in an account at a domestic financial institution. U.S. Holders should consult their tax advisers regarding the application of this legislation.

## TRANSFER RESTRICTIONS

### Rule 144A Notes

Each purchaser of Restricted Notes issued by Rabobank Nederland pursuant to Rule 144A, by accepting delivery of this Base Prospectus, will be deemed to have represented, agreed and acknowledged that:

- (1) It is (a) a qualified institutional buyer within the meaning of Rule 144A, (b) acquiring such Notes for its own account or for the account of a qualified institutional buyer and (c) aware, and each beneficial owner of such Notes has been advised, that the sale of such Notes to it is being made in reliance on Rule 144A.
- (2) It understands that such Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a qualified institutional buyer purchasing for its own account or for the account of a qualified institutional buyer, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with any applicable securities laws of any State of the United States.
- (3) It understands that such Notes, unless otherwise determined by the Issuer in accordance with applicable law, will bear a legend to the following effect:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE 'SECURITIES ACT') OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR REALES OF THIS NOTE.

- (4) Rabobank Nederland, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Notes for the account of one or more qualified institutional buyers, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.
- (5) It understands that the Notes offered in reliance on Rule 144A will be represented by one or more Restricted Global Certificates. Before any interest in a Restricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.
- (6) Distribution of this Base Prospectus, or disclosure of any of its contents to any person other than such purchaser and those persons, if any, retained to advise such purchaser with respect thereto is unauthorised, and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited.

**Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.**

## Regulation S Notes

Each purchaser of Registered Notes outside the United States pursuant to Regulation S and each subsequent purchaser of such Notes in resales prior to the expiration of the distribution compliance period (as used in 'Plan of Distribution'), by accepting delivery of this Base Prospectus and the Notes, will be deemed to have represented, agreed and acknowledged that:

- (1) It is, or at the time Notes are purchased will be, the beneficial owner of such Notes and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate.
- (2) It understands that such Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such Notes except in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, or in the case of Notes issued by Rabobank Nederland, in accordance with Rule 144A under the Securities Act to a person that it and any person acting on its behalf reasonably believe is a qualified institutional buyer purchasing for its own account or the account of a qualified institutional buyer in each case in accordance with any applicable securities laws of any State of the United States.
- (3) The Issuer, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.
- (4) It understands that the Notes offered in reliance on Regulation S will be represented by one or more Unrestricted Global Certificates. Prior to the expiration of the distribution compliance period, before any interest in an Unrestricted Global Certificate representing Notes issued by Rabobank Nederland may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Restricted Global Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

## **PLAN OF DISTRIBUTION**

### **Summary of Distribution Agreement**

Subject to the terms and on the conditions contained in an amended and restated Distribution Agreement dated 6 May 2011 (the 'Distribution Agreement') as further amended or supplemented at the Issue Date, between the Issuer, the Permanent Dealers (as defined in the Distribution Agreement) and the Arranger, the Notes will be offered by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Distribution Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arranger for its expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme. The commissions in respect of an issue of Notes on a syndicated basis will be stated in the relevant Final Terms.

The Issuer has agreed to indemnify the Dealers in respect of such issue of Notes against certain liabilities in connection with the offer and sale of such Notes, including liability under the Securities Act, and to contribute for payments that such Dealers may be required to make in respect thereof. The Distribution Agreement entitles the Dealers to terminate any agreement that they make to purchase Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

### **Selling restrictions**

#### **General**

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms issued in respect of the issue of Notes to which it relates or in a supplement to this Base Prospectus.

No action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Base Prospectus, any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it will comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes, or has in its possession or distributes the Base Prospectus, any other offering material or any Final Terms.

#### **United States**

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

Each Dealer has represented and agreed that, except as permitted by the Distribution Agreement, it will not offer, sell or deliver the Notes of any identifiable Tranche, (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such Tranche as determined, and certified to the Issuer, by the relevant Agent, or in the case of Notes issued on a syndicated basis, the Lead Manager, within the United States or to, or for the account or benefit of, U.S. persons, and only in accordance with Rule 903 of Regulation S or (in the case of Notes issued by Rabobank Nederland) Rule 144A. Each Dealer has further agreed that it will have sent to each dealer to which it sells Notes (other than a sale of Notes issued by Rabobank Nederland pursuant to Rule 144A) during the distribution compliance period a

confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of an offering of Notes, an offer or sale of Notes within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

The Distribution Agreement provides that the Dealers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Notes issued by Rabobank Nederland within the United States only to qualified institutional buyers pursuant to Rule 144A.

Each purchaser of Restricted Notes that have not been registered under the Securities Act is hereby notified that the offer and sale of such Restricted Notes to it is being made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A. Each purchaser of Restricted Notes pursuant to Rule 144A, by accepting delivery of this Base Prospectus, will be deemed to have represented and agreed that it is a qualified institutional buyer, that it is aware that the sale to it is being made in reliance on Rule 144A and that it is acquiring the Notes for its own account or for the account of a qualified institutional buyer. See 'Transfer Restrictions'.

### **European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a 'Relevant Member State'), each Dealer has represented, warranted and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the 'Relevant Implementation Date') it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a 'Non-exempt Offer') following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the date specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an 'offer of Notes to the public' in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression 'Prospectus Directive' means Directive 2003/71/EC (and amendments thereto,

including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

### **United Kingdom**

Each Dealer has represented, warranted and agreed that:

- (1) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the 'FSMA') by the Issuer;
- (2) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (3) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### **The Netherlands**

Zero Coupon Notes in definitive bearer form and other Notes in definitive bearer form on which interest does not become due and payable during their term but only at maturity (savings certificates or *spaarbewijzen* as defined in the Dutch Savings Certificates Act or *Wet inzake spaarbewijzen*, the 'SCA') may only be transferred and accepted, directly or indirectly, within, from or into the Netherlands through the mediation of either the Issuer or a member of Euronext Amsterdam N.V. with due observance of the provisions of the SCA and its implementing regulations (which include registration requirements). No such mediation is required, however, in respect of (i) the initial issue of such securities to the first holders thereof, (ii) the transfer and acceptance by individuals who do not act in the conduct of a profession or business, and (iii) the issue and trading of such securities if they are physically issued outside the Netherlands and are not distributed in the Netherlands in the course of primary trading or immediately thereafter.

### **Australia**

This Base Prospectus has not and no prospectus or other disclosure document (as defined in the Corporations Act 2001 (Cth)) in relation to the Programme or the Notes has been or will be or is required to be lodged with the Australian Securities and Investments Commission ('ASIC') or the ASX Limited ('ASX'). Each Dealer represents and agrees that, and unless the relevant Final Terms or supplement to this Base Prospectus otherwise provides, it:

- (a) has not (directly or indirectly) offered or invited applications, and will not offer or invite applications, for the issue, sale or purchase of the Notes in Australia (including an offer or invitation which is received by a person in Australia); and
- (b) has not distributed or published, and will not distribute or publish, the Base Prospectus or any other offering material or advertisement relating to the Notes in Australia,

unless (i) the aggregate consideration payable by each offeree is at least AUD 500,000 (or its equivalent in an alternate currency, in either case disregarding moneys lent by the offeror or its associates) or the offer or invitation otherwise does not require disclosure to investors in accordance with Part 6D.2 or Part 7.9 of the Corporations Act 2001 of Australia and complies with the terms of any authority granted under the Banking Act 1959 of Australia, (ii) the offer or invitation does not constitute an offer to a 'retail client' as defined for the

purposes of section 761G of the Corporations Act 2001 (Cth), (iii) such action complied with all applicable laws, regulations and directives in Australia and (iv) such action does not require any document to be lodged with ASIC or the ASX.

In addition, each Dealer agrees that, in connection with the primary distribution of the Notes, it will not sell Notes to any person who has been notified in writing by Rabobank Australia Branch to be an associate of Rabobank Australia Branch, the acquisition of a Note by whom would cause Rabobank Australia Branch to fail to satisfy the public offer test in section 128F of the *Income Tax Assessment Act 1936* of Australia as a result of section 128F(5) of the *Income Tax Assessment Act 1936* of Australia.

## **Singapore**

This Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase nor will it offer or sell the Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, nor has it circulated or distributed nor will it circulate or distribute this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the 'SFA'), (ii) to a relevant person pursuant to section 275(1), or any person pursuant to section 275(1 A), and in accordance with the conditions specified in section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person defined in section 275(2) of the SFA, or to any person arising from an offer referred to in section 275(1A) or section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law; or
- (4) as specified in section 276(7) of the SFA.

## **Republic of France**

Each Dealer has represented, warranted and agreed that:

- (i) Offer to the public in France:  
it has only made and will only make an offer of Notes to the public in France in the period beginning on the date of notification to the *Autorité des marchés financiers* ('AMF') of the approval of the prospectus relating to those Notes by the competent authority of a member state of the European Economic Area, other than the AMF, which has implemented the EU Prospectus Directive 2003/71/EC, all in accordance with Articles L.412-1 and L.621-8 of the French Code *monétaire et financier* and the *Règlement général* of the AMF and ending at the latest on the date which is 12 months after the date of the approval of the Base Prospectus; or

- (ii) Private placement in France:
- it has not offered or sold and will not offer or sell, directly or indirectly, any Notes to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Base Prospectus, the relevant Final Terms or any other offering material relating to the Notes and such offers, sales and distributions have been and will be made in France only to (a) persons providing investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*) and/or (b) qualified investors (*investisseurs qualifiés*), as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 to D.411-3 of the French Code *monétaire et financier*.

### **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (the 'Financial Instruments and Exchange Act'). Accordingly, each of the Dealers has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

### **Hong Kong**

Each Dealer has represented and agreed that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to 'professional investors' as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a 'prospectus' as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to 'professional investors' as defined in the Securities and Futures Ordinance (Cap. 571) and any rules made under that Ordinance.

### **United Arab Emirates (excluding the Dubai International Financial Centre)**

Each Dealer has represented and agreed that the Notes to be issued under the Programme have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

### **Dubai International Financial Centre**

Each Dealer has represented and agreed that it has not offered and will not offer the Notes to be issued under the Programme to any person in the Dubai International Financial Centre unless such offer is:

- (i) an 'Exempt Offer' in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (the 'DFSA'); and
- (ii) made only to persons who meet the Professional Client criteria set out in Rule 2.3.2 of the DFSA Conduct of Business Module.

**Qatar**

Each Dealer has represented and agreed that the Notes have not been, and will not be, offered, sold or delivered, at any time, directly or indirectly in the State of Qatar in a manner that would constitute a public offering.

This document has not been reviewed or approved by or registered with the Qatar Financial Markets Authority or the Qatar Central Bank. This document is strictly private and confidential and may not be reproduced or used for any other purpose, nor provided to any person other than the recipient thereof.

**Republic of Italy**

Any offer, sale or delivery of the Notes or distribution of copies of this Base Prospectus or any other document relating to the Notes in the Republic of Italy must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with Legislative Decree No. 58 of 24 February 1998, Legislative Decree No. 385 of 1 September 1993 (the 'Banking Act') and CONSOB Regulation No. 16190 of 29 October 2007, all as amended;
- (ii) in compliance with Article 129 of the Banking Act and the implementing guidelines, pursuant to which the Bank of Italy may request information on the offering or issue of securities in Italy; and
- (iii) in compliance with any securities, tax, exchange control and any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time, *inter alia*, by CONSOB or the Bank of Italy.

## GENERAL INFORMATION

1. Application has been made to the AFM to approve this document as a base prospectus for the purposes of Article 5.4 of the Prospectus Directive. Application has also be made for Notes issued under the Programme to be admitted to trading on Euronext Amsterdam, and to be admitted to the Official List and to trading on the Luxembourg Stock Exchange's regulated market. In connection with the application to list the Notes under the Programme on the Official List of the Luxembourg Stock Exchange a legal notice relating to the issue of the Notes and a copy of the articles of association of Rabobank Nederland will be deposited with the *Registre de Commerce et des Sociétés à Luxembourg* where such documents may be examined and copies may be obtained.
2. The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes. The update and amendment to the Programme was authorised by Rabobank Nederland by a resolution of the Executive Board of Rabobank Nederland passed on 9 November 2010, by a resolution of the Supervisory Board passed on 29 November 2010 and by a secretary's certificate dated 6 May 2011.
3. There has been no significant change in the financial or trading position of the Issuer or of Rabobank Group, and there has been no material adverse change in the financial position or prospects of the Issuer or of Rabobank Group, since 31 December 2010.
4. There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the period covering the 12 months preceding the date of this Base Prospectus which may have, or have had in the recent past, significant effects on the Issuer's and/or Rabobank Group's financial position or profitability.

In addition to information disclosed elsewhere in this Base Prospectus, during the past three financial years Rabobank Group has made the following main investments:

- (i) On 4 April 2008, Rabobank received official permission from the Polish Financial Supervision Authority to take a majority position in Bank BGZ. Rabobank acquired a 12.87 per cent. holding previously held by the European Bank for Reconstruction and Development. As a result of this acquisition Rabobank now has a majority holding of 59.35 per cent. in Bank BGZ. Rabobank first acquired a 35.4 per cent. holding in Bank BGZ in 2004 and increased its holding to 46.48 per cent. mainly by conversion of convertible bonds into shares.
  - (ii) On 16 February 2009, Eureko announced that, following consultations with its shareholders Rabobank and Achmea Association, it will increase its capital by € 1 billion. This measure increased Eureko's solvency. Rabobank contributed € 400 million to the capital injection; however, this did not increase Rabobank's relative ownership stake in Eureko.
5. Each Bearer Note, Receipt, Coupon and Talon will bear the following legend: 'Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code'.
6. The Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems. In addition, Rabobank Nederland will make an application with respect to any Restricted Notes of a Registered Series to be accepted for trading in book-entry form by DTC. Acceptance by DTC of Restricted Notes of each Tranche of a Registered Series issued by Rabobank Nederland will be confirmed in the relevant Final Terms. The Common Code, the International Securities Identification Number (ISIN), the Committee on Uniform Security Identification Procedure (CUSIP) number and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium, the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg, Luxembourg and the address of DTC is 55 Water Street, New York, New York 10041 USA. The address of any Alternative Clearing System will be specified in the relevant Final Terms.

7. The issue price and the amount of the relevant Notes will be determined based on the prevailing market conditions. The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.
8. So long as any of the Notes are outstanding the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the office of the Paying Agent in Luxembourg:
  - (i) the Agency Agreement (as amended and supplemented from time to time) relating to the Programme (which includes the form of the Global Notes, the Definitive Notes, the Certificates and the Coupons, Talons and Receipts relating to Bearer Notes);
  - (ii) each set of Final Terms for Notes that are listed on Euronext Amsterdam or the Luxembourg Stock Exchange; and
  - (iii) the articles of association of Rabobank Nederland.
9. For the period of 12 months following the date of this Base Prospectus, copies of the following documents will be available, free of charge during usual business hours on any weekday (Saturdays and public holidays excepted), at the office of the Fiscal Agent and the Paying Agents in Luxembourg and the Netherlands:
  - (i) the Agency Agreement (as amended and supplemented from time to time) (which includes the form of the Global Notes, the Registered Notes, the Definitive Notes, and the Coupons, Talons and Receipts relating to Definitive Notes) and the Covenant (as amended and supplemented from time to time);
  - (ii) the articles of association of the Issuer;
  - (iii) a copy of this Base Prospectus (together with any supplement to this Base Prospectus or further Base Prospectus);
  - (iv) the audited and consolidated financial statements of the Issuer and Rabobank Group for the years ended 31 December 2010, 31 December 2009 and 31 December 2008; and
  - (v) a copy of the ISDA Definitions.
10. Ernst & Young Accountants LLP, of which the 'Registeraccountants' are members of the Dutch Professional Organization for Accountants, has audited, and issued unqualified audit reports, on the financial statements of Rabobank Nederland for the years ended 31 December 2010, 2009 and 2008. Ernst & Young Accountants LLP has given its consent to the inclusion in this Base Prospectus of its audit report for the year ended 31 December 2010 as included on pages F-75 and F-76 hereof, and to the reference to its audit reports for the years ended 31 December 2009 and 31 December 2008 as incorporated by reference herein in the form and context in which they appear. Ernst & Young Accountants LLP has given its consent to the inclusion in this Base Prospectus of its assurance reports on the Issuer's assessment on internal control over financial reporting at 31 December 2010 as included on pages F-77 and F-78 hereof, and to the reference to its assurance report on the Issuer's assessment of internal control over financial reporting at 31 December 2009 and 31 December 2008 as incorporated by reference herein in the form and context in which they appear. Ernst & Young Accountants LLP has no interest in Rabobank Nederland.
11. Selected financial statements of Rabobank Group and Rabobank Nederland are set out below on pages F-79 to F-92 under 'Historical Financial Information'. As Rabobank Nederland forms part of Rabobank Group, the most relevant financial figures of Rabobank Group have been set out explicitly in this Base Prospectus to provide a broader view on the financial position of Rabobank Nederland and Rabobank Group.
12. The latest published financial information is dated at 31 December 2010.
13. No interim financial information in respect of the Issuer is available subsequent to 31 December 2010.
14. As of the date of this Base Prospectus, Rabobank Group is not party to any contracts (not entered into in the ordinary course of business) that are considered material to its results, financial condition or operations.

## FORM OF FINAL TERMS

### FINAL TERMS

#### **COÖPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A. (RABOBANK NEDERLAND)**

(a cooperative (coöperatie) formed under the laws of the Netherlands with its statutory seat in Amsterdam)

#### **COÖPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A. (RABOBANK NEDERLAND) AUSTRALIA BRANCH**

(Australian Business Number 70 003 917 655)

(a cooperative (coöperatie) formed under the laws of the Netherlands with its statutory seat in Amsterdam)

#### **COÖPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A. (RABOBANK NEDERLAND) SINGAPORE BRANCH**

(Singapore Company Registration Number S86FC3634A)

(a cooperative (coöperatie) formed under the laws of the Netherlands with its statutory seat in Amsterdam)

EUR 160,000,000,000

Global Medium-Term Note Programme

Due from seven days to perpetuity

**SERIES NO: [●]**

**TRANCHE NO: [●]**

**[●] Notes due [●] (the 'Notes')**

Issue Price: [●] per cent.

[Publicity Name(s) of Dealer(s)]

The date of these Final Terms is [●]

### **PART A—CONTRACTUAL TERMS**

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the 'Conditions') set forth in the Base Prospectus dated 6 May 2011 [and the supplemental prospectus dated [●]] ([together,] the 'Base Prospectus') which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the 'Prospectus Directive'). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Notes will be issued on the terms of these Final Terms read together with the Base Prospectus. The Issuer accepts responsibility for the information contained in these Final Terms which, when read together with the Base Prospectus, contains all information that is material in the context of the issue of the Notes. The Base Prospectus is available for viewing at, and copies may be obtained from, Rabobank Nederland at Croeselaan 18, 3521 CB Utrecht, the Netherlands and the principal office in England of the Arranger and of the Paying Agent in Luxembourg, Amsterdam and Paris and [www.bourse.lu](http://www.bourse.lu).

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.]*

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions contained in the Agency Agreement dated [original date] and set forth in the Offering Circular dated [original date] [and the supplemental Offering Circular dated [●]] (the 'Conditions'), which are incorporated by reference in the Base Prospectus dated 6 May 2011. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the 'Prospectus Directive') and must be read in conjunction with the Base Prospectus dated 6 May 2011 [and the supplemental prospectus dated [●]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions. Full information on the Issuer and the

offer of the Notes is only available on the basis of the combination of these Final Terms, the Base Prospectus dated 6 May 2011 [and the supplemental prospectus dated [●]] and the Conditions. The Notes will be issued on the terms of these Final Terms read together with the Base Prospectus dated 6 May 2011 and the Conditions. The Issuer accepts responsibility for the information contained in these Final Terms which, when read together with the Base Prospectus dated 6 May 2011 [and the supplemental prospectus dated [●]] and the Conditions, contains all information that is material in the context of the issue of the Notes. The Base Prospectus [and the supplemental prospectus] are available for viewing at, and copies may be obtained from Rabobank Nederland at Croeselaan 18, 3521 CB Utrecht, the Netherlands and the principal office in England of the Arranger and of the Paying Agent in Luxembourg, Amsterdam and Paris and www.bourse.lu.

*[The following alternative language applies if Notes are issued pursuant to Rule 144A.]*

[THE NOTES REFERRED TO HEREIN THAT ARE REPRESENTED BY A RESTRICTED GLOBAL CERTIFICATE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE 'SECURITIES ACT') OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATIONS UNDER THE SECURITIES ACT OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR REALES OF NOTES REPRESENTED BY A RESTRICTED GLOBAL CERTIFICATE]

**Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.**

*[Include whichever of the following apply or specify as 'Not Applicable'. Note that the numbering should remain as set out below, even if 'Not Applicable' is indicated for individual paragraphs or sub-paragraphs, save in respect of the items in Part B, which may be deleted in accordance with the relevant footnotes. Italics denote guidance for completing the Final Terms.]*

*[When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute 'significant new factors' and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.]*

- 1 Issuer: [Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland)<sup>1</sup>  
Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland)  
Australia Branch  
Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland)  
Singapore Branch]
- 2 (i) Series Number: [●]  
(ii) Tranche Number: [●]  
[[If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible.]]
- 3 Specified Currency or Currencies: [●]
- 4 Aggregate nominal amount:  
(i) Series: [●]  
(ii) Tranche: [●]
- 5 Issue Price: [●] per cent. of the aggregate nominal amount  
[plus accrued interest from *[insert date]* (if applicable)]
- 6 (i) Specified Denominations:<sup>2,3</sup> [●]  
(ii) Calculation Amount: [●]
- 7 (i) Issue Date: [●]  
(ii) Interest Commencement Date  
(if different from the Issue Date): [[●]/Not Applicable]
- 8 Maturity Date: *[specify date (or indicate if Notes are perpetual) or (for Floating Rate Notes) Specified Interest Payment Date falling in or nearest to the relevant month and year]*
- 9 Domestic Note (if Domestic Note, there will be no gross-up for withholding tax): [No/Yes]
- 10 Interest Basis: [[●] per cent. Fixed Rate]  
[[specify reference rate] +/- [●] per cent. Floating Rate]  
[Zero Coupon]  
[Index Linked Interest]  
[Equity Linked Interest]  
[FX Linked Interest]  
[Other (specify)]  
[further particulars specified below]
- 11 Redemption/Payment Basis: [Redemption at par]  
[Index Linked Redemption]  
[Equity Linked Redemption]  
[FX Linked Redemption]  
[Interest Linked Redemption]

<sup>1</sup> Only Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) may issue Notes in NGN form.

<sup>2</sup> Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

<sup>3</sup> Although Rabobank may issue Notes with a denomination of less than €100,000 or equivalent, where multiple denominations above €100,000 or equivalent are being used the following sample wording should be followed: '[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].

- [Dual Currency]  
 [Partly Paid]  
 [Instalment]  
 [Protection Amount]  
 [Other (*specify*)]  
 [The Final Redemption Amount shall be determined as provided below.]
- 12 Change of Interest or Redemption/  
 Payment Basis: *[Specify details of any provision for convertibility of Notes into another interest or redemption/ payment basis]*
- 13 Put/Call Options:  
 [Investor Put]  
 [Issuer Call]  
 [(further particulars specified below)]
- 14 (i) Status of the Notes: [Senior/Subordinated (Tier 2)/Subordinated Perpetual]  
 (ii) Date approval for issuance of Notes obtained: [●]  
*[N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes]*
- 15 Method of distribution: [Syndicated/Non-syndicated]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

- 16 **Fixed Rate Note Provisions** [Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (i) Rate[(s)] of Interest: [●] per cent. per annum [payable [annually/semi annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [●] in each year, commencing on [●] and ending on the Maturity Date
- (iii) Fixed Coupon Amount[(s)]: [●] per Calculation Amount
- (iv) Broken Amount: [●] per Calculation Amount *[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)] and the Interest Payment Date(s) to which they relate]*
- (v) Day Count Fraction (Condition 1(a)): [Actual/Actual; Actual/Actual-ISDA; Actual/365 (Fixed); Actual/365 (Sterling); Actual/360; 30/360; 360/360; Bond Basis; 30E/360; Eurobond Basis; 30E/360 (ISDA); Actual/Actual-ICMA; Other][adjusted/unadjusted]
- (vi) Determination Date(s) (Condition 1(a)): [●] in each year *[insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon]*
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]
- 17 **Floating Rate Note Provisions** [Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*).
- (i) Interest Period(s): [●]
- (ii) Specified Interest Payment Dates: [●]
- (iii) Business Day Convention: [Floating Rate Business Day Convention/  
 Following Business Day Convention/Modified]

- Following Business Day Convention/Preceding Business Day Convention/other (*give details*)
- (iv) Business Centre(s) (Condition 1(a)):  (please provide all the relevant Business Centres)
- (v) Manner in which the Rate(s) of Interest is/are to be determined:  [Screen Rate Determination/ISDA Determination/other (*give details*)]
- (vi) Interest Period Date(s):  [Not Applicable/*specify dates*]
- (vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s):  [Calculation Agent/]
- (viii) Screen Rate Determination (Condition 1(a)):
- Reference Rate
  - Interest Determination Date:  [[]/[TARGET] Business Days in [*specify city*] for [*specify currency*] prior to [the first day in each Interest Accrual Period/each Interest Payment Date]]
  - Relevant Screen Page:
- (ix) ISDA Determination (Condition 1(a)):
- Floating Rate Option:
  - Designated Maturity:
  - Reset Date:
  - ISDA Definitions (if different from those set out in the Conditions):
- (x) Margin(s):  [+/-]  per cent. per annum
- (xi) Minimum Rate of Interest:  per cent. per annum
- (xii) Maximum Rate of Interest:  per cent. per annum
- (xiii) Day Count Fraction (Condition 1(a)):  [Actual/Actual; Actual/Actual-ISDA; Actual/365 (Fixed); Actual/365 (Sterling); Actual/360; 30/360; 360/360; Bond Basis; 30E/360; Eurobond Basis; 30E/360 (ISDA); Actual/Actual-ICMA; Other]  [adjusted/unadjusted]
- (xiv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:
- 18 Zero Coupon Note Provisions**  [Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (i) Amortisation Yield (Condition 7(b)):  per cent. per annum
- (ii) Day Count Fraction (Condition 1(a)):  [Actual/Actual; Actual/Actual-ISDA; Actual/365 (Fixed); Actual/365 (Sterling); Actual/360; 30/360; 360/360; Bond Basis; 30E/360; Eurobond Basis; 30E/360 (ISDA); Actual/Actual-ICMA; Other]  [adjusted/unadjusted]
- (iii) Any other formula/basis of determining amount payable:
- 19 Index Linked Interest Note Provisions**  [Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

- (i) Description of formula to be used for determining Rate(s) of Interest and Interest Amount: [●]
- (ii) Calculation Agent responsible for calculating the Rate(s) of Interest and Interest Amount: [Deutsche Bank AG, London Branch] [*specify other*]
- [(iii) Index: [●]  
 Index Sponsor: [●]  
 Exchange: [●]  
 Related Exchange: [●]/[All Exchanges]]<sup>4</sup>
- [(iii) Basket: The basket composed of each Index specified below in the relative weighting specified:

Index	Index Sponsor	Business Centres	Exchange(s)	Related Exchange(s)	Weighting	]	
(iv)	Index Valuation Date(s)/Averaging Date(s):		[●]				
	[Adjustment provisions in the event of a Disrupted Day:]			[Omission/Postponement/Modified Postponement]			
				<i>(NB: only applicable where Averaging Date(s) are specified)</i>			
(v)	Trade Date:			[Issue Date (if either (a) there is no related swap transaction or (b) the Trade Date of the related swap transaction is the same date as the Issue Date)]/[●] (Insert Trade Date of related swap transaction (if different from Issue Date))]			
(vi)	Valuation Time:		[●]				
(vii)	Provisions for determining Rate(s) of Interest and Interest Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable:		[●]	[If applicable, need to include a description of market disruption or settlement disruption events and adjustment provisions]			
(viii)	Additional Disruption Events:			[Applicable/Not Applicable] (If not applicable, delete the remainder of this paragraph)			
				[Change in Law]			
				[Hedging Disruption]			
				[Increased Cost of Hedging]			
				[Other]			
(ix)	Interest Period(s):		[●]				
(x)	Interest Period Date(s):			[Not Applicable/specify dates]			
(xi)	Specified Interest Payment Dates:		[●]				
(xii)	Business Day Convention:			[Floating Rate Business Day Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]			
(xiii)	Business Centre(s) (Condition 1(a)):			[Please see paragraph (iii) above] <sup>6</sup> /[●] (please provide all the relevant Business Centres)			
(xiv)	Minimum Rate of Interest:		[●]	per cent. per annum			
(xv)	Maximum Rate of Interest:		[●]	per cent. per annum			
(xvi)	Day Count Fraction (Condition 1(a)):			[Actual/Actual; Actual/Actual-ISDA; Actual/365]			

4 Delete entire paragraph if basket of indices.

5 Delete entire paragraph if single index.

6 Delete if single Index.

- (Fixed); Actual/365 (Sterling); Actual/360; 30/360; 360/360; Bond Basis; 30E/360; Eurobond Basis; 30E/360 (ISDA); Actual/Actual-ICMA; Other] [adjusted/unadjusted]
- (xvii) Correction of Index Levels: Correction of Index Levels [applies/does not apply and the Reference Level shall be calculated without regard to any subsequently published correction].  
(If Correction of Index Levels does not apply, delete the following sub-paragraph)
- [Correction Cut-Off Date: [] Business Days prior to the Maturity Date.]  
[In relation to Index Valuation Dates other than the final Index Valuation Date, [] Business Days after the relevant Index Valuation Date and in relation to the final Index Valuation Date, [] Business Days prior to the Maturity Date.]  
[In relation to Averaging Dates other than the final Averaging Date, [] Business Days after the relevant Averaging Date and in relation to the final Averaging Date, [] Business Days prior to the Maturity Date.]]
- (xviii) Such other additional terms or provisions as may be required: []
- 20 **Equity Linked Interest Note Provisions** [Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Description of formula to be used to determine Rate(s) of Interest and Interest Amount: []
- (ii) Calculation Agent responsible for calculating the Rate(s) of Interest and Interest Amount: [Deutsche Bank AG, London Branch] [Specify other]
- [(iii) Underlying Security: []  
Company: []  
ISIN: []  
Exchange: []  
Related Exchange: []/[All Exchanges]]<sup>7</sup>
- [(iii) Basket: The basket composed of Underlying Securities of each Company specified below in the [relative proportions/number of shares of each Company] specified:

Index	Index Sponsor	Business Centres	Exchange(s)	Related Exchange(s)	Weighting	] <sup>8</sup>
(iv)	[Equity Valuation Date(s)/Averaging Date(s): [Adjustment provisions in the event of a Disrupted Day:]		[ <input type="checkbox"/> ]			
(v)	Trade Date			[Omission/Postponement/Modified Postponement] NB: (only applicable where Averaging Date(s) are specified)		
				[Issue Date (if either (a) there is no related swap transaction or (b) the Trade Date of the related swap transaction is the same date as the Issue		

<sup>7</sup> Delete entire paragraph if basket of Underlying Securities.

<sup>8</sup> Delete entire paragraph if single Underlying Security.

- Date)/[●] (Insert Trade Date of related swap transaction (if different from Issue Date))
- (vi) Valuation Time: [●]
- (vii) Provisions for determining Rate(s) of Interest and Interest Amount where calculation by reference to Underlying Security and/or Formula is impossible or impracticable: [●] (If applicable, need to include a description of market disruption or settlement disruption events and adjustment provisions, including:  
 [Potential Adjustment Event]  
 [Merger Event]  
 [Tender Offer]  
 [Nationalisation]  
 [De-Listing]  
 [Insolvency]  
 [Other])
- (viii) Additional Disruption Events: [Applicable/Not Applicable] (If not applicable, delete the remainder of this paragraph)  
 [Change in Law]  
 [Hedging Disruption]  
 [Increased Cost of Hedging]  
 [Other]
- (ix) Interest Period(s): [●]
- (x) Interest Period Dates: [Not Applicable/specify dates]
- (xi) Specified Interest Payment Date(s): [●]
- (xii) Business Day Convention: [Floating Rate Business Day Convention/  
 Following Business Day Convention/Modified  
 Following Business Day Convention/Preceding  
 Business Day Convention/other (give details)]
- (xiii) Business Centre(s) (Condition 1(a)): [Please see paragraph (iii) above]<sup>9</sup>/[●] (please provide all the relevant Business Centres)
- (xiv) Minimum Rate of Interest: [●] per cent. per annum
- (xv) Maximum Rate of Interest: [●] per cent. per annum
- (xvi) Day Count Fraction (Condition 1(a)): [Actual/Actual; Actual/Actual-ISDA; Actual/365 (Fixed); Actual/365 (Sterling); Actual/360; 30/360; 360/360; Bond Basis; 30E/360; Eurobond Basis; 30E/360 (ISDA); Actual/Actual-ICMA; Other]  
 [adjusted/unadjusted]
- (xvii) Correction of Underlying Security Prices: Correction of Underlying Security Prices [applies/does not apply and the Reference Price shall be calculated without regard to any subsequently published correction].  
 (If Correction of Underlying Security Prices does not apply, delete the following sub-paragraph)
- [Correction Cut-Off Date: [[●] Business Days prior to the Maturity Date.]  
 [In relation to Equity Valuation Dates other than the final Equity Valuation Date, [●] Business Days after the relevant Equity Valuation Date and in relation to the final Equity Valuation Date, [●] Business Days prior to the Maturity Date.]  
 [In relation to Averaging Dates other than the final Averaging Date, [●] Business Days after the relevant Averaging Date and in relation to the final Averaging Date, [●] Business Days prior to the Maturity Date.]]
- (xviii) Exchange Rate: [Applicable/Not Applicable] [If applicable, insert details]

<sup>9</sup> Delete if single Underlying Security.

(xix) Such other additional terms or provisions as may be required:	[●]
<b>21 FX Linked Interest Note Provisions</b>	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i) Description of formula to be used to determine Rate(s) of Interest and Interest Amount where calculated by reference to FX Rate:	[●]
(ii) Calculation Agent responsible for calculating the Rate(s) of Interest and Interest Amount:	[Deutsche Bank AG, London Branch] <i>[specify other]</i>
[(iii) FX Rate(s):	[●]]
[(iii) Basket:	[●]]
(iv) Trade Date:	[Issue Date <i>(if either (a) there is no related swap transaction or (b) the Trade Date of the related swap transaction is the same date as the Issue Date)</i> ]/[●] <i>(Insert Trade Date of related swap transaction (if different from Issue Date))</i>
(v) Reference Currency:	[●]
(vi) Base Currency:	[●]
(vii) FX Price Source:	[●]
(viii) FX Rate Sponsor:	[●]
(ix) Number of FX Settlement Days:	[●]
(x) [FX Valuation Date(s)/Averaging Date(s)]:	[●]
(xi) Valuation Time:	[●]
(xii) Initial FX Valuation Date:	[●]
(xiii) Initial FX Averaging Date:	[●]
(xiv) FX Interest Valuation Date:	[●]
(xv) Interest Period(s):	[●]
(xvi) Interest Period Dates:	[Not Applicable/specify dates]
(xvii) Specified Interest Payment Date(s):	[Not Applicable/specify dates]
(xviii) FX Business Day Convention:	[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other <i>(give details)</i> ]
(xix) FX Financial Centre:	[●]
(xx) Minimum Rate of Interest:	[●] per cent. per annum
(xxi) Maximum Rate of Interest:	[●] per cent. per annum
(xxii) Day Count Fraction:	[Actual/Actual; Actual/Actual-ISDA; Actual/365 (Fixed); Actual/365 (Sterling); Actual/360; 30/360; 360/360; Bond Basis; 30E/360; Eurobond Basis; 30E/360 (ISDA); Actual/Actual-ICMA; Other] [adjusted/unadjusted]
(xxiii) Provisions for determining Rate(s) of Interest and Interest Amount:	[●] <i>(If applicable, need to include a description of market disruption or settlement disruption events and adjustment provisions)</i>
(xxiv) Disrupted Days:	[Price Source Disruption and/or Inconvertibility Event as specified in Condition 10] [Other Events]
(xxv) Additional Disruption Events:	[Applicable/Not Applicable] <i>(If not applicable, delete the remainder of this paragraph)</i>

[Change in Law]  
[Hedging Disruption]  
[Increased Cost of Hedging]  
[Other]

- (xxvi) Disruption Fallbacks:
- (a) Calculation Agent FX Determination: [●]
  - (b) Currency Reference Dealers: [●]
  - (c) Fallback Reference Price: [●]
  - (d) Other: [●]
- (xxvii) FX Averaging Reference Dates – Omission: [Applicable/Not Applicable]
- (xxviii) Fallback Valuation Date: [●]
- (xxix) Successor Currency: [●]
- (xxx) Rebasing: [Applicable/Not Applicable]
- (xxxi) FX Reference Dealers: [Applicable/Not Applicable] *(If applicable, please specify such dealers)*
- (xxxii) Such other additional terms or provisions as may be required: [●]
- 22 Dual Currency Note Provisions** [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate of Exchange/Method of calculating Rate of Exchange: [Give details]
  - (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due: [Deutsche Bank AG, London Branch] [Specify other]
  - (iii) Provisions applicable where calculation by reference to Rate of Exchange is impossible or impracticable: [●]
  - (iv) Person at whose option Specified Currency(ies) is/are payable: [●]
  - (v) Day Count Fraction (Condition 1(a)): [Actual/Actual; Actual/Actual-ISDA; Actual/365 (Fixed); Actual/365 (Sterling); Actual/360; 30/360; 360/360; Bond Basis; 30E/360; Eurobond Basis; 30E/360 (ISDA); Actual/Actual-ICMA; Other] [adjusted/unadjusted]

## PROVISIONS RELATING TO REDEMPTION

- 23 Call Option** [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph) (Refer to Condition [●])*
- (i) Optional Redemption Date(s): [●]
  - (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [●] per Calculation Amount
  - (iii) If redeemable in part:
    - Minimum Redemption Amount: [●] per Calculation Amount
    - Maximum Redemption Amount: [●] per Calculation Amount
  - (iv) Notice period: [The Issuer shall give notice of its intention to redeem the Notes not less than [●] Business Days prior to the relevant Optional Redemption Date]

- 24 **Put Option** [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [●]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [●] per Calculation Amount
- (iii) Notice period: [●]
- 25 **Final Redemption Amount (all Notes except Equity Linked Redemption Notes, Index Linked Redemption Notes and FX Linked Notes) of each Note** [●] per Calculation Amount
- 26 **Final Redemption Amount (Index Linked Redemption Notes) of each Note** [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Formula for calculating the Final Redemption Amount: [●]
- (ii) Calculation Agent responsible for calculating the Final Redemption Amount: [Deutsche Bank AG, London Branch] [*Specify other*]
- [(iii) Index: [●]  
 Index Sponsor: [●]  
 Exchange: [●]  
 Related Exchange: [●]/[All Exchanges]]<sup>10</sup>
- [(iii) Basket: The basket composed of each Index specified below in the relative weighting specified:

Index	Index Sponsor	Business Centres	Exchange(s)	Related Exchange(s)	Weighting	
(iv)	[Index Valuation Date(s)]:	Date(s)/Averaging	[●]			] <sup>11</sup>
	[Adjustment provisions in the event of a Disrupted Day:]			[Omission/Postponement/Modified Postponement] <i>(NB: only applicable where Averaging Date(s) are specified)</i>		
(v)	Valuation Time:		[●]			
(vi)	Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:		[●]	[ <i>If applicable, need to include a description of market disruption events and adjustment provisions</i> ]		
(vii)	Additional Disruption Events:			[Applicable/Not Applicable] <i>(If not applicable, delete the remainder of this paragraph)</i> [Change in Law] [Hedging Disruption] [Increased Cost of Hedging] [Other]		
(viii)	Minimum Final Redemption:		[●]			
(ix)	Maximum Final Redemption:		[●]			
(x)	Correction of Index Levels:			Correction of Index Levels [applies/does not apply and the Reference Level shall be calculated without regard to any subsequently published correction].		

<sup>10</sup> Delete entire paragraph if basket of Indices.

<sup>11</sup> Delete entire paragraph if single Index.

- (If Correction of Index Levels does not apply, delete the following sub-paragraph)
- [Correction Cut-Off Date:  Business Days prior to the Maturity Date.]  
 [In relation to Index Valuation Dates other than the final Index Valuation Date,  Business Days after the relevant Index Valuation Date and in relation to the final Index Valuation Date,  Business Days prior to the Maturity Date.]  
 [In relation to Averaging Dates other than the final Averaging Date,  Business Days after the relevant Averaging Date and in relation to the final Averaging Date,  Business Days prior to the Maturity Date.]]
- (xi) Such other additional terms or provisions as may be required:
- 27 **Final Redemption Amount (Equity Linked Redemption Notes) of each Note** [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Formula for calculating the Final Redemption Amount:
- (ii) Calculation Agent responsible for calculating the Final Redemption Amount: [Deutsche Bank AG, London Branch] [*Specify other*]
- [(iii) Underlying Security:   
 Company:   
 ISIN:   
 Exchange:   
 Related Exchange: /[All Exchanges]]<sup>12</sup>
- [(iii) Basket: The basket composed of Underlying Securities of each Company specified below in the [relative proportions/number of shares of each Company] specified:

Index	Index Sponsor	Business Centres	Exchange(s)	Related Exchange(s)	Weighting	
(iv)	[Equity Valuation Date(s)/Averaging Date(s):]					<sup>13</sup>
	[Adjustment provisions in the event of a Disrupted Day:]			[Omission/Postponement/Modified Postponement] <i>(NB: only applicable where Averaging Date(s) are specified)</i>		
(v)	Valuation Time:			<input type="checkbox"/>		
(vi)	Business Centre:			[Please see paragraph (iii) above] <sup>14</sup> / <input type="checkbox"/> [ <i>Please provide all the relevant Business Centres</i> ]		
(vii)	Physical Settlement by delivery of the Underlying Securities Amount:			[Applicable/Not Applicable] [ <i>If Physical Settlement does not apply, delete the following sub-paragraphs</i> ]		
	[Underlying Securities Amount:			<input type="checkbox"/>		
	Presentation Date:			<input type="checkbox"/>		
	Clearing system through which the Underlying Securities Amount may be delivered upon redemption:			<input type="checkbox"/>		

12 Delete entire paragraph if basket of Underlying Securities.

13 Delete entire paragraph if single Underlying Security.

14 Delete if single Underlying Security.

Delivery Agent:	[Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank International)] [Specify other]]
(viii) Correction of Underlying Security Prices:	Correction of Underlying Security Prices [applies/does not apply and the Reference Price shall be calculated without regard to any subsequently published correction]. <i>(If Correction of Underlying Security Prices does not apply, delete the following sub-paragraph)</i>
[Correction Cut-Off Date:	[[●] Business Days prior to the Maturity Date.] [In relation to Equity Valuation Dates other than the final Equity Valuation Date, [●] Business Days after the relevant Equity Valuation Date and in relation to the final Equity Valuation Date, [●] Business Days prior to the Maturity Date.] [In relation to Averaging Dates other than the final Averaging Date, [●] Business Days after the relevant Averaging Date and in relation to the final Averaging Date, [●] Business Days prior to the Maturity Date.]]
(ix) Provisions for determining Final Redemption Amount where calculation by reference to Underlying Security and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[●] <i>(If applicable, need to include a description of Final Redemption Amount where market disruption or settlement disruption events and adjustment provisions, including:</i> <i>[Potential Adjustment Event]</i> <i>[Merger Event]</i> <i>[Tender Offer]</i> <i>[Nationalisation]</i> <i>[De-Listing]</i> <i>[Insolvency]</i> <i>[Other])</i>
(x) Additional Disruption Events:	[Applicable/Not Applicable] <i>(If not applicable, delete the remainder of this paragraph)</i> <i>[Change in Law]</i> <i>[Hedging Disruption]</i> <i>[Increased Cost of Hedging]</i> <i>[Other]</i>
(xi) Exchange Rate:	[Applicable/Not Applicable] <i>[If applicable insert details]</i>
(xii) Such other additional terms or provisions as may be required:	[●]
28 <b>Final Redemption Amount (FX Linked Redemption Notes) of each Note</b>	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i) Description of formula to be used to determine Final Redemption Amount where calculated by reference to a FX Rate:	[●]
(ii) Calculation Agent responsible for calculating the Final Redemption Amount:	[Deutsche Bank AG, London Branch] <i>[specify other]</i>
[(iii) FX Rate(s):	[●]]
[(iii) Basket:	[●]]
(iv) Trade Date:	[Issue Date <i>(if either (a) there is no related swap transaction or (b) the Trade Date of the related swap transaction is the same date as the Issue</i>

		Date)] [●] (Insert Trade Date of related swap transaction (if different from Issue Date))
(v) Reference Currency:		[●]
(vi) Base Currency:		[●]
(vii) FX Price Source:		[●]
(viii) FX Rate Sponsor:		[●]
(ix) Number of FX Settlement Days:		[●]
(x) [FX Valuation Date(s)/Averaging Date(s)]:		[●]
(xi) Valuation Time:		[●]
(xii) Initial FX Valuation Date:		[●]
(xiii) Initial FX Averaging Date:		[●]
(xiv) FX Business Day Convention:		[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
(xv) FX Financial Centre:		[●]
(xvi) Day Count Fraction:		[Actual/Actual; Actual/Actual-ISDA; Actual/365 (Fixed); Actual/365 (Sterling); Actual/360; 30/360; 360/360; Bond Basis; 30E/360; Eurobond Basis; 30E/360 (ISDA); Actual/Actual-ICMA; Other] [adjusted/unadjusted]
(xvii) Provisions for determining Final Redemption Amount:		[●] (If applicable, need to include a description of market disruption or settlement disruption events and adjustment provisions)
(xviii) Disruption Days:		[Price Source Disruption and/or Inconvertibility Event as specified in Condition 10] [Other Events]
(xix) Additional Disruption Events:		[Applicable/Not Applicable] (If not applicable, delete the remainder of this paragraph) [Change in Law] [Hedging Disruption] [Increased Cost of Hedging] [Other]
(xx) Disruption Fallbacks:		
(a) Calculation Agent FX Determination:		[●]
(b) Currency Reference Dealers:		[●]
(c) Fallback Reference Price:		[●]
(d) Other:		[●]
(xxi) FX Averaging Reference Dates – Omission:		[Applicable/Not Applicable]
(xxii) Fallback Valuation Date:		[●]
(xxiii) Successor Currency:		[●]
(xxiv) Rebasing:		[Applicable/Not Applicable]
(xxv) FX Reference Dealers:		[Applicable/Not Applicable] (If applicable, please specify such dealers)
(xxvi) Such other additional terms or provisions as may be required:		[●]
<b>29 Early Redemption Amount</b>		
Early Redemption Amount(s) payable per Calculation Amount and/or the method of calculating the same (if required or if		[[●]/Not Applicable] [less the cost to the Issuer and/or payable on redemption following its Affiliates of unwinding or adjusting any underlying

different from that set out in the Conditions) on redemption (a) on the occurrence of an event of default (Condition 14) or (b) for illegality (Condition 7(j)) or (c) for taxation reasons (Condition 7(c)), or (d) in the case of Equity Linked Redemption Notes, following certain corporate events in accordance with Condition 7(g) or (e) in the case of Index Linked Redemption Notes, following an Index Modification, Index Cancellation or Index Disruption Event (Condition 7(h)) or (f)) in the case of Equity Linked Redemption Notes, Index Linked Redemption Notes or FX Linked Notes, following an Additional Disruption Event (if applicable) Condition 7(i)):

or Nationalisation, Delisting or Insolvency related hedging arrangements in respect of the Notes]

*(in the case of Equity Linked Redemption Notes and Index Linked Redemption Notes)*

[Early Redemption Amount includes an amount in respect of accrued interest: no additional amount in respect of accrued interest to be paid] or [Early Redemption Amount does not include an amount in respect of accrued interest: together with the Early Redemption Amount, accrued interest shall also be paid]

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

### 30 Form of Notes

Bearer Notes/Exchangeable Bearer Notes/Registered Notes] (Refer Condition [●])

*[Delete as appropriate]*

[temporary Global Note/Certificate exchangeable for a permanent Global Note/Certificate which is exchangeable for Definitive Notes/Certificates on [●] days' notice/at any time/in the limited circumstances specified in the permanent Global Note/Certificate]

[temporary Global Note/Certificate exchangeable for Definitive Notes/Certificates on [●] days' notice]<sup>15</sup>

[permanent Global Note/Certificate exchangeable for Definitive Notes/Certificates on [●] days' notice/at any time/in the limited circumstances specified in the permanent Global Note/Certificate]<sup>15</sup>

[restricted Global Certificate exchangeable for Definitive Certificates in the limited circumstances specified in the restricted Global Certificate (for Notes issued pursuant to Rule 144A)]

[unrestricted] Global Certificate [registered in the name of [a nominee for DTC/a common depository for Euroclear and Clearstream Luxembourg] [a common safekeeper for Euroclear and Clearstream, Luxembourg] (that is, held under the NSS)] exchangeable for Definitive Certificates in the limited circumstances specified in the unrestricted Global Certificate (for Notes issued pursuant to Regulation S)]

[Yes/No]

New Global Notes:<sup>16</sup>

31 Financial Centre(s) (Condition 11(h)) or Not Applicable/*give details. [Note that this*

<sup>15</sup> The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: '[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000].' Furthermore such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note/Certificate exchangeable for Definitive Notes, other than in the limited circumstances specified in the permanent Global Note/Certificate.

<sup>16</sup> Only Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) may issue Notes in NGN form or in the form of Registered Notes to be held under the NSS.

- other special provisions relating to payment dates: *paragraph relates to the date and place of payment, and not interest period end dates, to which sub-paragraphs 17(iv), 19(xii) and 20(xii) relate]*
- 32 Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No *If yes, give details]*
- 33 Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/*give details]*
- 34 Details relating to Instalment Notes: Amount of each instalment, date on which each payment is to be made: [Not Applicable/*give details]*
- 35 Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions [in Condition [●]] [annexed to these Final Terms] apply]
- 36 Consolidation provisions: [Not Applicable/The provisions [in Condition [●]] [annexed to these Final Terms] apply]
- 37 Other terms or special conditions:<sup>17</sup> [So long as Bearer Notes are represented by a temporary and/or permanent Global Note and the temporary and/or permanent Global Note is held on behalf of Euroclear, Clearstream, Luxembourg or any other clearing system, notwithstanding Condition 18, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders. Any notice thus delivered to that clearing system shall be deemed to have been given to the Noteholders on the day on which that notice is delivered to the clearing system]

## DISTRIBUTION

- 38 (i) If syndicated, names and addresses of Managers: [Not Applicable/*give names and addresses*] (*Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or extra information will be required if the managers and underwriters are not the same or if the placing is on a 'best efforts' basis if such entities are not the same as the Dealers*)
- (ii) Date of Subscription Agreement: [●]
- (iii) Stabilising Manager(s) (if any): [Not Applicable/*give names*]
- (iv) [Managers'/Dealer's] Commission: [●]
- 39 If non-syndicated, name and address of Dealer: [Not Applicable/*give names and addresses*] [If the sole Dealer in respect of Notes issued by Rabobank Nederland is Rabobank International Rabobank International will not subscribe for the

<sup>17</sup> When adding any other final terms consideration should be given as to whether such terms constitute a 'significant new factor' and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.

- Notes, but will act as agent for the placement of Notes. Such Notes will be deemed to be issued at the time when the Notes are transferred from Rabobank International to the subscriber and Rabobank International receives funds from the subscriber on behalf of Rabobank Nederland]
- 40 Applicable TEFRA exemption: [C Rules/D Rules/Not Applicable]
- 41 Additional selling restrictions: [Not Applicable/*give details*]
- 42 Non-exempt Offer: [Not Applicable] [An offer of the Notes may be made by the Manager(s) other than pursuant to Article 3(2) of the Prospectus Directive in [specify relevant Member State(s) – which must be jurisdictions where the Prospectus and any supplements have been passported] (Public Offer Jurisdictions) during the period from [specify date] until [specify date] (Offer Period).

#### **GENERAL**

- 43 Additional steps that may only be taken following approval by an Extraordinary Resolution in accordance with Condition 15(a): [Not Applicable/*give details*]
- 44 The aggregate principal amount of Notes issued has been translated into Euro at the rate of [●], producing a sum of (for Notes not denominated in Euro): [Not Applicable/[Euro [●]]]
- 45 In the case of Notes listed on Euronext Amsterdam: [Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (i) Numbering and letters: The Notes will be numbered from 1 onwards and in the denominations of [currency/amount] and [currency/amount] and will be preceded by the letters [A, AV, AX, AM, AF] Not Applicable
- (ii) Amsterdam Listing Agent: Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank International)
- (iii) Amsterdam Paying Agent: Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank International)

#### **[LISTING AND ADMISSION TO TRADING APPLICATION**

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the EUR 160,000,000,000 Global Medium-Term Note Programme of Rabobank Nederland.]

#### **RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in these Final Terms. [Information on the underlying has been extracted from [●]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By:

Duly authorised

## PART B—OTHER INFORMATION

### 1 Listing

- (i) Listing: [Euronext Amsterdam/Luxembourg Stock Exchange/Other (*specify*)/None]
- (ii) Admission to trading: [Application has been made for the Notes to be admitted to trading on [●] with effect from [●]/No application for admission to trading has been made].<sup>18</sup>
- (iii) Estimate of total expenses related to admission to trading: [●]

### 2 Ratings

- Rating: [Not Applicable]
- [The Notes to be issued [have been]/[are expected to be] rated:]
- [Fitch: [●]]
- [Fitch Australia: [●]]
- [Moody's: [●]]
- [Standard & Poor's: [●]]
- [[Other: [●]]
- (the above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*
- [Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]*
- Insert one (or more) of the following options, as applicable:
- [[Insert credit rating agency/ies] [is]/[are] established in the European Union and [has]/[have each] applied for registration under Regulation (EC) No 1060/2009, although the result of such application has not yet been determined.]
- [[Insert credit rating agency/ies] [is]/[are] established in the European Union and registered under Regulation (EC) No 1060/2009.]

### 3 [Notification

The Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*) (AFM) [has been requested to provide/has provided – include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues] the *Finanzmarktaufsicht* (FMA) in Austria, the *Financial Services and Markets Authority* (FSMA) in Belgium, *Finanstilsynet* in Denmark, *Finanssivalvonta* (Fiva) in Finland, *Autorité des marchés financiers* (AMF) in France, *Bundesanstalt für Finanzdienstleistungsaufsicht* (BaFin) in Germany, *Epitroph Kefalaigoras* in Greece, *The Central Bank of Ireland* in Ireland, *Commissione Nazionale per le Società e la Borsa* (CONSOB) in Italy, *Commission de Surveillance du Secteur Financier* (CSSF) in Luxembourg, *Finanstilsynet* in Norway, *Comisso do Mercado de Valores Mobiliários* (CMVM) in Portugal, *Comisia Nationala a Valorilor Mobiliare* (CNVM) in Romania, *Comisión Nacional del Mercado de Valores* (CNMV) in Spain, *Finansinspektionen* in Sweden and the *Financial Services Authority* (FSA) in the United Kingdom with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive.]

<sup>18</sup> Where documenting a fungible issue, indicate that original securities are already admitted to trading.

[Notwithstanding the foregoing, no offer of Notes to the public may be made in any Relevant Member State, which requires the Issuer to undertake any action in addition to the filing of the Final Terms with the Netherlands Authority for the Financial Markets unless and until the Issuer advises such action has been taken.<sup>19</sup>]

**4 [Interests of natural and legal persons involved in the [issue/offer]**

*[Include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:]*

[Save as disclosed in the Base Prospectus,] so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.]]

**5 [Reasons for the offer, estimated net proceeds and total expenses]<sup>20</sup>**

(i) Reasons for the offer:

[●]

*(See 'Use of Proceeds' wording in Base Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)]*

(ii) Estimated net proceeds:

[●]

*(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)*

(iii) Estimated total expenses:

[●] *[Include breakdown of expenses.]*

*(If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) where disclosure is included at (i) above.)*

**6 Yield (Fixed Rate Notes only)**

[●]

Indication of yield:

*[Calculated as [include details of method of calculation in summary form] on the Issue Date.]*

The yield is calculated at the Issue Date on the basis of the Issue Price. It is NOT an indication of future yield.

**7 Historic interest rates (Floating Rate Notes only)<sup>21</sup>**

Details of how historic [LIBOR/EURIBOR/other] rates can be obtained.

**8 Performance of index/formula, explanation of effect on value of investment and associated risks and other information concerning the underlying (Index-Linked Notes only)<sup>22</sup>**

*[Include details of where past and future performance and volatility of the index/formula can be obtained]*

*[Include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]*

*[Need to include details of the settlement procedures for derivative securities]*

*[Need to include the exercise date or final reference date]*

*[Need to include the exercise price or the final reference price of the underlying]*

<sup>19</sup> Delete this sentence if the minimum denomination is at least €100,000.

<sup>20</sup> Delete if the minimum denomination is at least €100,000 (unless otherwise required for derivative securities to which Annex XII of the Prospectus Directive applies).

<sup>21</sup> Delete if the minimum denomination is at least €100,000.

<sup>22</sup> Required for derivative securities to which Annex XII of the Prospectus Directive applies.

*[Need to include a description of any market disruption or settlement disruption events that affect the underlying.]*

*[Need to include adjustment rules in relation to events concerning the underlying.]*

*[Where the underlying is a security the name of the issuer of the security and its ISIN or other such security identification code.]*

*[Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information.]*

*[Where the underlying is an interest rate a description of the interest rate.]*

*[Where the underlying is a basket of underlyings disclosure of the relevant weightings of each underlying in the basket.]*

**9 Performance of rate[s] of exchange and explanation of effect on value of investment (Dual Currency Notes only)<sup>23</sup>**

*[Include details of where past and future performance and volatility of the relevant rates can be obtained]*

*[Include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident]*

**10 Performance of underlying, explanation of effect on value of investment and associated risks and information concerning the underlying (Equity-Linked Notes only)<sup>24</sup>**

*[Need to include details of the settlement procedures for derivative securities]*

*[Need to include the exercise price or the final reference price of the underlying]*

*[Need to include a description of any market disruption or settlement disruption events that affect the underlying.]*

*[Need to include the exercise date or final reference date]*

*[Need to include adjustment rules in relation to events concerning the underlying.]*

*[Where the underlying is a security the name of the issuer of the security and its ISIN or other such security identification code.]*

*[Include details of where past and future performance and volatility of the relevant rates can be obtained]*

*[Include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]*

*[Where the underlying is Equity, include the name of underlying and include details of where the information about the Equity can be obtained.]*

**11 Performance of underlying, explanation of effect on value of investment and associated risks and information concerning the underlying (FX Linked Notes only)<sup>25</sup>**

*[Include details of where past and future performance and volatility of the relevant currency/formula]*

*[Include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]*

*[Need to include details of the settlement procedures for derivative securities]*

*[Need to include the exercise price or the final reference price of the underlying]*

*[Need to include a description of any market disruption or settlement disruption events that affect the underlying.]*

*[Need to include adjustment rules in relation to events concerning the underlying.]*

23 Delete if the minimum denomination is at least €100,000.

24 Required for derivative securities to which Annex XII of the Prospectus Directive applies.

25 Required for derivative securities to which Annex XII of the Prospectus Directive applies.

[Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information.]

[Where the underlying is an interest rate a description of the interest rate.]

[Where the underlying is a basket of underlyings disclosure of the relevant weightings of each underlying in the basket.]

## 12 Operational information

- |  |   |
|--|---|
| (i) Intended to be held in a manner which would allow Eurosystem eligibility: <sup>26</sup>              | [Yes/No]<br>[Note that the designation 'yes' simply means that the Notes are intended upon issue to be deposited with one of the ICSDs <sup>27</sup> as common safekeeper [, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,][include this text for registered notes] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.][include this text if 'yes' selected in which case bearer Notes must be issued in NGN form] |
| (ii) ISIN:   | [●]   |
| (iii) Common Code:   | [●]   |
| (iv) German WKN-code:  | [●]/Not Applicable  |
| (v) Private Placement number:  | [●]/Not Applicable  |
| (vi) Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant number(s): | [Not Applicable/give name(s) and number(s)]   |
| (i) The Depository Trust Company   | [Rabobank Nederland only - CUSIP Number]  |
| (vii) Delivery:  | Delivery [against/free of] payment  |
| (viii) Names and addresses of additional Paying/Delivery Agent(s) (if any):                              | Not Applicable/[●]  |
| (ix) Names (and addresses) of Calculation Agent(s):  | [Deutsche Bank AG, London Branch, Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom] [Specify other]   |

## 13 General

- |   |     |
|---|-----|
| (i) Conditions to which the offer is subject:             | [●] |
| (ii) Description of the application process:              | [●] |
| (iii) Description of possibility to reduce subscriptions: | [●] |

<sup>26</sup> Only Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) may issue Notes in NGN form.

<sup>27</sup> The International Central Securities Depositories (i.e. Euroclear S.A./N.V. and Clearstream Banking, société anonyme).

<sup>28</sup> Not applicable if the minimum denomination is at least €100,000 (unless otherwise required for derivative securities to which Annex XII of the Prospectus Directive applies).

- (iv) Manner for refunding excess amount paid by applicants: [●]
- (v) Minimum and/or maximum amount of application: [●]
- (vi) Method and time limit for paying up the securities and for delivery of the Notes: [●]
- (vii) Manner and date on which results of the offer are to be made public: [●]
- (viii) Procedure for exercise of any right of pre-emption, the negotiability of subscription rights and the treatment of subscription rights not exercised: [●]
- (ix) Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries. [●]
- (x) Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: [●]
- (xi) Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [●]
- (xii) Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place: [●]

[Where interest, discount income, prepayment fee, redemption premium or break cost is derived from any Notes by any person who is not resident in Singapore and who carries on any operations in Singapore through a permanent establishment in Singapore, the tax exemption available for qualifying debt securities (subject to certain conditions) under the Income Tax Act, Chapter 134 of Singapore (the 'Income Tax Act') shall not apply if such person acquires such Notes using the funds and profits of such person's operations through a permanent establishment in Singapore. Any person whose interest, discount income, prepayment fee, redemption premium or break cost derived from the Notes is not exempt from tax (including for the reasons described above) shall include such income in a return of income made under the Income Tax Act.]<sup>29</sup>

[Rabobank Singapore Branch, as issuer of the Notes, is subject to restrictions on the acceptance of deposits in Singapore dollars. The Notes do not constitute or evidence a debt repayable by Rabobank Singapore Branch on demand to the Noteholder. The Noteholder may recover the principal sum from Rabobank Singapore Branch subject to the Terms and Conditions of the Notes as set out in the Base Prospectus. The value of the Notes, if sold on the secondary market, is subject to the market conditions prevailing at the time of the sale.]<sup>30</sup>

<sup>29</sup> To be inserted where the Notes are 'qualifying debt securities' under the Income Tax Act, Chapter 134 of Singapore, and the Notes are issued by Rabobank Singapore Branch.

<sup>30</sup> To be inserted when the Notes are issued by Rabobank Singapore Branch, denominated in Singapore dollars, issued to sophisticated investors (as defined in the Guidelines for Operation of Wholesale Banks issued by the Monetary Authority of Singapore) or their nominees and Rabobank Singapore Branch reasonably expects or foresees that the Notes will not be held at all times by persons who are sophisticated investors.

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**AT AND FOR THE YEAR ENDED 31 DECEMBER 2010**

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



In millions of euros	Note	At 31 December 2010	At 31 December 2009
<b>Liabilities</b>			
Due to other banks	19	23,476	22,429
Due to customers	20	298,761	286,338
Debt securities in issue	21	196,819	171,752
Derivatives and other trade liabilities	10	49,640	48,765
Other liabilities	22	8,199	8,083
Other financial liabilities at fair value through profit or loss	23	29,867	27,319
Provisions	24	979	1,095
Current tax liabilities		359	468
Deferred tax liabilities	25	731	489
Employee benefits	26	466	500
Subordinated debt	27	2,482	2,362
<b>Total liabilities</b>		<b>611,779</b>	<b>569,600</b>
<b>Equity</b>			
Equity of Rabobank Nederland and local Rabobanks	29	24,749	21,963
Rabobank Member Certificates issued by a group company	30	6,583	6,315
		31,332	28,278
Capital Securities and Trust Preferred Securities III to VI	31	6,306	6,182
Non-controlling interests	32	3,119	3,423
<b>Total equity</b>		<b>40,757</b>	<b>37,883</b>
<b>Total equity and liabilities</b>		<b>652,536</b>	<b>607,483</b>

# Consolidated statement of income

In millions of euros	For the year ended 31 December		
	Note	2010	2009
Interest income	33	19,928	19,795
Interest expense	33	11,314	11,720
<b>Interest</b>	33	8,614	8,075
Commission income	34	3,469	3,015
Commission expense	34	638	440
<b>Commission</b>	34	2,831	2,575
Income from associates	35	292	592
Net income from financial assets and liabilities at fair value through profit or loss	36	231	(422)
Gains on available-for-sale financial assets	12	105	138
Other income	37	643	1,476
<b>Income</b>		12,716	12,434
Staff costs	38	4,919	4,603
Other administrative expenses	39	2,706	2,908
Depreciation and amortisation	40	571	527
<b>Operating expenses</b>		8,196	8,038
Value adjustments	41	1,234	1,959
<b>Operating profit before taxation</b>		3,286	2,437
Income tax expense	42	514	229
<b>Net profit</b>		2,772	2,208
Of which attributable to Rabobank Nederland and local Rabobanks	29	1,846	1,395
Of which attributable to holders of Rabobank Member Certificates	30	303	318
Of which attributable to Capital Securities	31	460	308
Of which attributable to Trust Preferred Securities III to VI	31	73	78
Of which attributable to non-controlling interests	32	90	109
<b>Net profit for the year</b>		2,772	2,208

# Consolidated statement of comprehensive income

In millions of euros	For the year ended 31 December		
	Note	2010	2009
<b>Net profit</b>		<b>2,772</b>	<b>2,208</b>
<b>Arising in the period (after taxation):</b>			
<i>Foreign currency translation reserves</i>	29		
Currency translation differences		413	45
<i>Revaluation reserve - Available-for-sale financial assets</i>	29		
Currency translation differences		(48)	22
Changes in associates		45	(359)
Fair value changes		390	468
Amortisation of reclassified assets		143	210
Transferred to profit or loss		(114)	78
<i>Revaluation reserve - Associates</i>	29		
Fair value changes		(30)	(29)
<i>Revaluation reserve - Cash flow hedges</i>	29		
Fair value changes		18	(6)
Net gains/(losses) reclassified under profit		1	-
<i>Non-controlling interests</i>	32		
Currency translation differences		266	(37)
Changes in AFS revaluation reserve		(9)	12
<b>Total other comprehensive income</b>		<b>1,075</b>	<b>404</b>
<b>Total comprehensive income</b>		<b>3,847</b>	<b>2,612</b>
Of which attributable to Rabobank Nederland and local Rabobanks		2,664	1,824
Of which attributable to holders of Rabobank Member Certificates		303	318
Of which attributable to Capital Securities		460	308
Of which attributable to Trust Preferred Securities III to VI		73	78
Of which attributable to non-controlling interests		347	84
<b>Total comprehensive income</b>		<b>3,847</b>	<b>2,612</b>

# Consolidated statement of changes in equity

In millions of euros	Equity of Rabobank Nederland and local Rabobanks	Rabobank Member Certificates	Capital Securities and TPS	Non- controlling interests	Total
<b>At 1 January 2010</b>	21,963	6,315	6,182	3,423	37,883
Net profit	1,846	303	533	90	2,772
Total other comprehensive income:					
Foreign currency translation reserve	413	-	-	266	679
Revaluation reserve - Available-for-sale financial assets	416	-	-	(9)	407
Revaluation reserve - Associates	(30)	-	-	-	(30)
Revaluation reserve - Cash flow hedges	19	-	-	-	19
<b>Total comprehensive income</b>	<b>2,664</b>	<b>303</b>	<b>533</b>	<b>347</b>	<b>3,847</b>
Payment on Rabobank Member Certificates, Trust Preferred Securities III to VI (TPS) and Capital Securities	-	(303)	(533)	-	(836)
Issue of Member Certificates	-	257	-	-	257
Other	122	11	124	(651)	(394)
<b>At 31 December 2010</b>	<b>24,749</b>	<b>6,583</b>	<b>6,306</b>	<b>3,119</b>	<b>40,757</b>
<b>At 1 January 2009</b>	<b>20,050</b>	<b>6,236</b>	<b>3,510</b>	<b>3,639</b>	<b>33,435</b>
Net profit	1,395	318	386	109	2,208
Total other comprehensive income:					
Foreign currency translation reserve	45	-	-	(37)	8
Revaluation reserve - Available-for-sale financial assets	419	-	-	12	431
Revaluation reserve - Associates	(29)	-	-	-	(29)
Revaluation reserve - Cash flow hedges	(6)	-	-	-	(6)
<b>Total comprehensive income</b>	<b>1,824</b>	<b>318</b>	<b>386</b>	<b>84</b>	<b>2,612</b>
Payment on Rabobank Member Certificates, Trust Preferred Securities III to VI (TPS) and Capital Securities	-	(318)	(386)	-	(704)
Issue of Member Certificates and Capital Securities	-	79	3,160	-	3,239
Purchase of Trust Preferred Securities III	-	-	(527)	-	(527)
Costs of issue of Capital Securities	(13)	-	-	-	(13)
Other	102	-	39	(300)	(159)
<b>At 31 December 2009</b>	<b>21,963</b>	<b>6,315</b>	<b>6,182</b>	<b>3,423</b>	<b>37,883</b>

# Consolidated statement of cash flows

In millions of euros	For the year ended 31 December		
	Note	2010	2009
<b>Cash flows from operating activities</b>			
Operating profit before taxation		3,286	2,437
Adjusted for:			
<i>Non-cash items recognised in profit or loss</i>			
Depreciation and amortisation	40	571	527
Value adjustments	41	1,234	1,959
Result on sale of property and equipment		(7)	(14)
Income from associates	35	(292)	(592)
Net income from financial assets and liabilities at fair value through profit or loss	36	(231)	422
Available-for-sale financial assets	12	(105)	(138)
<i>Net change in operating assets:</i>			
Due from and due to other banks	7, 19	3,181	(3,346)
Trading financial assets	8, 36	131	(2,613)
Derivative financial instruments	10	(4,856)	27,668
Net change in non-trading financial assets at fair value through profit or loss	9, 23, 36	1,955	2,949
Loans to customers	11	(24,536)	(8,856)
Dividends received from associates and financial assets		464	54
<i>Net change in liabilities relating to operating activities:</i>			
Derivatives and other trade liabilities	10	874	(28,464)
Due to customers	20	12,423	(17,875)
Debt securities in issue	21	23,149	35,973
Other debts	22	116	(562)
Income tax paid		(772)	(216)
Other changes		(1,157)	903
<b>Net cash flow from operating activities</b>		<b>15,428</b>	<b>10,216</b>
<b>Cash flows from investing activities</b>			
Acquisition of associates net of cash and cash equivalents acquired	14	(19)	(425)
Disposal of associates net of cash and cash equivalents		722	3
Acquisition of property and equipment and investment properties	16, 17	(1,636)	(2,020)
Proceeds from sale of property and equipment		983	531
Acquisition of available-for-sale financial assets and held-to-maturity financial assets	12, 13	(64,554)	(25,652)
Proceeds from sale and repayment of available-for-sale financial assets and held-to-maturity financial assets		44,632	24,521
<b>Net cash flow from investing activities</b>		<b>(19,872)</b>	<b>(3,042)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of Capital Securities and Rabobank Member Certificates	30, 31	36	3,239
Proceeds from issue of subordinated debt	27	1,000	1,000
Proceeds from issue of Senior Contingent Notes and Rabo Extra Member Bonds	21	2,150	-
Payment on Rabobank Member Certificates, Trust Preferred Securities III to VI and Capital Securities		(836)	(704)
Purchase of Trust Preferred Securities	27, 31	-	(1,249)
Repayment of and proceeds from issue of subordinated debt	27	(1,000)	-
<b>Net cash flow from financing activities</b>		<b>1,350</b>	<b>2,286</b>
<b>Net change in cash and cash equivalents</b>		<b>(3,094)</b>	<b>9,460</b>
Cash and cash equivalents at beginning of year	6	16,565	7,105
<b>Cash and cash equivalents at end of year</b>		<b>13,471</b>	<b>16,565</b>
The cash flows from interest are included in the net cash flow from operating activities			
Interest income		19,332	20,503
Interest expense		11,651	12,289

# Notes to the consolidated financial statements

## 1 Basis of consolidation

Rabobank Group ('Rabobank') comprises the local Rabobanks ('Members') in the Netherlands, the central cooperative Rabobank Nederland and other specialised subsidiaries. Together they form Rabobank Group. Rabobank Nederland advises the Members and assists them in the provision of their services. Rabobank Nederland also advises the Members and exercises delegated supervision on behalf of De Nederlandsche Bank (the Dutch Central Bank).

Rabobank's cooperative structure has several executive levels, each with its own duties and responsibilities. In terms of annual financial reporting, Rabobank Nederland exercises control over the local Rabobanks.

The consolidated financial statements of Rabobank include the financial information of Rabobank Nederland and that of the Members and other group companies.

## 2 Accounting policies

The main accounting policies used in preparing these consolidated financial statements are explained below.

### 2.1 General

The financial statements of Rabobank have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union.

In 2010, Rabobank applied IFRIC 12, IFRIC 15, IFRIC 16, IFRIC 17 and IFRIC 18 and the amendments to IFRS 1, IFRS 2, IFRS 3, IAS 27 and IAS 39. In addition, the improvements to the IFRSs were applied.

IFRIC 12 'Service Concession Arrangements' applies to financial years commencing on or after 1 January 2010. It gives guidance on the measurement and accounting by operators for public-to-private service concession arrangements. Since Rabobank is not an operator, IFRIC 12 does not apply.

IFRIC 15 'Agreements for the Construction of Real Estate' applies to financial years commencing on or after 1 January 2010. IFRIC 15 clarifies the classification of an agreement for the construction of real estate, focusing mainly on the timing of revenue recognition. This interpretation has no material effect on results or equity.

IFRIC 16 'Hedges of a Net Investment in a Foreign Operation' applies to financial years commencing on or after 1 January 2010. It addresses accounting for hedges of foreign currency risks arising from net investments in foreign operations. This interpretation has no effect on results or equity.

IFRIC 17 'Distributions of Non-cash Assets to Owners' applies to financial years commencing on or after 1 January 2010. Sometimes an entity distributes assets other than cash (non-cash assets) as dividends. In those situations, an entity may also give its owners a choice of receiving either non-cash assets or a cash alternative. IFRIC 17 gives guidance on how to account for such dividends. The interpretation does not apply to Rabobank.

IFRIC 18 'Transfer of Assets from Customers' applies to financial years commencing on or after 1 January 2010. IFRIC 18 clarifies the requirements of IFRS reporting as to the accounting for agreements under which an entity receives from customers items of property, plant and equipment or cash. These assets are then used to connect the customer to one of the entity's networks or provide ongoing access to a supply of goods or services, such as power, gas or water. The interpretation does not apply to Rabobank.

The amendment to IFRS 1 'First-time adoption of international financial reporting standards' applies to financial years commencing on or after 1 January 2010. The amendment to IFRS 1 does not apply to Rabobank.

The amendment to IFRS 2 'Share-based Payment' applies to financial years commencing on or after 1 January 2010. The amendment to IFRS 2 does not apply to Rabobank.

The amendment to IFRS 3 'Business Combinations' applies to financial years commencing on or after 1 January 2010. The changes concern the accounting treatment of acquisitions. This amendment has no effect on results, equity or presentation for 2010.

The amendment to IAS 27 'Consolidated and Separate Financial Statements' applies to financial years commencing on or after 1 January 2010. As a result of the proposed changes to IAS 27, changes in the ownership interests of a subsidiary after control over the subsidiary has been acquired with changes not resulting in loss of control must be accounted for as a transaction with owners, including the non-controlling interests. Accordingly, such transactions will not give rise to a gain or loss. This amendment has no effect on results, equity or presentation.

The amendment to IAS 39 'Financial instruments: Recognition and Measurement' applies to financial years commencing on or after 1 January 2010. It relates to hedged items. This amendment has no effect on results, equity or presentation.

The most important new standard issued by the IASB that applies to Rabobank but is not yet effective, is IFRS 9 'Financial Instruments'. The impact of IFRS 9 is currently being assessed.

The consolidated financial statements have been prepared on the basis of the accounting policies outlined below. The remaining assets and liabilities are accounted for on a historical cost basis, unless otherwise stated.

Unless otherwise stated, all amounts in these financial statements are in millions of euros.

### *2.1.1 Changes in accounting policies and presentation*

Compared with the 2009 consolidated financial statements, the treatment of impairments of 'Loans to customers' previously classified as 'Available-for-sale financial assets' has changed. In previous years, where these assets were found to be impaired, the remaining revaluation reserve in equity was transferred to profit or loss, with the assets being remeasured at the present value of the expected future cash flows, at the effective interest rate at the inception of the contract.

Given an agenda decision the International Financial Reporting Interpretations Committee made in 2010, it was decided to base the remeasurement on the present value of future cash flows at the effective interest rate at the time of reclassification.

As a result, Rabobank treats financial guarantee contracts concluded separately and contracts incorporated in structured products in the same manner when calculating impairment of the assets insured, with the carrying amounts of guarantee contracts concluded separately, on initial recognition, being equal to the present value of the estimated future cash flows from the contract. Recognition has been applied retroactively for consistency reasons. The impact on equity at 1 January 2009 is -24, at 31 December 2009 -215, and on the results for 2009 -80. The gain or loss is recognised in 'Net income from other financial assets at fair value through profit or loss'.

The treatment of impairments of reclassified loans as 'Loans to customers' previously classified as 'Available-for-sale financial assets' had the following impact on the figures for 2010. At 31 December 2010, the item 'Loans to customers' is 484 lower. The negative effect on profit for the year for 2010 was 29. Deferred tax assets at 31 December 2010 were adjusted upwards by 203. The impact on equity at 31 December 2010 was -281.

The impact of the adjustments relating to financial guarantee contracts referred to above on the 2010 figures is negligible. The amounts have already been included in the figures.

The treatment of impairments of reclassified loans as 'Loans to customers' previously classified as 'Available-for-sale financial assets' had the following impact on the comparative figures. The item 'Loans to customers' was 82 lower at 1 January 2009 and 513 lower at 31 December 2009. For 2009, interest income was 29 higher. 'Net income from other financial assets' was 269 lower. 'Operating profit before tax' was 240 lower.

The impact of the adjustments relating to financial guarantee contracts referred to above on the comparative figures is as follows. The item 'Other assets' was 41 higher at 1 January 2009 and 114 higher at 31 December 2009. For 2009, both 'Net income from other financial assets' and 'Operating profit before tax' were 73 higher.

Combined, the impact of these adjustments on the comparative figures is as follows. The item 'Loans to customers' was 426,201 at 1 January 2009, instead of 426,283. At 31 December 2009, they were 433,357 and 433,870 respectively. At 1 January 2009, the item 'Other assets' was 10,596 instead of 10,555. At 31 December 2009, they were 8,835 and 8,721 respectively. Net profit for the year for 2009 was adjusted downward from 2,288 to 2,208. At 1 January 2009, the deferred tax asset was changed from 1,619 to 1,636. At 31 December 2009, these amounts were 1,174 and 1,358 respectively. At 31 December 2009, equity was adjusted downward from 22,178 to 21,963. The amounts have already been included in the restated comparative figures. Note 51 presents the statement of financial position at 1 January 2009 that reflects the impact of the change in accounting policies.

Until 2009, amortised actuarial gains/losses associated with the defined benefit plan were accounted for under 'Staff costs'. With effect from 2010, amortisation is presented under 'Other income'. This change in presentation is made because it improves insight into staff costs that are not dependent on financial market trends and are reflected in actuarial gains/losses. Given that the corridor had not been exceeded by year-end 2009, no amortisation gains were realised in 2010. Consequently, this change in presentation has no effect on staff costs for 2010. Without this change, both staff costs and other income for 2009 would have been 734 lower.

Insofar as other insights implied the need for reclassifications, the comparative figures have been restated.

### 2.1.2 *Judgments and estimates*

The preparation of the financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities, the reporting of contingent assets and liabilities at the date of the financial statements, as well as the amounts reported for income and expenses during the reporting period. The situations that are assessed based on available financial data and information mainly concern the determination of the provision for doubtful debts, the fair value of assets and liabilities and impairments. Although management based their estimates on the most careful assessment of the current circumstances and activities, the actual results might deviate from these estimates.

## 2.2 **Group financial statements**

### 2.2.1 *Subsidiaries*

Subsidiaries and other entities (including special purpose entities over which Rabobank exercises control, directly or indirectly) are consolidated. The assets, liabilities and results of these entities are consolidated in full.

Subsidiaries are consolidated from the date on which Rabobank obtains control, and cease to be consolidated on the date that this control ends. All intra-group transactions, balances and unrealised gains and losses on transactions between Rabobank Group entities are eliminated for consolidation purposes.

#### **Internal liability (cross-guarantee system)**

In accordance with the Financial Supervision Act (Wet op het financieel toezicht), various legal entities belonging to the Rabobank Group are internally liable under an intragroup mutual keep well system. Under this system the participating entities are bound, in the event of a lack of funds of a participating entity to satisfy its creditors, to provide the funds necessary to allow such deficient participant to satisfy its creditors.

The participating entities are:

- The local member banks of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.
- Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland), Amsterdam
- Rabohypotheekbank N.V., Amsterdam
- Raiffeisenhypotheekbank N.V., Amsterdam
- Schretlen & Co N.V., Amsterdam
- De Lage Landen International B.V., Eindhoven
- De Lage Landen Financiering B.V., Eindhoven
- De Lage Landen Trade Finance B.V., Eindhoven
- De Lage Landen Financial Services B.V., Eindhoven

### 2.2.2 *Joint ventures*

The interests of Rabobank in entities where control is shared are consolidated proportionally. With this method, Rabobank includes its share of the income and expenses, assets and liabilities, and cash flows of the various joint ventures in the relevant items of its financial statements.

### 2.2.3 *Investments in associates*

Investments in associates are recognised in accordance with the equity method. With this method, Rabobank's share of the profits and losses of an associate - subject to Rabobank's accounting policies - (after the acquisition) is recognised in profit or loss, and its share of the changes in reserves after the acquisition is recognised in reserves. The cumulative changes after acquisition are adjusted to the cost of the investment.

Associates are entities over which Rabobank has significant influence and in which it usually holds between 20% and 50% of the voting rights but over which it does not exercise control. Unrealised gains on transactions between Rabobank and its associates are eliminated in proportion to the size of Rabobank's interest in the associates. Unrealised losses are also eliminated unless the transaction indicates that an impairment loss should be recognised on the asset transferred.

Investments by Rabobank in associates include the goodwill acquired. If Rabobank's share in the losses of an associate equals or exceeds its interest in the associate, Rabobank will not recognise any more losses of the associate unless Rabobank has given undertakings or made payments on behalf of this associate.

## 2.3 Derivative financial instruments and hedging

### 2.3.1 General

Derivative financial instruments generally comprise foreign exchange contracts, currency and interest rate futures, forward rate agreements, currency and interest rate swaps, and currency and interest rate options (written as well as acquired). Derivative financial instruments might be traded on an exchange or as over-the-counter (OTC) instruments between Rabobank and a client. All derivative financial instruments are recognised at fair value. The fair value is determined using listed market prices, prices offered by traders, cash flow discounting models and option valuation models based on current market prices and contracted prices for the underlying instruments, as well as the time value of money, yield curves and the volatility of the underlying assets and liabilities. All derivative financial instruments are included under assets if their fair value is positive and under liabilities if their fair value is negative.

Derivative financial instruments that are embedded in other financial instruments are treated separately if their risks and characteristics are not closely related to those of the underlying derivative contract and this contract is not classified as fair value through profit or loss.

### 2.3.2 Instruments not used for hedging

Realised and unrealised gains and losses on derivative financial instruments classified by Rabobank as held for trading are recognised under 'Trading results'.

### 2.3.3 Hedging instruments

Rabobank also uses derivative financial instruments as part of statement of financial position control to manage its interest rate risks, credit risks and foreign currency risks. Rabobank makes use of the possibilities provided by the EU through the carve-out in IAS 39. The carve-out facilitates the application of fair value portfolio hedge accounting to certain positions. Buckets are used to measure effectiveness.

On the date of concluding a derivative contract, Rabobank can designate certain derivative financial instruments as (1) a hedge of the fair value of an asset or liability in the statement of financial position (fair value hedge), as (2) a hedge of future cash flows attributable to an asset or liability in the statement of financial position, an expected transaction or a non-current liability (cash flow hedge), or as (3) a hedge of a net investment in a foreign entity (net investment hedge). Hedge accounting can be applied for derivative financial instruments designated in this manner if certain criteria are met.

These criteria include the following:

- Formal documentation of the hedging instrument, the hedged item, the objective of the hedge, the hedging strategy and the hedge relationship before applying hedge accounting.
- The hedge is expected to be very effective (in a range of 80% to 125%) in offsetting changes in the hedged item's fair value or cash flows attributable to the hedged risks during the entire reporting period.
- The hedge is continuously very effective from inception onwards.

Changes in the fair value of derivative financial instruments that are designated as fair value hedges and are effective in relation to the hedged risks are recognised in profit or loss, together with the corresponding changes in the fair value of the assets or liabilities hedged against the risks in question.

If the hedge no longer meets the criteria for hedge accounting (according to the fair value hedge model), any adjustment to the carrying amount of a hedged interest-bearing financial instrument is amortised through profit or loss until the end of the hedged period.

Any adjustment to the carrying amount of a hedged equity instrument is recognised as equity until disposal of the equity instrument. Changes in the fair value of derivative financial instruments that are designated and qualify as cash flow hedges and that are highly effective in relation to the hedged risks are recognised in the hedging reserve included under 'Equity' (see note 10). The non-effective part of the changes in the fair values of the derivative financial instruments is recognised in profit or loss.

If the forecast transaction or the non-current liability results in the recognition of a non-financial asset or a non-financial liability, any deferred gain or loss included in equity is restated to the initial carrying amount (cost) of the asset or the liability. In all other cases, deferred amounts included in equity are taken to the statement of income and are classified as income or expenses in the periods in which the hedged non-current liability or the forecast transaction had an effect on profit or loss.

Certain derivative contracts, although they are economic hedges in relation to the managed risk positions taken by Rabobank, do not qualify for hedge accounting under the specific IFRS rules. These contracts are therefore treated as derivative financial instruments held for trading.

The fair value of derivative financial instruments held for trading and hedging purposes is disclosed in note 10: 'Derivative financial instruments and other trade liabilities'.

## 2.4 Trade liabilities and other liabilities at fair value through profit or loss

### 2.4.1 Trade liabilities

Trade liabilities are mainly negative fair values of derivative financial instruments and delivery obligations arising on short selling of securities. Securities are sold short to realise gains from short-term price fluctuations. The securities needed to settle the short selling are acquired through securities leasing or sale and securities repurchase agreements. Securities sold short are recognised at fair value at the reporting date.

### 2.4.2 Other liabilities at fair value through profit or loss

Other liabilities at fair value through profit or loss include certain financial liabilities that Rabobank does not intend to sell, but which it accounted for at fair value. Changes in the fair value of these financial liabilities are recognised in profit or loss for the period in which they arise.

## 2.5 Trading financial assets

Trading financial assets are acquired to realise gains from short-term fluctuations in the prices or margins of traders, or form part of a portfolio that regularly generates short-term gains.

These assets are stated at fair value based on quoted bid prices. Any realised and unrealised gains and losses are included under 'Trading income'. Interest earned on trading financial assets is recognised as interest income.

Dividends received on trading financial assets are recognised as 'Trading income'.

All purchases and sales of trading financial assets that have to be delivered within a period prescribed by regulations or market convention are recognised at the transaction date.

## 2.6 Other financial assets and liabilities at fair value through profit or loss

Rabobank has opted to classify financial instruments not acquired or entered into for realising gains from short-term fluctuations in traders' prices or margins at fair value through profit or loss. These financial assets, including venture capital, are carried at fair value.

Management designates financial assets and liabilities to this category upon initial recognition if any or all of the following criteria are met:

- Such a designation eliminates or substantially reduces any inconsistent treatment that would otherwise have arisen upon valuation of the assets or liabilities or recognition of profits or losses on the basis of different accounting policies.
- The assets and liabilities belong to a group of financial assets and/or financial liabilities that are managed and assessed on the basis of their fair value in accordance with a documented risk management or investment strategy.
- The financial instrument contains an embedded derivative financial instrument, unless the embedded derivative financial instrument does not significantly affect the cash flows or if it is evident, after limited analysis or no analysis at all, that separate recognition is not required.

Interest earned on assets with this classification is recognised as interest income and interest due on liabilities with this classification is recognised as interest expense. Any other realised and unrealised gains and losses on revaluation of these financial instruments at fair value are included under 'Income from other financial assets and liabilities'.

## 2.7 Day 1 profit

Discrepancies between the transaction price and fair value may arise if valuation techniques are applied at the time of the transaction. Such a discrepancy is referred to as day 1 profit. Rabobank recognises this profit directly under 'Trading income' provided that the valuation technique is based on observable data inputs (from active markets). If unobservable data inputs were used, the day 1 profit is amortised over the term of the transaction and recognised under 'Other liabilities'. Profit is subsequently accounted for if the financial instrument in question is sold or if the data input has subsequently become observable.

## 2.8 Available-for-sale financial assets

Management determines the classification of financial assets on the date of acquisition, depending on the purpose for which the investments are acquired.

Financial assets that are intended to be held indefinitely and that could be sold for liquidity purposes or in response to changes in interest rates, exchange rates or share prices are classified as available for sale.

Available-for-sale financial assets are initially recognised at fair value, including transaction costs, based on quoted bid prices or values derived from cash flow models. The fair values of unlisted equity instruments are estimated based on appropriate price/earnings ratios, adjusted to reflect the specific circumstances of the respective issuers. Any unrealised gains and losses from changes in the fair value of available-for-sale financial assets are recognised in equity unless they relate to amortised interest. If such financial assets are disposed of, the adjustments to fair value are recognised in profit or loss.

At each reporting date, management assesses whether there are objective indications of impairment of available-for-sale assets. Equity instruments are impaired if their cost permanently exceeds their recoverable amount, i.e. their fair value is permanently or significantly lower than their cost. The recoverable amount of investments in unlisted equity instruments is determined using approved valuation methods, whereas the recoverable amount of listed financial assets is determined on the basis of market value. Impairment of equity instruments is never subsequently reversed through profit or loss.

Debt instruments are impaired if there are objective indications that the market value has decreased to such a degree that no reasonable assumptions can be made that the value will recover to carrying amount in the foreseeable future.

In the event of impairment, the cumulative loss is determined by the difference between cost and current fair value, less any previously recognised impairment transferred from the revaluation reserve in equity to profit or loss. If the impairment of a debt instrument diminishes in a subsequent period and the diminution can be objectively attributed to an event that occurred after the impairment, the impairment is reversed through profit or loss.

All purchases and sales made in accordance with standard market conventions for available-for-sale financial assets are recognised at the transaction date. All other purchases and sales are recognised at the settlement date.

## 2.9 Held-to-maturity financial assets

Financial assets with fixed terms and cash flows are classified as held-to-maturity financial assets, provided management intends to keep them for their full terms and is in a position to do so. Management determines the appropriate classification for its investments on their acquisition dates.

Held-to-maturity financial assets are initially recognised at fair value and subsequently carried at amortised cost based on the effective interest method, net of provisions for impairment losses.

Interest earned on held-to-maturity financial assets is recognised as interest income. All purchases and sales made in accordance with standard market conventions for held-to-maturity financial assets are recognised at the date of settlement.

## 2.10 Repurchase agreements and reverse repurchase agreements

Financial assets that are sold subject to related sale and repurchase agreements are included in the financial statements under 'Trading financial assets' and 'Available-for-sale financial assets'. The liability to the counterparty is included under 'Due to other banks' or 'Due to customers', depending on the application.

Financial assets acquired under reverse sale and reverse repurchase agreements are recognised as 'Due from other banks', or 'Loans to customers', depending on the application. The difference between the selling price and repurchasing price is recognised as interest income or interest expense over the term of the agreement, based on the effective interest method.

## 2.11 Securitisations and other derecognition constructions

Rabobank securitises, sells and carries various financial assets. Those assets are sometimes sold to special purpose entities ('SPEs'), which then issue securities to investors. Rabobank has the option of retaining an interest in sold securitised financial assets in the form of subordinated interest-only strips, subordinated securities, spread accounts, servicing rights, guarantees, put options and call options, and other constructions.

A financial asset (or a portion of it) is derecognised if:

- the rights to the cash flows from the asset expire;
- the rights to the cash flows from the asset and a substantial portion of the risks and benefits of ownership of the asset are transferred;
- a commitment to transfer the cash flows from the asset is presumed and a substantial portion of the risks and benefits are transferred;
- not all the economic risks and benefits are retained or transferred; however, control over the asset is transferred.

If Rabobank retains control over the asset but does not retain a substantial portion of the rights and benefits, the asset is recognised in proportion to the continuing involvement of Rabobank. A related liability is also recognised to the extent of Rabobank's continuing involvement. The recognition of changes in the value of the liability corresponds to the recognition of changes in the value of the asset.

If a transaction does not meet the above conditions for derecognition, it is recognised as a loan for which security has been provided.

To the extent that the transfer of a financial asset does not qualify for derecognition, the transfer does not result in Rabobank's contractual rights being separately recognised as derivative financial instruments if recognition of these instruments and the transferred asset, or the liability arising on the transfer, were to result in double recognition of the same rights or obligations.

Gains and losses on securitisations and sale transactions depend partly on the previous carrying amounts of the financial assets transferred. These are allocated to the sold and retained interests based on the relative fair values of these interests at the date of sale. Any gains and losses are recognised through profit or loss at the time of transfer.

The fair value of the sold and retained interests is based on quoted market prices or calculated as the present value of the future expected cash flows, using pricing models that take into account various assumptions such as credit losses, discount rates, yield curves, payment frequency and other factors.

Rabobank decides whether the SPE should be included in the consolidated financial statements. For this purpose, it performs an assessment of the SPE by taking a number of factors into consideration, including the activities, decision-making powers and the allocation of the benefits and risks associated with the activities of the SPE.

## 2.12 Cash and cash equivalents

Cash equivalents are highly liquid short-term investments held to meet current obligations in cash, rather than for investments or other purposes. Such obligations have outstanding terms of less than 90 days at inception. Cash equivalents are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

## 2.13 Netting of financial assets and liabilities

Financial assets and liabilities are set off and the net amount is transferred to the statement of financial position if a legal right to set off the recognised amounts exists and it is intended to settle the expected future cash flows on a net basis, or to realise the asset and settle the liability simultaneously. This mainly concerns netting off of current account balances. The set-off of taxes is discussed in section 2.25.

## 2.14 Foreign currencies

### 2.14.1 Foreign entities

Items included in the financial statements of each entity in Rabobank Group are carried in the currency that best reflects the economic reality of the underlying events and circumstances that are relevant for the entity ('the functional currency').

The financial statements are presented in euros, which is the parent company's functional currency. Gains, losses and cash flows of foreign entities are translated into the presentation currency of Rabobank at the exchange rates ruling at the transaction dates, which is approximately equal to the average exchange rates. For purposes of the statement of financial position, they are translated at closing rates. Translation differences arising on the net investments in foreign entities and on loans and other currency instruments designated as hedges of these investments are recognised in equity. If a foreign entity is sold, any such translation differences are recognised in profit or loss as part of the gain or loss on the sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are recognised as assets and liabilities of the foreign entity and are translated at the closing rate.

### 2.14.2 Transactions in foreign currencies

Transactions in foreign currencies are translated into the functional currency at the exchange rates ruling at the transaction dates. Translation differences arising on the settlement of such transactions or on the translation of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, unless they are recognised in equity as qualifying net investment hedges.

Translation differences on debt securities and other monetary financial assets carried at fair value are included under foreign exchange gains and losses. Translation differences on non-monetary items such as equity instruments held for trading are recognised as part of the fair value gains or losses. Translation differences on available-for-sale non-monetary items are included in the revaluation reserve reported under 'Equity'.

## 2.15 Interest

Interest income and expense for all interest-bearing instruments is recognised in profit or loss on an accrual basis, with the effective interest method being applied. Interest income includes coupons relating to fixed-interest financial assets and trading financial assets, as well as the cumulative premiums and discounts on government treasury securities and other cash equivalent instruments. If any loans suffer impairment losses, they are written down to their recoverable amounts and the interest income recognised henceforth is based on the original discount rate for calculating the present value of the future cash flows used to determine the recoverable amounts.

## 2.16 Commission

Income from asset management activities consists mainly of unit trust, fund management commission and administration. Income from asset management and insurance brokerage is recognised as earned once the services have been provided.

Commission is generally recognised on an accrual basis. Commission received for negotiating a transaction, or taking part in the negotiations, on behalf of third parties, for example the acquisition of a portfolio of loans, shares or other securities, or the sale or purchase of companies, is recognised at completion of the underlying transactions.

## 2.17 Loans to customers and Due from other banks

Loans to customers and Due from other banks are non-derivative financial instruments with fixed or defined payments, not listed on an active market, apart from such assets that Rabobank classifies as trading, at fair value on initial recognition with changes recognised through profit or loss, or as available for sale. Loans to customers and receivables are initially recognised at fair value, including transaction costs, and subsequently carried at amortised cost, including transaction costs.

Loans are subject to either individual or collective impairment analyses. A value adjustment, a provision for expected losses on loans, is recognised if there is objective evidence that Rabobank will not be able to collect all amounts due under the original terms of the contract. The size of the provision is the difference between the carrying amount and the recoverable amount, which is the present value of the expected cash flows, including amounts recoverable under guarantees and sureties, discounted at the original effective rate of interest of the loans.

The provision for loans includes losses if there is objective evidence that losses are attributable to some portions of the loan portfolio at the reporting date.

Examples of objective evidence for value adjustments are:

- Significant financial problems on the part of the borrower.
- Default in making interest and/or redemption payments on the part of the borrower.
- Loan renegotiations.
- Possibility of bankruptcy of or financial reorganisation at the borrower.
- Changes in borrowers' payment status.
- Changes in economic circumstances that could cause the borrower to default.

The losses are estimated based on the historical pattern of losses for each separate portion, the credit ratings of the borrowers, and taking into account the actual economic conditions under which the borrowers conduct their activities. The carrying amount of the loans is reduced through the use of a provision account and the loss is taken to the statement of income. Write-downs of provisions for expected losses on loans are made as soon as the enforcement process is completed, the security provided has been realised, when virtually no other means of recovery are available and in the event of a formal cancellation of a debt. Where extraordinary circumstances arise, a provision for expected losses on loans may be written down at a portfolio level, up to the amount deemed uncollectible. Any amounts subsequently collected are included under the item 'Value adjustments' in the statement of income.

In its role as relationship bank, Rabobank will try to prevent the risk of default of payment on the part of the customer through adequate credit management, regular consultations with the customer and taking timely action. If despite these efforts a customer defaults on payment, Rabobank will attempt to restructure the loan instead of realising the collateral as long as it sees prospects for continuity. This may result in payments being rescheduled, new terms attached to the loan agreed or additional collateral obtained. As soon as the prospects for continuity have recovered, the loan is no longer considered impaired (not fully collectible). Management continually assesses these renegotiated loans to ensure that all criteria are satisfied with a view to expected future cash flows.

At each reporting date, management assesses whether there is objective evidence that reclassified loans previously recognised as available-for-sale assets have been impaired.

## 2.18 Intangible assets

### 2.18.1 Goodwill

Goodwill is the amount by which the acquisition price paid for a subsidiary or associate exceeds the fair value on the acquisition date of Rabobank's share of the net assets and the contingent liabilities of the entity acquired. Upon each acquisition, the other minority interests are recognised at fair value or at the proportion of the identifiable assets and liabilities of the acquired entity. Impairment tests are performed annually or - if indications so dictate - more frequently to determine whether impairment has occurred.

### 2.18.2 Software development costs

Costs related to the development or maintenance of software are recognised as an expense at the time they are incurred. Costs directly incurred in connection with identifiable and unique software products over which Rabobank has control and that will probably provide economic benefits exceeding the costs for longer than a year are recognised as intangible assets. Direct costs include the employee expenses of the software development team, financing and an appropriate portion of the relevant overhead.

Expenditures that improve the performance of software compared with their original specifications are added to the original cost of the software. Software development costs are recognised as assets and amortised on a straight-line basis over a period not exceeding five years.

### 2.18.3 Other intangible assets

Other intangible assets are mainly those identified upon business combinations. They are amortised over their terms.

Each year, Rabobank performs an impairment test based on expected future cash flows. An impairment loss is recognised if the expected future profits do not justify the carrying amount of the asset.

### 2.18.4 Impairment losses on goodwill

Each year at year-end goodwill is tested for impairment by comparing the recoverable amount of cash flow generating units with their carrying amount.

The higher of value in use on the one hand and fair value less selling costs on the other determines the recoverable amount. The definition of cash flow generating units depend on the type of company acquired.

The recoverable amount of a cash flow generating unit is arrived at by determining the present value of the expected future cash flows of the cash flow generating unit in question at the interest rate before tax. The major assumptions used in the cash flow model depend on the input data which reflect different financial and economic variables, such as the risk-free interest rate in a country and a premium reflecting the inherent risk of the entity concerned. The variables are determined subject to review by management. Impairments of goodwill are included in 'Other income' in the statement of income.

### 2.18.5 Impairment losses on other intangible assets

At each reporting date, Rabobank assesses whether there are indications of impairment of other intangible assets. If such indications exist, impairment testing is carried out to determine whether the carrying amount of the other intangible assets is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount. Goodwill and software under development are tested for impairment each year at the reporting date or more frequently if indications of impairment exist. Impairment losses and reversed impairments of other intangible assets are included in 'Other administrative expenses' in the statement of income.

## 2.19 Property and equipment

Equipment (for own use) is recognised at historical cost net of accumulated depreciation and impairments if applicable.

Property (for own use) represents mainly offices and is also recognised at cost less accumulated depreciation and impairments if applicable.

Straight-line depreciation is applied to these assets in accordance with the schedule below. Each asset is depreciated to its residual value over its estimated useful life:

- Land	Not depreciated
- Buildings	25 - 40 years
Equipment, including	
- Computer equipment	1 - 5 years
- Other equipment and vehicles	3 - 8 years

Each year, Rabobank assesses whether there are indications of impairment of property and equipment. If the carrying amount of an asset exceeds its estimated recoverable amount, the carrying amount is written down immediately to the recoverable amount. Impairment losses and reversed impairments of property and equipment are included in 'Other administrative expenses' in the statement of income. Gains and losses on the disposal of items of property and equipment are determined in proportion to their carrying amounts and taken into account when determining the operating result. Repair and maintenance work is charged to profit or loss at the time the relevant costs are incurred. Expenditures on extending or increasing the benefits from land and buildings compared with their original benefits are capitalised and subsequently depreciated.

## 2.20 Investment properties

Investment properties, mainly office buildings, are held for their long-term rental income and are not used by Rabobank or its subsidiaries. Investment properties are recognised as long-term investments and included in the statement of financial position at cost, net of accumulated depreciation and impairment.

Investment properties are depreciated over a term of 40 years.

## 2.21 Work in progress

Work in progress is included in 'Other assets'. Work in progress relates to commercial real estate projects as well as sold and unsold housing projects under construction or planned and is carried at cost plus allocated interest, net of provisions as necessary. Instalments invoiced to buyers and customers are deducted from work in progress. If the balance for a project is negative (the amount of the invoiced instalments exceeds the capitalised costs), the balance of that project is recognised as 'Other liabilities'.

Gains and losses are recognised based on the percentage of completion method given the continuous transfer of ownership involved. In the course of the construction work, Rabobank transfers the control and the material risks and benefits of the ownership of the work in progress in its current state to the buyer.

## 2.22 Leasing

### 2.22.1 Rabobank as lessee

Leases relating to property and equipment under which virtually all risks and benefits of ownership are transferred to Rabobank are classified as finance leases. Finance leases are capitalised at the inception of the lease at the fair value of the leased assets or at the present value of the minimum lease payments if the present value is lower. Lease payments are apportioned between the lease liability and the finance charges, so as to achieve a constant rate of interest on the remaining balance of the liability. The corresponding lease liabilities are included under 'Other loans', after deduction of finance charges. The interest components of the finance charges are recognised in profit or loss over the term of the lease. An item of property and equipment acquired under a lease agreement is depreciated over the useful life of the asset or, if shorter, the term of the lease.

Leases under which a considerable portion of the risks and benefits of ownership of the assets is retained by the lessor are classified as operating leases. Operating lease payments (less any discounts by the lessor) are charged to profit or loss on a straight-line basis over the term of the lease.

### 2.22.2 Rabobank as lessor

#### Finance leases

If assets are leased under a finance lease, the present value of the lease payments is recognised as a receivable under 'Due from other banks' or 'Loans to customers'. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised as interest income over the term of the lease using the net investment method, which results in a constant rate of return on the investment.

#### Operating leases

Assets leased under operating leases are included in the statement of financial position under 'Property and equipment'. The assets are depreciated over their expected useful lives in line with those of comparable items of property and equipment. Rental income (less discounts granted to lessees) is recognised under 'Other income' on a straight-line basis over the term of the lease.

## 2.23 Provisions

Provisions are recognised if Rabobank has a present obligation (legal or constructive) as a result of a past event, if it is probable that an outflow of resources will be required to settle the obligation and if a reliable estimate can be made of the amount of the obligation. If Rabobank expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only if the reimbursement is virtually certain. The provisions are carried at the discounted value of the expected future cash flows.

### 2.23.1 Restructuring

Restructuring provisions comprise payments under redundancy schemes and other costs directly attributable to restructuring programmes. The costs are recognised in the period in which a legal or constructive obligation arises for Rabobank and a detailed redundancy scheme is in place. No provisions are formed in advance for costs relating to continuing operations of Rabobank.

### **2.23.2 Tax and legal issues**

The provisions for tax and legal issues is based on the best possible estimates available at year-end, taking into account legal and tax advice. The timing of the cash outflow of these provisions is uncertain because the outcome of the disputes and the time involved are unpredictable.

### **2.23.3 Other provisions**

This item includes a provision for onerous contracts, credit guarantees and obligations under the terms of the deposit guarantee system.

## **2.24 Employee benefits**

Rabobank has various pension plans in place based on the local conditions and practices of the countries in which it operates. In general, the plans are financed by payments to insurance companies or trustee administered funds. The payments are calculated actuarially at regular intervals. A defined benefit plan is one that incorporates a promise to pay an amount of pension benefit, which is usually based on several factors such as age, number of years in service and remuneration. A defined contribution plan is one under which Rabobank pays fixed contributions to a separate entity (a pension fund) and acquires no legal or constructive obligation if the fund has insufficient assets to pay all the benefits to employee-members of the plan in respect of service in current and past periods.

### **2.24.1 Pension obligations**

The defined benefit liability is the present value of the defined benefit obligation at the reporting date, including adjustments for actuarial gains and losses and past service costs not yet recognised, reduced by the fair value of the plan assets. The defined benefit obligation is calculated by independent actuaries each year using the projected unit credit method. The present value of the defined benefit obligation is calculated by discounting the estimated future cash outflows at rates of interest on prime corporate bonds with terms approximating those of the related obligations. Most of the pension plans are career average pension plans and the net costs after deduction of employees' contributions are included under 'Staff costs'. Actuarial gains or losses from adjustments to actual developments and modified actuarial assumptions are recognised using the corridor method. Insofar as unrecognised cumulative actuarial gains or losses exceed 10% of the higher of the present value of the gross obligation under the defined benefit plan and the fair value of the fund, such excess is taken to profit or loss the next financial year, spread over two years.

### **2.24.2 Defined contribution plans**

Under defined contribution plans, Rabobank pays contributions to publicly or privately managed insured pension plans on a compulsory, contractual or voluntary basis. Once the contributions have been made, Rabobank has no further payment obligations. The regular contributions are net period costs for the year in which they are due and are included on this basis under 'Staff costs'.

### **2.24.3 Other post-employment obligations**

Some Rabobank units provide other post-employment benefits. To become eligible for such benefits, the usual requirement is that the employee remains in service until retirement and has been with the company a minimum number of years. The expected costs of these benefits are accrued over the years of service, based on a system similar to that for defined benefit plans. The obligations are valued each year by independent actuaries.

## **2.25 Tax**

Current tax receivables and payables are set off if there is a legally enforceable right to set off such items and if simultaneous treatment or settlement is intended. Deferred tax assets and liabilities are set off if there is a legally enforceable right to set off such items and if they relate to the same tax authority and arise from the same tax group.

Provisions are formed in full for deferred tax liabilities, using the liability method, arising from temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The main temporary differences relate to the depreciation of property and equipment, the revaluation of certain financial assets and liabilities, including derivative financial instruments, provisions for pensions and other post-employment benefits, provisions for losses on loans and other impairment and tax losses, and, in connection with business combinations, the fair values of the net assets acquired and their tax bases. Deferred income tax assets and liabilities are measured at the tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available, against which the temporary differences can be utilised.

Provisions are formed in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, unless the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Taxes on profit are calculated in accordance with the tax legislation of the relevant jurisdiction and recognised in the period in which the profit is realised. The tax effects of the carry-forward of unused tax losses are recognised as an asset if it is probable that future taxable profits will be available against which the losses can be utilised.

Deferred tax assets or deferred tax liabilities are included for the revaluation of available-for-sale financial assets and cash flow hedges that are directly taken to equity. Upon realisation, they are recognised in profit or loss together with the respective deferred gain or loss.

## 2.26 Due to other banks, due to customers and debt securities in issue

These borrowings are initially recognised at fair value, i.e. the issue price less directly attributable and non-recurring transaction costs. Loans are subsequently included at amortised cost. Any difference between the net proceeds and the redemption amount is recognised over the term of the loan, using the effective interest method.

If Rabobank repurchases one of its own debt instruments, it is derecognised, with the difference between the carrying amount of a liability and the consideration paid being recognised as income or expense.

## 2.27 Rabobank Member Certificates

These are the certificates for shares in the capital of Rabobank Ledencertificaten N.V., Rabobank Ledencertificaten II N.V. and Rabobank Ledencertificaten III N.V. respectively issued in 2000, 2001, 2002 and 2005. On 30 December 2008, the merger between RLC (as the recipient company), RLC I and RLC II became effective ('the Merger'). As a consequence of the Merger, RLC (known after the Merger as: Rabobank Ledencertificaten N.V.) acquired all the capital of RLC I and RLC II by universal title and RLC I and RLC II ceased to exist.

Since the proceeds of the issue are available to Rabobank on a perpetual and highly subordinated basis (also subordinate to the Trust Preferred Securities), and since, in principle, no distribution is made if the consolidated statement of income of Rabobank shows a loss for any financial year, the issue proceeds, insofar as they have been lent on to Rabobank Nederland, are recognised under 'Equity' in proportion to the number of certificates held by members and employees. As a result, distributions are accounted for in the profit appropriation.

## 2.28 Trust Preferred Securities and Capital Securities

Trust Preferred Securities, which pay a non-discretionary dividend and are redeemable on a specific date or at the option of the holder, are classified as financial liabilities and included under 'Subordinated debt'. The dividends on these preferred securities are recognised in profit or loss as interest expense based on amortised cost using the effective interest method.

The remaining Trust Preferred Securities and Capital Securities are recognised as 'Equity', as there is no formal obligation to repay the principal or to pay the dividend.

## 2.29 Financial guarantees

Financial guarantees are measured at fair value.

## 2.30 Segment information

A segment is a distinguishable component of Rabobank that engages in providing products or services and is subject to risks and returns that are different from those of other segments. The business segments Rabobank uses in its reporting are defined from a management viewpoint. This means they are the segments that are reviewed as part of Rabobank's strategic management and for the purpose of making business decisions, and have different risks and returns. Rabobank's primary segment reporting format is by business segment; the secondary format is by geographical segment.

## 2.31 Statement of cash flows

Cash and cash equivalents comprises cash resources, money market deposits and deposits at central banks. The statement of cash flows is prepared in accordance with the indirect method of calculation and provides details of the source of the cash and cash equivalents that became available during the year as well as their application during the year. Operating profit before taxation in the net cash flow from operating activities is adjusted for items in the statement of income and changes in items in the statement of financial position which do not actually generate cash flows during the year.

The cash flows from operating, investing and financing activities are stated separately. Changes in loans and receivables and interbank deposits are accounted for under cash flows from operating activities. Investing activities relate to acquisitions and disposals and repayments on financial investments, as well as the acquisition and disposal

of subsidiaries and property and equipment. The proceeds from the issue of and payments on Rabobank Member Certificates, Trust Preferred Securities, Capital Securities, Senior Contingent Notes, Rabo Extra Member Notes and subordinated loans qualify as financing activities. Changes on account of currency translation differences are eliminated, as are the consolidation effects of acquisitions of associates.

## 3 Solvency

As a bank, Rabobank is subject to a number of statutory requirements, one of which concerns the minimum solvency position. That position is determined on the basis of a set of ratios which compare the bank's qualifying capital (BIS ratio) and core capital (Tier 1) with the total risk-weighted assets. The minimum requirements for qualifying capital and core capital are 8% and 4% of risk-weighted assets respectively. The Dutch banking supervisory authority, the Nederlandsche Bank (Dutch Central Bank), sets detailed standards for determining the capital ratios. These standards are derived from the capital adequacy guidelines of the European Union (the Directive on the capital adequacy requirements of investment firms and credit institutions) and the Basel Committee on Banking Supervision (the Basel II Accord). In the Netherlands these standards have been incorporated into the Financial Supervision Act and associated subordinate regulations.

The risk-weighted assets are determined for credit risk purposes in many different ways. For most assets the risk weight is determined with reference to internal ratings and a number of characteristics specific to the asset concerned. For off-balance sheet items the balance sheet equivalent is calculated first, on the basis of internal conversion factors. The resulting equivalent amounts are then also assigned risk-weightings.

An Advanced Measurement Approach Model is used to determine the amount with respect to the risk-weighted assets for operational risk. With the market risk approach, the general market risk is hedged, as well as the risk of open positions in foreign currencies, debt and equity instruments, as well as items of property and equipment.

### Rabobank's ratios

In millions of euros	2010	2009
<b>Tier 1 and qualifying capital can be broken down as follows:</b>		
Retained earnings (note 29)	24,621	22,653
Rabobank Member Certificates (note 30)	6,583	6,315
Trust Preferred Securities III to VI (note 31)	1,353	1,229
Trust Preferred Securities II (note 27)	420	391
Capital Securities (note 31)	4,953	4,953
	37,930	35,541
Part of non-controlling interest treated as qualifying capital	1,695	1,550
Deductions	(5,164)	(4,939)
<b>Tier 1 capital</b>	<b>34,461</b>	<b>32,152</b>
Part of reserves treated as qualifying capital	276	(16)
Deductions	(1,031)	(1,107)
Part of subordinated debt treated as qualifying capital	2,028	1,944
<b>Qualifying capital</b>	<b>35,734</b>	<b>32,973</b>
Risk-weighted assets	219,568	233,221
<b>Ratios</b>		
Tier 1 ratio	15.7%	13.8%
BIS ratio	16.3%	14.1%
Equity capital ratio <sup>1</sup>	14.2%	12.4%

## 4 Risk exposure of financial instruments

### 4.1 Risk governance

Rabobank Group manages risks at various levels. At the highest level, the Executive Board determines the risk strategy it will pursue, the policy framework as well as the limits, under the supervision of the Supervisory Board and on the recommendation of the Rabobank Group Statement of Financial Position and Risk Management Committee and the Rabobank Group Credit Management Committee. The Supervisory Board regularly assesses the risks attached to the activities and portfolio of the Rabobank Group. The Chief Financial Officer, who is also a member of

<sup>1</sup> The equity capital ratio is calculated by relating part of the Tier 1 capital (retained earnings and Rabobank Member Certificates) to risk-weighted assets.

the Executive Board, is responsible for the implementation of the risk management policy within Rabobank Group. Responsibility for the risk policy within Rabobank Group is spread across two directorates. Group Risk Management is in charge of the policies for interest rate, market, liquidity, currency and operational risks, as well as for the policy for credit risks at portfolio level. Credit Risk Management is responsible for the credit risk acceptance policy at item level. Furthermore, the group entities practice independent risk management.

## 4.2 Strategy for the use of financial instruments

Rabobank's activities are inherently related to the use of financial instruments, including derivative financial instruments. Rabobank accepts deposits from clients at fixed and variable rates of interest for a variety of terms and aims to earn above average interest margins on these deposits by investing them in high-quality assets. Rabobank also aims to increase these margins by consolidating short funds and loans for longer terms at higher interest rates, at the same time keeping sufficient cash resources to meet all payments that might become due.

A further objective of Rabobank is to increase its interest rate result by obtaining above-average margins, after deduction of provisions, and by granting loans to commercial and retail borrowers with various credit ratings. These risks apply not only to loans recognised in the statement of financial position; Rabobank also gives guarantees, such as letters of credit and performance and other guarantee documents.

Rabobank also trades in financial instruments when it takes positions in tradable and unlisted instruments (OTCs), including derivative financial instruments, in order to profit from short-term movements on the share and bond markets and in exchange rates, interest rates and commodity prices.

## 4.3 Interest rate risk

On account of its activities Rabobank is exposed to interest rate risk in its core business. Interest rate risk in a financial market environment is part of market risk.

Interest rate risk is the risk that the bank's financial result and/or economic value may decline due to unfavourable developments in the money and capital markets. This risk may arise due to an interest rate mismatch between assets and liabilities (mismatch risk), due to interest-related options embedded in products that could affect cash flows (option risk), due to possible changes in the yield curve (yield curve risk) and due to changes in the relationship between various yield curves (basis risk). Any interest rate risk run by customers due to the fact that their payment obligations increase as a result of higher interest rates does not affect Rabobank's interest rate risk position. Any resulting negative effects qualify as credit risk.

Accepting a certain level of interest rate risk is inherent in the business of banking and can be a major source of results and value creation. Each year, the Executive Board, under the supervision of the Supervisory Board, determines the risk appetite and corresponding limits. Reports on the current interest rate risk position are submitted to the respective risk management committees on a monthly basis. The various treasury departments within the group entities are responsible for the daily monitoring activities. Furthermore, reports are provided to the supervisory authority, the Dutch Central Bank, each quarter.

Interest rate risk is not only measured on the basis of contract terms; the bank's internal interest rate risk model also takes client behaviour into consideration. For instance, premature mortgage repayments are taken into account and items in the statement of financial position without a term stipulated by contract, such as savings and current account balances, are modelled based on what is known as the replicating portfolio method. Portfolios of money market and capital market instruments are selected that most replicate the behaviour of these items.

Gap analyses, duration determination and simulation are used to determine the interest rate risk. Both the income-at-risk and equity-at-risk are subject to restrictions. Another major risk indicator is the basis point value. The basis point value (BPV) is the absolute loss in market value of equity that arises in the event of a parallel increase of the entire interest rate curve by 1 basis point. During the year under review, the BPV never exceeded 28 (2009: 26).

The definition of equity used for interest rate risk management differs from the IFRS definition of equity. For interest rate risk management purposes, the economic value of equity is defined as the present value of the assets less the present value of the liabilities plus the present value of the derivative position. Through the use of hedge accounting and due to the fact that a substantial number of items in the statement of financial position, in IFRS terms, is stated at amortised cost and hence is not subject to any changes in value, the effects of the calculated changes in value on the IFRS equity will be largely restricted to an impact on the net interest income.

### 4.3.1 Income at risk

The table below sets out the basis point sensitivity of the interest rate result (interest income less interest expense, before tax) for the next two years based on a level statement of financial position structure and no management intervention. The impacts in the first and second year are listed separately and are based on the assumption that the interest rate will show an even and parallel increase/decline by 200 basis points during the first 12 months and

remain at the same level in months 13 through 24. The simulation of the possible interest income is based on an interest rate risk model developed in-house, whereby certain assumptions are made in respect of interest rate sensitivity of products whose interest rates are not directly linked to a certain money or capital market rate, such as savings of private customers. A smaller increase or decrease will have a proportionally similar effect. Non-parallel yield curve movements will result in other outcomes. Said impact on interest income is reflected in IFRS equity through profit or loss and is very small.

#### Income at risk

In millions of euros	31 Dec 2010		31 Dec 2009	
	200 bp increase	200 bp decline	200 bp increase	200 bp decline
1-12 months	41	8	129	(83)
13-24 months	202	(111)	379	(363)

#### 4.3.2 Equity at risk

The table below shows the sensitivity of the economic value of equity to interest rate changes, based on the assumption that the yield curve increases and declines by 200 basis points at once. The percentages in the table represent the deviation from the current present value of equity.

#### Equity at risk

In %	31 Dec 2010		31 Dec 2009	
	200 bp increase	200 bp decline	200 bp increase	200 bp decline
Economic value of equity	-10%	+9%	-10%	+12%

The aforementioned methods are supported by various scenario analyses. The results of these scenario analyses are important for integral interest rate risk management purposes and are included in reports to senior management.

#### 4.4 Credit risk

Credit risk is the risk that a counterparty is unable to meet a financial or other contractual obligation vis-à-vis the bank. Credit risk is inherent to granting loans. Positions in tradable assets such as bonds and shares are also subject to credit risk.

Rabobank restricts its credit risk exposure by setting limits for loans to an individual counterparty, or a group of counterparties, as well as for loans to countries. The four-eyes principle is a key factor when granting loans. A multi-level committee structure is in place to make decisions on major loan applications, with the competent committee being chosen based on the size of the loan. Decisions on the largest loans are made directly by the Executive Board.

The credit risk exposure relating to each individual borrower is further restricted by the use of sub-limits to hedge amounts at risk, not all of which are disclosed in the statement of financial position, and the use of daily delivery risk limits for trading items such as forward currency contracts. Most actual risks are assessed daily against the limits.

Once a loan has been granted, it is continually subject to credit management as part of which new information - financial and other - is reviewed. Credit limits are adjusted where necessary. Rabobank obtains collateral or guarantees for the majority of the loans.

The new 'Basel II' capital accord became effective for Rabobank Group as from 1 January 2008. The Dutch Central Bank has granted Rabobank Group permission to determine the Basel II equity requirements in accordance with the most advanced methods, i.e. the Advanced Internal Ratings Based approach. For this purpose, Rabobank Group has developed its own risk models over the past few years.

#### 4.4.1 Maximum credit risk

The table below sets out the maximum credit risk to which Rabobank is subject at the reporting date in respect of the various categories, without taking into account any collateral or other measures for restricting credit risk.

In some cases the amounts below deviate from the carrying amounts, since the outstanding equity instruments are not included in the maximum credit risk.

## Maximum gross credit risk

In millions of euros	2010	2009
Cash and cash equivalents	13,471	16,565
Due from other banks	33,511	35,641
Trading financial assets	10,225	10,433
Other financial assets at fair value through profit or loss	8,553	6,655
Derivative financial instruments	43,947	39,091
Loans to customers	455,941	433,357
Available-for-sale financial assets	54,359	32,324
Held-to-maturity financial assets	218	418
Other assets (incl. current tax assets)	10,511	9,075
<b>Total</b>	<b>630,736</b>	<b>583,559</b>
Credit related and contingent liabilities	49,730	44,664
<b>Total</b>	<b>680,466</b>	<b>628,223</b>

### 4.4.2 Loans

Apart from due from other banks (34 billion, or 5% of total assets), Rabobank's only significant risk concentration is in the private sector lending; these loans to private customers account for 48% of all loans to customers. These loans have a very low risk profile as evidenced by the actual losses incurred in previous years. The proportion of the total loan portfolio attributable to the food & agri sector was 18% in 2010. The proportion of the total loan portfolio attributable to trade, industry and services was 34% at year-end 2010. Loans to trade, industry and services and loans to the food & agri sector are both spread over a wide range of industries in many different countries. None of these shares represents more than 10% of the total client loan portfolio.

In millions of euros	2010		2009	
<b>Total loans to customers</b>	<b>455,941</b>		<b>433,357</b>	
Of which: to government clients	5,602		3,936	
securities transactions due from private sector lending	7,840		8,368	
interest rate hedges (hedge accounting)	6,207		5,818	
<b>Private sector lending</b>	<b>436,292</b>		<b>415,235</b>	
<b>This can be broken down geographically as follows:</b>				
The Netherlands	320,446	73%	311,964	75%
Rest of Europe	38,283	9%	37,259	9%
North America	41,245	10%	36,194	9%
Latin America	9,739	2%	8,837	2%
Asia	7,925	2%	6,112	1%
Australia	18,555	4%	14,837	4%
Other countries	99	0%	32	0%
<b>Total</b>	<b>436,292</b>	<b>100%</b>	<b>415,235</b>	<b>100%</b>

Risk spread in the loan portfolio can be broken down

by business segment as follows:				
Private individuals	208,005	48%	200,094	48%
Trade, industry and services	147,669	34%	143,679	35%
Food and agri	80,618	18%	71,462	17%
<b>Total</b>	<b>436,292</b>	<b>100%</b>	<b>415,235</b>	<b>100%</b>

## TIS loan portfolio analysed by industry

In millions of euros	2010	2009
Lessors of real estate	28,447	26,039
Finance and insurance (except banks)	23,112	25,272
Wholesale	16,577	14,967
Manufacturing	8,759	8,934
Construction	9,439	8,436
Transport and warehousing	7,162	7,568
Activities related to real estate	7,811	7,297
Healthcare and social assistance	5,365	5,154
Retail (except food and beverages)	4,367	5,023
Professional, scientific and technical services	4,999	4,373
Information and communication	2,135	2,876
Arts, entertainment and leisure	1,401	1,410
Utilities	1,650	1,172
Other	26,445	25,158
<b>Total loans granted to TIS</b>	<b>147,669</b>	<b>143,679</b>

## Food and agri loan portfolio analysed by industry

In millions of euros	2010	2009
Animal protein	13,361	14,009
Dairy	14,955	11,883
Grain and oil seeds	14,787	11,731
Fruit and vegetables	9,295	8,655
Food retail and food service	4,640	4,706
Farm inputs	5,456	4,093
Flowers	3,582	3,740
Beverages	3,497	2,739
Miscellaneous crop farming	1,966	2,194
Sugar	1,625	1,630
Other food and agri	7,454	6,082
<b>Total loans granted to food and agri</b>	<b>80,618</b>	<b>71,462</b>

### 4.4.3 Derivative financial instruments

Rabobank sets strict limits for open positions, in amounts as well as in terms. If ISDA (International Swaps and Derivatives Association) standards apply or a master agreement including equivalent terms has been concluded with the counterparty, and if the jurisdiction of the counterparty permits setting off, the net open position is monitored. The amount exposed to credit risk is limited in each case to the fair value of the transactions plus an uplift for potential future risks. This credit risk is managed as part of the general lending limits for clients. Where needed, Rabobank obtains collateral or other safeguards with respect to credit risks inherent in these transactions.

The credit risk exposure represents the current fair value of all open derivative contracts showing a positive market value, taking into account master netting agreements enforceable by law.

### 4.4.4 Credit risk management methods

Rabobank's credit risk exposure is restricted in part by obtaining collateral where necessary.

The amount and nature of the collateral required depends partly on the assessment of the credit risk of the loan to the counterparty. Rabobank follows guidelines for the purpose of accepting and valuing different types of collateral. The major types of collateral are:

- Residential mortgage collateral.
- Mortgage collateral on immovable property, pledges on movable property, inventories and receivables, mainly for business loans.
- Cash and securities, mainly for securities lending activities and reverse repurchase transactions.

The management monitors the market value of collateral obtained and requires additional collateral where necessary. The bank also uses credit derivative financial instruments to manage credit risks.

Rabobank further limits its exposure to credit risk by entering into master netting arrangements with counterparties for a significant volume of transactions. In general, master netting arrangements do not lead to the setting off of assets and liabilities included in the statement of financial position, as transactions are usually settled gross. The credit risk is limited by master netting arrangements, however, to the extent that, if an event or cancellation occurs, all amounts involving the counterparty are frozen and settled net. Taking netting arrangements into account, the total fair value of the derivative contracts portfolio is a positive amount of 15,720 (2009: 13,613). The total credit risk exposure of Rabobank from derivative financial instruments to which netting arrangements apply is highly sensitive to the closing of new transactions, lapsing of existing transactions and fluctuations in market interest and exchange rates.

#### 4.4.5 Off-balance-sheet financial instruments

The guarantees and stand-by letters of credit which Rabobank provides to third parties in the event a client cannot fulfil its obligations vis-à-vis these third parties, are exposed to credit risk.

Documentary and commercial letters of credit and written undertakings by Rabobank on behalf of clients authorise third parties to draw bills against Rabobank up to a preset amount subject to specific conditions. These transactions are backed by the delivery of the underlying goods to which they relate. Accordingly, the risk exposure of such an instrument is less than that of a direct loan.

Obligations to grant loans at specific rates of interest during a fixed period of time are recognised under credit granting liabilities and accounted for as such unless these commitments do not extend beyond the period expected to be needed to perform appropriate underwriting, in which case they are considered to be transactions conforming to standard market conventions. Rabobank is exposed to credit risk when it promises to grant lending facilities. The size of such losses is less than the total of the unused commitments, as most promises to grant credit facilities are made subject to the clients meeting certain conditions that apply to loans. Rabobank monitors the term to expiry of credit promises, as long-term commitments are generally associated with a higher risk than short-term commitments.

#### 4.4.6 Credit quality of financial assets

In its financing approval process, Rabobank Group uses the Rabobank Risk Rating, which reflects the counterparty's probability of default (PD) over a one-year period. The table below sets out the credit quality (after deduction of the provision for doubtful debts) of the loan-related items in the statement of financial position.

#### Credit quality of financial assets

In millions of euros	(Virtually) no risk	Adequate to good	Vulnerable	Impaired	Total
<b>At 31 December 2010</b>					
Due from other banks	25,097	8,385	2	27	33,511
<b>Loans to customers</b>					
Loans to government clients	3,841	1,752	9	-	5,602
Loans to private clients:					
- overdrafts	614	13,318	1,686	792	16,410
- mortgages	72,876	133,558	2,671	611	209,716
- leases	1,416	16,178	1,239	900	19,733
- receivables relating to securities transactions	5,662	2,178	-	-	7,840
- corporate loans	17,970	152,764	5,294	3,157	179,185
- other	4,351	12,653	249	202	17,455
<b>Total</b>	<b>131,827</b>	<b>340,786</b>	<b>11,150</b>	<b>5,689</b>	<b>489,452</b>
<b>At 31 December 2009</b>					
Due from other banks	31,151	4,410	10	70	35,641
<b>Loans to customers</b>					
Loans to government clients	3,329	590	5	12	3,936
Loans to private clients:					
- overdrafts	292	12,301	1,533	749	14,875
- mortgages	62,962	135,352	2,545	432	201,291
- leases	1,412	15,514	1,290	1,148	19,364
- receivables relating to securities transactions	5,526	2,842	-	-	8,368
- corporate loans	17,440	139,018	4,601	2,277	163,336
- other	5,963	15,079	686	459	22,187
<b>Total</b>	<b>128,075</b>	<b>325,106</b>	<b>10,670</b>	<b>5,147</b>	<b>468,998</b>

The table below gives an age analysis of financial assets expired (overdue) but unimpaired.

### Age analysis

In millions of euros	< 30 days	30 to 60 days	61 to 90 days	> 90 days	Total
<b>At 31 December 2010</b>					
Due from other banks	2	-	-	-	2
<b>Loans to customers</b>					
Loans to government clients	9	-	-	-	9
Loans to private clients:					
- overdrafts	955	643	86	2	1,686
- mortgages	1,792	547	263	69	2,671
- leases	830	194	214	1	1,239
- receivables relating to securities transactions	-	-	-	-	-
- corporate loans	3,538	1,080	482	194	5,294
- other	129	45	75	-	249
<b>Total</b>	<b>7,255</b>	<b>2,509</b>	<b>1,120</b>	<b>266</b>	<b>11,150</b>
<b>At 31 December 2009</b>					
Due from other banks	10	-	-	-	10
<b>Loans to customers</b>					
Loans to government clients	5	-	-	-	5
Loans to private clients:					
- overdrafts	1,056	353	118	6	1,533
- mortgages	1,479	656	295	115	2,545
- leases	854	258	177	1	1,290
- receivables relating to securities transactions	-	-	-	-	-
- corporate loans	2,991	880	491	239	4,601
- other	419	202	64	1	686
<b>Total</b>	<b>6,814</b>	<b>2,349</b>	<b>1,145</b>	<b>362</b>	<b>10,670</b>

The fair value of the collateral received by the bank for assets expired but unimpaired is 9,057 (2009: 7,697).

### Structured credit, monoline insurers and governments

Due to the cautious economic recovery and the conditions in the financial markets, limited additional provisions were formed, whose impact on profit for the year is a loss of 46 (2009: -267). These are recognised in profit or loss under 'Net income from other financial assets at fair value through profit or loss'. An additional value adjustment of 21 (2009: 30) after taxation has been recognised in profit or loss under 'Net income from other financial assets at fair value through profit or loss' in connection with a liquidity facility that has been partially secured by subprime mortgages.

Rabobank Group incurs limited exposure to more structured investments in its trading and investment portfolios. At 31 December 2010, the structured credit exposure amounted to 5.8 (2009: 8.0) billion, most of which is of prime quality. In 2010, virtually the entire decrease in this exposure was caused by sales and redemptions.

The table below shows the classification of the structured credit exposures in the statement of financial position.

### Structured credit exposures (in millions of euros)

Sector	Exposure	Loans	Available-for-sale financial assets	Trading financial assets and other financial liabilities at fair value
ABS CDO	152	152	-	-
CLO/Non ABS CDO	1,843	1,614	84	145
Other ABS	270	270	-	-
Commercial Real Estate	906	906	-	-
Non-subprime RMBS	2,454	2,429	25	-
Subprime	218	157	-	61
<b>Total</b>	<b>5,843</b>	<b>5,528</b>	<b>109</b>	<b>206</b>
		95%	2%	3%

### Structured credit exposures by rating category (in millions of euros)

Sector	Exposure	Rating category			
		AAA	AA	A	Below A
ABS CDO	152	16	37	65	34
CLO/Non ABS CDO	1,843	407	519	625	292
Other ABS	270	270	-	-	-
Commercial Real Estate	906	592	176	50	88
Non-subprime RMBS	2,454	2,069	320	57	8
Subprime	218	4	5	-	209
<b>Total</b>	<b>5,843</b>	<b>3,358</b>	<b>1,057</b>	<b>797</b>	<b>631</b>
		57%	18%	14%	11%

### Structured credit exposure by region (in millions of euros)

Sector	Exposure	Western Europe	North America	Asia/ Pacific	Africa/ Middle East
		ABS CDO	152	118	34
CLO/Non ABS CDO	1,843	753	1,090	-	-
Other ABS	270	-	270	-	-
Commercial Real Estate	906	834	63	9	-
Non-subprime RMBS	2,454	2,088	-	357	9
Subprime	218	3	215	-	-
<b>Total</b>	<b>5,843</b>	<b>3,796</b>	<b>1,672</b>	<b>366</b>	<b>9</b>
		65%	29%	6%	0%

At 31 December 2010, Rabobank Group has an extremely limited exposure in its investment and trading portfolios to European government bonds that are currently perceived as subprime by the market.

Country	Net exposure at 31 December 2010	Net exposure at 31 December 2009
Italy	388	1,203
Greece	373	703
Spain	137	393
Portugal	80	587
Ireland	50	159

Monoline insurers are counterparties in some credit default swaps used to hedge the credit risk of certain investments. There is a deterioration in the creditworthiness of a number of monoline insurers, which was reflected in the 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 may result in claims for these insurers. When calculating economic counterparty risk, time-related aspects and the credit quality of the relevant investments are taken into consideration. At 31 December 2010, the total counterparty risk before value adjustments was 1,330 (2009: 1,347). Given that the total provision amounts to 1,114 (2009: 1,149), the remaining counterparty risk is 216 (2009: 180).

As regards the above exposures, an actual exposure to a monoline insurer would arise only in the event of the relevant investments actually going into default and an insurance claim having 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's credit rating	Nominal amount at year-end 2010	Counterparty risk before value adjustments at year-end 2010	Total value adjustments at year-end 2010	Counterparty risk after value adjustments at year-end 2010
Investment grade	2,661	3	-	3
Non-investment grade	4,791	1,327	1,114	213
<b>Total</b>	<b>7,452</b>	<b>1,330</b>	<b>1,114</b>	<b>216</b>

Based on the positions at year-end 2010 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.

#### 4.5 Currency risk

Rabobank is exposed to exchange rate fluctuations impacting the financial position and cash flows. Just as with other market risks, the currency risk exposure of the trading books is managed using value-at-risk (VaR) limits set by the Executive Board. This risk is monitored on a daily basis. The policy aims to prevent open positions whenever possible. The non-trading books are only exposed to the translation risk on capital invested in foreign activities and on issues of hybrid equity instruments not denominated in euros. To monitor and manage translation risk, Rabobank follows a policy of protecting equity against exchange rate fluctuations.

#### 4.6 Liquidity risk

Rabobank is exposed to liquidity risk, i.e. the risk that the bank is unable to meet all of its (re)payment obligations, as well as the risk that the bank is unable to fund increases in assets at reasonable prices or unable at all. This could happen if, for instance, clients or professional counterparties suddenly withdraw more funds than expected, which cannot be met by the bank's cash resources or by selling or pledging assets or by borrowing funds from third parties.

For a long time now, Rabobank has recognised liquidity risk as a major risk type. Rabobank's policy therefore is to match the term of funding with the term of loans granted. Long-term loans must be financed through funds entrusted by customers or long-term funding by professional markets. Rabobank uses three pillars to manage liquidity risk. The first pillar strictly limits the maximum cash outflows within wholesale banking. Among other things, the expected cash outflows for the next thirty days are measured and reported on a daily basis. Limits were set for these cash outflows for all currencies and locations. Detailed contingency plans with procedures were drawn up to face a possible crisis situation.

Through the second pillar, an ample buffer of tradable securities is maintained. Where necessary these assets can be allocated for pledging to central banks, for use in repo transactions or direct selling in the market to immediately generate liquidity. Over the past few years, the Rabobank Group has (internally) securitised a portion of its loan portfolio. As a result, it can be pledged to the central bank, thus serving as an additional liquidity buffer. Since these securitisations are internal and for liquidity purposes only, they are not reflected in the statement of financial position for financial reporting purposes, although they do add to the available liquidity buffer.

The third pillar entails the restriction of liquidity risk through a prudent funding policy aimed at meeting the financing requirements of the group units at acceptable cost. Diversification of sources of funding and currencies, flexibility of the funding instruments applied and a hands-on investor relations approach are key factors. This prevents Rabobank from being overly dependent on a single source of funding.

Furthermore, scenario analyses are performed each month to simulate the possible consequences of a wide range of stress scenarios, distinguishing between scenarios specific for the market and scenarios specific for Rabobank. These reports are prepared in accordance with the guidelines drawn up by this supervisory authority.

The table below shows Rabobank's non-discounted liabilities grouped by the liquidity period remaining between the reporting date and the earliest reasonable contract repayment date. The total amounts do not correspond exactly with the amounts in the consolidated statement of financial position, since this table is entirely based on non-discounted cash flows, related to both principal and future interest payments.

'Derivative financial instruments and other trade liabilities' have not been analysed on the basis of the contract repayment date because they are not essential for the management of liquidity risk and for reporting to the management of Rabobank.

### Contract repayment date

In millions of euros	On demand	Less than 3 months	3 months to 1 year	1-5 years	More than 5 years	Total
<b>At 31 December 2010</b>						
<b>Liabilities</b>						
Due to other banks	943	14,886	3,242	3,237	1,354	23,662
Due to customers	205,714	56,555	13,721	12,413	14,757	303,160
Debt securities in issue	-	38,797	56,037	75,203	43,609	213,646
Other debts	972	5,856	1,121	378	25	8,352
Other financial liabilities at fair value through						
profit or loss	629	2,203	6,326	9,582	19,793	38,533
Subordinated debt	-	1	2	462	2,927	3,392
<b>Total financial liabilities</b>	<b>208,258</b>	<b>118,298</b>	<b>80,449</b>	<b>101,275</b>	<b>82,465</b>	<b>590,745</b>
Contingent liabilities	10,084	-	-	-	-	10,084
<b>At 31 December 2009</b>						
<b>Liabilities</b>						
Due to other banks	3,406	12,814	2,229	3,124	1,051	22,624
Due to customers	196,079	59,444	8,966	9,140	15,020	288,649
Debt securities in issue	2,969	50,667	45,549	51,374	33,042	183,601
Other debts	828	6,168	878	305	18	8,197
Other financial liabilities at fair value through						
profit or loss	485	721	3,355	10,869	19,081	34,511
Subordinated debt	-	1	2	436	1,975	2,414
<b>Total financial liabilities</b>	<b>203,767</b>	<b>129,815</b>	<b>60,979</b>	<b>75,248</b>	<b>70,187</b>	<b>539,996</b>
Contingent liabilities	10,117	-	-	-	-	10,117

The table below shows Rabobank's assets and liabilities grouped by the period remaining between the reporting date and the contract repayment date. These amounts correspond with the statement of financial position.

### Contract repayment date

In millions of euros	Less than 1 year	More than 1 year	Total
<b>At 31 December 2010</b>			
Cash and cash equivalents	13,471	-	13,471
Due from other banks	28,222	5,289	33,511
Trading financial assets	6,454	6,533	12,987
Other financial assets at fair value through profit or loss	2,452	7,136	9,588
Derivative financial instruments	9,265	34,682	43,947
Loans to customers	108,260	347,681	455,941
Available-for-sale financial assets	7,676	47,782	55,458
Held-to-maturity financial assets	110	108	218
Other assets	7,039	3,115	10,154
<b>Total financial assets</b>	<b>182,949</b>	<b>452,326</b>	<b>635,275</b>

## Contract repayment date

In millions of euros	Less than 1 year	More than 1 year	Total
<b>At 31 December 2010</b>			
Due to other banks	19,008	4,468	23,476
Due to customers	275,572	23,189	298,761
Debt securities in issue	94,098	102,721	196,819
Derivatives and other trade liabilities	13,895	35,745	49,640
Other debts	7,797	402	8,199
Other financial liabilities at fair value through profit or loss	8,936	20,931	29,867
Subordinated debt	-	2,482	2,482
<b>Total financial liabilities</b>	<b>419,306</b>	<b>189,938</b>	<b>609,244</b>
<b>Net liquidity surplus</b>	<b>(236,357)</b>	<b>262,388</b>	<b>26,031</b>
<b>At 31 December 2009</b>			
Total financial assets	157,037	432,102	589,139
Total financial liabilities	402,544	164,504	567,048
<b>Net liquidity surplus</b>	<b>(245,507)</b>	<b>267,598</b>	<b>22,091</b>

The above breakdown was compiled on the basis of contract information, without taking into account actual changes in items in the statement of financial position. This is taken into account, however, for the day-to-day management of the liquidity risk. Customer savings are an example. By contract, they are payable on demand. However, experience has shown that this is a very stable source of financing at the long-term disposal of the bank. The regulations of the supervisory authority are also factored in. Based on the liquidity criteria of the Dutch Central Bank, Rabobank had a substantial liquidity surplus at 31 December 2010 and throughout 2010. The average liquidity surplus was 40% (2009: 28%) of the total liquidity requirement. The surplus at 31 December 2010 was 69% (2009: 23%).

The liquidity requirements to meet payments under guarantees and stand-by letters of credit are considerably lower than the amount of the liabilities, as Rabobank does not generally expect that third parties to such arrangements will draw funds. The total open position relating to contractual obligations to provide credit does not necessarily represent Rabobank's future cash resource needs, as many of these obligations will lapse or terminate without financing being required.

The table below sets out the Asset Backed Commercial Paper conduits. Outstanding Asset Backed Commercial Paper declined to 14.0 billion in December 2010 (2009: 15.3 billion), largely owing to the termination of the Tempo programme. These money market investment vehicles are mainly used for financing own originated loans and customer loans and receivables. These vehicles form an integral part of Rabobank Group's liquidity risk management and have been largely included in the consolidated statement of financial position since the introduction of International Financial Reporting Standards. Erasmus and Nieuw-Amsterdam merged in 2010.

Type	Programme	Launched	Amount outstanding at year-end 2010 (in billions of euros)	Amount outstanding at year-end 2009 (in billions of euros)	Underlying portfolio
Solvency management	Atlantis	1997	9.9	9.5	Own originated loans
Client facilitation	Erasmus	2000	-	2.3	Predominantly customer loans and receivables
	Nieuw Amsterdam	1999	4.1	2.3	
Securities arbitrage	Tempo	2007	-	1.2	High-quality asset-backed securities
<b>Total</b>			<b>14.0</b>	<b>15.3</b>	

### 4.7 Market risk

Rabobank is exposed to market risk. A market risk arises on open positions in relation to interest rates, currency, credit spreads, commodities and share-based products, all of which are affected by general and specific market movements. Rabobank employs a value-at-risk (VaR) method to estimate the market risk of positions it holds and the maximum expected losses. The method requires a number of assumptions to be made for various changes in market conditions. In order to estimate the risk under 'abnormal' market conditions as well, the effect of certain extreme events ('event risk') on the value of the portfolios is also measured.

Each year, the Executive Board determines the risk appetite and corresponding VaR and event risk limits. These limits are converted into limits at book level and are monitored daily by the market risk management department. The risk position is reported to senior management on a daily basis and discussed in the various risk management committees each month. In addition to the VaR limits, a very extensive system of trading controls per book is in place. These controls include rotation risk, delta limits per bucket, nominal limits and the maximum number of contracts, thus limiting risks that may offset each other in the VaR system.

The internal VaR model forms an integral part of Rabobank's risk management framework; it has also been approved by the Dutch Central Bank for determining the solvency requirement for market risk. Rabobank has opted to apply a VaR based on historical simulation for which one year's worth of historic data is used. The VaR is calculated over time horizons of both one day and ten days. For internal risk management purposes, Rabobank has opted for a confidence level of 97.5%. Furthermore, the VaR with a confidence level of 99% is also calculated on a daily basis.

The major benefit of a VaR model based on historical simulation is that no assumptions need to be made in terms of distribution of possible value changes of the various financial instruments. A drawback is that a certain period of historical market movements needs to be selected, which may affect the level of the calculated VaR. Further to the requirements of the supervisory authority and after internal research, Rabobank has opted for a historical period of one year.

The actual results are regularly assessed through back testing in order to determine the validity of the assumptions and parameters/factors applied when calculating the VaR.

In addition to the VaR model, Rabobank employs a stress testing programme, which measures the effect of extreme yet plausible events not taken into account in the regular VaR model. Based in part on historical events, such as the stock market crash of 1987, the credit market turbulence of 1998 and the events seen in recent years, scenarios are analysed and sensitivity analyses performed. Complementing the VaR model with the stress test results enables Rabobank to obtain a more accurate perspective on risk positions. All results generated by the stress testing programme were within the relevant limit of 150.

The table below shows the composition of the VaR, divided into several components. A diversification benefit is obtained due to the fact that opposite positions in different books partially offset each other. Paragraph 4.3 'Interest rate risk' provides analyses of the interest rate risk within the core business. In 2010, the average VaR fell compared with 2009, as a result of improved computation techniques and changes in positions, books and operations.

#### VAR (1 day, 97.5%)

In millions of euros	Interest	Credit	Foreign currencies	Shares	Commodities	Diversification	Total
2010 - 31 December	17	5	-	1	1	(7)	17
2010 - average	11	6	-	2	1	n/a	14
2010 - highest	17	11	1	3	1	n/a	18
2010 - lowest	8	3	-	1	-	n/a	9
2009 - 31 December	22	15	1	1	-	(12)	27
2009 - average	22	23	-	2	-	n/a	32
2009 - highest	33	36	1	3	-	n/a	50
2009 - lowest	15	13	-	1	-	n/a	23

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 percentage point. These positions are shown for each key currency in the table below.

#### Basis Point Value

In millions of euros	2010	2009
Euro	(0.5)	0.1
US dollar	(0.2)	(0.2)
British pound	(0.2)	(0.1)
Australian dollar	(0.2)	(0.1)
Japanese yen	(0.1)	0.1
Other	(0.2)	-

## 4.8 Operational risk

Operational risk is a risk category to which every single organisation is exposed. Rabobank Group has opted to manage its operational risks at group level from Group Risk Management. This section determines the policy as well as the frameworks for all entities within the group. Senior management of the individual group units is responsible for managing the specific operational risks, since the risks vary considerably per unit and need to be controlled as close to the source as possible. Group Risk Management subsequently ensures that the frameworks are observed and that the risks and risk control measures are transparent throughout the organisation.

In terms of the solvency requirement for operational risks, Rabobank applies a model that meets the demands of the Advanced Measurement Approach, which has been approved by the Dutch Central Bank. This model takes into account realised losses and the possible consequences of certain scenarios. Rabobank Group adopts a conservative approach. Another factor taken into account when calculating the solvency requirement is the quality of risk control.

## 4.9 Fair value of financial assets and liabilities

The next table shows the fair values of financial instruments based on the stated valuation methods and assumptions. This table is included because not all financial instruments are disclosed at fair value in the financial statements. The fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable and willing parties in an arm's length transaction.

Rabobank uses the market price as fair value if an active market exists (such as a stock market), as this is the best measure of the fair value of a financial instrument.

Market prices are not available for a large number of the financial assets and liabilities that Rabobank holds or issues. Hence, for financial instruments for which no market prices are available, the fair values shown in the table below have been estimated using the present value or the results of other estimation and valuation methods, based on the market conditions at the reporting date. The values produced using these methods are highly sensitive to the underlying assumptions used for the amounts as well as for the timing of future cash flows, discount rates and possible market illiquidity. The following methods and assumptions have been used.

**Cash and cash equivalents.** The fair value of cash and cash equivalents is assumed to be almost equal to their carrying amount. This assumption is also used for highly liquid investments and the current component of all other financial assets and liabilities.

**Due from other banks.** Due from other banks comprise interbank placings and items to be collected. The fair values of floating rate placings and overnight deposits are their carrying amounts. The estimated fair value of fixed-interest deposits is based on the present value of the cash flows, calculated using appropriate money market interest rates for debts with comparable credit risks and terms to maturity.

**Financial assets and derivative financial instruments held for trading.** Financial assets and derivative financial instruments held for trading are carried at fair value based on available quoted market prices. If quoted market prices are not available, the fair value is estimated from discounted cash flow models and option valuation models.

**Other financial assets at fair value through profit or loss.** These financial assets are carried at fair value based on quoted prices in active markets if available. If not, they are estimated from comparable assets on the market, or using valuation methods, including appropriate discounted cash flow models and option valuation models.

**Loans to customers.** The fair value of issued loans is estimated from the present value of the cash flows, using current market rates for similar loans. For variable-interest loans that are reviewed regularly and do not vary significantly in terms of credit risk, the fair value is based on the carrying amount until maturity.

**Available-for-sale financial assets and held-to-maturity financial assets.** Available-for-sale financial assets and held-to-maturity financial assets are carried at fair value based on available quoted market prices. If quoted market prices are not available, the fair value is estimated from discounted cash flow models and option valuation models.

**Other financial assets.** For almost all other financial assets, the carrying amount is a good approximation of the fair value.

**Due to other banks.** Due to other banks comprise interbank placings, items to be delivered and deposits. The fair values of floating rate placings and overnight deposits are their carrying amounts. The estimated fair value of fixed-interest deposits is based on the present value of the cash flows, calculated using ruling money market interest rates for debts with comparable credit risks and terms to maturity.

**Trade liabilities.** The fair value of trade liabilities is based on available quoted market prices. If quoted market prices are not available, the fair value is estimated from valuation models.

**Other financial liabilities at fair value through profit or loss.** The fair value of these liabilities is based on available quoted market prices. If quoted market prices are not available, the fair value is estimated from discounted cash flow models and option valuation models.

**Due to customers.** Due to customers include current accounts and deposits. The fair value of savings and current accounts that have no specific termination date is assumed to be the amount payable on demand at the reporting

date, i.e. their carrying amount at that date. The fair value of the deposits is estimated from the present value of the cash flows, based on current bid rates of interest for similar arrangements with terms to maturity that match the items to be measured. The carrying amount of variable-interest deposits is a good approximation of their fair value at the reporting date.

**Debt and other instruments issued by Rabobank.** The fair value of these instruments is calculated using quoted market prices. For notes for which no quoted market prices are available, a discounted cash flow model is used, based on a current yield curve appropriate for the term to maturity.

In millions of euros	2010		2009	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Assets</b>				
Cash and cash equivalents	13,471	13,471	16,565	16,565
Due from other banks	33,511	33,271	35,641	36,266
Trading financial assets	12,987	12,987	12,761	12,761
Other financial assets at fair value through profit or loss	9,588	9,588	9,122	9,122
Derivative financial instruments	43,947	43,947	39,091	39,091
Loans to customers	455,941	459,478	433,357	431,579
Available-for-sale financial assets	55,458	55,458	33,349	33,349
Held-to-maturity financial assets	218	220	418	423
<b>Total financial assets</b>	<b>625,121</b>	<b>628,420</b>	<b>580,304</b>	<b>579,156</b>
<b>Liabilities</b>				
Due to other banks	23,476	23,582	22,429	22,923
Due to customers	298,761	298,548	286,338	285,781
Debt securities in issue	196,819	199,690	171,752	171,276
Derivatives and other trade liabilities	49,640	49,640	48,765	48,765
Other financial liabilities at fair value through profit or loss	29,867	29,867	27,319	27,319
Subordinated debt	2,482	2,463	2,362	2,323
<b>Total financial liabilities</b>	<b>601,045</b>	<b>603,790</b>	<b>558,965</b>	<b>558,387</b>

The above-stated figures represent the best possible estimates by management, based on a range of methods and assumptions. If a quoted market price is available, this is the best estimate of fair value.

If no quoted market prices are available for fixed-term securities, equity instruments, derivative financial instruments and commodity instruments, Rabobank bases the fair value on the present value of the future cash flows, discounted at market rates corresponding to the credit ratings and terms to maturity of the investments. Also, a model-based price can be used to determine fair value.

Rabobank's policy is to have all models used for valuing financial instruments validated by expert staff who are independent of the staff who determine the fair values of the financial instruments.

In determining market values or fair values, various factors have to be considered, such as the time value of money, volatility, underlying options, warrants and derivative financial instruments. Other factors include liquidity and the creditworthiness of the counterparty. The valuation process has been designed such that market prices that are available on a periodic basis are systematically used. This systematic valuation process has proved its worth during the credit market crisis. Modifications to assumptions might affect the fair value of held-for-sale and available-for-sale financial assets and liabilities.

The table below illustrates the fair value hierarchy used in determining the fair value of financial assets and liabilities. The breakdown is as follows:

- Category 1: Quoted prices in active markets for identical assets or liabilities.
- Category 2: Inputs other than quoted prices included in category 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Category 3: Inputs for the asset or liability not based on observable market data.

Financial instruments at fair value are classified in categories 2 and 3 more readily than before, mainly because thresholds for testing prices were lowered. For instance, where quotes differ widely, items are sooner classified in categories 2 and 3, given that the range in which prices must be for classification in category 1 or 2 has become narrower. Comparative figures were restated as follows. Category 3 increased by 3.3 billion, category 2 increased by 6.1 billion and category 1 decreased by 9.4 billion. The restated comparative figures had no impact on profit and equity in 2009.

In millions of euros	Category 1	Category 2	Category 3	Total
<b>At 31 December 2010</b>				
<b>Assets</b>				
Trading financial assets	6,842	5,618	527	12,987
Other financial assets at fair value through profit or loss	2,577	4,951	2,060	9,588
Derivative financial instruments	509	42,644	794	43,947
Available-for-sale financial assets	49,547	5,689	222	55,458
<b>Liabilities</b>				
Derivatives and other trade liabilities	2,367	46,916	357	49,640
Other financial liabilities at fair value through profit or loss	-	29,540	327	29,867
<b>At 31 December 2009</b>				
<b>Assets</b>				
Trading financial assets	6,010	5,967	784	12,761
Other financial assets at fair value through profit or loss	3,548	4,103	1,471	9,122
Derivative financial instruments	567	36,951	1,573	39,091
Available-for-sale financial assets	31,265	1,311	773	33,349
<b>Liabilities</b>				
Derivatives and other trade liabilities	186	48,238	341	48,765
Other financial liabilities at fair value through profit or loss	2,399	24,826	94	27,319

The system used to calculate the sensitivity of the category 3 financial instruments was refined further in 2010. The comparative figures were restated accordingly.

The potential impact on net profit for the year when more favourable reasonable assumptions are used for the measurement of financial instruments in category 3 is 150 (2009: 170) and that on equity is nil (2009: 34).

The potential impact on net profit for the year when less favourable reasonable assumptions are used for the measurement of financial instruments in category 3 is -110 (2009: -150) and that on equity is nil (2009: -10).

### Financial instruments at fair value in category 3

In millions of euros	Balance at 1 January 2010	Fair value changes through profit or loss	Fair value changes through equity	Purchases	Sales	Settlements	Transfers to or from category 3	Balance at 31 December 2010
<b>At 31 December 2010</b>								
<b>Assets</b>								
Trading financial assets	784	42	-	32	(255)	(54)	(22)	527
Other financial assets at fair value through profit or loss	1,471	349	-	766	(623)	-	97	2,060
Derivative financial instruments	1,573	(327)	-	-	-	-	(452)	794
Available-for-sale financial assets	773	1	13	15	(5)	-	(575)	222
<b>Liabilities</b>								
Derivatives and other trade liabilities	341	56	-	-	-	-	(40)	357
Other financial liabilities at fair value through profit or loss	94	(38)	-	(8)	(86)	-	365	327

In 2010, a number of structured finance transactions classified as 'Available-for-sale financial assets' amounting to 663 were transferred from category 3 to category 2 because observable inputs had become available. In addition, there was a significant transfer from category 2 to category 3 in 'Other financial liabilities at fair value through profit or loss' in the amount of 365. The fair value of these financial liabilities was made dependent on the value of an unlisted fund. There were no significant transfers between categories 1 and 2 in the year under review.

In millions of euros	Balance at 1 January 2009	Fair value changes through profit or loss	Fair value changes through equity	Purchases	Sales	Settlements	Transfers to or from category 3	Balance at 31 December 2009
<b>At 31 December 2009</b>								
<b>Assets</b>								
Trading financial assets	45	(4)	-	178	-	-	565	784
Other financial assets								
at fair value through profit or loss	373	37	-	-	-	-	1,061	1,471
Derivative financial instruments	398	(394)	-	-	-	-	1,569	1,573
Available-for-sale financial assets	13	(3)	22	322	(1)	(9)	429	773
<b>Liabilities</b>								
Derivatives and other trade liabilities	-	-	-	-	-	-	341	341
Other financial liabilities								
at fair value through profit or loss	-	(4)	-	5	(2)	-	95	94

The amount in total gains or losses presented in the statement of income for the period relating to the assets and liabilities held until the end of the reporting period is presented in the table below.

### Financial instruments in category 3 - fair value changes through profit or loss

In millions of euros	Recognised	Derecognised	Total
<b>At 31 December 2010</b>			
<b>Assets</b>			
Trading financial assets	40	2	42
Other financial assets at fair value through profit or loss	255	94	349
Derivative financial instruments	226	(553)	(327)
Available-for-sale financial assets	8	(7)	1
<b>Liabilities</b>			
Derivatives and other trade liabilities	152	(96)	56
Other financial liabilities at fair value through profit or loss	(20)	(18)	(38)
<b>At 31 December 2009</b>			
<b>Assets</b>			
Trading financial assets	4	(8)	(4)
Other financial assets at fair value through profit or loss	34	3	37
Derivative financial instruments	(43)	(351)	(394)
Available-for-sale financial assets	21	(24)	(3)
<b>Liabilities</b>			
Derivatives and other trade liabilities	-	-	-
Other financial liabilities at fair value through profit or loss	(4)	-	(4)

The table below shows the changes in deferred profit of the trading financial assets which were initially recognised at a value determined using a valuation technique based on data input not substantiated by market prices.

#### Provision for Day 1 profit

In millions of euros	2010	2009
Opening balance	115	96
Additions	50	60
Amortisation	(56)	(21)
Changes	(15)	(20)
<b>Closing balance</b>	<b>94</b>	<b>115</b>

#### 4.10 Securities services

Rabobank provides management, advisory and custody services. Assets held in connection with fiduciary activities are not disclosed in these financial statements. As part of its management services, Rabobank has to make decisions on the allocation, purchase and sale of a wide variety of financial instruments. For some of the arrangements, Rabobank has agreed to achieve return targets for the assets under its management. Rabobank provides advisory services to third parties with regard to buy and sell orders.

With these management and advisory services, Rabobank could be exposed to the risk of being held liable for inadequate management, advice or performance.

## 5 Business segments

The business segments Rabobank uses in its reporting are defined from a management viewpoint. This means they are the segments that are reviewed as part of Rabobank's strategic management and for the purpose of making business decisions, and have different risks and returns.

Rabobank distinguishes six major business segments: Domestic retail banking, Wholesale and international retail banking, Asset management, Leasing, Real estate, and Other segments.

The Domestic retail banking segment mainly comprises the operations carried out by local Rabobanks and Obvion. The Wholesale and international retail banking segment - Rabobank International - provides support to Rabobank Group in achieving market leadership in the Netherlands as an all-finance service provider. Internationally, it concentrates on the food & agri sector. Rabobank International undertakes regional corporate banking operations while also including entities operating globally, such as Global Financial Markets, Structured Finance, Leveraged Finance, Renewable Energy & Infrastructure Finance, Direct Banking, Trade & Commodity Finance, and Rabo Private Equity. It carries on its retail banking operations under the Rabobank label, with the exceptions of ACCBank and Bank BGZ. The Asset management segment mainly comprises the operations of Robeco, Schretlen & Co and Sarasin. The Leasing segment - De Lage Landen - is responsible for the lease operations, offering a wide range of lease, trade finance and consumer finance products in its Dutch home market. Across the globe, it supports sales of manufacturers, vendors and distributors, offering them its asset finance products. In Europe, De Lage Landen operates the car lease company Athlon Car Lease. The Real estate segment - Rabo Vastgoedgroep - performs Rabobank's real estate operations. Its core business is in developing residential and commercial real estate as well as providing finance and asset management services. Rabo Vastgoedgroep operates under the labels Bouwfonds Ontwikkeling, MAB Development, FGH Bank and Bouwfonds REIM. Other segments comprise a variety of segments, none of which requires separate reporting. They chiefly reflect the figures for the associates (notably Eureko) and head office operations. There are no clients representing over 10% of Rabobank's total revenues.

Inter-segment transactions are conducted in accordance with normal commercial terms and market conditions. The domestic retail banking segment includes the dividend distributed to local Rabobanks of 438 million under Other gains/losses (2009: 342). No material income or expense items other than from operating activities arise between business segments. The assets and liabilities of a segment comprise operating assets and operating liabilities, in other words, a substantial part of the statement of financial position, but excluding items relating to tax. The accounting policies used for segment reporting are the same as those described in the section on the main accounting policies used in preparing the consolidated financial statements.

In millions of euros	Domestic retail banking	Wholesale banking and international retail banking	Asset management	Leasing	Real estate	Other segments	Consolidation effects/hedge accounting	Total
<b>For the year ended 31 December 2010</b>								
Interest	4,894	2,813	166	658	253	(171)	1	8,614
Commission	1,321	460	995	83	26	(22)	(32)	2,831
Other gains/(losses)	294	306	47	440	214	347	(377)	1,271
<b>Total income</b>	<b>6,509</b>	<b>3,579</b>	<b>1,208</b>	<b>1,181</b>	<b>493</b>	<b>154</b>	<b>(408)</b>	<b>12,716</b>
Segment expense	4,191	2,536	970	914	430	(56)	445	9,430
<b>Operating profit before tax</b>	<b>2,318</b>	<b>1,043</b>	<b>238</b>	<b>267</b>	<b>63</b>	<b>210</b>	<b>(853)</b>	<b>3,286</b>
Income tax expense	475	269	71	66	21	(175)	(213)	514
<b>Net profit for the year</b>	<b>1,843</b>	<b>774</b>	<b>167</b>	<b>201</b>	<b>42</b>	<b>385</b>	<b>(640)</b>	<b>2,772</b>
Business unit assets	360,881	439,646	25,166	29,768	26,473	86,789	(319,726)	648,997
Investments in associates	20	434	38	28	62	2,957	-	3,539
<b>Total assets</b>	<b>360,901</b>	<b>440,080</b>	<b>25,204</b>	<b>29,796</b>	<b>26,535</b>	<b>89,746</b>	<b>(319,726)</b>	<b>652,536</b>
Business unit liabilities	338,681	440,202	22,355	26,862	25,331	73,563	(315,215)	611,779
<b>Total liabilities</b>	<b>338,681</b>	<b>440,202</b>	<b>22,355</b>	<b>26,862</b>	<b>25,331</b>	<b>73,563</b>	<b>(315,215)</b>	<b>611,779</b>
Additions to property and equipment	128	51	22	1,101	11	287	-	1,600
Depreciation and amortisation, including amortisation of software	120	108	116	40	29	158	-	571
Value adjustments	358	597	2	214	63	-	-	1,234
Goodwill	1	733	805	460	322	6	-	2,327

In millions of euros	Domestic retail banking	Wholesale banking and international retail banking	Asset management	Leasing	Real estate	Other segments	Consolidation effects/hedge accounting	Total
<b>Value adjustments in loans to customers</b>								
At 1 January	2,030	1,915	9	387	45	13	-	4,399
Additional impairment for credit losses	1,124	1,296	7	287	67	-	-	2,781
Reversal of impairment for credit losses	(759)	(665)	(1)	(29)	(4)	-	-	(1,458)
Defaulting loans written off during the year	(235)	(1,560)	(6)	(219)	(14)	-	-	(2,034)
Interest and other adjustments	101	34	3	18	-	1	-	157
<b>Closing balance</b>	<b>2,261</b>	<b>1,020</b>	<b>12</b>	<b>444</b>	<b>94</b>	<b>14</b>	<b>-</b>	<b>3,845</b>
Individual value adjustment (specific provision)	1,959	698	12	341	77	14	-	3,101
Collective value adjustment (collective provision)	192	117	-	16	-	-	-	325
IBNR	110	205	-	87	17	-	-	419
	2,261	1,020	12	444	94	14	-	3,845

In millions of euros	Domestic retail banking	Wholesale banking and international retail banking	Asset management	Leasing	Real estate	Other segments	Consolidation effects/hedge accounting	Total
<b>For the year ended 31 December 2009</b>								
Interest	4,360	2,955	104	590	182	(119)	3	8,075
Commission	1,261	488	757	59	44	(20)	(14)	2,575
Other gains/(losses)	505	(63)	123	377	283	642	(83)	1,784
<b>Total income</b>	<b>6,126</b>	<b>3,380</b>	<b>984</b>	<b>1,026</b>	<b>509</b>	<b>503</b>	<b>(94)</b>	<b>12,434</b>
Segment expense	4,619	2,723	954	916	419	44	322	9,997
<b>Operating profit before tax</b>	<b>1,507</b>	<b>657</b>	<b>30</b>	<b>110</b>	<b>90</b>	<b>459</b>	<b>(416)</b>	<b>2,437</b>
Income tax expense	294	91	17	(2)	22	(87)	(106)	229
<b>Net profit for the year</b>	<b>1,213</b>	<b>566</b>	<b>13</b>	<b>112</b>	<b>68</b>	<b>546</b>	<b>(310)</b>	<b>2,208</b>
Business unit assets	328,907	406,609	22,079	28,712	26,291	39,049	(248,220)	603,427
Investments in associates	21	331	72	27	78	3,527	-	4,056
<b>Total assets</b>	<b>328,928</b>	<b>406,940</b>	<b>22,151</b>	<b>28,739</b>	<b>26,369</b>	<b>42,576</b>	<b>(248,220)</b>	<b>607,483</b>
Business unit liabilities	308,255	452,593	19,695	26,013	25,249	28,441	(290,646)	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>28,441</b>	<b>(290,646)</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
Goodwill	2	852	728	452	323	6	-	2,363

In millions of euros	Domestic retail banking	Wholesale banking and international retail banking	Asset management	Leasing	Real estate	Other segments	Consolidation effects/hedge accounting	Total
<b>Value adjustments in loans to customers</b>								
At 1 January	1,398	1,415	5	246	25	41	-	3,130
Additional impairment for credit losses	1,541	1,500	7	331	36	14	-	3,429
Reversal of impairment for credit losses	(805)	(556)	-	(23)	(14)	(42)	-	(1,440)
Defaulting loans written off during the year	(191)	(382)	(3)	(182)	(6)	-	-	(764)
Interest and other adjustments	87	(62)	-	15	4	-	-	44
<b>Closing balance</b>	<b>2,030</b>	<b>1,915</b>	<b>9</b>	<b>387</b>	<b>45</b>	<b>13</b>	<b>-</b>	<b>4,399</b>
Individual value adjustment (specific provision)	1,706	1,512	9	274	45	13	-	3,559
Collective value adjustment (collective provision)	164	218	-	35	-	-	-	417
IBNR	160	185	-	78	-	-	-	423
	2,030	1,915	9	387	45	13	-	4,399

In millions of euros	Income from	Investments in property	Income from	Investments in property
	external clients	and equipment	external clients	and equipment
	and intangible assets		and intangible assets	
	At 31 December 2010		At 31 December 2009	
The Netherlands	7,720	1,596	7,372	1,794
Other countries in the EU zone	1,042	23	1,097	71
Rest of Europe (excl. EU zone)	1,191	117	1,042	60
North America	1,840	35	1,231	177
Latin America	511	5	390	4
Asia	351	20	296	12
Australia	434	16	434	15
Other and consolidation effects	(373)	-	572	68
<b>Total</b>	<b>12,716</b>	<b>1,812</b>	<b>12,434</b>	<b>2,201</b>

## 6 Cash and cash equivalents

In millions of euros	2010	2009
Cash	821	863
Money market loans	16	42
Deposits at central banks other than mandatory reserve deposits	12,175	15,170
Cash and cash equivalents	13,012	16,075
Mandatory reserve deposits at central banks	459	490
<b>Total cash and cash equivalents</b>	<b>13,471</b>	<b>16,565</b>

Mandatory reserve deposits consist of deposits with the Dutch Central Bank required under its minimum reserve policy. These deposits are not available to Rabobank for use in its daily business activities.

## 7 Due from other banks

In millions of euros	2010	2009
Deposits with other banks	15,542	16,481
Assets transferred under repurchase transactions	11,260	12,564
Loans	4,307	3,518
Other	83	78
Less: value adjustments	(109)	(134)
	31,083	32,507
Reclassified assets	2,428	3,134
<b>Total due from other banks</b>	<b>33,511</b>	<b>35,641</b>
<b>Breakdown of value adjustments</b>		
At 1 January	134	118
Additional impairment for credit losses	12	26
Reversal of impairment for credit losses	(15)	(7)
<b>Value adjustments</b>	<b>(3)</b>	<b>19</b>
Amounts written off during the year	(16)	(1)
Other changes	(6)	(2)
<b>At 31 December</b>	<b>109</b>	<b>134</b>

Value adjustments of 'Due from other banks' have been recognised in the statement of income as 'Value adjustments'.

## 8 Trading financial assets

In millions of euros	2010	2009
Purchased loans	2,600	3,644
Short-term government securities	1,292	893
Government bonds	2,351	1,802
Other debt securities	3,982	4,094
Equity instruments	2,762	2,328
<b>Total</b>	<b>12,987</b>	<b>12,761</b>

## 9 Other financial assets at fair value through profit or loss

In millions of euros	2010	2009
Short-term government securities	-	113
Government bonds	1,018	762
Other debt securities	7,535	5,780
Venture capital	608	518
Equity instruments	427	1,949
<b>Total</b>	<b>9,588</b>	<b>9,122</b>

The maximum credit risk of other financial assets at fair value through profit or loss is 8,553 (2009: 6,655). The current year's change in the fair value of the financial assets that is allocable to the changes in credit risk is 1 (2009: -19). The cumulative change is -18.

## 10 Derivatives and other trade liabilities

### 10.1 Types of derivative instruments used by Rabobank

**Forward currency and interest rate** contracts are contractual obligations to receive or pay a net amount based on changes in exchange or interest rates, or to purchase or sell foreign currency or a financial instrument on a future date at a fixed specified price in an organised financial market. As collateral for forward contracts is provided in the form of cash, cash equivalents or marketable securities, and changes in the value of forward contracts are settled daily, the credit risk is negligible.

**Forward rate agreements** are individually agreed forward interest rate contracts under which the difference between a contractually agreed interest rate and the market rate on a future date has to be settled in cash, based on a notional principal amount.

**Currency and interest rate swaps** are commitments to exchange one set of cash flows for another. Swaps entail an economic exchange of currencies or interest rates (such as a fixed rate for one or more variable rates, or a combination, i.e. a cross-currency swap). Except for certain currency swaps, there is no transfer of the principal amount. The credit risk exposure of Rabobank represents the potential cost of replacing the swaps if the counterparties default. The risk is monitored continuously against current fair value, a portion of the notional amount of the contracts and the liquidity of the markets. As part of the credit risk management process, Rabobank employs the same methods for evaluating counterparties as it does for evaluating its own lending activities.

**Currency and interest rate options** are contracts under which the seller (known as the writer) gives the buyer (known as the holder) the right, entailing no obligation, to purchase (in the case of a call option) or sell (in the case of a put option) a specific amount of foreign currency or a specific financial instrument on or before an agreed date or during an agreed period at a price set in advance. As consideration for accepting the currency or interest rate risk, the writer receives a payment (known as a premium) from the holder. Options are traded on exchanges or between Rabobank and clients (OTC). Rabobank is exposed to credit risks only as option holder and only up to the carrying amount, which is equal to the fair value in this case.

**Credit default swaps (CDSs)** are instruments by means of which the seller of a CDS agrees to pay the buyer an amount equal to the loss that would be incurred by holding an underlying reference asset if a specific credit event were to occur (i.e. the materialisation of a risk). The buyer is under no obligation to hold the underlying reference asset. The buyer pays the seller a credit protection fee expressed in basis points, with the size of the fee depending on the credit spread of the reference asset.

## 10.2 Derivative financial instruments issued or held for trading

Rabobank trades in financial instruments to take positions in tradable or OTC instruments, including derivative financial instruments, so that it can profit from short-term movements on share and bond markets and in exchange and interest rates. For this type of trading, Rabobank sets risk limits relating to market positions at the end of the day (overnight trades) as well as during the day (intraday trades). Apart from specific hedging rules, the currency and interest rate risks associated with these derivative financial instruments are usually offset by taking counter positions in order to manage the volatility in the net amounts needed to liquidate the market positions.

## 10.3 Derivative financial instruments held as hedges

Rabobank concludes various derivative contracts that are intended as fair value, cash flow or net investment hedges, and which accordingly qualify as such. Rabobank also concludes derivative contracts as hedges against economic risks. It does not apply hedge accounting to these contracts.

### Fair value hedges

Most of Rabobank's fair value hedges are interest rate and cross currency swaps that provide protection against a change in the fair value of fixed-interest financial assets and liabilities in local as well as foreign currencies. The net fair value of the interest at 31 December 2010 is a loss of 7,091 (2009: -6,769).

Rabobank hedges part of its currency and interest rate risk exposure relating to issued debt instruments with fair value hedges in the form of cross-currency interest rate swaps. The net fair value of the interest at 31 December 2010 is a gain of 1,575 (2009: -1).

For the year ended 31 December 2010, Rabobank recognised a gain of 103 (2009: -77) on the portion of the fair value hedges classified as ineffective.

For the year ended 31 December 2010, Rabobank recognised a loss of 1,437 (2009: -1,115) on the hedging instrument. The total profit on the hedged position allocable to the hedged risk is 1,540 (2009: 1,078).

### Cash flow hedges

Rabobank makes almost no use of cash flow hedges.

### Net investment hedges

Rabobank uses forward currency contracts to hedge part of the translation risk on net investments in foreign entities. The net fair value of these forward currency contracts at 31 December 2010 was a loss of 89 (2009: 24).

At 31 December 2010, forward contracts with a total notional amount of 2,815 (2009: 2,010) were classified as net investment hedges. These contracts produced losses totalling 226 (2009: -281), which were recognised in equity. No deductions from equity were made during the year (2009: 0). For the year ended 31 December 2010, Rabobank recognised no ineffectiveness as a result of the net investment hedges.

#### 10.4 Notional amount and fair value

Although the notional amount of certain types of financial instruments provides a basis for comparing instruments that are included in the statement of financial position, it does not necessarily represent the related future cash flows or the fair values of the instruments. Hence, it does not represent the exposure of Rabobank to credit or exchange risks. It is the amount of the asset or the reference rate or index underlying a derivative financial instrument, representing the basis on which changes in a derivative financial instrument's value are measured. It provides an indication of the volume of transactions executed by Rabobank; it is not a measure of risk exposure, however. Some derivative financial instruments are standardised in terms of notional amount or settlement date, having been designed for trading on active markets (i.e. on stock exchanges). Others are specifically constructed for individual clients and not for trading on an exchange, even though they can be traded at prices negotiated by buyers and sellers (OTC instruments).

The positive fair value represents the cost for Rabobank to replace all contracts on which it will be entitled to receive payment. Replacement would apply in the event of all counterparties remaining in default. This is the standard method in the industry for calculating the current credit risk exposure. The negative fair value represents the cost of all Rabobank contracts on which it will have to make payment. Replacement would apply in the event of Rabobank remaining in default. The total of positive fair values and the total of negative fair values are disclosed separately in the statement of financial position. Derivative financial instruments are favourable (if passive) or not favourable (if not passive) as a result of swings in market or exchange rates in relation to their contract values. The total contract amount or notional amount of derivative financial instruments held, the degree to which these instruments are favourable or not favourable, and hence the total fair value of the derivative financial assets and liabilities can sometimes fluctuate significantly.

The next table shows the notional amounts and the positive and negative fair values of Rabobank's derivative contracts.

In millions of euros	Notional amounts	Fair value	
		Assets	Liabilities
<b>At 31 December 2010</b>			
Derivative financial instruments held for trading	3,101,492	41,367	39,864
Derivative financial instruments held as hedges	141,749	2,580	8,096
Short positions shares and bonds	-	-	1,680
<b>Total derivative financial assets/liabilities recognised</b>	<b>3,243,241</b>	<b>43,947</b>	<b>49,640</b>
<b>Derivative financial instruments held for trading</b>			
<b>Currency derivative financial instruments</b>			
<b>Unlisted tradable contracts (OTC)</b>			
Forward currency contracts	32,506	1,251	1,321
Currency swaps	415,562	8,898	7,001
Currency options	9,059	149	152
<b>Listed tradable contracts</b>			
Currency futures	1,265	-	-
Options	558	15	12
<b>Total currency derivative financial instruments</b>	<b>458,950</b>	<b>10,313</b>	<b>8,486</b>
<b>Interest rate derivative financial instruments</b>			
<b>Unlisted tradable contracts (OTC)</b>			
Interest rate swaps	1,651,128	23,698	23,299
Cross-currency interest rate swaps	1,015	56	30
Forward rate agreements	664,986	163	159
Interest rate options	156,498	3,295	3,308
<b>Total OTC contracts</b>	<b>2,473,627</b>	<b>27,212</b>	<b>26,796</b>
<b>Listed tradable contracts</b>			
Interest rate swaps	105,586	5	5
<b>Total interest rate derivative financial instruments</b>	<b>2,579,213</b>	<b>27,217</b>	<b>26,801</b>
<b>Credit derivative financial instruments</b>			
Credit default swaps	28,647	1,129	647
Total return swaps	7,225	346	481
<b>Total credit derivative financial instruments</b>	<b>35,872</b>	<b>1,475</b>	<b>1,128</b>
<b>Equity instruments/index derivative financial instruments</b>			
<b>Unlisted tradable contracts (OTC)</b>			
Options	5,300	657	1,347
<b>Listed tradable contracts</b>			
Futures	239	-	-
Options	14,415	395	-
<b>Total equity instruments/index derivative financial instruments</b>	<b>19,954</b>	<b>1,052</b>	<b>1,347</b>
<b>Other derivative financial instruments</b>	<b>7,503</b>	<b>1,310</b>	<b>2,102</b>
<b>Total derivative financial assets/liabilities held for trading</b>	<b>3,101,492</b>	<b>41,367</b>	<b>39,864</b>
<b>Derivative financial instruments held as hedges</b>			
<b>Derivative financial instruments classified as fair value hedges</b>			
Currency swaps and cross-currency interest rate swaps	20,615	1,814	239
Interest rate swaps	121,134	765	7,856
<b>Total derivative financial instruments classified as fair value hedges</b>	<b>141,749</b>	<b>2,579</b>	<b>8,095</b>
<b>Derivative financial instruments classified as cash flow hedges</b>			
Interest rate swaps	-	1	1
<b>Total derivative financial assets/liabilities classified as hedges</b>	<b>141,749</b>	<b>2,580</b>	<b>8,096</b>

In millions of euros	Notional amounts	Fair value	
		Assets	Liabilities
<b>At 31 December 2009</b>			
Derivative financial instruments held for trading	2,835,121	38,215	38,600
Derivative financial instruments held as hedges	115,010	876	7,662
Short positions shares and bonds	-	-	2,503
<b>Total derivative financial assets/liabilities recognised</b>	<b>2,950,131</b>	<b>39,091</b>	<b>48,765</b>
<b>Derivative financial instruments held for trading</b>			
<b>Currency derivative financial instruments</b>			
<b>Unlisted tradable contracts (OTC)</b>			
Forward currency contracts	36,251	631	607
Currency swaps	377,339	7,288	6,709
Currency options	6,826	205	159
<b>Listed tradable contracts</b>			
Currency futures	1,032	-	-
Options	622	12	11
<b>Total currency derivative financial instruments</b>	<b>422,070</b>	<b>8,136</b>	<b>7,486</b>
<b>Interest rate derivative financial instruments</b>			
<b>Unlisted tradable contracts (OTC)</b>			
Interest rate swaps	1,399,986	21,575	23,037
Cross-currency interest rate swaps	574	29	3
Forward rate agreements	699,566	311	337
Interest rate options	169,344	3,208	3,146
<b>Total OTC contracts</b>	<b>2,269,470</b>	<b>25,123</b>	<b>26,523</b>
<b>Listed tradable contracts</b>			
Interest rate swaps	87,227	1	16
<b>Total interest rate derivative financial instruments</b>	<b>2,356,697</b>	<b>25,124</b>	<b>26,539</b>
<b>Credit derivative financial instruments</b>			
Credit default swaps	28,759	1,713	960
Total return swaps	6,983	768	628
<b>Total credit derivative financial instruments</b>	<b>35,742</b>	<b>2,481</b>	<b>1,588</b>
<b>Equity instruments/index derivative financial instruments</b>			
<b>Unlisted tradable contracts (OTC)</b>			
Options	7,814	1,852	2,715
<b>Listed tradable contracts</b>			
Futures	192	2	-
Options	8,794	538	-
<b>Total equity instruments/index derivative financial instruments</b>	<b>16,800</b>	<b>2,392</b>	<b>2,715</b>
<b>Other derivative financial instruments</b>	<b>3,812</b>	<b>82</b>	<b>272</b>
<b>Total derivative financial assets/liabilities held for trading</b>	<b>2,835,121</b>	<b>38,215</b>	<b>38,600</b>
<b>Derivative financial instruments held as hedges</b>			
<b>Derivative financial instruments classified as fair value hedges</b>			
Currency swaps and cross-currency interest rate swaps	10,374	421	422
Interest rate swaps	104,635	454	7,223
<b>Total derivative financial instruments classified as fair value hedges</b>	<b>115,009</b>	<b>875</b>	<b>7,645</b>
<b>Derivative financial instruments classified as cash flow hedges</b>			
Interest rate swaps	1	1	17
<b>Total derivative financial assets/liabilities classified as hedges</b>	<b>115,010</b>	<b>876</b>	<b>7,662</b>

## 11 Loans to customers

In millions of euros	2010	2009
<b>Loans initiated by Rabobank:</b>		
Loans to government clients:		
- leases	910	847
- other	4,693	3,091
Loans to private clients:		
- overdrafts	16,488	15,025
- mortgages	209,803	201,477
- leases	20,161	19,750
- receivables relating to securities transactions	7,840	8,368
- corporate loans	182,662	165,270
- other	10,275	15,793
Gross loans to customers	452,832	429,621
Less: value adjustments in loans to customers	(3,845)	(4,399)
	448,987	425,222
Reclassified assets	6,954	8,135
<b>Total loans to customers</b>	<b>455,941</b>	<b>433,357</b>

The impairment of reclassified assets amounts to 61 (2009: 486) and is recognised in profit or loss under 'Net income from other financial assets and liabilities at fair value through profit or loss'.

In millions of euros	2010	2009
<b>Value adjustments in loans to customers</b>		
Value adjustments in loans to customers can be broken down as follows		
At 1 January	4,399	3,130
Additional impairment for credit losses	2,781	3,429
Reversal of impairment for credit losses	(1,458)	(1,440)
Defaulting loans written off during the year	(2,035)	(764)
Interest and other changes	158	44
<b>Total value adjustments in loans to customers</b>	<b>3,845</b>	<b>4,399</b>
Individual value adjustment (specific provision)	3,101	3,560
Collective value adjustment (collective provision)	325	416
IBNR	419	423
<b>Total value adjustments in loans to customers</b>	<b>3,845</b>	<b>4,399</b>
Gross carrying amount of loans whose value adjustments were established on an individual basis (specific and collective provisions)	9,088	9,090

At year-end 2010, Rabobank International applied a reduction of 1.2 billion (2009: nil) to its provisions for expected losses on loans in the Irish property portfolio. No recovery is expected for these loans, but realisation of the security has been deferred on account of market conditions affecting the security provided. For this reason, the provision was utilised and the loan written off.

The fair value of the collateral obtained by the bank for assets which were individually adjusted at the reporting date amounts to 8,683 (2009: 6,983).

During the year, Rabobank acquired financial and non-financial assets by taking possession of collateral with an estimated value of 26 (2009: 26). In general, it is Rabobank's policy to sell these assets in the reasonably foreseeable future. Yields are allocated to repay the outstanding amount.

## Reclassified assets

Based on the amendments to IAS 39 and IFRS 7, 'Reclassification of financial assets', Rabobank reclassified a number of 'Trading financial assets' and 'Available-for-sale financial assets' to 'Loans to customers' and 'Due from other banks' in 2008. Rabobank has identified assets to which this amendment applies, with the intention clearly shifting to holding the securities for the near future as opposed to selling or trading them in the short term. The reclassifications were effected as from 1 July 2008 at their fair value at the time. This note provides details on the impact of the reclassifications at Rabobank.

The table below shows the carrying amounts and fair values of the reclassified assets.

In millions of euros	31 December 2010		31 December 2009	
	Carrying amount	Fair value	Carrying amount	Fair value
Trading financial assets reclassified to loans	2,035	1,834	2,346	2,051
Available-for-sale financial assets reclassified to loans	7,347	6,873	8,923	8,098
<b>Total financial assets reclassified to loans</b>	<b>9,382</b>	<b>8,707</b>	<b>11,269</b>	<b>10,149</b>

Without the reclassifications of trading financial assets, net profit for 2010 would have been 59 higher (2009: 177).

The change in equity in 2010 would have been 245 higher (2009: 226) if available-for-sale financial assets had not been reclassified.

Following reclassification, the reclassified financial assets made the following contribution to operating profit before taxation.

	Year ended 31 December 2010	Year ended 31 December 2009
Net interest income	40	96
Value adjustments	(23)	(8)
<b>Operating profit before taxation on reclassified trading financial assets</b>	<b>17</b>	<b>88</b>
Net interest income	93	254
Value adjustments	(38)	(478)
<b>Operating profit before taxation on reclassified available-for-sale financial assets</b>	<b>55</b>	<b>(224)</b>

## Finance leases

Loans to customers also includes receivables from finance leases, which can be broken down as follows:

In millions of euros	2010	2009
<b>Receivables from gross investment in finance leases:</b>		
Shorter than 1 year	8,687	7,079
Longer than 1 year but not longer than 5 years	14,106	12,622
Longer than 5 years	856	1,155
<b>Total receivables from gross investment in finance leases</b>	<b>23,649</b>	<b>20,856</b>
Unearned deferred finance income from finance leases	3,006	645
<b>Net investment in finance leases</b>	<b>20,643</b>	<b>20,211</b>
<b>Net investment in finance leases can be broken down as follows:</b>		
Shorter than 1 year	7,505	7,442
Longer than 1 year but not longer than 5 years	12,331	11,724
Longer than 5 years	807	1,045
<b>Net investment in finance leases</b>	<b>20,643</b>	<b>20,211</b>

The provision for finance leases included in value adjustments amounted to 428 at 31 December 2010 (2009: 386).

The unguaranteed residual values accruing to the lessor amount to 1,638 (2009: 149). The contingent lease payments recognised as income in 2010 are nil.

The finance leases chiefly concern the lease of equipment and cars, as well as factoring.

## 12 Available-for-sale financial assets

In millions of euros	2010	2009
Short-term government securities	1,744	887
Government bonds	42,963	14,209
Other debt securities	9,652	17,228
Equity instruments	1,099	1,025
<b>Total available-for-sale financial assets</b>	<b>55,458</b>	<b>33,349</b>

The impairment of available-for-sale financial assets amounts to 21 (2009: 33) and is recognised in profit or loss under 'Net income from financial assets and liabilities at fair value through profit or loss'.

Realised gains and losses on available-for-sale financial assets include a gain of 152 resulting from the sale of a part of the equity interest in the Indian Yes Bank.

In millions of euros	2010	2009
Gains on available-for-sale financial assets	105	138

The changes in available-for-sale financial assets can be broken down as follows:

In millions of euros	2010	2009
Opening balance	33,349	31,665
Translation differences on monetary assets	1,165	(302)
Additions	64,554	25,543
Disposals (sale and repayment)	(44,434)	(24,336)
Fair value changes	580	715
Other changes	244	64
<b>Closing balance</b>	<b>55,458</b>	<b>33,349</b>

## 13 Held-to-maturity financial assets

In millions of euros	2010	2009
Government bonds	208	360
Other debt instruments	10	58
<b>Total held-to-maturity financial assets</b>	<b>218</b>	<b>418</b>

The changes in held-to-maturity financial assets can be broken down as follows:

In millions of euros	2010	2009
Opening balance	418	497
Additions	-	109
Redemption	(198)	(185)
Impairments	(2)	(3)
<b>Closing balance</b>	<b>218</b>	<b>418</b>

## 14 Investments in associates

In millions of euros	2010	2009
Opening balance	4,056	3,455
Purchases	20	425
Sales	(744)	(3)
Share of profit of associates	292	592
Dividends paid	(429)	(17)
Revaluation	45	(359)
Other	299	(37)
<b>Total</b>	<b>3,539</b>	<b>4,056</b>

The principal associates are listed under note 46 'Principal subsidiaries and associates'. The main investments made in 2010 (totalling 19) were Butte Community Bank, Napa Community Bank and Pacific State Bank in the United States. The equity interest in Eureko was reduced from 39% to 31% in late 2010.

## 15 Intangible assets

In millions of euros	Goodwill	Software developed in-house	Other intangible assets	Total
<b>Year ended 31 December 2010</b>				
Opening balance	2,363	510	863	3,736
Foreign exchange differences	145	1	116	262
Additions	19	115	78	212
Other	-	15	(38)	(23)
Amortisation	-	(113)	(163)	(276)
Impairments	(200)	(37)	1	(236)
<b>Closing balance</b>	<b>2,327</b>	<b>491</b>	<b>857</b>	<b>3,675</b>
Cost	2,528	921	1,594	5,043
Accumulated amortisation and impairments	(201)	(430)	(737)	(1,368)
<b>Net carrying amount</b>	<b>2,327</b>	<b>491</b>	<b>857</b>	<b>3,675</b>
<b>Year ended 31 December 2009</b>				
Opening balance	2,408	378	942	3,728
Foreign exchange differences	(9)	1	5	(3)
Additions	1	221	40	262
Other	(34)	43	25	34
Amortisation	-	(82)	(150)	(232)
Impairments	(3)	(51)	1	(53)
<b>Closing balance</b>	<b>2,363</b>	<b>510</b>	<b>863</b>	<b>3,736</b>
Cost	2,381	851	1,429	4,661
Accumulated amortisation and impairments	(18)	(341)	(566)	(925)
<b>Net carrying amount</b>	<b>2,363</b>	<b>510</b>	<b>863</b>	<b>3,736</b>

Goodwill is reviewed for impairment by comparing the carrying amount of the cash-generating unit (including goodwill) with the best estimate of the value in use of the cash-generating unit. For that purpose, first the best estimate of the value in use is determined on the basis of cash flow forecasts taken from annual medium-term plans drawn up as part of the annual planning cycle, which reflect the management's best estimates of market conditions, market restrictions, discount rates (before<sup>2</sup> taxation), growth in operations, etc. If the outcome shows that there is no significant difference between the fair value and the carrying amount, the fair value is assessed in more detail, with the relevant share price being used for listed companies. In addition, valuation models are used which are similar to the initial recognition of an acquisition, peer reviews, etc. The valuation models are assessed and include the development of the activities since the acquisition, the most recent income and expenditure forecasts drawn up by management, as well as updated forecasts, assessments of discount rates, end values of growth rates, etc. Peer reviews include an assessment of the price/earnings ratio and price/carrying amount ratio of similar listed companies, or similar market transactions. Assumptions are generally based on experience, management's best estimates of future developments and, if available, external data.

In no individual instance does the carrying amount of the goodwill allocated to a cash-generating unit exceed 19% compared with the total carrying amount of the goodwill; hence, it is never significant (i.e. in excess of 20%).

An impairment loss of 200 was recognised for one of the cash-generating units in the Wholesale banking and international retail banking segment as its recoverable amount (value in use) had fallen below its carrying amount. The remaining value of the goodwill of this cash-generating unit is 76.

Impairments of software developed in-house and other intangible assets are not material individually. In the aggregate, impairments of software developed in-house of 37 were mainly caused by the fact that part of that software is no longer used.

<sup>2</sup> The consolidated financial statements for 2009 erroneously stated the word "after" rather than "before" tax.

## 16 Property and equipment

In millions of euros	Land and buildings	Equipment	Total
<b>Year ended 31 December 2010</b>			
Opening balance	2,383	3,741	6,124
Foreign exchange differences	36	49	85
Purchases	333	1,267	1,600
Disposals	(145)	(586)	(731)
Depreciation	(142)	(153)	(295)
Depreciation of operating lease assets	-	(754)	(754)
Other	(22)	(1)	(23)
<b>Closing balance</b>	<b>2,443</b>	<b>3,563</b>	<b>6,006</b>
Cost	4,001	6,756	10,757
Accumulated depreciation and impairments	(1,558)	(3,193)	(4,751)
<b>Net carrying amount</b>	<b>2,443</b>	<b>3,563</b>	<b>6,006</b>

In millions of euros	Land and buildings	Equipment	Total
<b>Year ended 31 December 2009</b>			
Opening balance	2,236	3,634	5,870
Foreign exchange differences	-	18	18
Purchases	410	1,530	1,940
Acquisition of subsidiaries	(89)	(534)	(623)
Disposals	(132)	(163)	(295)
Depreciation	(7)	-	(7)
Depreciation of operating lease assets	-	(725)	(725)
Other	(35)	(19)	(54)
<b>Closing balance</b>	<b>2,383</b>	<b>3,741</b>	<b>6,124</b>
Cost	3,897	6,911	10,808
Accumulated depreciation and impairments	(1,514)	(3,170)	(4,684)
<b>Net carrying amount</b>	<b>2,383</b>	<b>3,741</b>	<b>6,124</b>

## 17 Investment properties

In millions of euros	2010	2009
Opening balance	1,363	1,038
Purchases	36	80
Sales	(603)	(108)
Depreciation	(29)	(28)
Transferred from other assets	-	446
Other	49	(65)
<b>Closing balance</b>	<b>816</b>	<b>1,363</b>
The carrying amount exceeds the fair value by 93 (2009: 41).		
Cost	1,180	1,676
Accumulated depreciation	(364)	(313)
<b>Net carrying amount</b>	<b>816</b>	<b>1,363</b>

In 2010, 52% (2009: 34%) of the fair value of total investment properties was measured using cash flow models, 2% (2009: 4%) was measured by independent property valuers holding recognised and relevant professional qualifications, and 46% (2009: 62%) was measured by qualified and expert property valuers employed by Rabobank.

## 18 Other assets

In millions of euros	2010	2009
Receivables and prepayments	1,831	1,392
Accrued interest	2,236	1,640
Precious metals, goods and warehouse receipts	103	101
Real estate projects	3,355	3,251
Accrued income	490	443
Other assets	2,139	2,008
<b>Total other assets</b>	<b>10,154</b>	<b>8,835</b>

### Real estate projects

In millions of euros	2010	2009
Building sites and equalisation funds	1,975	1,949
Work in progress	1,114	1,096
Trade receivables, real estate	266	206
<b>Total real estate projects</b>	<b>3,355</b>	<b>3,251</b>

### Work in progress

In millions of euros	2010	2009
Housing development planned and under construction	588	919
Commercial real estate under development and under construction	1,376	1,629
Housing construction instalments invoiced in advance	(324)	(516)
Commercial real estate instalments invoiced in advance	(526)	(936)
<b>Total work in progress</b>	<b>1,114</b>	<b>1,096</b>

## 19 Due to other banks

In millions of euros	2010	2009
Other loans	3,203	3,442
Money market deposits	2	33
Time deposits	10,764	13,379
Other deposits	7,644	3,622
Repurchase agreements	1,863	1,953
<b>Total due to other banks</b>	<b>23,476</b>	<b>22,429</b>

## 20 Due to customers

In millions of euros	2010	2009
Savings	130,928	121,373
Current accounts/settlement accounts	86,959	76,156
Time deposits	46,846	47,897
Repurchase agreements	2,017	1,207
Other due to customers	32,011	39,705
<b>Total due to customers</b>	<b>298,761</b>	<b>286,338</b>

Due to customers also includes investments of central banks amounting to 12 (2009: 13) billion.

## 21 Debt securities in issue

In millions of euros	2010	2009
Certificates of deposit	53,356	52,391
Commercial paper	20,072	25,473
Bonds	117,155	90,259
Other debt securities	6,236	3,629
<b>Total debt securities in issue</b>	<b>196,819</b>	<b>171,752</b>

### Debt securities issued in 2010

On 19 March 2010, Rabobank Nederland issued 1,250 in Senior Contingent Notes. Interest at 6.875% per annum will be payable on 19 March of each year, first on 19 March 2011. The notes will be redeemed after ten years, unless Rabobank's equity capital ratio is below 7% on either of two reference dates. In that event, Rabobank will have the right to write down 75% of their nominal amount and immediately pay out 25% to the investors. The Senior Contingent Notes were issued to fuel equity where needed. They are accounted for as debt securities in issue.

Furthermore, Rabobank Nederland issued 900 in Rabo Extra Member Notes in 2010. Their nominal value is EUR 100, the interest rate is 3.5% per annum (which is above the rate for similar instruments with no conversion right) and their term is 47 months (until 30 December 2013). During the term of the Notes, Rabobank will have the right, on four annual exchange dates, to exchange 25% of their original nominal value for one Rabobank Member Certificate. It will have this right only if the trade price of the Rabobank Member Certificates is EUR 24 or more. If Rabobank does not or may not use this right on the relevant exchange date, EUR 25 of the nominal amount of each Rabo Extra Member Note will be paid in cash. The Rabo Extra Member Notes are accounted for as debt securities in issue. The equity instrument is charged to equity in the amount of 26. In 2010, Rabobank used its conversion right, issuing Rabobank Member Certificates to the amount of 232.

## 22 Other liabilities

In millions of euros	2010	2009
Payables	3,830	3,184
Dividends payable	-	158
Accrued interest	2,694	3,030
Other	1,581	1,596
Provision for day 1 profit	94	115
<b>Total other liabilities</b>	<b>8,199</b>	<b>8,083</b>

## 23 Other financial liabilities at fair value through profit or loss

The change in the fair value of the other financial liabilities at fair value through profit or loss that is attributable to changes in Rabobank's credit risk is 256 after taxes (2009: -183). The cumulative change in fair value attributable to changes in Rabobank's credit risk since the issue of structured notes amounts to 1,086 (2009: 742). The change in fair value that is attributable to changes in the credit risk is calculated by establishing a connection with the change in credit mark-up of structured notes issued by Rabobank. The amount Rabobank is obliged to pay on the contract repayment date, discounted at the effective rate of interest, exceeds the carrying amount by 1.1 billion (2009: 0.7 billion). This includes the change in fair value attributable to changes in Rabobank's credit risk of 256 after tax.

In millions of euros	2010	2009
(Structured) notes	24,325	22,498
Other debt securities	5,388	4,180
Time deposits	154	641
<b>Total other financial liabilities at fair value through profit or loss</b>	<b>29,867</b>	<b>27,319</b>

## 24 Provisions

In millions of euros	2010	2009
Restructuring provision	160	228
Provision for tax and legal issues	474	512
Other	345	355
<b>Total provisions</b>	<b>979</b>	<b>1,095</b>
Changes in provisions were as follows:		
<b>Restructuring provision</b>		
Opening balance	228	223
Interest	-	9
Additions charged to profit	21	71
Withdrawals	(74)	(70)
Release	(15)	(5)
<b>Closing balance</b>	<b>160</b>	<b>228</b>
<b>Provision for tax and legal issues</b>		
Opening balance	512	512
Interest	-	8
Additions charged to profit	129	63
Withdrawals	(118)	(58)
Release	(49)	(13)
<b>Closing balance</b>	<b>474</b>	<b>512</b>
<b>Other</b>		
Opening balance	355	140
Additions charged to profit due to deposit guarantee system	-	213
Other additions charged to profit	-	2
Withdrawals	(5)	-
Release	(5)	-
<b>Closing balance</b>	<b>345</b>	<b>355</b>
<b>Total provisions</b>	<b>979</b>	<b>1,095</b>

Approximately 41% (2009: 43%) of the provision for tax and legal issues relates to tax claims. The provision for tax and legal issues is based on the best possible estimates available at year-end, taking into account legal and tax advice. The timing of the cash outflow of these provisions is uncertain because the outcome of the disputes and the time involved are unpredictable.

'Other' includes provisions for onerous contracts, credit guarantees and obligations under the terms of the deposit guarantee system. The addition to the provision related to the deposit guarantee system is recognised in 'Other segments'. In 2009, it was approximately 200 (2010: nil).

### Maturity of the Rabobank provisions (excluding provisions for employee benefits and doubtful debts)

In millions of euros	Less than 1 year	1-5 years	More than 5 years	Total
At 31 December 2010	644	322	13	979
At 31 December 2009	952	139	4	1,095

## 25 Deferred tax

Deferred tax assets and liabilities are measured for all temporary differences using the 'liability' method. The effective tax rate is 25% (2009: 25.5%) in the Netherlands. No deferred tax asset has been recognised for carry forward losses totalling approximately 1,092 (2009: 735). These carry forward losses relate to various tax authorities and their term to maturity is unlimited.

Some of the deferred tax assets can only be utilised if sufficient taxable profits are realised in the future.

At 31 December 2010, there are no reasons to believe that they will not be sufficient.

Changes in the deferred income tax account can be broken down as follows:

In millions of euros	2010	2009
<b>Deferred tax assets</b>		
Opening balance	1,358	1,636
Foreign exchange differences	80	(20)
Recognised in profit or loss:		
- other temporary differences	(132)	107
Changes in fair value of available-for-sale financial assets	(9)	(270)
Other	(361)	(95)
<b>Closing balance</b>	<b>1,200</b>	<b>1,358</b>
<b>Deferred tax liabilities</b>		
Opening balance	489	474
Foreign exchange differences	(34)	3
Recognised in profit or loss:		
- other temporary differences	158	(34)
Changes in fair value of available-for-sale financial assets	194	32
Other	(76)	14
<b>Closing balance</b>	<b>731</b>	<b>489</b>
<b>Deferred tax assets</b>		
Pensions and other post-employment benefits	(370)	(347)
Impairments	818	923
Other provisions	(49)	26
Hedging of interest rate risk	445	315
Carry forward losses	255	243
Intangible assets	(73)	114
AFS reserve	(126)	12
Property and equipment, including leases	(88)	(120)
Other temporary differences	388	192
<b>Total deferred tax assets</b>	<b>1,200</b>	<b>1,358</b>
<b>Deferred tax liabilities</b>		
Intangible assets	6	-
Other provisions	189	163
Pensions and other post-employment benefits	7	6
Property and equipment, including leases	7	12
AFS reserve	68	23
Other temporary differences	454	285
<b>Total deferred tax liabilities</b>	<b>731</b>	<b>489</b>

The deferred tax expense included in the statement of income can be broken down by temporary difference as follows:

In millions of euros	2010	2009
Property and equipment	(1)	(21)
Pensions and other post-employment benefits	42	329
Impairments, provisions and losses on financial assets	(105)	(314)
Carry forward losses	(70)	(28)
Other temporary differences	160	(107)
<b>Deferred tax expense</b>	<b>26</b>	<b>(141)</b>

## 26 Employee benefits

In millions of euros	2010	2009
Employee benefits - assets	(1,668)	(1,467)
Employee benefits - liabilities	466	500
<b>Net pension liabilities</b>	<b>(1,202)</b>	<b>(967)</b>
.....		
Pension plans	(1,587)	(1,408)
Other employee benefits	385	441
<b>Net pension liabilities</b>	<b>(1,202)</b>	<b>(967)</b>

### 26.1 Pension plans

Rabobank has implemented several pension plans covering a significant percentage of its employees. Most of the plans are career average defined benefit plans, some of which are administered by pension funds. The assets of the fund-administered plans are held independently of Rabobank assets and are managed by the trustees of the funds. These plans are valued each year by independent actuaries using the method prescribed by IFRS. The most recent actuarial valuations were carried out at the end of 2010. About 95% of the pension liability relates to the Rabobank Pension Fund, with 3% relating to foreign pension funds and 2% to other Dutch pension funds.

The weighted averages of the principal actuarial assumptions used in the valuation of the provision for defined benefit plans at 31 December (in % per annum) are:

	2010	2009
Discount rate	4.90	5.25
Projected salary trends	3	3
Wage inflation	2.25	2.25
Price inflation	2	2
Expected return on plan assets	5.50	5.75

The expected long-term return on the Rabobank Pension Fund's portfolio depends largely on the allocation of assets to various investment categories - fixed-interest securities, shares, real estate and alternatives - as each category has its own specific projected returns. The Dutch Central Bank, which is the supervisory authority for the pensions industry, has set limits to projected returns for the various investment categories that may be disclosed as part of a continuity analysis. Based on the present asset allocation in the Rabobank Pension Fund's portfolio and the Dutch Central Bank's parameters, the projected long-term return is estimated at 5.50% (2009: 5.75%). Experience adjustments on plan liabilities amounted to 75 (2009: 88).

In millions of euros	2010	2009	2008	2007	2006
Present value of liabilities administered by funds	13,550	11,074	9,428	9,497	9,699
Fair value of plan assets	(13,794)	(12,020)	(12,206)	(11,013)	(10,262)
	(244)	(946)	(2,778)	(1,516)	(563)
Present value of liabilities not administered by funds	-	-	-	-	-
Unrecognised actuarial gains/(losses)	(1,343)	(462)	2,592	1,859	1,184
Unrecognised past service costs	-	-	1	(2)	(3)
<b>Net liabilities</b>	<b>(1,587)</b>	<b>(1,408)</b>	<b>(185)</b>	<b>341</b>	<b>618</b>
.....					
<b>Experience adjustments</b>					
Plan liabilities	75	88	320	(107)	75
Plan assets	729	(1,529)	320	(396)	266

In millions of euros	2010	2009
<b>Present value of liabilities administered by funds</b>		
Present value of entitlements at 1 January	11,074	9,428
Foreign exchange differences	9	3
Interest	599	526
Increase in entitlements during the year	391	308
Premiums contributed by the employees	57	60
Benefits paid	(219)	(187)
Transfer of accrued benefits	19	116
Other	11	29
<b>Expected present value of entitlements at 31 December</b>	<b>11,941</b>	<b>10,283</b>
Actuarial result	1,609	791
<b>Present value of entitlements at 31 December</b>	<b>13,550</b>	<b>11,074</b>
<b>Fair value of plan assets</b>		
Fair value of assets at 1 January	12,020	12,206
Foreign exchange differences	8	2
Expected income from investments	713	762
Premium contributed by the employer	488	606
Premiums contributed by the employees	57	60
Benefits paid	(219)	(187)
Transfer of accrued benefits and costs	19	116
Other	(21)	(16)
<b>Expected fair value of assets at 31 December</b>	<b>13,065</b>	<b>13,549</b>
Actuarial result	729	(1,529)
<b>Fair value of assets at 31 December</b>	<b>13,794</b>	<b>12,020</b>

The premium to be contributed to the 2011 plan is expected to be 613.

Plan assets have been allocated as follows:

	2010	2009
Shares and alternatives	50.6%	51.0%
Fixed-interest securities	40.8%	39.5%
Real estate	6.9%	6.9%
Cash and cash equivalents	1.7%	2.6%
<b>Total</b>	<b>100%</b>	<b>100%</b>

Less than 5% of plan assets is allocated to Rabobank's own funds. These are chiefly cash and cash equivalents held with Rabobank.

	2010	2009
Actual income from investments	713	762
Expected income from investments	729	(1,529)
Actuarial result	1,442	(767)
<b>Actual income from investments</b>	<b>1,442</b>	<b>(767)</b>

The amounts recognised in the consolidated statement of income for the year are as follows:

In millions of euros	2010	2009
Costs based on period of employment during the year	391	308
Interest on liabilities	599	526
Expected income from plan assets	(713)	(762)
Amortisation of actuarial (gains)/losses	-	(734)
Losses/(gains) on discounts /(settlements)/costs	13	40
<b>Total cost of defined benefit plans</b>	<b>290</b>	<b>(622)</b>

## 26.2 Other employee benefits

Other employee benefits mainly comprise early retirement liabilities/non-active persons scheme for an amount of 186 (2009: 251) and liabilities for future long-service awards for an amount of 85 (2009: 81).

## 27 Subordinated debt

In millions of euros	2010	2009
Trust Preferred Securities II	420	391
Rabobank Nederland	2,000	1,910
FGH Bank	42	42
Other	20	19
<b>Total subordinated debt</b>	<b>2,482</b>	<b>2,362</b>

Changes in the Trust Preferred Securities II are stated in the table below.

In millions of euros	2010	2009
Trust Preferred Securities II		
At 1 January	391	1,257
Purchase of Trust Preferred Securities	-	(722)
Foreign exchange differences	29	(144)
<b>At 31 December</b>	<b>420</b>	<b>391</b>

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

Rabobank Nederland issued a loan of 1,000 in 2009 bearing interest at a fixed rate of 5.875% and maturing in 2019. The subordinated debt is lower at group level, since a portion has been placed with group companies. The subordinated loan of FGH Bank is a loan of 42 bearing interest at a fixed rate of 6%. The loan matures in 2012.

Rabobank Nederland issued a loan of 1,000 in 2010 bearing interest at a fixed rate of 3.75% and maturing in 2020.

## 28 Contingencies and commitments

### Credit related contingent liabilities

Credit granting liabilities represent the unused portions of funds authorised for the granting of credit in the form of loans, guarantees, letters of credit and other lending related financial instruments. Rabobank's credit risk exposure from credit granting liabilities consists of potential losses amounting to the unused portion of the authorised funds. The total expected loss is lower than the total of unused funds, however, because credit granting liabilities are subject to the clients in question continuing to meet specific standards of creditworthiness. Guarantees represent irrevocable undertakings that, provided certain conditions are met, Rabobank will make payments on behalf of clients if they are unable to meet their financial obligations to third parties. Rabobank also accepts credit granting liabilities in the form of credit facilities made available to ensure that clients' liquidity requirements can be met, but which have not yet been drawn upon.

The contingent liabilities include guarantees for providers of collective and individual pension savings plans, as required by government authorities. The likelihood of an outflow of resources embodying economic benefits is very low.

In millions of euros	2010	2009
Guarantees	10,084	10,117
Credit granting liabilities	34,670	30,420
Letters of credit	4,910	3,887
Other contingent liabilities	66	240
<b>Total credit related and contingent liabilities</b>	<b>49,730</b>	<b>44,664</b>

The contractual commitments relating to the acquisition, construction and development of property and equipment and property investments amount to 699 (2009: 742).

### Liabilities relating to operating leases

Rabobank has concluded various operating lease contracts as lessor, mainly with respect to properties, information systems and cars. The future net minimum lease payments under non-cancellable operating leases can be broken down as follows:

In millions of euros	2010	2009
Not exceeding 1 year	88	64
Longer than 1 year but not longer than 5 years	220	137
Longer than 5 years	189	29
<b>Total liabilities relating to operating leases</b>	<b>497</b>	<b>230</b>

The expected future net minimum lease payments receivable from sub-leases are 2 (2009: 9). The operating lease expenses are 114 (2009: 90). These are included in 'Other administrative expenses' in the statement of income.

### Payments receivable from operating leases

Rabobank has concluded various operating lease contracts as lessor. The future net minimum lease payments receivable from non-cancellable operating leases can be broken down as follows:

In millions of euros	2010	2009
Not later than 1 year	1,104	1,189
Later than 1 year but not later than 5 years	1,884	2,347
Later than 5 years	28	168
<b>Total payments receivable from operating leases</b>	<b>3,016</b>	<b>3,704</b>

No contingent lease payments were recognised as assets during the year under review.

## 29 Equity

This item includes equity of Rabobank Nederland and local Rabobanks.

In millions of euros	2010	2009
Foreign currency translation reserve	(6)	(419)
Revaluation reserve for available-for-sale financial assets	48	(368)
Revaluation reserve for associates	104	134
Hedging reserve for cash flow hedges	(18)	(37)
Retained earnings	24,621	22,653
<b>Total reserves and retained earnings at year-end</b>	<b>24,749</b>	<b>21,963</b>

Changes in reserves were as follows:

In millions of euros	2010	2009
<b>Foreign currency translation reserve</b>		
Opening balance	(419)	(464)
Currency translation differences emerging during the year	413	45
<b>Closing balance</b>	<b>(6)</b>	<b>(419)</b>
<b>Revaluation reserve for available-for-sale financial assets</b>		
Opening balance	(368)	(787)
Foreign exchange differences	(48)	22
Changes in associates	45	(359)
Fair value changes	390	468
Amortisation of reclassified assets	143	210
Transferred to profit or loss	(114)	78
<b>Closing balance</b>	<b>48</b>	<b>(368)</b>

In millions of euros	2010	2009
<b>Revaluation reserve for associates</b>		
Opening balance	134	163
Fair value changes	(30)	(29)
<b>Closing balance</b>	<b>104</b>	<b>134</b>

If a shareholding is increased to such an extent that it must be consolidated, the initial shareholding is remeasured at fair value at the time of its increase.

In millions of euros	2010	2009
<b>Hedging reserve for cash flow hedges</b>		
Opening balance	(37)	(31)
Fair value changes	18	(6)
Net gains/(losses) reclassified under profit	1	-
<b>Closing balance</b>	<b>(18)</b>	<b>(37)</b>
<b>Retained earnings</b>		
Opening balance	22,653	21,169
Net profit attributable to Rabobank Nederland and local banks	1,846	1,395
Other	122	89
<b>Closing balance</b>	<b>24,621</b>	<b>22,653</b>
<b>Total reserves and retained earnings</b>	<b>24,646</b>	<b>21,963</b>

## 30 Rabobank Member Certificates issued by a group company

As part of its member loyalty programme, Rabobank issued member certificates between 2000 and 2005. They were depositary receipts for registered shares in the investment institutions Rabobank Ledencertificaten I N.V., Rabobank Ledencertificaten II N.V. and Rabobank Ledencertificaten III N.V. There were four issues, in 2000, 2001, 2002 and 2005, raising more than 6,300 in total. On 30 December 2008, the investment institutions merged to form a single investment institution, named Rabobank Ledencertificaten N.V. At year-end 2010, almost 163,000 investors invested in Rabobank Member Certificates.

Rabobank Ledencertificaten N.V. issued shares to Stichting AK Rabobank Ledencertificaten, which issued one non-cancellable depositary receipt (in this case a member certificate) for each share it holds in Rabobank Ledencertificaten N.V.

Rabobank Ledencertificaten N.V. used the full proceeds of the issue to grant a subordinated loan to Rabobank Nederland.

Subject to the approval of the Dutch Central Bank, the subordinated loan will be repaid on 29 September 2040. Subject to the approval of the Dutch Central Bank, the subordinated loan may be repaid ahead of schedule on 29 September 2035 and on the 29th of the third month of every quarter thereafter. Since the proceeds of the issue are available to Rabobank on a perpetual and highly subordinated basis (also subordinate to the Trust Preferred Securities), and since, in principle, no distribution is made if the consolidated statement of income of Rabobank shows a loss for any financial year, the issue proceeds, insofar as they have been lent on to Rabobank Nederland, are recognised in equity in proportion to the number of shares held by members and employees. The funds that will become available following repayment (whether or not ahead of schedule) may be expected to be reinvested, which means they may be considered perpetual. Since the proceeds of the issue are available to Rabobank on a perpetual and highly subordinated basis (also subordinate to the Trust Preferred Securities and the Capital Securities), and since, in principle, no distribution is made if the consolidated statement of income of Rabobank shows a loss for any financial year, the issue proceeds, insofar as they have been lent on to Rabobank Nederland, are recognised in equity in proportion to the number of shares held by members and employees.

The combined loan agreement stipulates that - with effect from 19 March 2009 and where necessary in the opinion of the Dutch Central Bank - the entitlements of RLC under the Subordinated Loan will be restricted to entitlements in the event of dissolution, contingency or bankruptcy of Rabobank Nederland, with the proviso that (i) these entitlements at that time rank *pari passu* with the entitlements of the holders of shares, held by the local Rabobanks as members of Rabobank Nederland, as referred to in Article 73 (7) of the Articles of Association of Rabobank Nederland (therefore subordinated to all other subordinated and other creditors of Rabobank Nederland), and (ii) the remaining liquidation surplus, if any, will be shared with the aforementioned holders of shares in proportion to the entitlements after all subordinated and other creditors of Rabobank Nederland have been

satisfied, without RLC retaining a claim should that surplus not suffice. Subject to the prior written approval of the Dutch Central Bank, the aforementioned no longer applies if the reason why this stipulation became operative ceases to exist. Furthermore, the agreement stipulates that - with effect from 19 March 2009 - if Rabobank Nederland issues new instruments with the objective of fuelling equity, the Dutch Central Bank must be consulted - with a view to the laws and regulations ruling at that time - on the question to what extent the newly to be raised capital is allocated to cover losses incurred in the period prior to that in which the capital was raised.

The distribution per certificate in 2010 was 1.25 (2009: 1.33). RLC has the right not to make a distribution.

At year-end 2010, the number of certificates - adjusted to the notional amount - held by members and employees was 251,172,830 with a net asset value of 6,583. At year-end 2009, the number of certificates - adjusted to the new notional amount - held by members and employees was 241,018,966 with an asset value of 6,315.

### Rabobank Member Certificates

In millions of euros	2010	2009
<b>Changes during the year:</b>		
Opening balance	6,315	6,236
Share premium	11	-
Rabobank Member Certificates issued and cancelled during the year and other	257	79
<b>Closing balance</b>	<b>6,583</b>	<b>6,315</b>

## 31 Capital Securities and Trust Preferred Securities III to VI

Capital Securities and Trust Preferred Securities III to VI can be broken down as follows:

In millions of euros	2010	2009
Capital Securities issued by Rabobank Nederland	4,953	4,953
Trust Preferred Securities III to VI issued by group companies	1,353	1,229
<b>Total Capital Securities and Trust Preferred Securities III to VI</b>	<b>6,306</b>	<b>6,182</b>

### Capital Securities

The Capital Securities are perpetual and have no expiry date. The distribution on the Capital Securities per issue is as follows:

#### *Issue of EUR 500 million*

The distribution is 9.94% per year and is made payable annually in arrears as of the issue date (27 February 2009), for the first time on 27 February 2010. As from 27 February 2019, the distribution will be made payable every quarter based on the three-month Euribor plus an annual 7.50% mark-up.

#### *Issue of NZD 280 million*

The distribution equals the five-year swap interest plus an annual 3.75% mark-up and was set at 8.7864% per annum on 25 May 2009. As from the issue date (27 May 2009), the distribution is made payable every quarter in arrears, for the first time on 18 June 2009 (short first interest period). From 18 June 2014 the distribution will be made payable every quarter based on five-year swap interest plus an annual 3.75% mark-up to be set on 18 June 2014. From 18 June 2019 the distribution will be made payable every quarter based on the 90-day bank bill swap interest plus an annual 3.75% mark-up.

#### *Issue of USD 2,868 million*

The distribution is 11.0% per year and is made payable every six months in arrears as of the issue date (4 June 2009), for the first time on 31 December June 2009 (long first interest period). As from 30 June 2019 the distribution will be made payable every quarter based on the three-month USD LIBOR plus an annual 10.868% mark-up.

#### *Issue of CHF 750 million*

The distribution is 6.875% per year and is made payable annually in arrears as of the issue date (14 July 2009), for the first time on 12 November 2009 (short first interest period). As from 12 November 2014 the distribution will be made payable every six months based on the six-month CHF LIBOR plus an annual 4.965% mark-up.

#### *Issue of USD 130 million*

The distribution is 7% per year and is made payable every six months in arrears as of the issue date (6 June 2008), for the first time on 6 December 2008.

#### *Issue of GBP 250 million*

The distribution is 6.567% per year and is made payable every six months in arrears as of the issue date (10 June 2008), for the first time on 10 December 2008. As from 10 June 2038 the distribution will be made payable every six months based on the six-month GBP LIBOR plus an annual 2.825% mark-up.

#### *Issue of CHF 350 million*

The distribution is 5.50% per year and is made payable annually in arrears as of the issue date (27 June 2008), for the first time on 27 June 2009. As from 27 June 2018 the distribution will be made payable every six months on 27 June and 27 December, based on the six-month CHF LIBOR plus an annual 2.80% mark-up.

#### *Issue of ILS 323 million*

The distribution is 4.15% per year and is made payable annually in arrears as of the issue date (14 July 2008), for the first time on 14 July 2009. As from 14 July 2018 the distribution will be made payable annually based on an index related to the interest rate paid on Israeli government bonds with terms between 4.5 and 5.5 years plus an annual 2.0% mark-up.

#### *Issue of USD 225 million*

The distribution is 7.375% per year and is made payable every six months in arrears as of the issue date (24 September 2008), for the first time on 24 March 2009.

#### *Issue of USD 750 million*

The distribution on the USD Capital Securities is 7% per year and is made payable every six months in arrears as of the issue date (22 October 2007), for the first time on 22 April 2008.

#### *Issue of NZD 900 million*

The distribution on the NZD Capital Securities equals the one-year swap interest rate plus an annual 0.76% mark-up and is made payable annually on 8 October, until 8 October 2017. As from 8 October 2017, the distribution will be made payable every quarter based on the 90-day bank bill swap interest plus the same mark-up.

The level of Rabobank Nederland's profit may influence the distribution of interest on the Capital Securities. Should Rabobank Nederland become insolvent, the Capital Securities are subordinate to the rights of all other (current and future) creditors of Rabobank Nederland, unless the rights of those other creditors substantively determine otherwise.

#### **Trust Preferred Securities III to VI issued by group companies**

In 2004, four tranches of non-cumulative Trust Preferred Securities were issued.

- Rabobank Capital Funding Trust III, Delaware, a group company of Rabobank Nederland, issued 1.50 million non-cumulative Trust Preferred Securities. The expected distribution is 5.254% until 21 October 2016. For the period 21 October 2016 to 31 December 2016 inclusive, the expected distribution is equal to the USD LIBOR interpolated for the period, plus 1.5900%. RLC has the right not to make a distribution. Thereafter, the expected distribution is equal to the three-month USD LIBOR plus 1.5900%. The total proceeds from this issue amounted to USD 1,500 million. As from 21 October 2016, these Trust Preferred Securities can be repurchased on each distribution date (which is once a quarter) after prior written approval is received from the Dutch Central Bank.

- Rabobank Capital Funding Trust IV, Delaware, a group company of Rabobank Nederland, issued 350 thousand non-cumulative Trust Preferred Securities. The expected distribution is 5.556% until 31 December 2019, after which the expected distribution is equal to the six-month GBP LIBOR plus 1.4600%. RLC has the right not to make a distribution. The total proceeds from this issue amounted to GBP 350 million. As from 31 December 2019, these Trust Preferred Securities can be repurchased on each distribution date (which is once every half-year) after prior written approval is received from the Dutch Central Bank.
- Rabobank Capital Funding Trust V, Delaware, a group company of Rabobank Nederland, issued 250 thousand non-cumulative Trust Preferred Securities. The expected distribution is equal to the three-month BBSW plus 0.6700% until 31 December 2014 inclusive, after which the expected distribution is equal to the three-month BBSW plus 1.6700%. RLC has the right not to make a distribution. The total proceeds from this issue amounted to AUD 250 million. As from 31 December 2014, these Trust Preferred Securities can be repurchased on each distribution date (which is once a quarter) after prior written approval is received from the Dutch Central Bank.
- Rabobank Capital Funding Trust VI, Delaware, a group company of Rabobank Nederland, issued 250 thousand non-cumulative Trust Preferred Securities. The expected distribution is 6.415% until 31 December 2014, after which the expected distribution is equal to the three-month BBSW plus 1.6700%. RLC has the right not to make a distribution. The total proceeds from this issue amounted to AUD 250 million. As from 31 December 2014, these Trust Preferred Securities can be repurchased on each distribution date (which is once a quarter) after prior written approval is received from the Dutch Central Bank.

A distribution becomes due on the Trust Preferred Securities issued in 1999 and 2003 included under subordinated loans if:

- the most recent, audited and adopted consolidated financial statements of Rabobank Nederland show that Rabobank Group realised a net profit (after tax and extraordinary expenses) in the previous year; or
- a distribution is made on securities that are more subordinated (such as Rabobank Member Certificates) or on securities of equal rank (pari passu); subject to the proviso that no distribution becomes due should the Dutch Central Bank object (for example, if Rabobank Group's solvency ratio is below 8%).

The condition stated under (i) does not apply to Trust Preferred Securities issued in 2004. The other conditions do apply. If Rabobank Group realises a profit, Rabobank Nederland can make a distribution on these securities at its own discretion.

## Trust Preferred Securities

In millions of euros	2010	2009
<b>Changes during the year:</b>		
Opening balance	1,229	1,697
Purchase of Trust Preferred Securities	-	(527)
Foreign exchange differences	124	59
<b>Closing balance</b>	<b>1,353</b>	<b>1,229</b>

## 32 Non-controlling interests

This item relates to shares held by third parties in subsidiaries and other group companies. Changes in non-controlling interests mainly relate to the effects of structured finance deals and conduits with third-party investors.

In millions of euros	2010	2009
Opening balance	3,423	3,639
Net profit	90	109
Currency translation differences	266	(37)
Associates included in consolidation/deconsolidated	(589)	(283)
Changes in AFS revaluation reserve	(9)	12
Other	(62)	(17)
<b>Closing balance</b>	<b>3,119</b>	<b>3,423</b>

## 33 Interest

In millions of euros	2010	2009
<b>Interest income</b>		
Cash and cash equivalents	47	76
Due from other banks	495	577
Trading financial assets	348	332
Other financial assets at fair value through profit or loss	119	177
Loans to customers	16,462	17,192
Available-for-sale financial assets	2,268	1,246
Held-to-maturity financial assets	10	19
Other	179	176
<b>Total interest income</b>	<b>19,928</b>	<b>19,795</b>
<b>Interest expense</b>		
Due to other banks	68	56
Other trade liabilities	4,313	6,143
Due to customers	4,902	3,756
Debt securities in issue	224	163
Other debts	909	708
Other financial liabilities at fair value through profit or loss	217	105
Other	11,314	11,720
<b>Total interest expense</b>	<b>8,614</b>	<b>8,075</b>
<b>Interest</b>		

Capitalised interest attributable to qualifying assets amounted to 19 (2009: 28). The average interest rate applied in determining interest charges to be capitalised ranges between 1.5% and 4.4% (2009: between 2.1% and 4.9%).

## 34 Commission

In millions of euros	2010	2009
<b>Commission income</b>		
Asset management	1,254	891
Insurance commission	368	377
Lending	487	361
Purchase and sale of other financial assets	355	310
Payment services	553	489
Custodial fees and securities services	57	51
Handling fees	177	152
Other transactions involving financial instruments	90	71
Other commission income	128	313
<b>Total commission income</b>	<b>3,469</b>	<b>3,015</b>
<b>Commission expense</b>		
Asset management	316	217
Purchase and sale of other financial assets	161	116
Payment services	4	5
Custodial fees and securities services	11	9
Handling fees	44	36
Other commission expense	102	57
<b>Total commission expense</b>	<b>638</b>	<b>440</b>
<b>Net commission</b>	<b>2,831</b>	<b>2,575</b>

## 35 Income from associates

In millions of euros	2010	2009
Income from associates	292	592
<b>Key figures of associates are as follows:</b>		
Total assets at year-end	103,341	98,459
Total liabilities at year-end	91,109	87,678
Total income	27,326	25,782
Net result	1,342	1,446
Rabobank share of profit of associates	312	602
Discontinued/disposed interests	(20)	(10)
<b>Total income from associates</b>	<b>292</b>	<b>592</b>

In late 2010, the equity interest in Eureka was reduced by 8% to 31%, resulting in the release of revaluation reserves. This caused a charge of 17, which was recognised under 'Discontinued/disposed interests'.

## 36 Net income from financial assets and liabilities at fair value through profit or loss

In millions of euros	2010	2009
Debt instruments and interest rate derivative financial instruments	314	1,279
Equity instruments	(244)	(116)
Foreign currencies and other trading income	287	264
<b>Net trading income</b>	<b>357</b>	<b>1,427</b>
Income from other financial assets	(181)	(1,009)
Income from other financial liabilities	55	(840)
<b>Net income from other financial assets and liabilities</b>	<b>(126)</b>	<b>(1,849)</b>
<b>Total net income from financial assets and liabilities at fair value through profit or loss</b>	<b>231</b>	<b>(422)</b>

Net income from currency trading also includes gains and losses on spot and forward contracts, options, futures and assets and liabilities denominated in foreign currencies.

## 37 Other income

In millions of euros	2010	2009
Real estate activities	212	218
Rental income	344	272
Other	87	986
<b>Total other income</b>	<b>643</b>	<b>1,476</b>

Rental income includes operating lease income and rental income from investment properties. Operating lease income includes income of 1,764 (2009: 1,693), depreciation charges of 754 (2009: 725) and other costs of 743 (2009: 741). Rental income from investment properties includes income of 133 (2009: 97), depreciation charges of 29 (2009: 28) and other costs of 27 (2009: 24). 'Other income' in 2009 includes 734 in amortisation gains related to the actuarial gains/losses for the defined benefit plan.

## 38 Staff costs

In millions of euros	2010	2009
Wages and salaries	3,557	3,416
Social security contributions and insurance costs	348	349
Pension costs for defined contribution plans	61	58
Pension costs for defined benefit plans	290	112
Other post-employment benefits	34	25
Other staff costs	629	643
<b>Total staff costs</b>	<b>4,919</b>	<b>4,603</b>

Expressed in FTEs, the average number of employees was 59,012 (2009: 59,939).

## 39 Other administrative expenses

This item includes office supplies, travel expenses, IT expenses, postage, advertising, rent, maintenance of buildings, etc.

In millions of euros	2010	2009
Other administrative expenses	2,706	2,908

## 40 Depreciation and amortisation

In millions of euros	2010	2009
Depreciation of property and equipment	295	295
Amortisation of intangible assets	276	232
<b>Total depreciation and amortisation</b>	<b>571</b>	<b>527</b>

## 41 Value adjustments

In millions of euros	2010	2009
Due from other banks	(3)	19
Loans to customers	1,323	1,989
Receipts following write-offs	(92)	(56)
Credit related liabilities	6	(2)
Other assets	-	9
<b>Total value adjustments</b>	<b>1,234</b>	<b>1,959</b>

## 42 Income tax expense

In millions of euros	2010	2009
<b>Current income tax</b>		
Reporting period	523	373
Prior years	(35)	(3)
Deferred tax	26	(141)
<b>Income tax expense</b>	<b>514</b>	<b>229</b>

The taxation on operating profit of Rabobank differs from the nominal amount based on Dutch standard tax rates. The reconciliation between the two amounts is shown below:

In millions of euros	2010	2009
Profit before taxation	3,286	2,437
Tax exempt income	(505)	(802)
Non-deductible expenses	35	35
Tax losses not recognised in prior years	(62)	(119)
Other	87	1
	2,841	1,552
Income tax expense based on a rate of 25.5% (2009: 25.5%)	725	395
Effect of different tax rates in other countries and other non-recurring tax gains or losses	(211)	(166)
<b>Income tax expense</b>	<b>514</b>	<b>229</b>

Taxation reported in the consolidated statement of comprehensive income was as follows:

In millions of euros	2010	2009
Currency translation differences in foreign currency translation reserve	(141)	(15)
Changes in fair value of available-for-sale financial assets	(190)	(103)
Amortisation of reclassified assets	(58)	(130)
Gains on available-for-sale financial assets added to net profit for the year	(41)	(117)
Changes in fair value of revaluation reserve for associates	10	10
Changes in fair value of cash flow hedging revaluation reserve	(6)	2
Currency translation differences in non-controlling interests	(91)	13
Changes in AFS revaluation reserve, non-controlling interests	3	(4)
<b>Taxations reported in equity</b>	<b>(514)</b>	<b>(344)</b>

## 43 Transactions with related parties

Two parties are considered related if one party exercises control or has significant influence over the other party (regarding finance or operating decisions). In the normal course of business, Rabobank conducts a wide variety of transactions with related entities, involving different types of loans, deposits and transactions in foreign currencies. Transactions between related parties also include transactions with associates, pension funds, joint ventures, the Executive Board and the Supervisory Board. These transactions are conducted at arm's length conditions. In accordance with IAS 24.4, transactions within Rabobank Group are not disclosed in the consolidated financial statements.

In the normal course of Rabobank's business operations, banking transactions are carried out with related parties. These involve loans, deposits and transactions in foreign currencies. All these transactions were at arm's length and against market prices. The volumes of related party transactions, year-end outstanding balances and the corresponding income and expenses during the year are presented in the table below. Transactions and balances outstanding with members of the Executive Board and members of the Supervisory Board are disclosed in note 45.

In millions of euros	Associates		Other related parties	
	2010	2009	2010	2009
<b>Loans</b>				
Outstanding at beginning of year	768	269	13	23
Granted during the year	235	603	-	-
Repaid during the year	(604)	(104)	-	(10)
<b>Loans at end of the year</b>	<b>399</b>	<b>768</b>	<b>13</b>	<b>13</b>
<b>Due to other banks and due to customers</b>				
Outstanding at beginning of the year	5,479	5,695	-	-
Received during the year	960	38	-	-
Repaid during the year	(8)	(254)	-	-
<b>Deposits at 31 December</b>	<b>6,431</b>	<b>5,479</b>	<b>-</b>	<b>-</b>
<b>Other liabilities</b>	<b>91</b>	<b>91</b>	<b>13</b>	<b>15</b>
Credit liabilities and other guarantees issued by Rabobank	-	-	-	12
<b>Income</b>				
Interest income	21	28	-	-
Commission income	288	307	-	-
Trading income	69	156	-	-
Other	6	6	-	-
<b>Total income from transactions with related parties</b>	<b>384</b>	<b>497</b>	<b>-</b>	<b>-</b>
<b>Expense</b>				
Interest expense	376	369	-	-
Commission expense	18	13	-	-
<b>Total expenses from transactions with related parties</b>	<b>394</b>	<b>382</b>	<b>-</b>	<b>-</b>

## 44 Fees for services in accordance with Section 382a of Book 2 of the Dutch Civil Code

In millions of euros	2010	2009
Financial statements audit	12	10
Other audit engagements	2	3
<b>Total</b>	<b>14</b>	<b>13</b>

In the year under review, the audit firm Ernst & Young Accountants LLP invoiced the above amounts to Rabobank Nederland, its subsidiaries and other companies it consolidates, within the meaning of Section 283a of Book 2 of the Dutch Civil Code. These amounts do not include fees for the financial statements audit, other audit engagements, tax consultancy services and other non-audit services charged by other auditors and other Ernst & Young business units.

## 45 Supervisory Board and Executive Board

The members of the Supervisory Board and the Executive Board are listed in note 53 of these consolidated financial statements. The remuneration of members and former members of the Executive Board amounted to 10.3 in 2010 (2009: 9.9). This amount is included under 'Staff costs'. Rabobank regards the members of the Executive Board as key management personnel.

In millions of euros	2010	2009
Salaries	6.8	6.6
Pension charges	1.6	1.3
Performance-related payments	1.7	1.8
Other	0.2	0.2
<b>Total</b>	<b>10.3</b>	<b>9.9</b>

Of the performance-related payments, 47 % (2009: 54%) can be considered short-term. The pension plan for the members of the Executive Board qualifies as a defined benefit plan. The total remuneration of members and former members of the Supervisory Board amounted to 1.5 (2009: 1.6).

In millions of euros	Executive Board		Supervisory Board	
	2010	2009	2010	2009
<b>Loans, advances and guarantees</b>				
Outstanding at 1 January	4.6	4.1	3.5	3.6
Granted during the year	2.5	3.7	1.3	0.4
Repaid during the year	(0.6)	(3.2)	(1.7)	(0.5)
<b>Outstanding at 31 December</b>	<b>6.5</b>	<b>4.6</b>	<b>3.1</b>	<b>3.5</b>

These transactions were concluded with Executive and Supervisory Board members personally. For Executive Board members, they were at staff terms and/or market rates, whereas for Supervisory Board members, they were at market rates. The loans, advances and guarantees of Executive and Supervisory Board members who were newly appointed or stepped down are included in the 'Granted during the years' and 'Repaid during the year' items respectively. The average interest on fixed-interest loans in EUR for the Supervisory Board and the Executive Board was 4.5% and 3.9% respectively in 2010 (2009: 4.5% and 3.7% respectively).

## 46 Principal subsidiaries and associates

Name	Share	Voting rights
<b>Subsidiaries</b>		
<b>The Netherlands</b>		
De Lage Landen International B.V.	100%	100%
Rabo Vastgoedgroep N.V.	100%	100%
OWM Rabobanken B.A.	100%	100%
Obvion N.V.	50%	70%
Rabohypotheekbank N.V.	100%	100%
Rabobank Ledencertificaten N.V.	100%	100%
Rabo Merchant Bank N.V.	100%	100%
Rabo Wielerploegen B.V.	100%	100%
Raiffeisenhypotheekbank N.V.	100%	100%
Robeco Groep N.V.	100%	100%
Schretlen & Co N.V.	100%	100%
<b>Other Euro zone/EU countries</b>		
ACC Bank Plc	100%	100%
<b>Rest of Europe</b>		
Bank Sarasin & Cie S.A.	46%	69%
Bank Gospodarki Żywnościowej S.A.	59%	59%
<b>North America</b>		
Rabobank Capital Funding LCC II tot en met VI	100%	100%
Rabobank Capital Funding Trust II tot en met VI	100%	100%
Utrecht America Holdings Inc.	100%	100%
<b>Australia and New Zealand</b>		
Rabobank Australia Limited	100%	100%
Rabobank New Zealand Limited	100%	100%
<b>Associates</b>		
<b>Netherlands</b>		
Eureko B.V.	31%	31%
Equens N.V.	17%	17%
Gilde Venture Capital funds	Various	Various

Rabobank holds less than 20% of the voting rights in Equens, but has significant influence over Equens. For instance, two members of the Supervisory Board of Equens, as well as the chairman of the Audit & Compliance Committee, are Rabobank representatives. On account of Rabobank's significant influence over Equens, the interest qualifies as an associate.

## 47 Joint ventures

Joint ventures with third parties in which none of the parties has control are consolidated proportionally. Joint and several liability for commitments towards third parties the joint ventures have entered into is recognised only if and to the extent that the financial position of one or more venturers warrants this. The consolidated financial statements include the assets and liabilities and the income and expense items of joint ventures listed below. The amounts reflect Rabobank's interests. Most joint ventures are entities of Rabo Vastgoedgroep.

In millions of euros	2010	2009
<b>Assets</b>		
Loans and due from other banks	66	69
Loans and due from private and public-sector clients	83	96
Real estate	1,349	1,233
Other assets	28	32
<b>Total assets</b>	<b>1,526</b>	<b>1,430</b>
<b>Liabilities</b>		
Due to other banks	1,152	982
Due to private and public-sector clients	174	186
Other liabilities	200	262
<b>Total liabilities</b>	<b>1,526</b>	<b>1,430</b>
Operating income	(9)	(8)
Operating expense	13	12
Operating profit before tax	(22)	(20)
Income tax expense	1	4
<b>Net profit</b>	<b>(21)</b>	<b>(16)</b>

## 48 Financial assets provided as collateral and (reverse) repurchase transactions

### Reverse repurchase transactions and securities borrowing agreements

Reverse repurchase transactions and securities borrowing agreements concluded by Rabobank are included under 'Due from other banks' or 'Loans to customers'. At 31 December, they amounted to:

In millions of euros	2010	2009
Due from other banks	11,260	12,564
Loans to customers	7,840	8,368
<b>Total reverse repurchase transactions and securities borrowing agreements</b>	<b>19,100</b>	<b>20,932</b>

Under the terms of the reverse repurchase transactions and securities borrowing agreements, Rabobank receives collateral under conditions that enable it to repledge or resell the collateral to third parties. The total fair value of the securities received under the terms of the agreements was 19,811 at 31 December 2010 (2009: 20,672). In accordance with the agreement terms, a portion of the securities was repledged or sold as collateral. These transactions were effected subject to the normal conditions for standard reverse repurchase transactions and securities borrowing agreements.

## Repurchase transactions and securities lending agreements

Repurchase transactions and securities lending agreements concluded by Rabobank are included under 'Due from/to other banks' and 'Due to customers'. At 31 December, they amounted to:

In millions of euros	2010	2009
Due to other banks	1,863	1,953
Due to customers	2,017	1,207
<b>Total repurchase and securities lending</b>	<b>3,880</b>	<b>3,160</b>

At 31 December 2010 and 2009, interest-bearing securities with a carrying amount of 4,831 and 3,476 respectively had been provided as collateral for repurchase and similar agreements. In general, the counterparty has the right to resell or repledge the securities. These transactions were performed subject to the normal conditions for standard repurchase transactions and securities lending agreements.

## Carrying amount of financial assets provided as security for (contingent) liabilities

In millions of euros	2010	2009
Due from other banks	11,932	1,116
Trading financial assets	647	-
Other financial assets at fair value through profit or loss	68	188
Loans to customers	2,725	3,535
Available-for-sale financial assets	2,328	1,580
Held-to-maturity financial assets	153	-
<b>Total</b>	<b>17,853</b>	<b>6,419</b>

The assets referred to above (except repurchase transactions and securities lending) were provided to counterparties as security for (contingent) liabilities. If Rabobank remains in default the counterparties may use the security to settle the debt.

## 49 Securitisations

As part of Rabobank Group's financing activities and the reduction of credit risk, cash flows from certain financial assets are transferred to third parties. Most financial assets subject to these transactions are mortgage and other loan portfolios. After securitisation, the assets continue to be recognised in Rabobank Group's statement of financial position under 'Loans to customers'. The securitised assets are measured in accordance with the accounting policies referred to in note 2.17 above.

The carrying amount of these financial assets is 84,786 (2009: 73,461) and the corresponding liability amounts to 85,674 (2009: 74,111). Approximately 79% (2009: 80%) of transferred assets are securitised internally.

## 50 Events after the reporting date

No events after the reporting date have occurred that provide further insight into the actual situation at the reporting date.

## 51 Consolidated statement of financial position at 1 January 2009

In millions of euros	At 1 January 2009
<b>Assets</b>	
Cash and cash equivalents	7,105
Due from other banks	33,776
Trading financial assets	11,576
Other financial assets at fair value through profit or loss	7,896
Derivative financial instruments	66,759
Loans to customers	426,201
Available-for-sale financial assets	31,665
Held-to-maturity financial assets	497
Investments in associates	3,455
Intangible assets	3,728
Property and equipment	5,870
Investment properties	1,038
Current tax assets	298
Deferred tax assets	1,636
Employee benefits	-
Other assets	10,596
<b>Total assets</b>	<b>612,096</b>
<b>Liabilities</b>	
Due to other banks	23,891
Due to customers	304,214
Debt securities in issue	135,779
Derivatives and other trade liabilities	77,230
Other liabilities	8,644
Other financial liabilities at fair value through profit or loss	24,797
Provisions	875
Current tax liabilities	227
Deferred tax liabilities	474
Employee benefits	371
Subordinated debt	2,159
<b>Total liabilities</b>	<b>578,661</b>
<b>Equity</b>	
Equity of Rabobank Nederland and local Rabobanks	20,050
Rabobank Member Certificates issued by a group company	6,236
	26,286
Capital Securities and Trust Preferred Securities III to VI	3,510
Non-controlling interests	3,639
<b>Total equity</b>	<b>33,435</b>
<b>Total equity and liabilities</b>	<b>612,096</b>

## 52 Management's report on internal control over financial reporting

The management of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) is responsible for establishing and maintaining adequate internal control over financial reporting. Management is also responsible for the preparation and fair presentation of the consolidated financial statements.

Rabobank Nederland's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of financial statements for external purposes in accordance with International Financial Reporting Standards as adopted by the European Union.

All internal control systems, no matter how well designed, have inherent limitations. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that control may become inadequate, because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of Rabobank Nederland's internal control over financial reporting as of 31 December 2010 based on the framework set forth by the Committee of Sponsoring Organisations of the Treadway Commission (COSO) established in Internal Control - Integrated Framework. Based on that assessment, management concluded that, as of 31 December 2010, Rabobank Nederland's internal control over financial reporting is effective based on the criteria established by COSO.

Ernst & Young Accountants LLP, which has audited the consolidated financial statements of Rabobank Nederland for the financial year ended 31 December 2010, also examined management's assessment of the effectiveness of Rabobank Nederland's internal control over financial reporting and the effectiveness of Rabobank Nederland's internal control over financial reporting; its report is included on page 79.

Piet Moerland (P.W.)

Bert Bruggink (A.)

## 53 Approval of Supervisory Board

The publication of these consolidated financial statements was approved by the Supervisory Board on 28 February 2011. They will be submitted to the General Meeting for adoption in June 2011. Rabobank Nederland's Articles of Association provide as follows with regard to adoption of the financial statements: 'The Annual General Meeting's resolution to adopt the financial statements shall be passed by an absolute majority of the votes validly cast'.

### Executive Board

Piet Moerland (P.W.), *chairman*  
Bert Bruggink (A.), *cto*  
Berry Marttin (B.J.), *member*  
Sipko Schat (S.N.), *member*  
Piet van Schijndel (P.J.A.), *member*  
Gerlinde Silvis (A.G.), *member*

### Supervisory Board

Lense Koopmans (L.), *chairman*  
Antoon Vermeer (A.J.A.M.), *deputy chairman*  
Martin Tielen (M.J.M.), *secretary*  
Irene Asscher-Vonk (I.P.), *deputy secretary*  
Bernard Bijvoet (B.), *member*  
Tom de Bruijn (A.), *member*  
Wout Dekker (W.), *member*  
Louise Fresco (L.O.), *member*  
Leo Graafsma (S.L.J.), *member*  
Erik van de Merwe (E.A.J.), *member*  
Rinus Minderhoud (M.), *member*  
Cees Veerman (C.P.), *member*  
Arnold Walravens (A.H.C.M.), *member*

# Independent auditor's report

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To the Executive Board and Supervisory Board of Rabobank Nederland

## Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements 2010 which are part of the financial statements of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland), Amsterdam, which comprise the consolidated statement of financial position as at 31 December 2010, the consolidated statement of income for the year then ended, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes, comprising a summary of the accounting policies and other explanatory information.

## Executive Board's responsibility

The Executive Board of Rabobank Nederland is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Rabobank Nederland as at 31 December 2010, its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

### Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 393(5)(e) and (f) of Book 2 of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the management report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 392(1)(b) to (h) of Book 2 of the Code has been annexed. Further, we report that the management report, to the extent we can assess, is consistent with the consolidated financial statements as required by Section 391(4) of Book 2 of the Dutch Civil Code.

Amsterdam, 28 February 2011

Ernst & Young Accountants LLP

/s/ G.H.C. de Meris

# Independent auditor's assurance report

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To the Executive Board and Supervisory Board of Rabobank Nederland

## Introduction

We have performed an assurance engagement on internal control over financial reporting of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland).

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements in accordance with generally accepted accounting policies. A company's internal control over financial reporting includes policies and procedures that:

1. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
2. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting policies, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and
3. provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

## Inherent limitations

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

## Executive Board's responsibility

The Executive Board of Rabobank Nederland is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting.

## Auditor's responsibility

Our responsibility is to conclude on the Executive Board's assessment and on the effectiveness of Rabobank Nederland's internal control over financial reporting based on the procedures performed during our assurance engagement. We conducted our assurance engagement in accordance with Dutch law, including ISAE 3000 'Assurance engagements other than audits or reviews of historical financial information' based on criteria established in 'Internal Control - Integrated Framework', issued by the Committee of Sponsoring Organisations of the Treadway Commission (the COSO criteria).

This requires that we plan and perform the assurance engagement to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our assurance engagement included obtaining an understanding of internal control over financial reporting, evaluating

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the assessment of Rabobank Nederland's Executive Board, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

### **Conclusion**

Based on the procedures performed we conclude that the Executive Board's conclusion that, as of 31 December 2010, Rabobank Nederland's internal control over financial reporting is effective, is fairly stated, in all material respects, based on the COSO criteria.

Amsterdam, 28 February 2011

Ernst & Young Accountants LLP

/s/ G.H.C. de Meris

# Key figures

Amounts in millions of euros	2010	2009	2008 <sup>1</sup>	2007	2006
<b>Volume of services</b>					
Total assets	652,536	607,483	612,120	570,491	556,455
Private sector loan portfolio	436,292	415,235	408,620	368,709	324,110
Amounts due to customers	298,761	286,338	304,214	276,610	234,917
Assets under management and held in custody for clients	270,400	230,400	183,600	231,800	219,300
<b>Financial position and solvency</b>					
Equity	40,757	37,883	33,459	31,409	29,377
Tier 1 capital	34,461	32,152	30,358	28,518	26,391
Qualifying capital	35,734	32,973	30,912	29,190	27,114
Risk-weighted assets	219,568	233,221	238,080	266,573	247,458
<b>Profit and loss account</b>					
Income	12,716	12,434	11,652	11,022	10,049
Operating expenses	8,196	8,038	7,611	7,663	6,887
Value adjustments	1,234	1,959	1,189	266	450
Taxation	514	229	98	397	367
Net profit	2,772	2,208	2,754	2,696	2,345
<b>Ratios</b>					
Tier 1 ratio	15.7%	13.8%	12.7%	10.7%	10.7%
BIS ratio	16.3%	14.1%	13.0%	10.9%	11.0%
Equity capital-ratio	14.2%	12.4%	11.6%	9.5%	9.2%
Net profit growth	26%	-20%	2%	15%	13%
Return on equity	8.6%	7.3%	9.7%	10.2%	9.4%
Efficiency ratio	64.5%	64.6%	65.3%	69.5%	68.5%
<b>Nearby</b>					
Local Rabobanks	141	147	153	174	188
Branches	911	1,010	1,112	1,159	1,214
ATMs	2,963	3,063	3,097	3,107	3,139
Members (x 1,000)	1,801	1,762	1,707	1,638	1,641
Client satisfaction private individuals	7.6	7.6	7.7	7.5	7.5
Foreign places of business	682	624	569	349	330
<b>Market shares (in the Netherlands)</b>					
Mortgages	29%	30%	30%	28%	26%
Savings	40%	40%	41%	41%	39%
TIS	43%	41%	39%	38%	38%
Food and agri	84%	84%	84%	84%	84%
<b>Ratings</b>					
Standard & Poor's	AAA	AAA	AAA	AAA	AAA
Moody's Investor Service	Aaa	Aaa	Aaa	Aaa	Aaa
Fitch	AA+	AA+	AA+	AA+	AA+
DBRS	AAA	AAA	AAA	AAA	AAA

<sup>1</sup> Figures for 2008 and previous years have not been restated to reflect the change in accounting policies made in 2010. See the Consolidated Financial Statements, under note 2.1.1 Changes in accounting policies and presentation.

Amounts in millions of euros	2010	2009	2008	2007	2006
<b>Personnel data</b>					
Number of employees (in FTEs)	58,714	59,311	60,568	54,737	50,573
Staff costs	4,919	4,603	4,290	4,400	4,115
Employee satisfaction	86%	88%	86%	85%	87%
Absenteeism	3.8%	3.7%	3.8%	3.8%	3.6%
Females employed	54.3%	54.8%	55.1%	55.4%	55.6%
Females in senior positions (> scale 7)	24.6%	23.2%	22.1%	20.7%	19.9%
WIA-influx	0.19%	0.13%	0.20%	0.15%	0.18%
Training expenses	87.9	86.8	99.9	98.0	76.9
Training expenses in EUR per FTE	1,497	1,464	1,649	1,790	1,518
<b>Sustainable assets under management and held in custody</b>					
Total sustainable assets under management and held in custody for clients	18,885	16,438	11,506	14,024	3,604
Rabo Green Bonds (cumulative)	3,243	3,643	3,622	3,518	3,130
Robeco sustainable assets	6,123	3,992	3,166	5,604	296
Sarasin sustainable assets	8,829	8,345	4,486	4,778	-
Third party sustainable investment products	398	209	168	124	65
<b>Assets subject to engagement</b>					
Robeco sustainable assets	43,738	15,400	9,555	15,125	5,249
Sarasin sustainable assets	7,483	4,571	1,069	-	-
Other sustainable assets	1,247	126	-	-	-
<b>Savings</b>					
Green savings	425	360	125	106	-
<b>Fund management</b>					
Capital Public Fund Management	2,815	2,713	2,700	2,300	2,000
<b>Sustainable financing</b>					
Total sustainable financing	5,678	6,455	6,228	5,188	4,257
Green financing (outstanding)	2,855	3,168	3,373	2,882	2,409
Loans with state guarantee	1,031	1,349	1,222	1,163	1,042
Stimulation loans and Growth & Innovation loans (SGR)	106	489	451	367	267
Sustainable project finance	442	372	313	155	105
Sustainable mortgages and mortgages for starting home owners	654	565	482	227	58
<b>Supporting local communities</b>					
Rabobank Foundation, loans and donations	26.8	24.3	16.8	10.6	15.9
Project Funds, donations	0.9	0.8	3.7	1.1	1.3
Cooperative dividend local Rabobanks (donations)	28.3	25.8	20.4	20.3	-
Donations Rabobank Netherlands, Rabobank International and other Group entities	4.2	3.3	3.8	-	-
<b>Climate footprint</b>					
CO <sub>2</sub> -emissions attributable to business ( x 1,000 ton CO <sub>2</sub> )	171	180	183	176	-
CO <sub>2</sub> -emissions per FTE (tonnes CO <sub>2</sub> )	2.7	2.9	3.1	3.1	-

# 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

For the year ended 31 December

In millions of euros	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 income	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>
Income tax expense	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>

See the notes to the consolidated financial statements.

# Consolidated statement of comprehensive income

In millions of euros	For the year ended 31 December	
	2009	2008
Net profit	2,288	2,754
<b>Arising in the period (after taxation):</b>		
<i>Foreign currency translation reserves</i>		
Currency translation differences	45	(337)
<i>Revaluation reserve - Available-for-sale financial assets</i>		
Changes in associates	(359)	(416)
Fair value changes	490	(1,482)
Amortisation of reclassified assets	210	119
Transferred to profit or loss	189	392
<i>Revaluation reserve - Associates</i>		
Fair value changes	(29)	(1)
<i>Revaluation reserve - Cash flow hedges</i>		
Fair value changes	(6)	(32)
<i>Non-controlling interests</i>		
Currency translation differences	(37)	56
Changes in AFS revaluation reserve	12	472
<i>Issue of Capital Securities</i>		
Costs of issue of Capital Securities	(13)	(12)
<b>Total other comprehensive income</b>	<b>502</b>	<b>(1,241)</b>
<b>Total comprehensive income</b>	<b>2,790</b>	<b>1,513</b>
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
<b>Total comprehensive income</b>	<b>2,790</b>	<b>1,513</b>

## Consolidated statement of changes in equity

In millions of euros	Equity of Rabobank Nederland and local Rabobanks	Rabobank Member Certificates	Capital Securities and TPS	Non- controlling interests	Total
<b>At 1 January 2008</b> .....	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
<b>At 31 December 2008</b> .....	20,074	6,236	3,510	3,639	33,459
<b>At 1 January 2009</b> .....	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)
<b>At 31 December 2009</b> .....	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 of 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>
The cash flows from interest are included in the net cash flow from operating activities		
Interest income	20,503	27,088
Interest expense	12,289	18,219

# Statement of financial position of Rabobank Nederland (before profit appropriation)

In millions of euros	At 31 December 2010	At 31 December 2009
<b>Assets</b>		
Cash	11,833	14,696
Short-term government securities	1,265	830
Professional securities transactions	10,246	11,843
Other banks	<u>124,152</u>	<u>122,769</u>
Banks	134,398	134,612
Public sector lending	3,972	2,532
Private sector lending	121,266	108,595
Professional securities transactions	<u>7,957</u>	<u>8,003</u>
Lending	133,195	119,130
Interest-bearing securities	117,053	87,120
Shares	2,155	3,010
Interests in group companies	12,736	11,448
Other equity interests	2,875	3,455
Property and equipment	873	770
Intangible assets	440	429
Employee benefits	1,635	1,440
Other assets	1,231	1,229
Derivative financial instruments	47,750	42,416
Prepayments and accrued income	<u>3,316</u>	<u>2,619</u>
<b>Total assets</b>	<b>470,755</b>	<b>423,204</b>

In millions of euros	At 31 December 2010	At 31 December 2009
<b>Equity and liabilities</b>		
Professional securities transactions	186	744
Other banks	<u>46,742</u>	<u>43,177</u>
Banks	46,928	43,921
Savings	7,770	5,628
Professional securities transactions	4,315	3,662
Other due to customers	<u>85,175</u>	<u>88,004</u>
Due to customers	97,260	97,294
Debt securities	195,125	168,933
Other liabilities	55,693	42,956
Derivative financial instruments	42,752	41,688
Accruals and deferred income	3,295	2,902
Provisions	<u>1,308</u>	<u>1,032</u>
	442,361	398,726
Subordinated loans	11,889	11,311
Capital	6,002	4,001
Capital Securities	4,953	4,953
Revaluation reserve and translation differences	607	(441)
Other reserves	3,474	2,950
Profit for the year	<u>1,469</u>	<u>1,704</u>
Equity	<u>16,505</u>	<u>13,167</u>
Capital base	<u>28,394</u>	<u>24,478</u>
<b>Total equity and liabilities</b>	<b>470,755</b>	<b>423,204</b>
Contingent liabilities	16,189	15,584
Irrevocable facilities	29,236	29,947

# Statement of income of Rabobank Nederland

In millions of euros	For the year ended 31 December	
	2010	2009
Income from associates after tax	771	998
Other income/(expense) after tax	698	706
<b>Net profit</b>	<b>1,469</b>	<b>1,704</b>
Prepared in accordance with Section 402 of Book 2 of the Dutch Civil Code.		

# Statement of the financial position of Rabobank Nederland (before profit appropriation)

In millions of euros	At 31 December 2009	At 31 December 2008
<b>Assets</b>		
Cash	14,696	4,865
Short-term government securities	830	996
Professional securities transactions	11,843	4,157
Other banks	<u>122,769</u>	<u>151,818</u>
Banks	134,612	155,975
Public sector lending	2,532	7,646
Private sector lending	109,108	110,281
Professional securities transactions	<u>8,003</u>	<u>3,519</u>
Lending	119,643	121,446
Interest-bearing securities	87,120	93,832
Shares	3,010	1,581
Interest in group companies	11,448	10,839
Other equity interests	3,455	2,975
Property and equipment	770	592
Intangible assets	429	411
Employee benefits	1,440	-
Other assets	931	1,054
Derivative financial instruments	42,416	69,820
Prepayments and accrued income	<u>2,619</u>	<u>3,747</u>
<b>Total assets</b>	<b>423,419</b>	<b>468,133</b>

In millions of euros	At 31 December 2009	At 31 December 2008
<b>Equity and liabilities</b>		
Professional securities transactions	744	502
Other banks	<u>43,177</u>	<u>72,881</u>
Banks	43,921	73,383
Savings	5,628	5,705
Professional securities transactions	3,662	1,286
Other due to customers	<u>88,004</u>	<u>125,960</u>
Due to customers	97,294	132,951
Debt securities	168,933	125,136
Other liabilities	42,956	44,809
Derivative financial instruments	41,688	70,621
Accruals and deferred income	2,902	3,503
Provisions	<u>1,032</u>	<u>567</u>
	398,726	450,970
Subordinated loans	11,311	10,213
Capital	4,001	2,004
Capital Securities	4,953	1,813
Revaluation reserve and translation differences	(441)	(884)
Statutory undistributed earnings reserve	-	-
Other reserves	3,085	2,915
Profit for the year	<u>1,784</u>	<u>1,102</u>
Equity	13,382	6,950
Capital base	<u>24,693</u>	<u>17,163</u>
<b>Total equity and liabilities</b>	423,419	468,133
Contingent liabilities	15,584	13,547
Irrevocable facilities	29,947	31,781

# Statement of income of Rabobank Nederland

In millions of euros	For the year ended 31 December	
	2009	2008
Income from associates after tax.....	998	1,290
Other income/(expense) after tax.....	786	(188)
<b>Net profit</b> .....	<b>1,784</b>	<b>1,102</b>
.....	.....	.....
.....	.....	.....
Prepared in accordance with Section 402 of Book 2 of the Dutch Civil Code.....	.....	.....

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