

**TERMS SUPPLEMENT NO. 1 DATED May 17, 2011
(to Product Supplement No. 2 dated May 13, 2011 and to the Offering Circular dated May 13, 2011)**



***Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland),
Utrecht Branch***

(a cooperative with limited liability established under the laws of the Netherlands and having its statutory seat in Amsterdam, the Netherlands)

U.S. \$1,500,000,000

RABO NOTES

5.250% Notes due May 2041

Issuer:	Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (“ Rabobank Nederland ”), Utrecht Branch
Guarantor:	Rabobank Nederland, New York Branch
Aggregate Principal Amount:	U.S. \$1,500,000,000
Expected Ratings*:	Aaa/AAA (Moody’s/S&P)
Legal Format:	Exempt from SEC registration pursuant to Section 3(a)(2) of the Securities Act
Documentation:	This Terms Supplement qualifies, forms part of, and is subject to Product Supplement No. 2 dated May 13, 2011 and the Medium Term Note Program Offering Circular dated May 13, 2011 (including information incorporated by reference therein).
Pricing Date:	May 17, 2011
Original Issue Date:	May 24, 2011
Maturity Date:	May 24, 2041
Interest Rate:	5.250% per annum payable semi-annually in arrears
Original Issue Price:	98.426% of the aggregate principal amount
Benchmark Treasury:	UST 4.750% February 15, 2041
Benchmark Treasury Price and Yield:	109-5+ ; 4.206%
Spread to Benchmark Treasury:	1.150% (115 basis points)
Yield to Maturity:	5.356%
Interest Payment Dates:	Semi-annually on May 24 and November 24, beginning on November 24, 2011, subject to the Business Day Convention
Business Day Convention:	Following Business Day
Day Count Convention:	30 / 360
Business Days:	Any day which is a day (other than a Saturday or Sunday or other day on which banks in New York, Amsterdam or London are required or permitted to close) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in New York, Amsterdam and London.
Optional Redemption:	Not Applicable
Minimum Denominations:	U.S. \$1,000 and integral multiples of U.S. \$1,000 in excess thereof
Governing Law:	New York

No Listing:	The notes will not be listed on any securities exchange or interdealer quotation system.
CUSIP:	21685WCJ4
ISIN:	US21685WCJ45
Joint Book-Running Managers:	Barclays Capital Inc.; Goldman, Sachs & Co.; Merrill Lynch, Pierce, Fenner & Smith Incorporated

*** A credit rating is not a recommendation to buy, sell, or hold the Notes, and may be subject to revision or withdrawal at any time by the assigning rating agency.**

THE NOTES AND THE GUARANTEE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR ANY STATE SECURITIES LAWS. THE NOTES ARE BEING OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION CONTAINED IN SECTION 3(a)(2) OF THE SECURITIES ACT.

THE NOTES CONSTITUTE UNCONDITIONAL LIABILITIES OF THE ISSUER, AND THE GUARANTEE CONSTITUTES AN UNCONDITIONAL CONTINGENT OBLIGATION OF THE GUARANTOR. THE NOTES AND THE GUARANTEE ARE NOT BANK DEPOSITS AND ARE NOT INSURED OR GUARANTEED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION, THE BANK INSURANCE FUND OR ANY UNITED STATES OR DUTCH GOVERNMENTAL OR DEPOSIT INSURANCE AGENCY OR ENTITY.

NOTICE TO TEXAS RESIDENTS ONLY:

WE ARE NOT MAKING AN OFFERING OF THE NOTES IN TEXAS, EXCEPT AS SPECIFIED BELOW. WE DO NOT INTEND TO MAKE ANY SALES OF THE NOTES IN TEXAS AND EACH DEALER HAS AGREED THAT IT WILL NOT DISTRIBUTE THIS TERMS SUPPLEMENT OR ADVERTISE, OFFER OR SELL ANY NOTES, DIRECTLY OR INDIRECTLY, IN TEXAS OR TO, OR FOR THE BENEFIT OF, ANY RESIDENT OF TEXAS (WHICH TERM AS USED HEREIN MEANS ANY PERSON RESIDENT IN TEXAS, INCLUDING ANY CORPORATION OR OTHER ENTITY ORGANIZED UNDER THE LAWS OF, OR RESIDING IN, TEXAS), OR TO OTHERS FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN TEXAS OR TO A RESIDENT OF TEXAS, EXCEPT TO INDIVIDUAL ACCREDITED INVESTORS AS DEFINED UNDER §139.16 OF THE TEXAS SECURITIES ACT, OTHER ACCREDITED INVESTORS, AS DEFINED IN RULE 501(A)(1)-(4), (7) AND (8) UNDER THE SECURITIES ACT OR TO QUALIFIED INSTITUTIONAL BUYERS, AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT, PURSUANT TO §§581-5(H), 109.3, 109.4 OR 139.16 OF, AND OTHERWISE IN COMPLIANCE WITH, THE TEXAS SECURITIES ACT AND ANY OTHER APPLICABLE LAWS, REGULATIONS AND GUIDELINES OF TEXAS.

In making your investment decision, you should rely only on the information contained or incorporated by reference in this Terms Supplement, Product Supplement No. 2 dated May 13, 2011 (the "**Product Supplement**") and the related Offering Circular dated May 13, 2011 (the "**Offering Circular**"), copies of which you have previously received or are delivered herewith. Additional copies of this Terms Supplement, the Product Supplement and the Offering Circular are available from the Issuer, at no cost to you, and you should read each of these documents carefully prior to investing in the Notes. The Issuer has not authorized anyone to give you any additional or different information.

This Terms Supplement, the Product Supplement and the Offering Circular are submitted on a confidential basis to investors for informational use solely in connection with their purchase of the Notes. Their use for any other purpose is not authorized. They may not be copied or reproduced in whole or in part nor may they be distributed or any of their contents be disclosed to anyone other than the prospective investors to whom they are submitted.

Except as set forth in this Terms Supplement, no person is authorized to give any information or make a representation regarding the Notes and, if given or made, such information or representation must not be relied on. The Issuer is offering to sell, and is seeking offers to buy, the Notes only in jurisdictions where offers and sales are permitted. This Terms Supplement, the Product Supplement and the Offering Circular do not constitute an offer to sell, or a solicitation of an offer to buy, any Notes by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation. Neither the delivery of this Terms Supplement nor any sale made hereunder implies that there has been no change in the affairs of the Issuer or its affiliates or that the information in this Terms Supplement is correct as of any date after the date hereof.

You must (i) comply with all applicable laws and regulations in force in any jurisdiction in connection with the possession or distribution of this Terms Supplement, the Product Supplement and the related Offering Circular and the purchase, offer or sale of the Notes and (ii) obtain any consent, approval or permission required to be obtained by you for the purchase, offer or sale by you of the Notes under the laws and regulations applicable to you in force in any jurisdiction to which you are subject or in which you

make such purchases, offers or sales; neither the Issuer nor the Guarantor or any of their affiliates shall have any responsibility therefor.

SUPPLEMENTAL PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

In addition to the provisions found under the heading “Provisions Relating to the Notes while in Global Form” found in the accompanying Offering Circular,” the following provisions will apply.

We have obtained the information in this section concerning Clearstream Banking S.A., (“**Clearstream**”) and Euroclear Bank S.A./N.V., as operator of the Euroclear System (“**Euroclear**”) and the book-entry system and procedures from sources that we believe to be reliable, but we take no responsibility for the accuracy of this information.

The Notes will be represented exclusively by one or more global certificates in registered form without receipts, interest coupons or talons (each a “**Global Certificate**”). The Global Certificates will be deposited with a custodian for, and registered in the name of, The Depository Trust Company (“**DTC**”) or its nominee. Ownership of beneficial interests in the Global Certificates will be limited to persons who have accounts with DTC (each, a “**DTC Participant**”), or persons who hold interests through DTC Participants. Ownership of beneficial interests in the Global Certificates will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of DTC Participants) and the records of DTC Participants (with respect to interests of persons other than DTC Participants), which may include depositories (each, a “**U.S. Depository**”) for Euroclear and Clearstream, as described below.

Clearstream

Clearstream (formerly Cedelbank) has advised us that it is incorporated under the laws of Luxembourg as a professional depository. Clearstream holds securities for its participating organizations (“**Clearstream Participants**”) and facilitates the clearance and settlement of securities transactions between Clearstream Participants through electronic book-entry changes in accounts of Clearstream Participants, thereby eliminating the need for physical movement of certificates. Clearstream provides Clearstream Participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing.

Clearstream interfaces with domestic markets in several countries. As a professional depository, Clearstream is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector (*Commission de Surveillance du Secteur Financier*). Clearstream Participants are financial institutions around the world, including other securities brokers and dealers, banks, trust companies and clearing corporations and certain other organizations. In the United States, Clearstream Participants are limited to securities brokers and dealers and banks. Indirect access to Clearstream is also available to others that clear through or maintain a custodial relationship with a Clearstream Participant either directly or indirectly.

Distributions with respect to interests in a Global Certificate held beneficially through Clearstream will be credited to cash accounts of Clearstream Participants in accordance with its rules and procedures, to the extent received by the U.S. Depository for Clearstream.

Euroclear

Euroclear has advised us that it was created in 1968 to hold securities for participants of Euroclear (“**Euroclear Participants**”) and to clear and settle transactions between Euroclear Participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash.

Euroclear provides various other services, including securities lending and borrowing, and interfaces with domestic markets in several countries. Euroclear is operated by Euroclear Bank, S.A./N.V. (the “**Euroclear Operator**”) under contract with euro-Clear Clearance Systems, S.C., a Belgian cooperative corporation (the “**Cooperative**”). All operations are conducted by the Euroclear Operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator, not the Cooperative. The Cooperative establishes policy for Euroclear on behalf of Euroclear Participants. Euroclear Participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries. Indirect access to Euroclear is also available to others that clear through or maintain a custodial relationship with a Euroclear Participant, either directly or indirectly.

Because the Euroclear Operator is a Belgian banking corporation, the Euroclear Operator is regulated and examined by the Belgian Banking Commission.

Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law, which we will refer to herein as the “Terms and Conditions.” The Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All

securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear Participants, and has no record of or relationship with persons holding through Euroclear Participants.

Distributions with respect to interests in the Global Certificates held beneficially through Euroclear will be credited to the cash accounts of Euroclear Participants in accordance with the Terms and Conditions, to the extent received by the U.S. Depository for Euroclear.

Euroclear has further advised us that investors that acquire, hold and transfer interests in the Global Certificates by book-entry through accounts with the Euroclear Operator or any other securities intermediary are subject to the laws and contractual provisions governing their relationship with their intermediary, as well as the laws and contractual provisions governing the relationship between such an intermediary and each other intermediary, if any, standing between themselves and the Global Certificates.

Global Clearance and Settlement Procedures

The primary distribution of interests in the Global Certificates will be cleared through DTC and will be settled in immediately available cash. Secondary market trading between DTC Participants will occur in the ordinary way in accordance with DTC rules and will be settled using procedures applicable to United States corporate debt obligations in DTC's Same-Day Funds Settlement System in immediately available funds, if payment is made in U.S. Dollars, or free of payment if payment is made in a currency other than U.S. Dollars. In the latter case, separate payment arrangements outside of the DTC system are required to be made between DTC Participants. Secondary market trading between Clearstream Participants and/or Euroclear Participants will occur in the ordinary way in accordance with the applicable rules and operating procedures of Clearstream and Euroclear and will be settled using the procedures applicable to conventional Eurobonds in immediately available funds.

Cross-market transfers between persons holding interests in a Global Certificate directly or indirectly through DTC, on the one hand, and Euroclear Participants or Clearstream Participants on the other hand, will be effected in DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the case may be, by its respective U.S. Depository. Such cross market transactions, however, will require delivery instructions to the relevant European international clearing system by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its U.S. Depository to take action to effect final settlement on its behalf by delivering or receiving interests in a Global Certificate through DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear Participants and Clearstream Participants may not deliver instructions directly to their respective U.S. Depositories for Euroclear or Clearstream.

Because of time zone differences, the securities account of a Euroclear Participant or Clearstream Participant purchasing an interest in a Global Certificate from a DTC Participant will be credited during the securities settlement processing day (which must be a business day for Euroclear or Clearstream, as the case may be) immediately following the DTC settlement date. Such credit or any transactions in interests in a Global Certificate settled during such processing day will be reported to the relevant Euroclear Participant or Clearstream Participant on such day. Cash received in Euroclear or Clearstream as a result of sales of interests in a Global Certificate by or through a Euroclear Participant or Clearstream Participant to a DTC Participant will be received for value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream cash account only as of the business day following settlement in DTC.

If interests in a Global Certificate are cleared only through Euroclear and Clearstream (and not DTC), you will be able to make and receive through Euroclear and Clearstream payments, deliveries, transfers, exchanges, notices, and other transactions involving any securities held through those systems only on days when those systems are open for business. Those systems may not be open for business on days when banks, brokers, and other institutions are open for business in the United States. In addition, because of time-zone differences, U.S. investors who hold their interests in the securities through these systems and wish to transfer their interests, or to receive or make a payment or delivery or exercise any other right with respect to their interests, on a particular day may find that the transaction will not be effected until the next business day in Luxembourg or Brussels, as applicable.

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Certificates among participants of DTC, Clearstream and Euroclear, they are under no obligation to perform or continue to perform such procedures and such procedures may be modified or discontinued at any time.

Neither we nor the Fiscal Agent will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective direct or indirect participants of their obligations under the rules and procedures governing their operations. The laws of some jurisdictions require that certain purchasers of securities take physical delivery of the securities in certificated form. These laws may impair the ability to transfer beneficial interests in a Global Certificate. Beneficial owners may experience delays in receiving distributions on their interests in a Global Certificate since distributions will initially be made to DTC and must then be transferred through the chain of intermediaries to the beneficial owner's account.

SUPPLEMENTAL PLAN OF DISTRIBUTION

The Issuer has agreed to sell to Barclays Capital Inc., Goldman, Sachs & Co. and Merrill Lynch, Pierce, Fenner & Smith Incorporated (the “**Dealers**”) and the Dealers have severally agreed to purchase the aggregate principal amount of the Notes, as set forth opposite their names in the table below:

Dealer	Principal Amount of Notes
Barclays Capital Inc.	U.S. \$ 500,000,000
Goldman, Sachs & Co.	U.S. \$ 500,000,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	U.S. \$ 500,000,000

PRODUCT SUPPLEMENT NO. 2 dated May 13, 2011
(To Offering Circular dated May 13, 2011)



Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland), Utrecht Branch
(a cooperative with limited liability established under the laws of the Netherlands and having its statutory seat in Amsterdam, the Netherlands)

Rabo Notes

Medium-Term Notes

The Medium-Term Notes (the “Notes”) are debt securities issued by the Utrecht Branch of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., a cooperative entity established under the laws of the Netherlands with its statutory seat in Amsterdam, the Netherlands (the “Issuer”), and guaranteed by the New York Branch of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., a branch duly licensed in the State of New York (the “Guarantor”). The Notes and the guarantee (the “Guarantee”) represent direct, unsecured and unsubordinated general obligations of the Issuer and the Guarantor, respectively, and will rank *pari passu* in right of payment with all other such obligations of the Issuer and the Guarantor, respectively, except for obligations of the Issuer and the Guarantor given priority by law.

The Notes may be Fixed Rate Notes or Floating Rate Notes with interest payable on the Interest Payment Dates, in each case as described in the accompanying Offering Circular and with specific terms specified in the applicable Terms Supplement.

The Notes will mature on the maturity date set forth in the applicable Terms Supplement, subject to adjustments and, if applicable, the right of the Issuer to redeem the Notes prior to the maturity date as described herein or in the applicable Terms Supplement.

Unless otherwise specified in the applicable Terms Supplement, the minimum denomination of the Notes (the “Minimum Denomination”) will be \$1,000. The Notes will not be exchanged for or resold in amounts less than the Minimum Denomination, except that any Notes held in excess of the Minimum Denomination may be resold to the Issuer or the Guarantor, or with the Issuer’s prior written consent to any dealer, in integral multiples of \$1,000 thereof, provided that none of the Issuer, the Guarantor or any dealer shall be obligated to repurchase any Notes at any time. The Depository Trust Company (“DTC”) will act as securities depository for the Notes and will record ownership and transfer of the Notes in book-entry form only.

The applicable Terms Supplement will describe the specific terms of a series of the Notes to which it relates, including any changes to the terms set forth in this Product Supplement or the accompanying Offering Circular. Capitalized terms used but not otherwise defined herein have the meanings ascribed to such terms in the Offering Circular or the applicable Terms Supplement.

For information regarding the Issuer and the Guarantor, please see the accompanying Offering Circular and documents incorporated therein by reference.

Investing in the Notes involves certain risks. See “Risk Factors” beginning on page S-6 herein and any additional Risk Factors described in the applicable Terms Supplement.

THE NOTES AND THE GUARANTEE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR ANY STATE SECURITIES LAWS AND ARE BEING OFFERED PURSUANT TO THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS THEREOF CONTAINED IN SECTION 3(A)(2) OF THE SECURITIES ACT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE NOTES CONSTITUTE UNCONDITIONAL LIABILITIES OF THE ISSUER, AND THE GUARANTEE CONSTITUTES AN UNCONDITIONAL CONTINGENT OBLIGATION OF THE GUARANTOR. THE NOTES AND THE GUARANTEE ARE NOT BANK DEPOSITS AND ARE NOT INSURED OR GUARANTEED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION, THE BANK INSURANCE FUND OR ANY OTHER U.S. OR DUTCH GOVERNMENTAL OR DEPOSIT INSURANCE AGENCY OR ENTITY.

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This Product Supplement, the applicable Terms Supplement and the Offering Circular are confidential and are being furnished by the Issuer in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling prospective investors to consider the purchase of the Notes. Any reproduction or distribution of this Product Supplement, the applicable Terms Supplement and/or the Offering Circular, in whole or part, and any disclosure of their contents or use of any information herein or therein for any purpose other than considering an investment in the Notes is prohibited.

Notwithstanding anything to the contrary contained herein, all persons may disclose to any and all persons, without limitation of any kind, the federal, state and local tax treatment of the Notes, any fact relevant to understanding the federal, state and local tax treatment of the Notes and all materials of any kind (including opinions or other tax analyses) relating to such tax treatment and that may be relevant to understanding such tax treatment. However, no person may disclose the name of or identifying information with respect to any party identified herein or any pricing term or other nonpublic business or financial information that is unrelated to the purported or claimed federal, state or local tax treatment of the Notes and is not relevant to understanding the purported or claimed federal, state and local tax treatment of the Notes. The distribution of this Product Supplement and the applicable Terms Supplement and the offer, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Product Supplement, the related Terms Supplement and the Offering Circular come are required by the Issuer and the Guarantor to inform themselves about and to observe any such restrictions. The Notes offered hereby have not been reviewed, recommended or endorsed by the Securities and Exchange Commission (the “**Commission**”) or any state or foreign securities commission or regulatory authority. Furthermore, the foregoing authorities have not reviewed, confirmed or determined the accuracy or adequacy of this Product Supplement, the applicable Terms Supplement or the accompanying Offering Circular. Any representation to the contrary is a criminal offense.

This Product Supplement was written in connection with the promotion or marketing of the Notes addressed herein, and it cannot be used by any taxpayer for the purpose of avoiding penalties that may be asserted against the taxpayer under the Internal Revenue Code. Taxpayers should seek their own advice based on their particular circumstances from an independent tax adviser.

Each purchaser of the Notes of any series will be furnished a copy of this Product Supplement, the applicable Terms Supplement and the Offering Circular and any related amendments or supplements to this Product Supplement, the applicable Terms Supplement and the Offering Circular. By receiving this Product Supplement, the applicable Terms Supplement and the Offering Circular you acknowledge that (i) you have been afforded an opportunity to request from the Issuer and the Guarantor and to review, and have received, all additional information you consider to be necessary to verify the accuracy and completeness of the information herein, (ii) you have not relied on any person other than the Issuer in connection with your investigation of the accuracy of such information or your investment decision and (iii) except as provided pursuant to clause (i) above, no person has been authorized to give any information or to make any representation concerning the Notes of such series other than those contained in this Product Supplement, the applicable Terms Supplement or the Offering Circular and, if given or made, such other information or representation should not be relied upon as having been authorized by the Issuer or the Guarantor.

All investors should have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of investing in and holding the Notes. Investment in the Notes should be made only by purchasers who are able and prepared to bear the substantial risks of investing therein. In making an investment decision, investors must rely on their own examination of the Issuer, the Guarantor, the terms of the Notes and the offering, including the merits and risks involved. By accepting delivery of this Product Supplement, prospective investors will be deemed to have acknowledged the need to conduct their own thorough investigation and to exercise their own due diligence before considering an investment in the Notes.

NOTICE TO INVESTORS

EACH PURCHASER WILL BE REQUIRED TO AGREE THAT IT WILL COMPLY WITH ALL APPLICABLE LAWS AND REGULATIONS IN FORCE IN ANY JURISDICTION IN WHICH IT PURCHASES, OFFERS OR SELLS THE NOTES OR POSSESSES OR DISTRIBUTES THE OFFERING CIRCULAR, THE PRODUCT SUPPLEMENT, THE TERMS SUPPLEMENT OR ANY OFFERING MATERIAL AND WILL OBTAIN ANY CONSENT, APPROVAL OR PERMISSION REQUIRED BY IT FOR THE PURCHASE, OFFER OR SALE BY IT OF THE NOTES UNDER THE LAWS AND REGULATIONS IN FORCE IN ANY JURISDICTION TO WHICH IT IS SUBJECT OR IN WHICH IT MAKES SUCH PURCHASES, OFFERS OR SALES AND NEITHER THE ISSUER NOR THE GUARANTOR SHALL HAVE ANY RESPONSIBILITY THEREFOR.

NONE OF THE ISSUER, THE GUARANTOR OR ANY OF THE DEALERS, REPRESENTS THAT THE NOTES MAY AT ANY TIME LAWFULLY BE SOLD IN COMPLIANCE WITH ANY APPLICABLE REGISTRATION OR OTHER REQUIREMENTS IN ANY JURISDICTION, OR PURSUANT TO ANY EXEMPTION AVAILABLE THEREUNDER OR ASSUMES ANY RESPONSIBILITY FOR FACILITATING SUCH SALE.

EACH PURCHASER WILL BE REQUIRED TO COMPLY WITH SUCH OTHER ADDITIONAL RESTRICTIONS AS THE ISSUER AND THE PURCHASER SHALL AGREE AND AS SHALL BE SET OUT IN THIS PRODUCT SUPPLEMENT AND THE TERMS SUPPLEMENT.

FOR NEW HAMPSHIRE RESIDENTS ONLY: 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 (THE "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 CHAPTER 421-B OF THE RSA 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.

THE NOTES HAVE NOT BEEN, AND ARE NOT REQUIRED TO BE, REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OR REGISTERED WITH ANY OTHER GOVERNMENTAL AUTHORITY. THE ISSUER IS OFFERING AND SELLING THE NOTES IN RELIANCE ON THE EXEMPTION PROVIDED BY SECTION 3(A)(2) OF THE SECURITIES ACT, WHICH PERMITS BANKS TO OFFER AND SELL THEIR OWN SECURITIES WITHOUT REGISTRATION. THEREFORE, SOME OF THE PROTECTIONS FOR INVESTORS PROVIDED BY THE SECURITIES ACT WILL NOT APPLY TO A PURCHASE OF THE NOTES.

THE NOTES WILL NOT BE ISSUED UNDER A TRUST INDENTURE AND WILL NOT BE SUBJECT TO THE PROVISIONS OF THE TRUST INDENTURE ACT OF 1939. THEREFORE, THE HOLDERS WILL NOT BE ENTITLED TO PROTECTIONS OF THE TRUST INDENTURE ACT.

REFERENCES IN THIS PRODUCT SUPPLEMENT TO THE "ISSUER," "WE," "OUR," OR "US" REFER TO COÖPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A., A COOPERATIVE ENTITY ESTABLISHED UNDER THE LAWS OF THE NETHERLANDS WITH ITS STATUTORY SEAT IN AMSTERDAM, THE NETHERLANDS, AND ITS SUBSIDIARIES (UNLESS THE CONTEXT REQUIRES OTHERWISE).

SUMMARY

This summary includes questions and answers that highlight selected information from the accompanying Offering Circular and this Product Supplement to help you understand the Notes. You should carefully read the entire Offering Circular, this Product Supplement and the accompanying Terms Supplement to fully understand the terms of the Notes, as well as the principal tax and other considerations that are important to you in making a decision about whether to invest in the Notes. You should, in particular, carefully review the section entitled "Risk Factors," which highlights certain risks, to determine whether an investment in the Notes is appropriate for you. All of the information set forth below is qualified in its entirety by the more detailed explanation set forth elsewhere in the Offering Circular and this Product Supplement.

Questions and Answers

What are the Notes?

The Medium-Term Notes are debt securities issued by the Issuer and guaranteed by the Guarantor. The Notes and the Guarantee will represent direct, unsecured and unsubordinated general obligations of the Issuer and the Guarantor, respectively, and will rank *pari passu* in right of payment with all other such obligations of the Issuer and the Guarantor, respectively, except for such obligations of the Issuer and the Guarantor given priority by law.

How will interest on the Notes be calculated?

Fixed Rate Note. Fixed Rate Notes will pay interest from the Issue Date (as described in the accompanying Offering Circular) at one or more fixed rates, which will be zero in the case of a zero-coupon Note. Unless otherwise specified in the applicable Terms Supplement, interest on Fixed Rate Notes will be computed on the basis of a 360-day year of twelve 30-day months.

Floating Rate Note. Floating Rate Notes will pay interest (if any) from the Issue Date at a rate or interest rate formula, which may be subject to a Maximum Interest Rate and/or a Minimum Interest Rate, based on one or more of the following rates or indices plus or minus a Spread and/or multiplied by a Spread Multiplier:

- CD Rate;
- CMS Rate;
- CMT Rate;
- Commercial Paper Rate;
- CPI;
- 11th District Cost of Funds Rate;
- Federal Funds Effective Rate;
- Federal Funds Open Rate;
- EURIBOR;
- LIBOR;
- Prime Rate;
- Treasury Rate; or
- any other base rate, index or indices, interest rate formula or combination of fixed rate and floating rate or inverse floating rate, baskets of any of the aforementioned rates or indices, or any other asset or measure of financial performance as provided in the applicable Terms Supplement.

Interest on each Note (if any) may be paid on monthly, quarterly, semi-annual, annual Interest Payment Dates (as described in the Offering Circular) and/or at maturity, as specified in the applicable Terms Supplement.

What will I receive upon maturity of the Notes?

At maturity, we will pay you 100% of the principal amount of your Notes, plus accrued and unpaid interest (if any).

How does the Optional Redemption feature work?

We may, in our sole discretion, redeem the Notes, in whole or in part (the “**Optional Redemption**”) on a date set forth in the applicable Terms Supplement (the “**Redemption Date**”) upon at least 15 calendar days’ notice to the Holder or Holders of the Notes. If we redeem the Notes on any Redemption Date, we will pay 100% of the principal amount plus accrued and unpaid interest (if any) to each Holder on the Redemption Date, or if such day is not a Business Day (as described in the Offering Circular), the following Business Day. To the extent we exercise our Optional Redemption, each Holder shall receive only 100% of the principal amount plus any accrued and unpaid interest (if any) to the related Redemption Date and shall receive no further payments in respect of the Notes.

What about taxes?

Please read carefully the section entitled “Certain U.S. Federal Income Tax Consequences” in this Product Supplement and any discussion regarding U.S. federal income taxation contained in the applicable Terms Supplement. You should consult your own tax adviser about an investment in any of our Notes in light of your particular tax situation.

What about liquidity?

The Notes are most suitable for purchase and holding until the maturity date. We cannot assure you that a secondary market for the Notes will develop or that, if it develops, such market will prove to be liquid. In addition, the Notes will not be listed on any securities exchange and, while certain dealers may choose to make a market in the Notes for some or all of the period during which the Notes are outstanding, none of us, any of our affiliates nor any dealers are required to make a market or, if they choose to make a market, to continue to maintain such market for the entire period during which the Notes are outstanding. You should understand that any market making price quoted by any dealer will be net of all or a portion of the commission paid to the dealers. Since the liquidity of the Notes may be limited, if you decide to liquidate Notes prior to maturity, you may have to sell the Notes at a substantial discount from the principal amount.

Who are the Issuer and the Guarantor?

The Issuer is the Utrecht Branch of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., a Netherlands cooperative with limited liability and the Guarantor is the New York Branch of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.

Under New York law, (a) the Guarantor, as a New York state-licensed branch of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., a Dutch bank, is required to set aside and pledge certain liquid assets equal to a percentage of its liabilities, including the Guarantee, (b) the New York Superintendent of Banks (the “**Superintendent**”) may increase that percentage or take possession of such assets and the rest of the property and business of the Guarantor located in New York for the benefit of the Guarantor’s creditors, including the beneficiaries of the Guarantee, if the financial condition of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. deteriorates or if Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. is placed in liquidation or has been declared bankrupt or has become subject to any emergency procedure in the Netherlands or otherwise, and (c) the Superintendent is authorized not to turn over any such assets or other property of the Guarantor to the principal office of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. or any Dutch liquidator or receiver until all of the claims of the creditors of the Guarantor, including the beneficiaries of the Guarantee, have been satisfied and discharged.

Notwithstanding the foregoing, under Dutch law, a branch is not a separate legal entity and, therefore, from a purely Dutch law perspective, the Guarantee provided by the Guarantor for the obligations of the Issuer does not provide a separate means of recourse.

For more details, see “Rabobank Group” in the Offering Circular.

RISK FACTORS

An investment in the Notes may be subject to a number of risks not associated with similar investments in a conventional debt security. Prospective purchasers should consider carefully all of the information set forth herein, in the Offering Circular and in the applicable Terms Supplement and, in particular, the following risks and the particular risks described in the Offering Circular and in the applicable Terms Supplement in connection with an investment in the Notes.

RISK FACTORS GENERALLY APPLICABLE TO THE NOTES

The interest rate on your Floating Rate Notes may fluctuate and decrease in the future

Because the interest rate on Floating Rate Notes may vary from time to time, there will be significant risks not associated with a conventional fixed rate debt security. These risks include fluctuation of the applicable interest rate and the possibility that, in the future, the interest rate on your Notes will decrease and may be zero, subject to any Minimum Interest Rate specified in the applicable Terms Supplement. As a result, the applicable interest and yield rate may be substantially less than the rate of interest that issuers with comparable credit ratings would pay on conventional fixed rate debt securities with a similar term. We have no control over a number of matters that may affect interest and yield rates, including economic, financial, political, regulatory and judicial events that are important in determining the existence, magnitude and longevity of these risks and their results.

If the applicable Terms Supplement specifies that your Floating Rate Notes are subject to a Maximum Interest Rate, the rate of interest that will accrue on the Floating Rate Notes during any Reset Period (as defined below) will never exceed the specified Maximum Interest Rate.

Your principal will be paid back to you only if you hold the Notes to maturity

You will receive at least 100% of the principal amount of your Notes if you hold your Notes to the Maturity Date (or the Redemption Date, if applicable). Because the Notes are our senior unsecured obligations, payment of any amount at maturity is subject to our ability to pay our obligations as they become due.

Your principal may not be repaid or its repayment may be limited or delayed as a result our insolvency

If we were to become insolvent, all payments of principal and/or interest owed to you could be limited or delayed. Application of Dutch insolvency law could affect the Issuer's and the Guarantor's ability to make payments on the Notes.

Under New York law, (a) the Guarantor, as a New York state-licensed branch of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., a Dutch bank, is required to set aside and pledge certain liquid assets equal to a percentage of its liabilities, including the Guarantee, (b) the Superintendent may increase that percentage or take possession of such assets and the rest of the property and business of the Guarantor located in New York for the benefit of the Guarantor's creditors, including the beneficiaries of the Guarantee, if the financial condition of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. deteriorates or if Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. is placed in liquidation or has been declared bankrupt or become subject to any emergency procedure in the Netherlands or otherwise, and (c) the Superintendent is authorized not to turn over any such assets or other property of the Guarantor to the principal office of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. or any Dutch liquidator or receiver until all of the claims of the creditors of the Guarantor, including the beneficiaries of the Guarantee, have been satisfied and discharged. Although the New York Banking Law provides that the assets of the Guarantor would, in the first instance, be marshaled to pay the claims of creditors of the Guarantor, there can be no assurance that you would receive its full return or that payment would not be delayed because of the Superintendent's possession.

Notwithstanding the foregoing, under Dutch law, a branch is not a separate legal entity and, therefore, from a purely Dutch law perspective, the Guarantee provided by the Guarantor for the obligations of the Issuer does not provide a separate means of recourse.

The Notes will be unsecured and rank behind any secured creditors to the extent of the value of the collateral securing their claims

Holders of any secured indebtedness will have claims that are prior to your claims as Holders of the Notes to the extent of the value of the assets securing such indebtedness. In the event of any distribution or payment of our assets in any foreclosure, dissolution, winding-up, liquidation, reorganization or other bankruptcy proceeding, holders of our secured indebtedness will have prior claim to our assets that constitute their collateral. Holders of the Notes will participate ratably with all holders of our unsecured indebtedness that is deemed to be of the same class as the Notes. In that event, because the Notes will not be secured by any of our assets, it is possible that our remaining assets might be insufficient to satisfy your claims in full.

We are more likely to exercise our Optional Redemption when prevailing interest rates are relatively low

Unless otherwise specified in the applicable Terms Supplement, the Notes will be subject to our right to redeem the Notes. We are more likely to exercise our Optional Redemption when prevailing interest rates are low relative to the interest rate applicable to the Notes, and you may not be able to reinvest 100% of the principal amount of the Notes plus any accrued and unpaid interest on the related Redemption Date in a comparable security at an effective interest rate as high as the interest rate on the Notes being called. Your ability to realize market value appreciation is limited by our right to redeem the Notes prior to the maturity date. As a result, even if we do not exercise our option to redeem the Notes, our ability to do so may adversely affect the value of your Notes. It will be our sole option whether to redeem your Notes prior to maturity and therefore, the term of your Notes may vary.

You will not receive interest payments after the Optional Redemption is exercised

To the extent we exercise our Optional Redemption, you will receive 100% of the principal amount of the Notes plus any accrued and unpaid interest on the related Redemption Date and you will not receive any additional amount or further interest payments after such Redemption Date.

There can be no assurance that a secondary market will develop for the Notes

Under normal market conditions, the Notes are most suitable for purchasing and holding to maturity. The Notes of any series will have no established trading market when issued and we cannot assure you that a secondary market for the Notes of such series will develop, or that if it develops, that such secondary market will be liquid. We do not intend to apply for listing of the Notes on any securities exchange, or for trading in the PORTAL or other similar markets. None of us, our affiliates or any other dealer has any obligation to provide a secondary market. Therefore, you may not be able to sell your Notes easily or at prices that will provide you with a yield comparable to similar investments that have a developed secondary market. In addition, to the extent that the total aggregate principal amount of the Notes being offered is not purchased by investors, one or more of our affiliates or dealers or their affiliates may agree to purchase the unsold portion for investment. As a result, upon completion of the offering, our affiliates may hold a portion of the issued Notes as set forth in the applicable Terms Supplement, and therefore adversely affect the price of the Notes in any secondary market.

There is a higher risk of illiquidity for the 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 significantly more price volatility than conventional debt securities. Illiquidity may have an adverse effect on the market value of the Notes.

The inclusion of commissions in the original issue price is likely to adversely affect secondary market prices of the Notes

Assuming no change in market conditions or any other relevant factors, the price, if any, at which the dealers are willing to purchase Notes in secondary market transactions will likely be lower than the original issue price, since the original issue price will include, and secondary market prices are likely to exclude, commissions paid with respect to the Notes. In addition, any such prices may differ from values determined by pricing models used by the dealers, as a result of dealer discounts, mark-ups or other transaction costs.

The Notes will not be registered or listed

The Notes and the Guarantee are not registered under the Securities Act or under any state laws. We will offer the Notes of a particular series and the Guarantee pursuant to an exemption from the registration requirements of the Securities Act contained in Section 3(a)(2) of the Securities Act. Neither the SEC nor any state securities commission or regulatory authority has recommended or approved the Notes or the Guarantee, nor has any such commission or regulatory authority reviewed or passed upon the accuracy or adequacy of this Product Supplement, the Offering Circular or any Terms Supplement. The Notes will not be listed on an organized securities exchange. This may adversely affect the liquidity and, therefore, the value of the Notes.

Neither the Notes nor the Guarantee are insured by the FDIC

Neither the Notes nor the Guarantee are deposit liabilities of the Issuer or the Guarantor, respectively, and neither the Notes nor the Guarantee or your investment in the Notes are insured by the United States Federal Deposit Insurance Corporation (“**FDIC**”), the Bank Insurance Fund or any U.S. or Dutch governmental or deposit insurance agency.

Our credit ratings may affect the value of the Notes

The long term unsecured debt of the Guarantor is currently rated “Aaa” by Moody’s Investors Service (“**Moody’s**”). Standard & Poor’s Ratings Service, a division of the McGraw-Hill Companies (“**Standard & Poor’s**”) has rated the long term unsecured debt of the Guarantor “AAA.” The rating represents the relevant rating agency’s assessment of the Guarantor’s financial condition and ability to pay its obligations, including its obligation under the Guarantee, and may not reflect the potential impact of all risks relating to the Notes. Consequently, actual or anticipated declines in the Guarantor’s credit ratings may affect the market value of your Notes. There is no guarantee that the rating will remain unchanged during the term of the Notes of any series.

On October 22, 2009, Moody’s affirmed our credit rating but changed the outlook to negative from stable. On December 8, 2009, Standard & Poor’s affirmed our credit rating but changed the outlook to negative from stable. Moody’s and Standard & Poor’s rating outlooks are opinions regarding the likely direction of an issuer’s rating over the medium term. Thus, these negative outlooks indicate that our credit rating may be downgraded in the medium term. There is no guarantee that our rating will remain unchanged during the term of the Notes. In addition, any rating assigned to the long term unsecured debt of the Guarantor does not enhance, affect or address the likely performance of the Notes other than the Guarantor’s ability to meet its obligations.

The Calculation Agent may have economic interests adverse to your interests

Unless otherwise specified in the applicable Terms Supplement, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. will be the Calculation Agent for the Notes. The economic interests of the Calculation Agent and other of our affiliates are potentially adverse to your interests as an investor in the Notes. As Calculation Agent, the Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. will determine, as applicable, the interest rate, amount of interest, and additional amount, if any, you will receive at maturity. Determinations made by the Calculation Agent may adversely affect the payout to you. All determinations and calculations made by the Calculation Agent will be at the sole discretion of the Calculation Agent and will, in the absence of manifest error, be conclusive for all purposes and binding on us and each Holder of the Notes. In addition, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. may hedge the Notes. Consequently, in its capacity as the Calculation Agent, it may have economic interests adverse to those of the Holders, including with respect to certain determinations and judgments that it must make.

You may not rely on the Issuer, the Guarantor or any of the dealers as to the legality of your acquisition of the Notes

None of the Issuer, the Guarantor, any of 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. A prospective purchaser may not rely on the Issuer, the Guarantor, any of 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 herein.

You should determine whether to acquire the Notes based on your own independent review and appropriate professional advice

Each prospective purchaser of the Notes must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the Notes (i) is fully consistent with its (or if it is acquiring the Notes in a fiduciary capacity, the beneficiary's) financial needs, objectives and condition, (ii) complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it (whether acquiring the Notes as principal or in a fiduciary capacity) and (iii) is a fit, proper and suitable investment for it (or if it is acquiring the Notes in a fiduciary capacity, for the beneficiary), notwithstanding the clear and substantial risks inherent in investing in or holding the Notes.

You may not be able to enforce civil judgments in the Netherlands that you obtain against the Issuer or the Guarantor in U.S. courts

The Issuer is the Utrecht Branch of a bank formed under the laws of the Netherlands. Its directors and officers reside outside of the United States, principally in the Netherlands. In addition, substantially all of the Issuer's assets are located in the Netherlands. As a result, it will be necessary for you to comply with the law of the Netherlands in order to obtain an enforceable judgment against the Issuer's officers or directors or with respect to its assets, including a judgment to foreclose upon such assets. While the Issuer has consented to have its U.S. agent, Rabo Securities USA, Inc. ("**Rabo Securities**"), accept service of process for any civil action brought against it in the United States in connection with the offer and sale of the Notes in the United States, it may not be possible for you to (i) effect service of process against the Issuer's officers and/or directors and (ii) realize in the United States upon judgments against such persons obtained in such courts predicated upon the civil liabilities of such persons, including any judgments predicated upon the United States federal securities laws, to the extent such judgments exceed such person's United States assets.

You will not benefit from the floating interest rate determined at any time other than on an interest determination date

The floating interest rate, and thus the interest payment amount you will receive on the relevant Interest Payment Date will be based only on the floating interest rate on the applicable interest determination date. Therefore, for example, if the floating interest rate dropped precipitously prior to the interest determination date, the interest payment amount for that Reset Period may be significantly less than it would otherwise have been had the floating interest rate been determined on a day prior to such decline in such floating interest rate. Although actual floating interest rate may be higher if determined at other times during the Reset Period than on the interest determination date for that period, you will not benefit from the floating interest rate determined at any time other than on an interest determination date.

Changes in the calculation methodology of a floating interest rate may adversely affect the value of your Floating Rate Notes

Each floating interest rate defined herein is calculated and published without regard to the issuer or your Notes. The interest payment amount you receive on each Interest Payment Date and the market value of your Notes may be adversely affected if the methodology used to calculate the floating interest rate specified in the applicable Terms Supplement is altered or if the floating interest rate ceases to be published.

For example, in the first half of 2008, concerns were expressed that some of the member banks recently surveyed by the British Banker's Association ("**BBA**") in connection with the calculation of daily LIBOR rates may have been under-reporting the interbank lending rate applicable to them in order to avoid an appearance of capital insufficiency or adverse reputational or other consequences that may result from reporting higher inter-bank lending rates. If such under-reporting occurred, it may have resulted in the LIBOR rate being artificially low. If such under-reporting in fact still exists or becomes prevalent in the future, and the LIBOR rate is specified as the floating interest rate in the applicable Terms Supplement, then the interest payment amount that you receive on an Interest Payment Date and the market value of your Notes may be adversely affected due to the artificially low floating

interest rate. In addition, in August 2008 the BBA announced that it was changing the LIBOR rate-fixing process by increasing the number of banks surveyed to set LIBOR rates. Previously, the BBA also indicated that it was considering adding a second rate-fixing process for U.S. dollar LIBOR after the U.S. market opening, but after discussion with the member banks, in August 2008, BBA indicated that no such second process would be introduced. The BBA is continuing its consideration of ways to strengthen the oversight of the process and review the composition of the panels of banks surveyed to set LIBOR rate bi-annually. The changes announced by the BBA, or future changes adopted by the BBA, in the method pursuant to which the LIBOR rates are determined may result in a sudden or prolonged increase or decrease in the reported LIBOR rates. Each of the proposed changes to the methodology by which the LIBOR rate is calculated, if implemented, may adversely affect the value of your Notes. As a result, the interest payment amount for your Notes may be significantly less than it would have been had you invested in a conventional fixed rate debt security.

In a similar manner, each floating interest rate defined herein may be subject to various complex and unpredictable distortions. Such distortions may cause the floating interest rate to be artificially high or low. Depending upon the method for calculating the interest payment amount specified in the applicable Terms Supplement, an artificially high or low floating interest rate could adversely affect the interest payment amount that you receive on an Interest Payment Date or the market value of your Notes.

The method by which each floating interest rate will be calculated in the event that the current floating interest rate is no longer available is described in this Product Supplement under “Description of Notes–Floating Rate Notes.” If the floating interest rate is calculated using an alternative method, the interest payment amount you receive on an Interest Payment Date or the market value of your Notes may be adversely affected.

DESCRIPTION OF THE NOTES

General

The Notes and the Guarantee will represent direct, unsecured and unsubordinated general obligations of the Issuer and the Guarantor, respectively and will rank *pari passu* in right of payment with all other such obligations of the Issuer and the Guarantor, respectively.

The particular terms of any Notes will be set forth in the applicable Terms Supplement. The terms and conditions set forth in this “Description of the Notes” will apply to each Note, unless otherwise specified herein or in the applicable Terms Supplement and in such Note.

As provided in the Fiscal and Paying Agency Agreement, Deutsche Bank Trust Company Americas will serve as the Fiscal Agent under the Notes.

Terms to be Specified in the Terms Supplement of the Notes

The Terms Supplement relating to each Note will describe the following terms, as applicable:

- the price at which the Note will be issued, expressed as a percentage of the aggregate principal amount thereof (the “**Original Issue Price**”);
- the date on which the Note will be issued (the “**Original Issue Date**”);
- the stated maturity date;
- whether the Note is a Fixed Rate Note or a Floating Rate Note;
- in the case of a Fixed Rate Note, the *per annum* interest rate or rates, if any, or the method of calculating the rate and, the Interest Payment Dates (monthly, quarterly, semi-annually, annually, at maturity or otherwise);
- in the case of a Floating Rate Note:
 - the interest rate basis or bases;
 - the initial interest rate, if any;
 - the interest reset date or dates;
 - the Reset Period or periods;
 - the Interest Payment Date or dates (monthly, quarterly, semi-annually, annually, at maturity or otherwise);
 - the interest determination date or dates;
 - the calculation date or dates;
 - the Maximum Interest Rate, if any;
 - the Minimum Interest Rate, if any;
 - the Spread, if any;
 - the Spread Multiplier, if any;

- any other terms relating to the particular method of calculating the interest rate for the Note and, if so specified in the applicable Terms Supplement, that we may change the Spread and/or Spread Multiplier prior to the stated maturity and, if so, the basis or formula for the change, if any;
- whether the Note is a zero coupon Note and, if so, the yield to maturity;
- whether the Note will be an inflation-protected note;
- the regular record date or dates if other than as set forth below;
- whether the Optional Redemption is applicable and, if so, the provisions relating to the redemption; and
- any other terms on which we will issue the Notes.

Payment at Maturity

At maturity, we will pay you 100% of the principal amount of your Notes, plus accrued and unpaid interest (if any).

Evidence of the Notes

The Notes will be evidenced by one or more global certificates issued by us, each representing a number of individual Notes. You will not have the right to receive actual possession of security certificates representing any Notes, except under limited circumstances; instead, the Notes will be represented by one or more global certificates which will be deposited with and registered in the name of DTC or its nominee. DTC will act as securities depository for the Notes and will record ownership and transfer of the Notes in book-entry form only. Participants in DTC and other securities intermediaries will record security entitlements in respect of the Notes by individual investors. For more information, see “Provisions Relating to the Notes While in Global Form” in the accompanying Offering Circular.

Denomination and Minimum Denomination

The Notes will be denominated in U.S. dollars. Unless otherwise specified in the applicable Terms Supplement, the Minimum Denomination of the Notes will be \$1,000. The Notes will not be exchanged for or resold in amounts less than the Minimum Denomination, except that any Notes held in excess of the Minimum Denomination may be resold to the Issuer or the Guarantor, or with our prior written consent to any dealer, in integral multiples of \$1,000 thereof, provided that none of the Issuer, the Guarantor or any dealer shall be obligated to repurchase any Notes at any time.

Fixed Rate Notes

Fixed Rate Notes may bear one or more annual rates of interest during the periods specified in the applicable Terms Supplement. Unless otherwise specified in the applicable Terms Supplement, interest on a Fixed Rate Note will be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest payments in respect of the Fixed Rate Notes will equal the amount of interest accrued from and including the immediately preceding Interest Payment Date in respect of which interest has been paid or duly made available for payment (or from and including the Issue Date, if no interest has been paid with respect to the applicable Note) to but excluding the related Interest Payment Date, maturity date, redemption date or repayment date, as the case may be.

Unless otherwise specified in the applicable Terms Supplement, the Interest Payment Dates for Fixed Rate Notes will be as follows:

Interest Payments	Interest Payment Dates
Monthly	Fifteenth day of each calendar month or, if not a Business Day, the next succeeding Business Day, commencing the first succeeding calendar month following the month in which the Note is issued.

<u>Interest Payments</u>	<u>Interest Payment Dates</u>
Quarterly	Fifteenth day of every third month or, if not a Business Day, the next succeeding Business Day, commencing in the third succeeding calendar month following the month in which the Note is issued.
Semi-Annual	Fifteenth day of every sixth month or, if not a Business Day, the next succeeding Business Day, commencing in the sixth succeeding calendar month following the month in which the Note is issued.
Annual	Fifteenth day of every twelfth month or, if not a Business Day, the next succeeding Business Day, commencing in the twelfth succeeding calendar month following the month in which the Note is issued.

Unless otherwise specified in the applicable Terms Supplement, the regular record date with respect to any Interest Payment Date will be the date 15 calendar days prior to such Interest Payment Date, whether or not such date is a Business Day. If the Interest Payment Date or maturity date for any Fixed Rate Note is not a Business Day, all payments to be made on that day with respect to the Note will be made on the next day that is a Business Day with the same force and effect as if made on the due date, and no additional interest will be payable as a result of the delayed payment.

Floating Rate Notes

Unless otherwise specified in the applicable Terms Supplement, each Floating Rate Note will bear interest at a rate determined by reference to an interest rate or interest rate formula, referred to in this Product Supplement as the “**Base Rate**,” which may be adjusted by adding to or subtracting from the base rate a fixed number of basis points, referred to as the “**Spread**,” and/or by multiplying the base rate by a fixed interest factor, referred to as the “**Spread Multiplier**,” each as further described below. Interest payments in respect of the Floating Rate Notes will equal the amount of interest accrued from and including the immediately preceding Interest Payment Date in respect of which interest has been paid or duly made available for payment (or from and including the Original Issue Date, if no interest has been paid with respect to the applicable Note) to but excluding the related Interest Payment Date, maturity date, redemption date or repayment date, as the case may be. In addition, the interest rate on Floating Rate Notes will in no event be higher than the maximum rate permitted by New York law, as the same may be modified by United States Federal law of general application.

The applicable Terms Supplement will designate one or more of the following base rates as applicable to each Floating Rate Note:

- the Certificate of Deposit Rate (a “**CD Rate Note**”);
- the Constant Maturity Swap Rate (a “**CMS Rate Note**”);
- the Constant Maturity Treasury Rate (a “**CMT Rate Note**”);
- the Commercial Paper Rate (a “**Commercial Paper Rate Note**”);
- the Consumer Price Index (a “**CPI Floating Rate Note**”);
- the 11th District Cost of Funds Rate (an “**11th District Cost of Funds Note**”);
- the Federal Funds Effective Rate (a “**Federal Funds Effective Rate Note**”);
- the Federal Funds Open Rate (a “**Federal Funds Open Rate Note**”);
- the Euro Interbank Offered Rate (a “**EURIBOR Note**”);
- London Interbank Offered Rate (a “**LIBOR Note**”);

- the Prime Rate (a “**Prime Rate Note**”);
- the Treasury Rate (a “**Treasury Rate Note**”); or
- any other base rate or interest rate formula as is set forth in that Terms Supplement and in the Floating Rate Note.

The rate derived from the applicable interest rate basis will be determined in accordance with the related provisions below. The interest rate in effect on each day will be based on:

- if that day is an Interest Reset Date (as defined below), the rate determined as of the Interest Determination Date (as defined below) immediately preceding that Interest Reset Date; or
- if that day is not an Interest Reset Date, the rate determined as of the Interest Determination Date immediately preceding the most recent Interest Reset Date.

The “**Spread**” is the number of basis points to be added to or subtracted from the related interest rate basis or bases applicable to a Floating Rate Note. The “**Spread Multiplier**” is the percentage of the related interest rate basis or bases applicable to a Floating Rate Note by which the interest rate basis or bases will be multiplied to determine the applicable interest rate. The “**Index Maturity**” is the period to maturity of the instrument or obligation with respect to which the related interest rate basis or bases will be calculated.

Unless a Floating Rate Note is designated as a Floating Rate/Fixed Rate Note or an inverse Floating Rate Note, or as having an addendum attached or having other/additional provisions apply, in each case relating to a different interest rate formula, the particular Floating Rate Note will be a regular Floating Rate Note, and will bear interest at the rate determined by reference to the applicable interest rate basis or bases:

- plus or minus the applicable Spread, if any;
- multiplied by the applicable Spread Multiplier, if any; or
- if both a Spread and a Spread Multiplier applies, multiplied by the applicable Spread Multiplier, and then plus or minus the applicable Spread.

Commencing on the first Interest Reset Date, the rate at which interest on a regular Floating Rate Note is payable will be reset as of each Interest Reset Date; provided, however, that the interest rate in effect for the period, if any, from the date of issue to the first Interest Reset Date will be the initial interest rate.

Floating Rate/Fixed Rate Notes

If a Floating Rate Note is designated as a Floating Rate/Fixed Rate Note, and unless otherwise specified in the applicable Terms Supplement, the particular Floating Rate Note will bear interest at the rate determined by reference to the applicable interest rate basis or bases:

- plus or minus the applicable Spread, if any;
- multiplied by the applicable Spread Multiplier, if any; or
- if both a Spread and a Spread Multiplier applies, multiplied by the applicable Spread Multiplier, and then plus or minus the applicable Spread.

Commencing on the first Interest Reset Date, the rate at which interest on a Floating Rate/Fixed Rate Note is payable will be reset as of each Interest Reset Date; provided, however, that:

- the interest rate in effect for the period, if any, from the date of issue to the first Interest Reset Date will be the initial interest rate; and

- the interest rate in effect commencing on the fixed rate commencement date will be the fixed interest rate, if specified in the applicable Terms Supplement, or, if not so specified, the interest rate in effect on the day immediately preceding the fixed rate commencement date.

Fixed Rate/Floating Rate Notes

If a Floating Rate Note is designated as a Fixed Rate/Floating Rate, and unless otherwise specified in the applicable Terms Supplement, the particular Floating Rate Note will bear interest at the fixed interest rate specified in the applicable Terms Supplement. Commencing on the floating rate commencement date and on each Interest Reset Date thereafter, the Floating Rate Note will bear interest at the rate determined by reference to the applicable interest rate basis or bases:

- plus or minus the applicable Spread, if any;
- multiplied by the applicable Spread Multiplier, if any; or
- if both a Spread and a Spread Multiplier applies, multiplied by the applicable Spread Multiplier, and then plus or minus the applicable Spread.

Inverse Floating Rate Notes

If a Floating Rate Note is designated as an “**Inverse Floating Rate Note**,” and unless otherwise specified in the applicable Terms Supplement, the particular Floating Rate Note will bear interest at the fixed interest rate, minus the rate determined by reference to the applicable interest rate basis or bases multiplied by the applicable Spread Multiplier, if any; provided, however, that interest on an Inverse Floating Rate Note will not be less than zero. Commencing on the first Interest Reset Date, the rate at which interest on an Inverse Floating Rate Note is payable will be reset as of each Interest Reset Date; provided, however, that the interest rate in effect for the period, if any, from the date of issue to the first Interest Reset Date will be the initial interest rate.

Calculation Agent

We will appoint a calculation agent (the “**Calculation Agent**”) to calculate interest rates on Floating Rate Notes. Unless otherwise specified in the applicable Terms Supplement, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. will act as the Calculation Agent for each Floating Rate Note. All determinations to be made by the Calculation Agent will be at its sole discretion and will, in the absence of manifest error, be conclusive for all purposes and binding on the Holders of the Notes.

The interest rate applicable to each interest Reset Period will be determined by the Calculation Agent on the Calculation Date (as defined below), except with respect to LIBOR, which will be determined on the particular interest determination date. Upon request of the registered Holder of a Floating Rate Note, the Calculation Agent will disclose the interest rate then in effect and, if determined, the interest rate that will become effective as a result of a determination made for the next succeeding Interest Reset Date with respect to the particular Floating Rate Note. The “**Calculation Date**,” if applicable, pertaining to any Interest Determination Date will be the earlier of:

- the tenth calendar day after the particular interest determination date or, if such day is not a Business Day, the next succeeding Business Day; and
- the Business Day immediately preceding the applicable Interest Payment Date or the maturity, as the case may be.

Maximum and Minimum Interest Rates

Any Floating Rate Note may also have either or both of the following:

- a maximum numerical interest rate limitation, or ceiling, on the rate of interest that may accrue during any Reset Period (“**Maximum Interest Rate**”).

- a minimum numerical interest rate limitation, or floor, on the rate of interest that may accrue during any Reset Period (“**Minimum Interest Rate**”).

The interest rate on any Note will in no event be higher than the maximum rate permitted by New York law, as the same may be modified by United States law of general application. Under present New York law, the maximum rate of interest is 25% per annum on a simple interest basis. This limit may not apply to Notes in which \$2,500,000 or more has been invested, including Notes purchased by an agent or agents in such aggregate principal amount or more for resale to investors.

All fractional numbers resulting from any calculation relating to a note will be rounded nearest eight decimal places with five one-billionths rounded upward, (e.g. .098765545 being rounded up to .09876555). All amounts used in or resulting from any calculation relating to a note will be rounded to the nearest cent, in the case of U.S. dollars, the nearest corresponding hundredth of a unit, in the case of a currency other than U.S. dollars, or to the nearest one hundred-thousandth of a unit, in the case of a currency exchange rate, with one-half cent, one-half of a corresponding hundredth of a unit or one-half of a hundred-thousandth of a unit or more being rounded upward.

Interest Reset Dates

Each Floating Rate Note will bear interest from, and including, its Original Issue Date to, but excluding, the first Interest Reset Date for the Note at the initial interest rate set forth on the face of the Note and in the applicable Terms Supplement. Thereafter, the interest rate on each Floating Rate Note for each Reset Period (as described below) will be equal to the interest rate calculated by reference to the base rate (*i.e.*, the interest rate basis by reference to which the interest rate is determined) specified on the face of the Note and in the applicable Terms Supplement plus or minus the Spread, if any, and/or times the Spread Multiplier, if any. The Spread and/or Spread Multiplier for a Floating Rate Note may be subject to adjustment during a Reset Period under circumstances specified in the Note and in the applicable Terms Supplement.

The interest rate on each Floating Rate Note will be reset daily, weekly, monthly, quarterly, semi-annually or annually, as specified on the face of the Note and in the applicable Terms Supplement (the “**Reset Period**”). The first day of each Reset Period is referred to in this Product Supplement as an “**Interest Reset Date**.” Unless otherwise specified in the applicable Terms Supplement, the Interest Reset Dates will be:

Reset Period	Interest Reset Dates
Daily	Each Business Day.
Weekly	Wednesday of each week; except that in the case of Treasury Rate Notes that reset weekly, the Interest Reset Date will be Tuesday of each week.
Monthly	The 15 th day of each month.
Quarterly	The 15 th day of the four specified months of each year.
Semi-Annual	The 15 th day of the two specified months of each year.
Annual	The 15 th day of the specified month of each year.

The interest rate with respect to Floating Rate/Fixed Rate Notes will be determined by reference to the applicable floating rate prior to the applicable fixed rate commencement date and will remain at the applicable fixed rate or rates thereafter.

If an Interest Reset Date for a Floating Rate Note would otherwise be a day that is not a Business Day, the Interest Reset Date for that Floating Rate Note will be postponed to the next day that is a Business Day, except that, in the case of a LIBOR Note, if that Business Day is a day in the next succeeding calendar month, the Interest Reset Date will be the immediately preceding London Business Day. As used in this Product Supplement, a “**London Business Day**” means a day on which dealings in deposits in the Designated LIBOR Currency (as defined below) are transacted in the London interbank market. Each adjusted rate will be applicable on and after the Interest Reset Date to which it relates to, but not including, the next succeeding Interest Reset Date or to maturity.

Interest Determination Date

The interest rate for each Reset Period will be the rate determined by the Calculation Agent as of the Calculation Date pertaining to the Interest Determination Date that relates to the Interest Reset Date for such Reset Period. Unless otherwise specified in the applicable Terms Supplement, the “**Interest Determination Date**” for a Reset Period is the day the Calculation Agent will refer to when determining the new interest rate at which a floating rate will reset, and will be as follows:

<u>Type of Note</u>	<u>Interest Determination Dates</u>
CD Rate Note	The same day as the Interest Reset Date that commences the subsequent Reset Period.
CMS Rate Note	The second U.S. Government Securities Business Day (as described below) preceding the Interest Reset Date.
CMT Rate Note	The same day as the Interest Reset Date that commences the subsequent Reset Period.
Commercial Paper Rate Note	The same day as the Interest Reset Date that commences the subsequent Reset Period.
CPI Floating Rate Note	The same day as the Interest Reset Date that commences the subsequent Reset Period.
11 th District Cost of Funds Rate Note	The same day as the Interest Reset Date that commences the subsequent Reset Period.
Federal Funds Effective Rate Note	The same day as the Interest Reset Date that commences the subsequent Reset Period.
Federal Funds Open Rate Note	The same day as the Interest Reset Date that commences the subsequent Reset Period.
EURIBOR Note	The second Euro Business Day immediately preceding the Interest Reset Date that commences the subsequent Reset Period. As used in this Product Supplement, “ Euro Business Day ” means a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System, or any successor system, is open for business.
LIBOR Note	The second London Business Day immediately preceding the Interest Reset Date that commences the subsequent Reset Period.
Prime Rate Note	The same day as the Interest Reset Date that commences the subsequent Reset Period.
Treasury Rate Note	The day on which Treasury bills would normally be auctioned of the week in which the Interest Reset Date that commences the Reset Period falls. Treasury bills are usually sold at auction on Monday of each week, unless that day is a legal holiday, in which case the auction is usually held on Tuesday, except that such auction may be held on the preceding Friday. If, as a result of a legal holiday, an auction is so held on the preceding Friday, such Friday will be the Interest Determination Date pertaining to the Reset Period commencing in the next succeeding week.

The Interest Determination Date relating to a Floating Rate Note with an interest rate that is determined by reference to two or more interest rate bases will be the most recent Business Day that is at least two Business Days preceding the applicable Interest Reset Date for each interest rate for the applicable Floating Rate Note on which each interest rate basis is determinable.

Interest Payments

Except as provided below or in the applicable Terms Supplement, interest on Floating Rate Notes will be payable on the “**Interest Payment Dates**” as follows and in each case at maturity:

Reset Period	Interest Payment Dates
Daily	Either monthly, on the 15th day of each month, or quarterly, on the 15th day of the four specified months of each year, as specified in the applicable Terms Supplement;
Weekly	Either monthly, on the 15th day of each month, or quarterly, on the 15th day of the four specified months of each year, as specified in the applicable Terms Supplement;
Monthly	Either monthly, on the 15th day of each month, or quarterly, on the 15th day of the four specified months of each year, as specified in the applicable Terms Supplement;
Quarterly	The 15th day of each of the four specified months of each year, beginning in the specified month immediately following the date the Note was issued;
Semi-Annual	The 15th day of each of the two specified months of each year, beginning in the specified month immediately following the date the Note was issued;
Annual	The 15th day of the specified month of each year, beginning in the specified month immediately following the date the Note was issued;

If any Interest Payment Date, other than at maturity, for any Floating Rate Note is not a Business Day for the Floating Rate Note, the Interest Payment Date will be postponed to the next day that is a Business Day for the Floating Rate Note, except that in the case of a LIBOR Note, if the Business Day for the Floating Rate Note is in the next succeeding calendar month, the Interest Payment Date will be the immediately preceding Business Day. If the maturity for any Floating Rate Note falls on a day that is not a Business Day, all payments to be made on the day with respect to the Note will be made on the next day that is a Business Day with the same force and effect as if made on the due date, and no additional interest will be payable on the date of payment for the period from and after the due date as a result of the delayed payment.

Accrued interest is calculated by multiplying the face amount of a Note by an accrued interest factor. Unless otherwise specified in the applicable Terms Supplement, the accrued interest factor will be computed by adding the interest factors calculated for each day from the Original Issue Date, or from the last date to which interest has been paid or duly provided for, to but excluding the date for which accrued interest is being calculated. Unless otherwise specified in the Terms Supplement, the interest factor for each such day will be computed by dividing the interest rate applicable to that date by 360, in the case of CD Rate Notes, CMS Rate Notes, Commercial Paper Rate Notes, CPI Floating Rate Notes, 11th District Cost of Funds Rate Notes, Federal Funds Effective Rate Notes, Federal Funds Open Rate Notes, Prime Rate Notes and LIBOR Notes, or by the actual number of days in the year, in the case of CMT Rate Notes and Treasury Rate Notes. The interest factor for Floating Rate Notes as to which the interest rate is calculated with reference to two or more interest rate bases will be calculated in each period in the same manner as if only the applicable interest rate basis specified in the applicable Terms Supplement applied.

The Calculation Agent will, upon the request of the Holder of any Floating Rate Note, provide the interest rate then in effect and, if different, the interest rate that will become effective as a result of a determination made on the most recent Interest Determination Date with respect to the Note.

CD Rate

Each CD Rate Note will bear interest at the interest rate (calculated with reference to the CD Rate and the Spread and/or Spread Multiplier, if any) specified in such CD Rate Note and in the applicable Terms Supplement.

Unless otherwise specified in the applicable Terms Supplement, “**CD Rate**” means, with respect to any CD Rate Interest Determination Date, the rate on such date for negotiable certificates of deposit having the Index Maturity specified in such CD Rate Note, as published by the Board of Governors of the Federal Reserve System in

“Statistical Release H.15(519), Selected Interest Rates”, or any successor publication (“**H.15(519)**”), under the heading “CDs (Secondary Market)”. If such rate is not so published by 3:00 P.M., New York City time on the Calculation Date pertaining to such CD Rate Interest Determination Date, the CD Rate shall be the rate on such CD Rate Interest Determination Date for negotiable certificates of deposit of the Index Maturity designated in the CD Rate Notes as published by the Federal Reserve Bank of New York in its daily statistical release “Composite 3:30 P.M. Quotations for U.S. Government Securities” (“**Composite Quotations**”) under the heading “Certificates of Deposit.” If, by 3:00 P.M., New York City time, on such Calculation Date such rate is not published in Composite Quotations, the CD Rate on such CD Rate Interest Determination Date shall be calculated by the Calculation Agent and shall be the arithmetic mean of the secondary market offered rates as of 10:00 A.M., New York City time, on such CD Rate Interest Determination Date, of three major U.S. money market banks in the market for negotiable certificates of deposit, selected by the Calculation Agent, with a remaining maturity closest to the Index Maturity designated in such CD Rate Note in a denomination of \$1,000,000; provided, however, that if the banks are not quoting as specified in this sentence, the CD Rate shall be the CD Rate in effect immediately prior to such CD Interest Determination Date.

CMS Rate

Each CMS Rate Note will bear interest at the interest rate (calculated with reference to the CMS Rate and the Spread and/or Spread Multiplier, if any) specified in such CMS Rate Note and in the applicable Terms Supplement.

Unless otherwise specified in the applicable Terms Supplement, “**CMS Rate**” means, with respect to any CMS Interest Determination Date, the rate displayed in the Reuters Page TGM42276 (as described below).

- The “**Reuters Page TGM42276 Swap Rate**” shall be the rate displayed on the Reuters Page TGM42276 (or any other page as may replace such page on that service or any successor service, for the purpose of displaying the Constant Maturity Swap rate) by 11:00 A.M., New York City time, on the CMS Rate Calculation Date (as described below) pertaining to the CMS Rate Determination Date under the heading (or any successor heading) “RATES AS AT 11:00 EST” under the column for the Index Maturity specified in the applicable Terms Supplement for such CMS Rate Determination Date.
- If the above rate is no longer displayed on the relevant page, or if not displayed by 11:00 A.M., New York City time, on the CMS Rate Calculation Date, then the CMS Rate will be the rate for U.S. dollar swaps with a maturity of the Index Maturity designated in the applicable Terms Supplement, expressed as a percentage, which appears on the Reuters Screen ISDAFIX1 Page as of 11:00 A.M., New York City time, on the CMS Rate Calculation Date.
- If that information is no longer displayed by 11:00 A.M., New York City time, on the CMS Rate Calculation Date, then the CMS Rate will be a percentage determined on the basis of the mid-market semi-annual swap rate quotations provided by five leading swap dealers in the New York City interbank market at approximately 11:00 A.M., New York City time, on the CMS Rate Calculation Date. For this purpose, the semi-annual swap rate means the mean of the bid and offered rates for the semi-annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating U.S. dollar interest rate swap transaction with a term equal to the Index Maturity designated in the applicable Terms Supplement commencing on that CMS Rate Determination Date with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/ 360 day count basis, is equivalent to “LIBOR Reuters” with a maturity of three months. The Calculation Agent will select the five swap dealers after consultation with the securities depository for the Notes and will request the principal New York City office of each of those dealers to provide a quotation of its rate. If at least three quotations are provided, the CMS Rate for that CMS Rate Determination Date will be the arithmetic mean of the quotations, eliminating the highest and lowest quotations or, in the event of equality, one of the highest and one of the lowest quotations. If fewer than three swap dealers selected by the Calculation Agent are quoting as described above, the CMS Rate will be the CMS Rate in effect on that CMS Rate Determination Date or, if that CMS Rate Determination Date is the first CMS Rate Determination Date, the initial rate.
- “**CMS Rate Calculation Date**” pertaining to any CMS Rate Determination Date shall be the next succeeding Business Day.

- “**Reuters Screen ISDAFIX1 Page**” means the display on Reuters page (or any successor services) “ISDAFIX1” (or any other page as may replace that page on that service) for the purpose of displaying rates or prices comparable to that floating rate payment).
- “**U.S. Government Securities Business Day**” means any day except for a Saturday, Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income department of its members be closed for the entire day for purposes of trading in U.S. government securities.

CMT Rate

Each CMT Rate Note will bear interest at the interest rate (calculated with reference to the CMT Rate and the Spread and/or Spread Multiplier, if any) specified in such CMT Rate Note and in the applicable Terms Supplement.

Unless otherwise specified in the applicable Terms Supplement, “**CMT Rate**” means, with respect to any CMT Interest Determination Date, the rate displayed on the designated CMT Reuters page under the column for the designated CMT maturity index (as defined below) in the following manner:

- If the Designated CMT Reuters page (as defined below) is FRBCMT, the CMT Rate will be the rate displayed on the CMT Interest Determination Date.
- If the Designated CMT Reuters page (as defined below) is FEDCMT, the CMT Rate will be the average for the week or for the month, as specified in the applicable Terms Supplement, ended immediately preceding the week or month, as applicable, in which the related CMT Interest Determination Date occurs.
- If no Designated CMT Reuters page is specified in the applicable Terms Supplement, the Designated CMT Reuters page will be FEDCMT for the most recent week.

If no rate appears on the Designated CMT Reuters page as indicated above, the following procedures will be followed in the order set forth below:

(1) If the rate is no longer displayed on the relevant page or is not displayed by 3:30 P.M. New York City time on the related Calculation Date, then the CMT Rate for the CMT Interest Determination Date will be the Treasury constant maturity rate for the designated CMT maturity index as published in the relevant Federal Reserve Statistical Release H.15(519) or another recognized electronic source for displaying the rate.

(2) If this rate is no longer published or is not published by 3:30 P.M. New York City time on the related Calculation Date, then the CMT Rate on the CMT Interest Determination Date will be the Treasury constant maturity rate for the designated CMT maturity index as of the CMT Interest Determination Date as may then be published by either the Board of Governors of the Federal Reserve System or the United States Department of the Treasury.

(3) If the rate cannot be determined on the related Calculation Date in accordance with the foregoing provisions, then the Calculation Agent will calculate the CMT Rate on the CMT Interest Determination Date as follows:

- The CMT Rate will be a yield to maturity based on the arithmetic mean of the secondary market closing offer side prices as of approximately 3:30 P.M., New York City time, on the CMT Interest Determination Date, reported, according to their written records, by three leading U.S. government securities dealers in New York City, for Treasury securities. The Treasury securities will be the most recently issued direct non-callable fixed rate obligations of the United States Treasury (“**Treasury Notes**”), with an original maturity of approximately the designated CMT maturity index and a remaining term to maturity of not less than the designated CMT maturity index minus one year in a Representative Amount (as defined below). If two Treasury Notes with an original maturity as described above have remaining terms to maturity equally close to the designated CMT maturity index, the quotes for the Treasury Note with the shorter remaining term to maturity will be used.

- The three government securities dealers referenced above will be identified from five such dealers who are selected by the Calculation Agent, one of which may be an agent in the offering of the CMT Rate Note, by eliminating the dealers with the highest and lowest quotations, or in the event of equality of the quotations, one of the highest and/or lowest quotations.
- If only three or four dealers provide quotations, then the CMT Rate will be based on the arithmetic mean of the offer prices obtained and neither the highest nor the lowest of such quotes will be eliminated.

(4) If the Calculation Agent is unable to obtain at least three Treasury Notes quotations as described in (3) above, the CMT Rate on the CMT Interest Determination Date will be calculated by the Calculation Agent based on offer prices for certain alternative Treasury Notes as follows:

- The rate will be a yield to maturity based on the arithmetic mean of the secondary market closing offer side prices as of approximately 3:30 P.M. New York City time on the CMT Interest Determination Date reported, according to their written records, by three leading U.S. government securities dealers in New York City, for Treasury Notes with an original maturity of the number of years that is the next highest to the designated CMT maturity index and a remaining maturity closest to the Index Maturity specified in the applicable Terms Supplement, and in a Representative Amount (as defined below).
- If two Treasury Notes with an original maturity, as described above, have remaining terms to maturity equally close to the designated CMT maturity index, the Calculation Agent will obtain quotations for the Treasury Notes with the shorter remaining term to maturity and will use those quotations to calculate the CMT Rate as set forth above.
- The three government securities dealers referenced above will be identified from five such dealers who are selected by the Calculation Agent, one of which may be an agent in the offering of the CMT Rate Note, by eliminating the dealers with the highest and lowest quotations, or in the event of equality, one of the highest and/or lowest quotations.
- If only three or four dealers provide quotations, then the CMT Rate will be based on the arithmetic mean of the offer prices obtained and neither the highest nor the lowest quotes will be eliminated.

(5) If fewer than three dealers selected by the Calculation Agent provide quotations as described in (4) above, the CMT Rate determined as of the CMT Interest Determination Date will be the CMT Rate determined by the Calculation Agent acting in good faith in light of the commercial circumstances.

“Designated CMT Reuters page” means the display on the Reuters service, or any successor service on the page specified in the applicable Terms Supplement, or any other page as may replace such page on that service, or any successor service, for the purpose of displaying Treasury Constant Maturities as reported in Federal Reserve Statistical Release H.15(519).

“Designated CMT maturity index” means the original period to maturity of the U.S. Treasury securities, specified in the applicable Terms Supplement for which the CMT Rate will be calculated. As of the date of this Product Supplement, these periods can be one, three or six months or one, two, three, five, seven, ten, twenty or thirty years. If no such maturity is specified in the applicable Terms Supplement, the designated CMT maturity index will be two years.

“Representative Amount” means an amount determined by the Calculation Agent that is representative for a single transaction in the relevant market at the relevant time.

The CMT Rate for a U.S. Treasury security maturity as published as of any Business Day is intended to be indicative of the yield of a U.S. Treasury security having as of that Business Day a remaining term to maturity equivalent to its maturity. The CMT Rate as of any Business Day is based upon an interpolation by the U.S. Treasury of the daily yield curve of outstanding U.S. Treasury securities. This yield curve, which relates the yield on a U.S. Treasury security to its time to maturity, is based on the over-the-counter market bid yields on actively-traded U.S. Treasury securities. Such yields are calculated from composites of quotations reported by leading U.S.

government securities dealers, which may include the Calculation Agent and one or more affiliates of the agents. Certain constant maturity yield values are read from the yield curve. Interpolation from the yield curve provides a theoretical yield for a U.S. Treasury security having ten years to maturity, for example, even if no outstanding U.S. Treasury security has as of that date exactly ten years remaining to maturity.

The information relating to the CMT Rate in this Product Supplement is derived from public sources. Neither we nor the Calculation Agent has independently verified any such information. Neither we nor the Calculation Agent shall have any responsibility for any error or omissions in the calculation and publication of the CMT Rate.

Commercial Paper Rate

Each Commercial Paper Rate Note will bear interest at the interest rate (calculated with reference to the Commercial Paper Rate and the Spread and/or Spread Multiplier, if any) specified in such Commercial Paper Rate Note and in the applicable Terms Supplement.

Unless otherwise specified in the applicable Terms Supplement, “**Commercial Paper Rate**” means, with respect to any Commercial Paper Interest Determination Date, the Money Market Yield (calculated as specified below) in respect of the discount rate on that date for commercial paper having the Index Maturity specified in such Commercial Paper Rate Note as published in H.15(519) under the heading “Commercial Paper.” If such rate is not published by 3:00 P.M., New York City time, on the Calculation Date pertaining to such Commercial Paper Interest Determination Date, the Commercial Paper Rate shall be the Money Market Yield in respect of the discount rate on that Commercial Paper Interest Determination Date for commercial paper having the Index Maturity specified in the Commercial Paper Rate Note as published in Composite Quotations under the heading “Commercial Paper.” If by 3:00 P.M., New York City time, on such Calculation Date such discount rate is not yet published in Composite Quotations, the Commercial Paper Rate for that Commercial Paper Interest Determination Date shall be calculated by the Calculation Agent and shall be the Money Market Yield in respect of the arithmetic mean of the offered discount rates of three leading dealers of commercial paper in New York, New York selected by the Calculation Agent (after consultation with the Branch) as of 11:00 A.M., New York City time, on that Commercial Paper Interest Determination Date for commercial paper having the Index Maturity specified in the Commercial Paper Rate Note and placed for an industrial issuer whose bond rating is “AA,” or the equivalent from a nationally recognized statistical rating agency; provided, however, that if the dealers selected by the Calculation Agent are not quoting such rates, the Commercial Paper Rate shall be the Commercial Paper Rate in effect immediately prior to such Commercial Paper Interest Determination Date.

“Money Market Yield” shall be a yield (expressed as a percentage rounded, if necessary, to the nearest one hundred-thousandth of a percent, with five millionths of a percent rounded upwards) calculated in accordance with the following formula:

$$\text{Money Market Yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where “D” refers to the per annum rate for commercial paper quoted on a bank discount basis and expressed as a decimal, and “M” refers to the actual number of days in the interest period for which interest is being calculated.

CPI Floating Rate

Each CPI Floating Rate Note will bear interest at the interest rate calculated by reference to the formulas set out below which include a Spread and/or Spread Multiplier, as specified in the applicable Terms Supplement.

The CPI Floating Rate Notes are Floating Rate Notes paying an interest rate linked to changes in the CPI. The “CPI” is the non-seasonally adjusted U.S. City Average All Items Consumer Price Index for All Urban Consumers reported monthly by the Bureau of Labor Statistics of the U.S. Department of Labor (“BLS”) and reported on Bloomberg page CPURNSA or any successor service to Bloomberg. You should read “Public Information Regarding the CPI” elsewhere in this Product Supplement for additional information regarding the CPI. The historical levels of the CPI from January 2001 to February 2011 are set forth under the heading “Public Information

Regarding the CPI – Historical Information” elsewhere in this Product Supplement. Historical levels of the CPI, however, are not necessarily indicative of future levels of the CPI.

Unless otherwise specified in the applicable Terms Supplement, interest will accrue on the CPI Floating Rate Notes at a floating rate linked to the CPI as described below. The floating rate will never be less than zero percent per annum, regardless of changes in the CPI. However, because the floating rate is tied to changes in the CPI, investors in CPI Floating Rate Notes bear the risk that the floating rate in any Reset Period could be as low as zero percent. Interest on any Interest Payment Date is payable in arrears and will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

There are two types of CPI Floating Rate Notes: “additive CPI Floating Rate Notes” and “multiplicative CPI Floating Rate Notes”.

- For additive CPI Floating Rate Notes, the interest rate is calculated in accordance with the following formula:

$$\text{Interest Rate} = \frac{\text{CPI}_t - \text{CPI}_{t-12}}{\text{CPI}_{t-12}} + \text{Spread}$$

The inclusion of the Spread in the interest rate equation allows the investor to receive additional interest, if any, equal to the Spread per annum above the year-over-year percentage change in the CPI_t compared to the CPI_{t-12} , in respect of any Reset Period.

- For multiplicative CPI Floating Rate Notes, the interest rate is calculated in accordance with the following formula:

$$\text{Interest Rate} = \frac{\text{CPI}_t - \text{CPI}_{t-12}}{\text{CPI}_{t-12}} \times \text{Spread Multiplier}$$

The Spread Multiplier in the interest rate equation represents the leverage component of the CPI Floating Rate Notes. The year-over-year CPI component must be positive in order to receive any interest. In addition, only when the Spread Multiplier is greater than one is it possible for an investor to receive an enhanced return relative to the year-over-year increase in CPI, if any, on the CPI Floating Rate Notes in respect of any Reset Period.

In each case the terms below will have the following meanings:

CPI_t = CPI for the third calendar month prior to the calendar month of the applicable Interest Payment Date, as reported on Bloomberg page CPURNSA or any successor service, which third calendar month we refer to as the reference month; and

CPI_{t-12} = CPI for the twelfth month prior to the applicable reference month, as reported on Bloomberg page CPURNSA or any successor service.

Formulas for both the additive CPI Floating Rate Notes and the multiplicative CPI Floating Rate Notes are based on the year-over-year percentage change in CPI with a three month lag which accommodates the publishing cycle of the BLS.

The Calculation Agent will determine the applicable CPI on each Interest Reset Date and the floating interest rate.

If, while the CPI Floating Rate Notes are outstanding, the CPI is not published because it has been discontinued or has been substantially altered, an applicable substitute index will be chosen to replace the CPI for purposes of determining interest on the CPI Floating Rate Notes. The applicable index will be that chosen by the Secretary of the Treasury for the Department of the Treasury’s Inflation-Linked Treasuries as described at 62 Federal Register

846-874 (January 6, 1997) or, if no such securities are outstanding, the substitute index will be determined by the Calculation Agent in good faith and in accordance with general market practice at the time.

Public Information Regarding the CPI

The consumer price index for all urban consumers, or the CPI, is the non-seasonally adjusted U.S. City Average All Items Consumer Price Index for All Urban Customers published monthly by the BLS. The BLS makes available almost all consumer price index data and press releases immediately at the time of release. This material may be accessed electronically by means of the BLS' home page or on Bloomberg page CPURNSA or any successor service to Bloomberg.

According to the publicly-available information provided by the BLS, the consumer price index is a measure of the average change in prices over time of goods and services purchased by households. The CPI covers households of wage earners, clerical workers, groups such as professional, managerial, and technical workers, the self-employed, short-term workers, the unemployed, and retirees and others not in the labor force. The CPI is based on prices of food, clothing, shelter, and fuels, transportation fares, charges for doctors' and dentists' services, drugs, and other goods and services that people buy for day-to-day living. Prices are collected in 87 urban areas across the country from housing units and retail establishments – department stores, supermarkets, hospitals, filling stations, and other types of stores and service establishments. All taxes directly associated with the purchase and use of items are included in the index. Prices of fuels and a few other items are obtained every month in all 87 locations. Prices of most other commodities and services are collected every month in the three largest geographic areas and every other month in other areas. Prices of most goods and services are obtained by personal visits or telephone calls of the BLS' trained representatives. In calculating the index, price changes for the various items in each location are averaged together with weights, which represent their importance in the spending of the appropriate population group. Local data are then combined to obtain a U.S. city average. The index measures price change from a designed reference base, which is 1982-84, for which the CPI equals 100. An increase of 16.5 percent from the reference base, for example, is shown as 116.5.

The BLS has made numerous technical and methodological changes to the consumer price index over the last 25 years, and it is likely to continue to do so. Examples of recent methodological changes include:

- the use of regression models to adjust for the quality improvements in various goods (televisions, personal computers, etc.);
- the introduction of geometric averages to account for consumer substitution within consumer price index categories; and
- changing the housing/shelter formula to improve rental equivalence estimation.

These changes and any future changes could reduce the level of the consumer price index and therefore lower the interest payable on the CPI Floating Rate Notes.

The BLS occasionally rebases the consumer price index. The current standard reference base period is 1982-1984 = 100. The consumer price index was last rebased in May 1988. Prior to the release of the consumer price index for May 1988, the standard reference base was 1967 = 100. If the BLS rebases the consumer price index during the time the CPI Floating Rate Notes are outstanding, the Calculation Agent will continue to calculate inflation using the existing base year in effect for the consumer price index at the time of issuance of the CPI Floating Rate Notes as long as the old consumer price index is still published. The conversion to a new reference base does not affect the measurement of the percent changes in a given index series from one time period to another, except for rounding differences. Thus, rebasing might affect the published "headline" number often quoted in the financial press; however, the inflation calculation for the CPI Floating Rate Notes should not be adversely affected by any such rebasing because the old-based consumer price index can be calculated by using the percent changes of the new rebased consumer price index to calculate the levels of the old consumer price index (because the two series should have the same percent changes).

Historical Information

Provided below are historical levels of the CPI as reported by the BLS for the period from January 2001 to February 2011. We obtained the historical information included below from Bloomberg Financial Markets without independent verification and we believe such information to be accurate.

The historical levels of the CPI should not be taken as an indication of future levels of the CPI. No assurance can be given as to the level of the CPI for any future month. The CPI may not increase or decrease in the future in accordance with any of the trends depicted by the historical information in the table below. Moreover, the size and frequency of any fluctuations in the CPI level in the future may be significantly different from those indicated in the table.

You cannot predict the future performance of the CPI Floating Rate Notes or Inflation Linked Notes or of the CPI based on the historical levels of the CPI.

The following table sets forth the CPI from January 2001 to February 2011, as reported by the BLS.

Month	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
January.....	220.2	216.7	211.1	211.1	202.4	198.3	190.7	185.2	181.7	177.1	175.1
February.....	221.3	216.7	212.2	211.7	203.5	198.7	191.8	186.2	183.1	177.8	175.8
March.....		217.6	212.7	213.5	205.4	199.8	193.3	187.4	184.2	178.8	176.2
April.....		218.0	213.2	214.8	206.7	201.5	194.6	188.0	183.8	179.8	176.9
May.....		218.2	213.9	216.6	207.9	202.5	194.4	189.1	183.5	179.8	177.7
June.....		218.0	215.7	218.8	208.4	202.9	194.5	189.7	183.7	179.9	178.0
July.....		218.0	215.4	220.0	208.3	203.5	195.4	189.4	183.9	180.1	177.5
August.....		218.3	215.8	219.1	207.9	203.9	196.4	189.5	184.6	180.7	177.5
September.....		218.4	216.0	218.8	208.5	202.9	198.8	189.9	185.2	181.0	178.3
October.....		218.7	216.2	216.6	208.9	201.8	199.2	190.9	185.0	181.3	177.7
November.....		218.8	216.3	212.4	210.2	201.5	197.6	191.0	184.5	181.3	177.4
December.....		219.2	215.9	210.2	210.0	201.8	196.8	190.3	184.3	180.9	176.7

Movements in the CPI that have occurred in the past are not necessarily indicative of changes that may occur in the future, which may be wider or more confined than those that have occurred historically.

Disclaimer by the Issuer, Guarantor and the Calculation Agent

All information in this Product Supplement relating to the CPI is derived from publicly available information released by the BLS and other public sources. Neither the Issuer nor the Guarantor nor the Calculation Agent has independently verified any such information. Neither the Issuer nor the Guarantor nor the Calculation Agent shall have any responsibility for any error or omissions in the calculation and publication of the CPI by the BLS.

11th District Cost of Funds Rate

Each 11th District Cost of Funds Rate Note will bear interest at the interest rate (calculated with reference to the 11th District Cost of Funds Rate and the Spread and/or Spread Multiplier, if any) specified in such 11th District Cost of Funds Rate Note and in the applicable Terms Supplement.

Unless otherwise specified in the applicable Terms Supplement, “**11th District Cost of Funds Rate**” means, with respect to any Interest Determination Date relating to any 11th District Cost of Funds Rate Interest Determination Date, the rate equal to the monthly weighted average cost of funds for the calendar month immediately preceding the month in which such 11th District Cost of Funds Rate Interest Determination Date falls, as set forth under the caption “11th District” on Reuters Page 7058 as of 11:00 A.M., San Francisco time, on such 11th District Cost of Funds Rate Interest Determination Date. If such rate does not appear on Reuters Page 7058 on any related 11th District Cost of Funds Rate Interest Determination Date, the 11th District Cost of Funds Rate for such 11th District Cost of Funds Rate Interest Determination Date shall be the monthly weighted average cost of funds paid by member institutions of the 11th Federal Home Loan Bank District that was most recently announced (the “**Index**”) by the FHLB of San Francisco as such cost of funds for the calendar month immediately preceding the

date of such announcement. If the FHLB of San Francisco fails to announce such rate for the calendar month immediately preceding such 11th District Cost of Funds Rate Interest Determination Date, then the 11th District Cost of Funds Rate determined as of such 11th District Cost of Funds Rate Interest Determination Date shall be the 11th District Cost of Funds Rate in effect immediately prior to such 11th District Cost of Funds Rate Interest Determination Date.

Federal Funds Effective Rate

Each Federal Funds Effective Rate Note will bear interest at the interest rate (calculated with reference to the Federal Funds Effective Rate and the Spread and/or Spread Multiplier, if any) specified in such Federal Funds Effective Rate Note and in the applicable Terms Supplement.

Unless otherwise specified in the applicable Terms Supplement, “**Federal Funds Effective Rate**” means, with respect to any Federal Funds Effective Rate Interest Determination Date, the rate on that date for Federal Funds as published in H.15(519) under the heading “Federal Funds (effective)” and displayed on Reuters (or any successor service) on page FEDFUNDS1 (or any successor page as may replace such page on that service or any successor service for the purpose of displaying the Federal Funds (effective) Rate). For the avoidance of doubt, the Federal Funds Effective Rate for any Federal Funds Effective Rate Interest Determination Date is the rate published for the immediately preceding Business Day.

If the rate does not so appear on Reuters page FEDFUNDS1 or is not published by 3:00 P.M., New York City time, on the Calculation Date pertaining to that Federal Funds Effective Rate Interest Determination Date, then the Federal Funds Effective Rate for that Federal Funds Effective Rate Interest Determination Date will be the rate on that Federal Funds Effective Rate Interest Determination Date as published in Federal Reserve Statistical Release H.15 Daily Update under the heading “Federal Funds (effective).”

If the rate is not yet published by 3:00 P.M. New York City time, on the Calculation Date pertaining to that Federal Funds Effective Rate Interest Determination Date, then the Federal Funds interest rate will be calculated by the Calculation Agent and will be the arithmetic mean of the rates as of 9:00 A.M., New York City time, on that Federal Funds Effective Rate Interest Determination Date for the last transaction in overnight Federal Funds arranged by three leading brokers of Federal Funds transactions in The City of New York selected by the Calculation Agent; provided, however, that if the brokers selected by the Calculation Agent are not quoting as mentioned in this sentence, the Federal Funds Rate with respect to that Federal Funds Effective Rate Interest Determination Date will be the Federal Funds Effective Rate last in effect on that Federal Funds Effective Rate Interest Determination Date.

Federal Funds Open Rate

Each Federal Funds Open Rate Note will bear interest at the interest rate (calculated with reference to the Federal Funds Open Rate and the Spread and/or Spread Multiplier, if any) specified in such Federal Funds Open Rate Note and in the applicable Terms Supplement.

Unless otherwise specified in the applicable Terms Supplement, “**Federal Funds Open Rate**” means, with respect to any Federal Funds Open Rate Interest Determination Date, the rate for U.S. dollar federal funds as published in H.15(519) under the heading “Federal Funds (open)” and displayed on Reuters (or any successor service) screen page 5. If the Federal Funds Open Rate cannot be determined in this manner, the following procedures will apply:

- If the rate described above is not displayed on Reuters screen page 5 at 3:00 P.M., New York City time, on the relevant calendar day, unless the calculation is made earlier and the rate is available from that source at that time, then the Federal Funds Open Rate for the relevant Federal Funds Open Rate Interest Determination Date, will be the rate for that day displayed on the FFPREBON Index page on Bloomberg (which is the Fed Funds Opening Rate as reported by Prebon Yamane (or a successor) on Bloomberg).
- If the rate described above is not displayed on Reuters screen page 5 and does not appear on the FFPREBON Index on Bloomberg at 3:00 P.M., New York City time, on the relevant calendar day, unless

the calculation is made earlier and the rate is available from that source at that time, the Federal Funds Open Rate will be the arithmetic mean of the rates for the last transaction in overnight U.S. dollar Federal Funds, arranged before 9:00 A.M., New York City time, on the Federal Funds Open Rate Interest Determination Date, quoted by three leading brokers of U.S. dollar Federal Funds transactions in New York City selected by the Calculation Agent.

- If fewer than three brokers selected by the Calculation Agent are quoting as described above, the Federal Funds Open Rate on the Federal Funds Open Rate Interest Determination Date will be the Federal Funds Open Rate last in effect on the Federal Funds Open Rate Interest Determination Date.

EURIBOR

Each EURIBOR Note will bear interest at the interest rate (calculated by reference to EURIBOR and the Spread and/or Spread Multiplier, if any) specified in such EURIBOR Note and in the applicable Terms Supplement.

Unless otherwise indicated in the applicable Terms Supplement, “**EURIBOR**” means the interest rate for deposits in euros designated as “EURIBOR” and sponsored jointly by the European Banking Federation and ACI — The Financial Market Association, or any company established by the joint sponsors for purposes of compiling and publishing that rate. The EURIBOR will be determined in the following manner:

- EURIBOR will be the offered rate for deposits in euros having the Index Maturity specified in the applicable Terms Supplement, as that rate appears on the Reuters screen EURIBOR01 page as of 11:00 A.M., Brussels time, on each calendar day during the Variable Interest Period.
- If the rate described above does not so appear on the Reuters screen EURIBOR01 page, the EURIBOR will be determined on the basis of the rates, at approximately 11:00 A.M., Brussels time, on each calendar day, at which deposits of the following kind are offered to prime banks in the euro-zone interbank market by the principal euro-zone office of each of four major banks in that market selected by the Calculation Agent: euro deposits having the specified Index Maturity, beginning on the relevant calendar day, and in a representative amount. The Calculation Agent will request the principal euro-zone office of each of these banks to provide a quotation of its rate. If at least two quotations are provided, EURIBOR for the relevant EURIBOR interest determination date will be the arithmetic mean of the quotations.
- If fewer than two quotations are provided as described above, EURIBOR for such calendar day will be the arithmetic mean of the rates for loans of the following kind to leading euro-zone banks quoted, at approximately 11:00 A.M., Brussels time on such calendar day, by three major banks in the euro-zone selected by the Calculation Agent: loans of euros having the specified Index Maturity, beginning on the relevant calendar day, and in a representative amount.
- If fewer than three banks selected by the Calculation Agent are quoting as described above, EURIBOR for the calendar day will be EURIBOR in effect on the last immediately preceding calendar day on which the EURIBOR was available.

LIBOR

Each LIBOR Note will bear interest at the interest rate (calculated by reference to LIBOR and the Spread and/or Spread Multiplier, if any) specified in such LIBOR Note and in the applicable Terms Supplement.

Unless otherwise indicated in the applicable Terms Supplement, “LIBOR” will be determined by the Calculation Agent in accordance with the following provisions:

- With respect to any LIBOR Interest Determination Date, LIBOR will be, as specified in the applicable Terms Supplement, either:
 - if “LIBOR Reuters” is specified in the Note and the applicable Terms Supplement, the arithmetic mean of the offered rates (unless the specified Designated LIBOR Page (as defined below) by its terms

provides for only a single rate, in which case the single rate will be used) for deposits in the Designated LIBOR Currency (as defined below) having the Index Maturity specified in the Note and the applicable Terms Supplement, commencing on the second London Business Day immediately following that LIBOR Interest Determination Date, which appear on the Designated LIBOR Page specified in the Note and the applicable Terms Supplement as of 11:00 A.M., London time, on that LIBOR Interest Determination Date, if at least two offered rates appear (unless, as described above, only a single rate is required) on the Designated LIBOR Page; or

- if “LIBOR Bloomberg” is specified in the Note and the applicable Terms Supplement, the rate for deposits in the Designated LIBOR Currency having the Index Maturity designated in the Note and the applicable Terms Supplement, commencing on the second London Business Day immediately following that LIBOR Interest Determination Date, which appears on the Designated LIBOR Page specified in the Note and the applicable Terms Supplement as of 11:00 A.M., London time, on such LIBOR Interest Determination Date.

Notwithstanding the foregoing, if fewer than two offered rates appear on the Designated LIBOR Page with respect to LIBOR Reuters (unless the specified Designated LIBOR Page by its terms provides only for a single rate, in which case the single rate will be used), or if no rate appears on the Designated LIBOR Page with respect to LIBOR Bloomberg, whichever may be applicable, LIBOR with respect to that LIBOR Interest Determination Date will be determined as if the parties had specified the rate as follows:

With respect to a LIBOR Interest Determination Date on which fewer than two offered rates appear in the Designated LIBOR Page with respect to LIBOR Reuters (unless the specified Designated LIBOR Page by its terms provided for only a single rate, in which case the single rate will be used), or on which no rate appears on the Designated LIBOR Page with respect to the LIBOR Bloomberg, as the case may be, the Calculation Agent will request that the principal London offices of each of four major banks in the London interbank market, as selected by the Calculation Agent, provide the Calculation Agent with its offered quotation for deposits in the Designated LIBOR Currency for the period of the Index Maturity specified in the Note and the applicable Terms Supplement, commencing on the second London Business Day immediately following the LIBOR Interest Determination Date, to prime banks in the London interbank market as of 11:00 A.M., London time, on the LIBOR Interest Determination Date and in a principal amount that is representative for a single transaction in the Designated LIBOR Currency in that market at that time. If at least two quotations are so provided, then LIBOR on the LIBOR Interest Determination Date will be the arithmetic mean of those quotations. If fewer than two quotations are provided, then LIBOR on the LIBOR Interest Determination Date will be the arithmetic mean of the rates quoted as of 11:00 A.M. New York time, on the LIBOR Interest Determination Date by three major banks in New York City for loans in the Designated LIBOR Currency to leading global banks, commencing on the second London Business Day immediately following the LIBOR Interest Determination Date having the Index Maturity specified in the Note and the applicable Terms Supplement and in a principal amount that is representative for a single transaction in the Designated LIBOR Currency in that market at that time; provided, however, that if the banks so selected by the Calculation Agent are not quoting as mentioned in this sentence, LIBOR determined as of the LIBOR Interest Determination Date will be LIBOR in effect on the LIBOR Interest Determination Date.

“**Designated LIBOR Currency**” means, with respect to any LIBOR Note, the currency, if any, specified in the Note and the applicable Terms Supplement as the Designated LIBOR Currency or, if no currency is specified in the Note and the applicable Terms Supplement, U.S. dollars.

“**Designated LIBOR Page**” means either:

- if “**LIBOR Reuters**” is specified in the Note and the applicable Terms Supplement, the display on Reuters (or any successor service) for the purpose of displaying the London interbank rates of major banks for the applicable Designated LIBOR currency; or
- if “**LIBOR Bloomberg**” is specified in the Note and the applicable Terms Supplement, the display on Bloomberg page BBAM1<GO> (or any successor service) for the purpose of displaying the London interbank rates of major banks for the applicable Designated LIBOR Currency.

If neither “LIBOR Reuters” nor “LIBOR Bloomberg” is specified in the Note and the applicable Terms Supplement, LIBOR for the applicable Designated LIBOR Currency will be determined as if LIBOR Reuters (and, if the U.S. dollar is the Designated LIBOR Currency, page LIBOR01 (or any successor page on that service or any successor service)) had been chosen.

Prime Rate

Each Prime Rate Note will bear interest at the interest rate (calculated by reference to the Prime Rate and the Spread and/or Spread Multiplier, if any) specified in such Prime Rate Note and in the applicable Terms Supplement.

Unless otherwise indicated in the applicable Terms Supplement, “**Prime Rate**” means, with respect to any Prime Interest Determination Date, the rate set forth in H.15(519) on that date under the heading “Bank prime loan.” For the avoidance of doubt, the Prime Rate for any Prime Interest Determination Date is the rate published for the immediately preceding Business Day.

If the rate is not published by 3:00 P.M., New York City time on the Calculation Date pertaining to that Prime Interest Determination Date, the Prime Rate will be the rate on that date published in the Federal Reserve Statistical Release H.15 Daily Update under the heading “Bank prime loan.”

If the rate is not published either in H.15(519) or H.15 Daily Update by 3:00 P.M., New York City time, on the Calculation Date pertaining to that Prime Interest Determination Date, the Prime Rate will be calculated by the Calculation Agent and will be the arithmetic mean of the rates of interest publicly announced by each bank named on the Reuters Screen USPRIME1 Page (as defined below) as that bank’s prime rate or base lending rate as in effect as of 11:00 A.M., New York City time, for that Prime Interest Determination Date, or, if fewer than four rates appear on the Reuters Screen USPRIME1 Page for that Prime Interest Determination Date, the rate will be the arithmetic mean of the prime rates (quoted on the basis of the actual number of days in the year divided by 360) as of the close of business on that Prime Interest Determination Date by at least two of the three major money center banks in The City of New York selected by the Calculation Agent from which quotations are requested.

If fewer than two quotations are quoted as described above, the Prime Rate for that Prime Interest Determination Date will be calculated by the Calculation Agent and will be the arithmetic mean of the prime rates quoted in The City of New York on that date by the appropriate number of substitute banks or trust companies organized and doing business under the laws of the United States, or any State thereof, having total equity capital of at least U.S. \$500,000,000 and being subject to supervision or examination by a Federal or State authority, selected by the Calculation Agent to quote such rate or rates; provided, however, that if the Prime Rate is not published in H.15(519) and the banks or trust companies selected are not quoting as mentioned in this sentence, the Prime Rate with respect to that Prime Interest Determination Date will be the interest rate otherwise in effect on that Prime Interest Determination Date.

“**Reuters Screen USPRIME 1 Page**” means the display designated as page “USPRIME 1” on Reuters (or such other page as may replace the page on that service for the purpose of displaying prime rates or base lending rates of major United States banks).

Treasury Rate

Each Treasury Rate Note will bear interest at the interest rate (calculated by reference to the Treasury Rate and the Spread and/or Spread Multiplier, if any) specified in such Treasury Rate Note and in the applicable Terms Supplement.

Unless otherwise specified in the applicable Terms Supplement, “**Treasury Rate**” means, with respect to any Treasury Interest Determination Date, the rate for the most recent auction of direct obligations of the United States (“**Treasury Bills**”) having the Index Maturity specified in the applicable Terms Supplement and the Note and published under the heading “INVESTMENT RATE” on the display on Reuters (or any successor service) on page USAUCTION 10 (or any other page as may replace that page on that service or any successor service for the purpose of displaying the 3-month Treasury Bill Rate) or page USAUCTION 11 (or any other successor page as may replace that page on that service or any successor service for the purpose of displaying the 6-month Treasury Bill Rate) or, if not so published by 3:00 P.M., New York City time, on the related Calculation Date, the Bond

Equivalent Yield (as defined below) of the rate for Treasury Bills as published in H.15 Daily Update, or another recognized electronic source used for the purpose of displaying the rate, under the caption “U.S. Government Securities/Treasury Bills/Auction High.”

If the rate is not so published in H.15 Daily Update or another recognized electronic source by 3:00 P.M., New York City time, on the related Calculation Date, the Treasury Rate on the Treasury Rate Interest Determination Date shall be the Bond Equivalent Yield of the auction rate of the Treasury Bills as announced by the United States Department of the Treasury.

In the event that the auction rate is not so announced by the United States Department of the Treasury on the Calculation Date, or if no auction of Treasury Bills is held, then the Treasury Rate on such Treasury Rate Interest Determination Date shall be the Bond Equivalent Yield of the rate on such Treasury Rate Interest Determination Date of Treasury Bills having the Index Maturity as published in H.15(519) under the heading “U.S. Government Securities/Treasury Bills/Secondary Market” or, if not yet published by 3:00 P.M., New York City time, on the related Calculation Date, the rate on the Treasury Rate Interest Determination Date of such Treasury Bills as published in Federal Reserve Statistical Release H.15 Daily Update, or the other recognized electronic source used for the purpose of displaying the rate, under the heading “U.S. Government Securities/Treasury Bills/Secondary Market.”

If the rate is not yet published in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 P.M., New York City time, on the related Calculation Date, then the Treasury Rate on the Treasury Rate Interest Determination Date shall be calculated by the Calculation Agent and shall be the Bond Equivalent Yield of the arithmetic mean of the secondary market bid rates, as of approximately 3:30 P.M., New York City time, on the Treasury Rate Interest Determination Date, of three leading primary United States government securities dealers selected by the Calculation Agent, for the issue of Treasury Bills with a remaining maturity closest to the Index Maturity; provided, however, that if the dealers so selected by the Calculation Agent are not quoting as mentioned in this sentence, the Treasury Rate determined as of the Treasury Rate Interest Determination Date will be the Treasury Rate in effect on the Treasury Rate Interest Determination Date.

“**Bond Equivalent Yield**” means a yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Bond Equivalent Yield} = \frac{D \times N}{360 - (D \times M)} \times 100$$

where “D” refers to the applicable per annum rate for Treasury Bills quoted on a bank discount basis and expressed as a decimal, “N” refers to a 365-day or 366-day year, as the case may be, and “M” refers to the actual number of days in the applicable interest Reset Period.

Redemption and Repurchase

Unless the applicable Terms Supplement states otherwise, we may redeem the Notes prior to maturity, at our election, in whole or in part, from time to time upon not less than 15 nor more than 60 days’ written notice to the Fiscal Agent. The Redemption Date will be any Interest Payment Date on which the Issuer elects to exercise the Optional Redemption unless otherwise specified in the applicable Terms Supplement. If we redeem the Notes on any Redemption Date, we will pay 100% of the principal amount plus accrued and unpaid interest (if any) to each Holder on the Redemption Date, or if such day is not a Business Day (as described in the Offering Circular), the following Business Day. To the extent we exercise our Optional Redemption, each Holder shall receive only 100% of the principal amount plus any accrued and unpaid interest (if any) to the related Redemption Date and shall receive no further payments in respect of the Notes. The applicable Terms Supplement will specify the Redemption Dates and prices. The Notes will not be subject to any sinking fund.

We or our agents may, at any time, purchase Notes at any price in the open market or otherwise. Notes that we purchase in this manner may, at our discretion, be held, resold or surrendered to the Fiscal Agent for cancellation.

Repayment at Option of Holder

Unless the applicable Terms Supplement states otherwise, the Holder of the Notes does not have the option to demand that the Notes are repayable prior to maturity. If the applicable Terms Supplement provides that the Notes will be repayable prior to maturity at such Holder's option, it will also specify the repayment dates and prices.

In order for a Note to be repaid prior to maturity, the Fiscal Agent must receive, at the office of the Corporate Trust Office of the Fiscal Agent in The City of New York at 60 Wall Street, 27th Floor Mail Stop 60-2710, New York, NY 10005, Attention: Trust and Securities Services, at least 30 but not more than 45 days' notice of the option to exercise this repayment option. Once this notice is delivered, it may not be revoked.

If the applicable Terms Supplement provides that the Notes will be repayable prior to maturity at the Holder's option, a Holder may exercise the early repayment option, unless the applicable Terms Supplement states otherwise, for less than the entire principal amount of the Notes that it owns provided that the principal amount of Notes that remain outstanding after repayment is an authorized denomination. Unless otherwise specified in the applicable Terms Supplement, such authorized denomination is any integral multiple of \$1,000.

The depository or its nominee will be the direct Holder of the Notes and, therefore, will be the only entity that can exercise a right to repayment, if any. In order to ensure that the depository or its nominee will timely exercise such right to repayment, you must instruct the broker or other direct or indirect participant through which you hold an interest in such Notes to notify the depository of your desire to exercise the right to repayment. Different firms have different cut-off times for accepting instructions from their customers. Accordingly, you should consult the broker or other direct or indirect participant through which you hold an interest in the Notes in order to ascertain the cut-off time by which such an instruction must be given in order for timely notice to be delivered to the depository.

Guarantee

Pursuant to the Guarantee, the Guarantor unconditionally and irrevocably guarantees to each Holder of each series of Notes the payments of principal and interest (if any) or other amounts due and payable or deliverable on, or exchangeable for, such Notes, if such amounts have not been received by such Holder at the time such payment is due and payable, as applicable (after giving effect to all the applicable cure periods). Under the terms of the Guarantee, the Guarantor has waived diligence, presentment, demand, protest and notice of any kind with respect to the Guarantee. The Guarantor has also waived any requirement that the Holder or Holders of any Notes exhaust any rights or take any action against the Issuer in respect of the obligations covered by the Guarantee. The Guarantee provides that in the event of a default in payment of any amounts due to the Holder or Holders of any Notes, such Holder or Holders may institute legal proceedings directly against the Guarantor to enforce the Guarantee without first proceeding against the Issuer. The Guarantee (i) is a direct, general, unconditional, unsecured and unsubordinated obligation of the Guarantor and ranks *pari passu* with all other unconditional, unsecured and unsubordinated contingent obligations of the Guarantor, except those mandatorily preferred by law, (ii) is a continuing guarantee, (iii) is irrevocable and (iv) is a guarantee of payment and delivery of the amounts due and payable or deliverable under the Notes and not of collection. The Guarantee shall not be discharged except by the payment and delivery of all amounts due and payable or deliverable under the Notes. The Guarantee, however, does not obligate the Guarantor or any other party to make a secondary market in the Notes of any series or to make any payments with respect to any secondary market transactions.

Under New York law, (a) the Guarantor, as a New York state-licensed branch of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., a Dutch bank, is required to set aside and pledge certain liquid assets equal to a percentage of its liabilities, including the Guarantee, (b) the Superintendent may increase that percentage or take possession of such assets and the rest of the property and business of the Guarantor located in New York for the benefit of the Guarantor's creditors, including the beneficiaries of the Guarantee, if the financial condition of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. deteriorates or if Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. is placed in liquidation or has been declared bankrupt or has become subject to any emergency procedure in The Netherlands or otherwise and (c) the Superintendent is authorized not to turn over any such assets or other property of the Guarantor to the principal office of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. or any Dutch liquidator or receiver until all of the claims of the creditors of the Guarantor, including the beneficiaries of the Guarantee, have been satisfied and discharged.

Notwithstanding the foregoing, under Dutch law, a branch is not a separate legal entity and, therefore, from a purely Dutch law perspective, the Guarantee provided by the Guarantor for the obligations of the Issuer does not provide a separate means of recourse.

USE OF PROCEEDS AND HEDGING

We will use the net proceeds we receive from the sale of the Notes for the purposes we describe in the accompanying Terms Supplement under “Use of Proceeds”. We or our affiliates may also use those proceeds in transactions intended to hedge our obligations under the Notes as described below. The original issue price of the Notes includes the dealer’s commissions (as shown on the cover page of the applicable Terms Supplement) paid with respect to the Notes and the cost of hedging our obligations.

In anticipation of the sale of the Notes, we and/or our affiliates expect to enter into hedging transactions involving purchases listed or over-the-counter options, futures and/or other instruments linked to the fixed interest rate or floating interest rate, on or before the pricing date.

We and/or our affiliates may acquire a long or short position in securities similar to your Notes from time to time and may, in our or their sole discretion, hold or resell those securities.

In the future, we and/or our affiliates expect to close out hedge positions relating to the Notes and perhaps relating to other notes with returns linked to the fixed interest rate or floating interest rate. We expect these steps to involve sales of instruments linked to fixed interest rate or floating interest rate on or shortly before an Interest Payment Date or the Final Valuation Date.

CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES

The following is a summary of certain material U.S. federal income tax consequences of the purchase, ownership and disposition of Notes to beneficial owners (“**Holders**”) of Notes purchasing Notes at their original issuance and at their “issue price” (defined below). This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), administrative pronouncements, judicial decisions and final, temporary and proposed U.S. Treasury Regulations, changes to any of which subsequent to the date hereof may affect the tax consequences described herein. Any such change may apply retroactively. This summary does not address the material U.S. federal income tax consequences of every type of Note which may be issued under the program (such as Notes issued in bearer form and renewable Notes), and the relevant final terms will contain additional or modified disclosure concerning the material U.S. federal income tax consequences relevant to such type of Notes as appropriate.

This summary only applies to those Holders holding Notes as capital assets within the meaning of Section 1221 of the Code and assumes that the Notes will be properly treated as indebtedness for U.S. federal income tax purposes. It does not address all of the tax consequences that may be relevant to a Holder in light of the Holder’s particular circumstances or to Holders subject to special rules (including, without limitation, tax-exempt investors, individual retirement accounts and other tax-deferred accounts, persons who are subject to alternative minimum tax, banks, thrifts, insurance companies, other financial institutions, real estate investment trusts, “S” corporations, entities treated as partnerships, expatriates, regulated investment companies, brokers, dealers or traders in securities or commodities electing to use a mark-to-market method of accounting, persons whose functional currency is other than the U.S. dollar, and persons who hold Notes as part of a straddle, hedging, conversion or other integrated transaction or hold Notes as part of a constructive sale transaction). Moreover, the summary deals only with Notes with a term of 30 years or less. Subject to any additional discussion in the applicable Terms Supplement, it is expected, and the discussion below assumes, that, for federal income tax purposes, the issue price of a Note is equal to its stated issue price indicated in the applicable Terms Supplement.

This summary of U.S. federal income tax consequences is for general information only. State, local and foreign income tax laws may differ substantially from the corresponding federal income tax laws, and this summary does not purport to describe any aspect of the tax laws of any state, local or foreign jurisdiction.

Persons considering the purchase of Notes should consult their tax advisers with regard to the application of U.S. federal income tax laws to their particular situations as well as any estate tax consequences and tax consequences arising under the laws of any state, local or foreign taxing jurisdiction. This discussion is subject to any additional discussion regarding U.S. federal income taxation contained in the applicable Terms Supplement. Accordingly, you should consult the applicable Terms Supplement for any additional discussion regarding U.S. federal income taxation with respect to the specific Notes offered thereunder.

TO COMPLY WITH TREASURY DEPARTMENT CIRCULAR 230, RECIPIENTS OF THIS PRODUCT SUPPLEMENT ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS PRODUCT SUPPLEMENT AND RELATED MATERIALS IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANYONE, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED UNDER THE CODE; (B) ANY SUCH DISCUSSION IS BEING USED IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) TAXPAYERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

The term “U.S. Holder” means a beneficial owner of a Note who or which is, for U.S. federal income tax purposes, either (i) a citizen or resident of the United States, (ii) a corporation created or organized in or under the laws of the United States or any state or political subdivision thereof, including the District of Columbia, or (iii) a trust if a U.S. court is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of its substantial decisions or if it has a valid election in place to be treated as a domestic trust. A “Non-U.S. Holder” is a Holder of a Note that is not a U.S. Holder.

U.S. Holders

Taxation of Interest

The taxation of interest on a Note depends on whether it constitutes “qualified stated interest” (as defined below). Interest on a Note that constitutes qualified stated interest is includible in a U.S. Holder’s income as ordinary interest income when actually or constructively received, if such Holder uses the cash method of accounting for federal income tax purposes, or when accrued, if such Holder uses an accrual method of accounting for federal income tax purposes. Interest on a Note is expected to be foreign source income for U.S. federal income tax purposes, which may be relevant in calculating the Holder’s foreign tax credit limitation. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, interest paid on the Notes will constitute “passive income”. Interest that does not constitute qualified stated interest is included in a U.S. Holder’s income under the rules described below under “Original Issue Discount,” regardless of such Holder’s method of accounting. Notwithstanding the foregoing, interest that is payable on a Note with a maturity of one year or less from its issue date after taking into account the last possible date that the Note could be outstanding under the terms of the Note (a “**Short-Term Note**”) is included in a U.S. Holder’s income under the rules described below under “Short-Term Notes.”

Prospective Holders should consult their tax advisers concerning the applicability of the foreign tax credit and source of income rules to income attributable to the Notes.

Fixed Rate Notes

Interest on a Fixed Rate Note will constitute “qualified stated interest” if the interest is unconditionally payable, or will be constructively received under Section 451 of the Code, in cash or in property (other than debt instruments issued by the Issuer) at least annually at a single fixed rate.

Floating Rate Notes

Interest on a Floating Rate Note that is unconditionally payable, or will be constructively received under Section 451 of the Code, in cash or in property (other than debt instruments issued by the Issuer) at least annually will constitute “qualified stated interest” if the Note is a “variable rate debt instrument” (“**VRDI**”) under the rules described below and the interest is payable at a single “qualified floating rate” or single “objective rate” (each as defined below). If the Note is a VRDI but the interest is payable other than at a single qualified floating rate or at a single objective rate, special rules apply to determine the portion of such interest that constitutes “qualified stated interest.” See “Original Issue Discount--Floating Rate Notes that are VRDIs,” below.

Definition of Variable Rate Debt Instrument (VRDI), Qualified Floating Rate and Objective Rate

A Note is a VRDI if all of the four following conditions are met. First, the “issue price” of the Note (as described below) must not exceed the total noncontingent principal payments by more than an amount equal to the lesser of (i) 0.015 multiplied by the product of the total noncontingent principal payments and the number of complete years to maturity from the issue date (or, in the case of a Note that provides for payment of any amount other than qualified stated interest before maturity, its weighted average maturity) and (ii) 15% of the total noncontingent principal payments.

Second, the Note must generally provide for stated interest (compounded or paid at least annually) at (a) one or more qualified floating rates, (b) a single fixed rate and one or more qualified floating rates, (c) a single objective rate or (d) a single fixed rate and a single objective rate that is a “qualified inverse floating rate” (as defined below).

Third, the Note must provide that a qualified floating rate or objective rate in effect at any time during the term of the Note is set at 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.

Fourth, the Note may not provide for any principal payments that are contingent except as provided in the first requirement set forth above.

Subject to certain exceptions, a variable rate of interest on a Note is a “qualified floating rate” if variations in the value of the rate can reasonably be expected to measure contemporaneous fluctuations in the cost of newly borrowed funds in the currency in which the Floating Rate Note is denominated. A variable rate will be considered a qualified floating rate if the variable rate equals (i) the product of an otherwise qualified floating rate and a fixed multiple (i.e., a spread multiplier) that is greater than 0.65, but not more than 1.35 or (ii) an otherwise qualified floating rate (or the product described in clause (i)) plus or minus a fixed rate (i.e., a spread).

If the variable rate equals the product of an otherwise qualified floating rate and a single spread multiplier greater than 1.35 or less than or equal to 0.65, however, such rate will generally constitute an objective rate, described more fully below. A variable rate will not be considered a qualified floating rate if the variable rate is subject to a cap, floor, governor (i.e., a restriction on the amount of increase or decrease in the stated interest rate) or similar restriction that is reasonably expected as of the issue date to cause the yield on the Note to be significantly more or less than the expected yield determined without the restriction (other than a cap, floor or governor that is fixed throughout the term of the Note).

Subject to certain exceptions, an “objective rate” is a rate (other than a qualified floating rate) that is determined using a single fixed formula and that is based on objective financial or economic information that is neither within the Issuer’s control (or the control of a related party) nor unique to the Issuer’s circumstances (or the circumstances of a related party). For example, an objective rate generally includes a rate that is based on one or more qualified floating rates or on the yield of actively traded personal property (within the meaning of Section 1092(d)(1) of the Code). Notwithstanding the first sentence of this paragraph, a rate on a Note is not an objective rate if it is reasonably expected that the average value of the rate during the first half of the 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 Note’s term. An objective rate is a “qualified inverse floating rate” if (a) the rate is equal to a fixed rate minus a qualified floating rate and (b) the variations in the rate can reasonably be expected to reflect inversely contemporaneous variations in the cost of newly borrowed funds (disregarding any caps, floors, governors or similar restrictions that would not, as described above, cause a rate to fail to be a qualified floating rate). Unless otherwise provided in the applicable Terms Supplement, it is expected, and the discussion below assumes, that a Floating Rate Note will qualify as a VRDI. If a Floating Rate Note does not qualify as a VRDI, then the Floating Rate Note will be treated as a contingent payment debt instrument. For a description of the treatment of contingent payment debt instruments, see the discussion under “Original Issue Discount—Floating Rate Notes that are not VRDIs.”

If interest on a Note is stated 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 the value of the variable rate on the issue date is intended to approximate the fixed rate, the fixed rate and the variable rate together constitute a single qualified floating rate or objective rate.

Original Issue Discount

Original issue discount (“**OID**”) with respect to a Note other than a Short-Term Note is the excess, if any, of the Note’s “stated redemption price at maturity” over the Note’s “issue price.” A Note’s “stated redemption price at maturity” is the sum of all payments provided by the Note (whether designated as interest or as principal) other than payments of qualified stated interest. The “issue price” of a Note is the first price at which a substantial amount of the Notes in the issuance that includes such Note is sold for money (excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers).

As described more fully below, U.S. Holders of Notes with OID that mature more than one year from their issue date generally will be required to include such OID in income as it accrues in accordance with the constant yield method described below, irrespective of the receipt of the related cash payments. A U.S. Holder’s tax basis in a Note is increased by each accrual of OID and decreased by each payment other than a payment of qualified stated interest. The amount of OID with respect to a Note will be treated as zero if the OID is less than an amount equal to 0.0025 multiplied by the product of the stated redemption price at maturity and the number of complete years to maturity (or, in the case of a Note that provides for payment of any amount other than qualified stated interest prior to maturity, the weighted average maturity of the Note).

Fixed Rate Notes

In the case of OID with respect to a Fixed Rate Note, the amount of OID includible in the income of a U.S. Holder for any taxable year is determined under the constant yield method, as follows. First, the “yield to maturity” of the Note is computed. The yield to maturity is the discount rate that, when used in computing the present value of all interest and principal payments to be made under the Note (including payments of qualified stated interest), produces an amount equal to the issue price of the Note. The yield to maturity is constant over the term of the Note and, when expressed as a percentage, must be calculated to at least two decimal places.

Second, the term of the Note is divided into “accrual periods.” Accrual periods may be of any length and may vary in length over the term of the Note, provided that each accrual period is no longer than one year and that each scheduled payment of principal or interest occurs either on the final day or the first day of an accrual period.

Third, the total amount of OID on the Note is allocated among accrual periods. In general, the OID allocable to an accrual period equals the product of the “adjusted issue price” of the Note at the beginning of the accrual period and the yield to maturity of the Note, less the amount of any qualified stated interest allocable to the accrual period. The adjusted issue price of a Note at the beginning of the first accrual period is its issue price. Thereafter, the adjusted issue price of the Note is its issue price, increased by the amount of OID previously includible in the gross income of any Holder and decreased by the amount of any payment previously made on the Note other than a payment of qualified stated interest.

Fourth, the “daily portions” of OID are determined by allocating to each day in an accrual period its ratable portion of the OID allocable to the accrual period.

A U.S. Holder includes in income in any taxable year the daily portions of OID for each day during the taxable year that such Holder held Notes. In general, under the constant yield method described above, U.S. Holders will be required to include in income increasingly greater amounts of OID in successive accrual periods.

Floating Rate Notes that are VRDIs

The taxation of OID (including interest that does not constitute qualified stated interest) on a Floating Rate Note will depend on whether the Note is a “VRDI,” as that term is defined under the Code and above under “Taxation of Interest—*Definition of Variable Rate Debt Instrument (VRDI), Qualified Floating Rate and Objective Rate.*”

In the case of a VRDI that provides for interest at a single variable rate, the amount of qualified stated interest and the amount of OID, if any, includible in income during a taxable year are determined under the rules applicable to Fixed Rate Notes (described above) by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or a 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), the rate that reflects the yield that is reasonably expected for the Note. Qualified stated interest allocable to an accrual period is increased (or decreased) if the interest actually paid during an accrual period exceeds (or is less than) the interest assumed to be paid during the accrual period.

If a Note that is a VRDI does not provide for interest at a single variable rate as described above, the amount of interest and OID accruals are determined by constructing an equivalent fixed rate debt instrument, as follows.

First, in the case of an instrument that provides for stated interest at one or more qualified floating rates or at a qualified inverse floating rate and, in addition, at a fixed rate (other than a fixed rate that is treated as, together with a variable rate, a single qualified floating rate or objective rate), replace the fixed rate with a qualified floating rate (or qualified inverse floating rate) such that the fair market value of the instrument, so modified, as of the issue date would be approximately the same as the fair market value of the unmodified instrument.

Second, determine the fixed rate substitute for each variable rate provided by the Note. The fixed rate substitute for each qualified floating rate provided by the Note is the value of that qualified floating rate on the issue date. If the Note provides for two or more qualified floating rates with different intervals between interest adjustment dates (for example, the 30-day commercial paper rate and quarterly LIBOR), the fixed rate substitutes are based on

intervals that are equal in length (for example, the 90-day commercial paper rate and quarterly LIBOR, or the 30-day commercial paper rate and monthly LIBOR). The fixed rate substitute for an objective rate that is a qualified inverse floating rate is the value of the qualified inverse floating rate on the issue date. The fixed rate substitute for an objective rate (other than a qualified inverse floating rate) is a fixed rate that reflects the yield that is reasonably expected for the Note.

Third, construct an equivalent fixed rate debt instrument that has terms that are identical to those provided under the Note, except that the equivalent fixed rate debt instrument provides for the fixed rate substitutes determined in the second step, in lieu of the qualified floating rates or objective rate provided by the Note.

Fourth, determine the amount of qualified stated interest and OID for the equivalent fixed rate debt instrument under the rules (described above) for Fixed Rate Notes. These amounts are taken into account as if the U.S. Holder held the equivalent fixed rate debt instrument. See “Taxation of Interest” and “Original Issue Discount—Fixed Rate Notes,” above.

Fifth, make appropriate adjustments for the actual values of the variable rates. In this step, qualified stated interest or, in certain circumstances, OID allocable to an accrual period is increased (or decreased) if the interest actually accrued or paid during the accrual period exceeds (or is less than) the interest assumed to be accrued or paid during the accrual period under the equivalent fixed rate debt instrument.

Floating Rate Notes that are not VRDIs

General. We may issue Notes that will be treated as “contingent payment debt instruments” for U.S. federal tax purposes (“**contingent debt obligations**”). Special rules apply to contingent debt obligations under applicable U.S. Treasury Regulations (the “**contingent debt regulations**”). Pursuant to the contingent debt regulations, a U.S. Holder of a contingent debt obligation will be required to accrue interest income on the contingent debt obligation on a constant yield basis, based on a comparable yield, as described below, regardless of whether such Holder uses the cash or accrual method of accounting for U.S. federal income tax purposes. As such, a U.S. Holder may be required to include interest in income each year in excess of any stated interest payments actually received in that year, if any. The contingent debt regulations provide that a U.S. Holder must accrue an amount of ordinary interest income, as OID for U.S. federal income tax purposes, for each accrual period prior to and including the maturity date of the contingent debt obligation that equals:

- the product of (a) the adjusted issue price (as defined below) of the contingent debt obligation as of the beginning of the accrual period and (b) the comparable yield (as defined below) of the contingent debt obligation, adjusted for the length of the accrual period;
- divided by the number of days in the accrual period; and
- multiplied by the number of days during the accrual period that the U.S. Holder held the contingent debt obligation.

The “adjusted issue price” of a contingent debt obligation is its issue price, increased by any interest income previously accrued, determined without regard to any adjustments to interest accruals described below, and decreased by the projected amount of any payments (in accordance with the projected payment schedule described below) previously made with respect to the contingent debt obligation.

The term “comparable yield” as used in the contingent debt regulations means the greater of (i) annual yield an issuer would pay, as of the issue date, on a fixed-rate, nonconvertible debt instrument with no contingent payments, but with terms and conditions otherwise comparable to those of the contingent debt obligations, and (ii) the applicable federal rate.

The contingent debt regulations require that an issuer provide to U.S. Holders, solely for U.S. federal income tax purposes, a schedule of the projected amounts of payments (the “projected payment schedule”) on the contingent debt obligations. This schedule must produce a yield to maturity that equals the comparable yield. 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.

The comparable yield and the projected payment schedule are not used for any purpose other than to determine a U.S. Holder's interest accruals and adjustments thereto in respect of the contingent debt obligations for U.S. federal income tax purposes. They do not constitute a projection or representation by the Issuer regarding the actual amounts that will be paid on the contingent debt obligations.

Adjustments to Interest Accruals on the Notes. If, during any taxable year, a U.S. Holder of a contingent debt obligation receives actual payments with respect to such contingent debt obligation that, in the aggregate, exceed the total amount of projected payments for that taxable year, the U.S. Holder will incur a "net positive adjustment" under the contingent debt regulations equal to the amount of such excess. The U.S. Holder will treat a net positive adjustment as additional interest income in that taxable year. If a U.S. Holder receives in a taxable year actual payments with respect to the contingent debt obligation that, in the aggregate, are less than the amount of projected payments for that taxable year, the U.S. Holder will incur a "net negative adjustment" under the contingent debt regulations equal to the amount of such deficit. This net negative adjustment:

- will first reduce the U.S. Holder's interest income on the contingent debt obligation for that taxable year;
- to the extent of any excess, will give rise to an ordinary loss to the extent of the U.S. Holder's interest income on the contingent debt obligation during prior taxable years, reduced to the extent such interest was offset by prior net negative adjustments; and
- to the extent of any excess after the application of the previous two bullet points, will be carried forward as a negative adjustment to offset future interest income with respect to the contingent debt obligation or to reduce the amount realized on a sale, exchange or retirement of the contingent debt obligation.

A net negative adjustment is not subject to the two percent floor limitation on miscellaneous itemized deductions.

Generally the sale, exchange or retirement of a contingent debt obligation will result in taxable gain or loss to a U.S. Holder. The amount of gain or loss on a sale, exchange or retirement of a contingent debt obligation will be equal to the difference between (a) the amount of cash plus the fair market value of any other property received by the U.S. Holder (the "amount realized"), and (b) the U.S. Holder's adjusted tax basis in the contingent debt obligation. As discussed above, to the extent that a U.S. Holder has any net negative adjustment carryforward, the U.S. Holder may use such net negative adjustment from a previous year to reduce the amount realized on the sale, exchange or retirement of the contingent debt obligations.

For purposes of determining the amount realized on the scheduled retirement of a Note, a U.S. Holder will be treated as receiving the projected payment amount of any contingent payment due at maturity. As discussed above, to the extent that actual payments with respect to the Notes during the year of the scheduled retirement are greater or lesser than the projected payments for such year, a U.S. Holder will incur a net positive or negative adjustment, resulting in additional ordinary income or loss, as the case may be.

A U.S. Holder's adjusted tax basis in a contingent debt obligation generally will be equal to the U.S. Holder's original purchase price for the contingent debt obligation, increased by any interest income previously accrued by the U.S. Holder (determined without regard to any adjustments to interest accruals described above) and decreased by the amount of any projected payments that previously have been scheduled to be made in respect of the contingent debt obligations (without regard to the actual amount paid).

Gain recognized by a U.S. Holder upon a sale, exchange or retirement of a contingent debt obligation generally will be treated as ordinary interest income. Any loss will be ordinary loss to the extent of the excess of previous interest inclusions over the total net negative adjustments previously taken into account as ordinary losses in respect of the contingent debt obligation, and thereafter capital loss (which will be long-term if the contingent debt

obligation has been held for more than one year). The deductibility of capital losses is subject to limitations. If a U.S. Holder recognizes a loss upon a sale or other disposition of a contingent debt obligation and such loss is above certain thresholds, then the Holder may be required to file a disclosure statement with the Internal Revenue Service (“IRS”). U.S. Holders should consult their tax advisers regarding this reporting obligation, as discussed under “Disclosure Requirements” below.

Special rules will apply if one or more contingent payments on a contingent debt obligation become fixed. If one or more contingent payments on a contingent debt obligation become fixed more than six months prior to the date each such payment is due, a U.S. Holder would be required to make a positive or negative adjustment, as appropriate, equal to the difference between the present value of the amounts that are fixed, and the present value of the projected amounts of the contingent payments as provided in the projected payment schedule, using the comparable yield as the discount rate in each case. If all remaining scheduled contingent payments on a contingent debt obligation become fixed substantially contemporaneously, a U.S. Holder would be required to make adjustments to account for the difference between the amounts so treated as fixed and the projected payments in a reasonable manner over the remaining term of the contingent debt obligation. For purposes of the preceding sentence, a payment (including an amount payable at maturity) will be treated as fixed if (and when) all remaining contingencies with respect to it are remote or incidental within the meaning of the contingent debt regulations. A U.S. Holder's tax basis in the contingent debt obligation and the character of any gain or loss on the sale of the contingent debt obligation would also be affected. U.S. Holders are urged to consult their tax advisers concerning the application of these special rules.

Other Rules

Certain Notes having OID may be redeemed prior to maturity, or may be repayable at the option of the Holder. Such Notes may be subject to rules that differ from the general rules discussed above relating to the tax treatment of OID. Purchasers of such Notes with a redemption or repayable feature should consult their tax advisers with respect to such feature since the tax consequences with respect to OID will depend, in part, on the particular terms and features of the purchased Note.

Premium

If a U.S. Holder purchases a Note for an amount in excess of the sum of all amounts payable on the Note after the date of acquisition (other than payments of qualified stated interest), such Holder will be considered to have purchased such Note with “amortizable bond premium” equal in amount to such excess. Generally, a U.S. Holder may elect to amortize such premium as an offset to qualified stated interest income, using a constant yield method similar to that described above (see “Original Issue Discount”), over the remaining term of the Note. Special rules may apply in the case of a Note that is subject to optional redemption. A U.S. Holder who elects to amortize bond premium must reduce such Holder's tax basis in the Note by the amount of the premium used to offset qualified stated interest income as set forth above. An election to amortize bond premium applies to all taxable debt obligations then owned and thereafter acquired by such Holder and may be revoked only with the consent of the IRS.

Short-Term Notes

A Short-Term Note, will be treated as issued at a discount and none of the interest paid on the Note will be treated as qualified stated interest. Thus, all Short-Term Notes will be OID Notes. U.S. Holders that report income for federal income tax purposes on an accrual method are required to include OID in income on such Short-Term Note on a straight-line basis, unless an election is made to accrue the OID according to a constant yield method based on daily compounding.

Other U.S. Holders of a Short-Term Note are generally not required to accrue OID for federal income tax purposes, unless they elect to do so, with the consequence that the reporting of such income is deferred until it is received. In the case of a U.S. Holder that is not required, and does not elect, to include OID in income currently, any gain realized on the sale, exchange or retirement of a Short-Term Note is ordinary income to the extent of the OID accrued on a straight-line basis (or, if elected, according to a constant yield method based on daily compounding) through the date of sale, exchange or retirement. In addition, U.S. Holders that are not required, and

do not elect, to include OID in income currently are required to defer deductions for any interest paid on indebtedness incurred or continued to purchase or carry a Short-Term Note in an amount not exceeding the deferred interest income with respect to such Short-Term Note (which includes both the accrued OID and accrued interest that are payable but that have not been included in gross income), until such deferred interest income is realized. A U.S. Holder's tax basis in a Short-Term Note is increased by the amount included in such Holder's income on such a Note.

Election to Treat All Interest as OID

U.S. Holders may elect to include in gross income all interest that accrues on a Note, including any stated interest, acquisition discount, OID, market discount, de minimis OID, de minimis market discount and unstated interest (as adjusted by amortizable bond premium and acquisition premium), by using the constant yield method described above under "Original Issue Discount." Such an election for a Note with amortizable bond premium will result in a deemed election to amortize bond premium for all debt instruments owned and later acquired by the U.S. Holder with amortizable bond premium and may be revoked only with the permission of the IRS. A U.S. Holder's tax basis in a Note will be increased by each accrual of the amounts treated as OID under the constant yield election described in this paragraph.

Sale, Exchange or Retirement of Notes

A U.S. Holder generally will recognize U.S. source gain or loss upon the sale, exchange or retirement of a Note equal to the difference between the amount realized upon such sale, exchange or retirement and the U.S. Holder's adjusted basis in the Note. Such adjusted basis in the Note generally will equal the cost of the Note to the holder, increased by OID, and reduced (but not below zero) by any payments on the Note other than payments of qualified stated interest and by any premium that the U.S. Holder has taken into account. To the extent attributable to accrued but unpaid qualified stated interest, the amount realized by the U.S. Holder will be treated as a payment of interest. Generally, any gain or loss will be capital gain or loss, except as provided under "Short-Term Notes" and "Original Issue Discount—Floating Rate Notes that are not VRDIs" above. The gain or loss on the sale, exchange or retirement of a debt security will generally be long-term capital gain or loss if a U.S. Holder has held the debt security for more than one year on the date of disposition. The ability of U.S. Holders to offset capital losses against ordinary income is limited. Special rules apply in determining the tax basis of a contingent debt obligation and the amount realized on the retirement of a contingent debt obligation.

Backup Withholding and Information Reporting

Backup withholding may apply in respect of the amounts paid to a U.S. Holder, unless such U.S. Holder provides proof of an applicable exemption or a correct taxpayer identification number, or otherwise complies with applicable requirements of the backup withholding rules. The amounts withheld under the backup withholding rules are not an additional tax and may be refunded, or credited against the U.S. Holder's U.S. federal income tax liability provided that the required information is furnished timely to the IRS. In addition, information returns will be filed with the IRS in connection with payments on the Notes and the proceeds from a sale or other disposition of the Notes, unless the U.S. Holder provides proof of an applicable exemption from the information reporting rules.

Disclosure Requirements

Applicable U.S. Treasury Regulations require taxpayers that participate in certain "reportable transactions" to disclose their participation to the IRS by attaching Form 8886 to their tax returns and to retain a copy of all documents and records related to the transaction. In addition, organizers and sellers of such transactions are required to maintain records, including lists identifying investors in the transaction, and must furnish those records to the IRS upon demand. A transaction may be a "reportable transaction" based on any of several criteria. Whether an investment in a Note constitutes a "reportable transaction" for any holder depends on the holder's particular circumstances. Holders should consult their own tax advisers concerning any possible disclosure obligation that they may have with respect to their investment in the Notes and should be aware that the Issuer (or other participants in the transaction) may determine that the investor list maintenance requirement applies to the transaction and comply accordingly with this requirement.

Non-U.S. Holders

Unless otherwise noted in the applicable Terms Supplement, a holder that is not a U.S. Holder will not be subject to U.S. withholding tax with respect to payments on the Notes, but may be subject to generally applicable information reporting, and may also be subject to backup withholding requirements with respect to such payments unless the holder complies with certain certification and identification requirements as to the holder's foreign status or an exception to the information reporting and backup withholding rules otherwise applies.

Legislation Enacted in 2010

Newly enacted legislation requires certain U.S. Holders who are individuals, estates or trusts to pay a 3.8% tax on, among other things, interest and capital gains from the sale or other disposition of Notes for taxable years beginning after December 31, 2012. In addition, for taxable years beginning after March 18, 2010, new legislation requires certain U.S. Holders who are individuals to report information relating to an interest in our Notes, subject to certain exceptions. U.S. Holders should consult their tax advisors regarding the effect, if any, of new U.S. federal income tax legislation on their ownership and disposition of our Notes.

NETHERLANDS TAXATION

The information provided below is neither intended as tax advice nor purports to describe all of the tax considerations that may be relevant to a prospective purchaser of the Notes. Prospective purchasers are advised to consult their tax counsel with respect to the tax consequences of purchasing, holding and/or selling the Notes.

The following summary of the Netherlands tax consequences is based on the current tax law and jurisprudence of the Netherlands.

A) All payments in respect of the Notes can be made without withholding or deduction for or on account of any taxes, duties or charges of any nature whatsoever that are or may be withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein.

B) A corporate noteholder, that derives income from a Note or that realizes a gain on the disposal, deemed disposal, exchange or redemption of the Note, will not be subject to any Netherlands taxes on such income or capital gains, unless:

(i) the noteholder is, or is deemed to be a resident of the Netherlands; or

(ii) the noteholder has an enterprise or deemed enterprise or an interest in an enterprise that is either being effectively managed in the Netherlands or that is carried on, in whole or in part, through a permanent establishment or a permanent representative in the Netherlands, to which enterprise or part of an enterprise the Note is attributable.

An individual noteholder, who derives or is deemed to derive income from a Note or who realizes a gain on the disposal, deemed disposal, exchange or redemption of the Note, will not be subject to any Netherlands taxes on such income or capital gains, unless the conditions as mentioned under (i) or (ii) above are met, or unless:

(iii) the individual noteholder has elected to be taxed as a resident of the Netherlands; or

(iv) such income or gain 'results from other activities performed in the Netherlands' ('*resultaat uit overige werkzaamheden*') as defined in the Personal Income Tax Act 2001 (*Wet inkomstenbelasting 2001*), including without limitation, activities which are beyond the scope of normal, active portfolio management (*normaal, actief vermogensbeheer*).

C) No gift, estate or inheritance taxes will arise in the Netherlands in respect of the transfer or deemed transfer of a Note by way of a gift by, or on the death of, a noteholder who is not a resident or deemed resident of the Netherlands, 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 such Note 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 in the Netherlands.

In case 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.

D) There will be no registration tax, capital tax, transfer tax, customs duty, stamp duty, property transfer tax or any other similar tax or duty due in the Netherlands in respect of or in connection with the issue, transfer and/or delivery of the Notes or the execution, delivery and/or enforcement by legal proceedings of the relevant documents or the performance of the Branch's obligations thereunder and under the Notes.

E) No value added tax will be due in the Netherlands in respect of payments in consideration of the issue of the Notes, and/or in respect of payments of interest and principal on a Note, and/or in respect of the transfer of a Note, and/or in connection with the documents or in connection with the arrangements contemplated thereby, other than value added tax on the fees attributable to services which are not expressly exempt from value added tax, such as management, administrative, notarial and similar activities, safekeeping of the Notes and the handling and verifying of documents.

European Union Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required, from July 1, 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 - Belgium did so and will switch to the provision of information as of 2010) 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 of 20 per cent. in relation to such payments until December 31, 2009 and switched to the provision of information (instead of the withholding tax) as from January 1, 2010.

Also with effect from July 1, 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.

Benefit Plan Investor Considerations

Each fiduciary of a pension, profit-sharing or other employee benefit plan subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), (a "Plan") should consider the fiduciary standards of ERISA in the context of the Plan's particular circumstances before authorizing an investment in the Notes. Accordingly, among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the Plan. In addition, certain governmental, church and non-U.S. plans ("Non-ERISA Arrangements") are not subject to the provisions of Section 406 of ERISA or Section 4975 of the Code, but may be subject to federal, state, local or non-U.S. laws that are substantially similar to those provisions ("Similar Laws").

In addition to ERISA's general fiduciary standards, the Issuer, directly or through its affiliates, may be considered a "party in interest" within the meaning of ERISA, or a "disqualified person" within the meaning of the Code, with respect to many Plans, as well as many individual retirement accounts and Keogh plans (also "Plans"). ERISA Section 406 and Code Section 4975 generally prohibit transactions between plans and parties in interest or disqualified persons. Prohibited transactions within the meaning of ERISA or the Code would likely arise, for example, if the Notes are acquired by or with the assets of a Plan with respect to which the Issuer or any of its affiliates is a service provider or other party in interest, unless the Notes are acquired pursuant to an exemption from the "prohibited transaction" rules. A violation of these prohibited transaction rules could result in an excise tax or other liabilities under ERISA and/or Section 4975 of the Code for such persons, unless exemptive relief is available under an applicable statutory or administrative exemption.

There are five prohibited transaction class exemptions (“PTCEs”) issued by the U.S. Department of Labor that may provide exemptive relief for direct or indirect prohibited transactions resulting from the purchase or holding of the Notes. Those class exemptions are PTCE 96-23 (for certain transactions determined by in-house asset managers), PTCE 95-60 (for certain transactions involving insurance company general accounts), PTCE 91-38 (for certain transactions involving bank collective investment funds), PTCE 90-1 (for certain transactions involving insurance company separate accounts), and PTCE 84-14 (for certain transactions determined by independent qualified professional asset managers). In addition, ERISA Section 408(b)(17) and Section 4975(d)(20) of the Code provide a limited exemption for the purchase and sale of securities and related lending transactions, provided that neither the issuer of the securities nor any of its affiliates has or exercises any discretionary authority or control or renders any investment advice with respect to the assets of any Plan involved in the transaction and provided further that the Plan receives no less, and pays no more, than “adequate consideration” (within the meaning of ERISA Section 408(b)(17) and Section 4975(f)(10) of the Code) in connection with the transaction (the so-called “service-provider exemption”). There can be no assurance that any of these exemptions or any other exemption will be available with respect to any particular transaction involving the Notes.

Because the Issuer, directly or through its affiliates, may be considered a party in interest or disqualified person with respect to many Plans, unless otherwise specified in the applicable Pricing Supplement, the Notes may not be purchased, held or disposed of by any Plan, any entity whose underlying assets include “plan assets” by reason of any Plan’s investment in the entity (a “Plan Asset Entity”) or any person investing “plan assets” (within the meaning of Department of Labor Regulation Section 2510.3-101, as modified by ERISA Section 3(42)) of any Plan or Plan Asset Entity, unless such purchase, holding or disposition is eligible for exemptive relief under PTCE 96-23, 95-60, 91-38, 90-1, or 84-14 or the service-provider exemption. Unless specified otherwise in the applicable Pricing Supplement, any purchaser, including any fiduciary purchasing on behalf of a Plan, Plan Asset Entity or Non-ERISA Arrangement, transferee or holder of the Notes will be deemed to have represented, in its corporate and fiduciary capacity, by its purchase and holding of the Notes that (a) either (i) it is not a Plan, a Plan Asset Entity or Non-ERISA Arrangement and is not purchasing such securities on behalf of or with “plan assets” of any Plan, Plan Asset Entity or Non-ERISA Arrangement or (ii) its purchase, holding and disposition are eligible for exemptive relief under PTCE 96-23, 95-60, 91-38, 90-1 or 84-14 or the service-provider exemption or similar exemptions from Similar Laws and (b) neither the Issuer nor any of its affiliates is a “fiduciary” (within the meaning of ERISA Section 3(21) or, with respect to a Non-ERISA Arrangement, any federal, state, local or non-U.S. laws that are substantially similar to such section) with respect to the purchaser or holder in connection with such person’s purchase or holding of the Notes, or as a result of any exercise by the Issuer or any of its affiliates of any rights in connection with the Notes, and no advice provided by the Issuer or any of its affiliates has formed a primary basis for any investment decision by or on behalf of such purchaser or holder in connection with the Notes and the transactions contemplated with respect to the Notes.

In addition to considering the consequences of holding the Notes, Plans, Plan Asset Entities and Non-ERISA Arrangements purchasing the Notes should also consider the possible implications of owning any underlying security that an investor may receive upon an optional or mandatory exchange of the Notes at maturity or otherwise. Purchasers of the Notes have exclusive responsibility for ensuring that their purchase, holding and disposition of the Notes do not violate the prohibited transaction rules of ERISA, the Code or any Similar Laws.

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries or other persons considering purchasing the Notes on behalf of or with “plan assets” of any Plan, Plan Asset Entity or Non-ERISA Arrangement consult with their counsel regarding the availability of exemptive relief under PTCEs 96-23, 95-60, 91-38, 90-1 or 84-14 or the service-provider exemption, or similar exemptions from Similar Laws. The sale of any Notes to a Plan, Plan Asset Entity or Non-ERISA Arrangement is in no respect a representation by the Issuer or any of its affiliates or representatives that such an investment meets all relevant legal requirements with respect to investments by any such Plan, Plan Asset Entity or Non-ERISA Arrangement generally or any particular Plan, Plan Asset Entity or Non-ERISA Arrangement or that such investment is appropriate for such Plans, Plan Asset Entities or Non-ERISA Arrangements generally or any particular Plan, Plan Asset Entity or Non-ERISA Arrangement.

SUPPLEMENTAL PLAN OF DISTRIBUTION

The Notes will be issued pursuant to a distribution agreement under which Barclays Capital Inc., Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, Deutsche Bank Securities Inc., Goldman, Sachs & Co., HSBC Securities (USA) Inc., Incapital LLC, J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. Incorporated, RBC Capital Markets, LLC and any other dealers to the program (each, a “**Dealer**” and, collectively the “**Dealers**”), have agreed to purchase, and we have agreed to sell, the principal amount of Notes set forth in the applicable Terms Supplement. Each Dealer proposes initially to offer the Notes directly to the public at the public offering price set forth in the applicable Terms Supplement. The Dealers may allow a concession to other dealers as set forth in the applicable Terms Supplement. After the initial offering of the Notes, the Dealers may vary the offering price and other selling terms from time to time.

In the future, the Issuer or its affiliates may repurchase and resell the offered Notes in secondary market transactions with resales being made at prices related to the prevailing market prices at the time of resale or at negotiated prices. For more information about the plan of distribution and possible secondary market activities, see “Plan of Distribution” in the accompanying Offering Circular.

The Dealer may use the applicable Terms Supplement, this Product Supplement and accompanying Offering Circular in the initial sale of any Notes. In addition, the Dealer may use the applicable Terms Supplement, this Product Supplement and the accompanying Offering Circular in a secondary market transaction for any Notes after its initial sale. In connection with an offering, any securities dealer may distribute the applicable Terms Supplement, this Product Supplement and accompanying Offering Circular electronically. Unless the Dealer informs the purchaser otherwise in the confirmation of sale, the applicable Terms Supplement, this Product Supplement and accompanying Offering Circular may be used in a secondary market transaction.

To the extent the aggregate principal amount of Notes offered pursuant to the applicable Terms Supplement is not purchased by investors, one or more of our affiliates may agree to purchase for investment the unsold portion. As a result, upon completion of an offering, our affiliates may own an amount of the Notes offered in such offering, as specified in the applicable Terms Supplement.

You should rely only on the information incorporated by reference or provided in the applicable Terms Supplement, this Product Supplement and accompanying Offering Circular. The Issuer has not authorized anyone to provide you with different information. The Issuer is not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information in this Product Supplement is accurate as of any date other than the date first appearing on the front of the document.

The Notes are being offered pursuant to the registration exemption contained in Section 3(a)(2) of the Securities Act.

No offers, sales or deliveries of Notes, or distribution of this Product Supplement or the Offering Circular or any other offering material relating to Notes, may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws and regulations and will not impose any obligations on the Issuer or any Dealer.

The Dealers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the Dealers and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Issuer, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Dealers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the Issuer. The Dealers and their respective affiliates may also make investment recommendations and/or publish or express independent research

views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

OFFERING CIRCULAR
dated May 13, 2011



***Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland),
 Utrecht Branch***
*(a cooperative with limited liability established under the laws of The Netherlands and having its
 statutory seat in Amsterdam, The Netherlands)*

\$15,000,000,000
Rabo Notes

Medium Term Note Program

Under the \$15,000,000,000 Medium Term Note Program (the “**Program**”) the Utrecht Branch of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland), a cooperative entity formed under the laws of The Netherlands with its statutory seat in Amsterdam, The Netherlands (the “**Issuer**”), subject to compliance with all relevant laws, regulations and directives, may, from time to time, issue medium term notes (the “**Notes**”). The Notes will be offered from time to time in one or more series and in amounts, at prices and on terms to be determined at the time of sale and to be set forth in a related product supplement to this Offering Circular (the “**Product Supplement**”) and a related terms supplement (“**Terms Supplement**”, and together with the Product Supplement, the “**Offering Circular Supplement**”). The information contained in this Offering Circular is qualified in its entirety by the supplementary information contained in such Offering Circular Supplement.

All payments and deliveries of principal, premium (if any), interest (if any) or other amounts (in cash or in securities) payable or deliverable on, or exchangeable for, the Notes of any series will be irrevocably and unconditionally guaranteed by the New York Branch of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (the “**Guarantor**”), a branch duly licensed in the State of New York, pursuant to a guarantee issued in connection with such series (each such guarantee, a “**Guarantee**”).

The terms of each series of Notes, including the specific designation; the aggregate principal amount of such series; the amount (if any) (in cash, securities or other property) due and payable or deliverable on, or exchangeable for, the Notes of such series at maturity, early redemption, exchange or repayment or acceleration (the “**redemption amount**”); interest (if any); minimum denominations; maturity; one or more securities, currencies, interest rates or commodities, or baskets or indices of such securities, currencies, interest rates or commodities or any combination of the foregoing, or any other financial, economic or other measure or instrument, including the occurrence or non-occurrence of any event or circumstance specified in the Offering Circular Supplement (the “**Reference Assets**”) (if any) used for calculating (i) interest (if any) and (ii) the redemption amount (if any); the method of calculating (i) the interest (if any) and (ii) the redemption amount (if any); the terms (if any) for settlement, exchange or redemption; the initial offering price; the names of underwriters, agents or dealers, as applicable; any commissions or discounts and any other terms in connection with the offering and sale of the Notes in respect of which this Offering Circular is being delivered, will be set forth in the Offering Circular Supplement relating to such series of Notes. Capitalized terms used but not otherwise defined herein have the meanings ascribed to such terms in the Fiscal and Paying Agency Agreement and if not defined therein, the relevant Offering Circular Supplement.

The Issuer may decide to appoint one or more underwriters, agents or dealers to offer and sell any series of Notes issued under the Program. The relevant Terms Supplement in respect of any issue of any Notes will specify whether or not one or more underwriters, agents or dealers have been appointed.

Citi
Deutsche Bank Securities
HSBC
J.P. Morgan
RBC Capital Markets

Credit Suisse
Goldman, Sachs & Co.
Incapital LLC
Morgan Stanley

The date of this Offering Circular is May 13, 2011.

Investing in the Notes involves certain risks. See the section entitled “Risk Factors” in the Offering Circular Supplement.

THE NOTES AND THE GUARANTEE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR ANY STATE SECURITIES LAWS AND ARE BEING OFFERED PURSUANT TO THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS THEREOF CONTAINED IN SECTION 3(A)(2) OF THE SECURITIES ACT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE NOTES CONSTITUTE UNCONDITIONAL LIABILITIES OF THE ISSUER, AND THE GUARANTEE CONSTITUTES AN UNCONDITIONAL CONTINGENT OBLIGATION OF THE GUARANTOR. THE NOTES AND THE GUARANTEE ARE NOT BANK DEPOSITS AND ARE NOT INSURED OR GUARANTEED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION, THE BANK INSURANCE FUND OR ANY OTHER U.S. OR DUTCH GOVERNMENTAL OR DEPOSIT INSURANCE AGENCY OR ENTITY.

UNDER NEW YORK LAW, (A) THE GUARANTOR, AS A NEW YORK STATE-LICENSED BRANCH OF A DUTCH BANK, IS REQUIRED TO SET ASIDE AND PLEDGE CERTAIN LIQUID ASSETS EQUAL TO A PERCENTAGE OF ITS LIABILITIES, INCLUDING THE GUARANTEE, (B) THE NEW YORK SUPERINTENDENT OF BANKS (THE “SUPERINTENDENT”) MAY INCREASE THAT PERCENTAGE OR TAKE POSSESSION OF SUCH ASSETS AND THE REST OF THE PROPERTY AND BUSINESS OF THE GUARANTOR LOCATED IN NEW YORK FOR THE BENEFIT OF THE GUARANTOR’S CREDITORS, INCLUDING THE BENEFICIARIES OF THE GUARANTEE, IF THE FINANCIAL CONDITION OF THE DUTCH BANK OF WHICH THE GUARANTOR IS A BRANCH DETERIORATES OR SUCH BANK IS PLACED IN LIQUIDATION OR HAS BEEN DECLARED BANKRUPT OR HAS BECOME SUBJECT TO ANY EMERGENCY PROCEDURE IN THE NETHERLANDS OR OTHERWISE AND (C) THE SUPERINTENDENT IS AUTHORIZED NOT TO TURN OVER ANY SUCH ASSETS OR OTHER PROPERTY OF THE GUARANTOR TO THE PRINCIPAL OFFICE OF THE BANK OR ANY DUTCH LIQUIDATOR OR RECEIVER UNTIL ALL OF THE CLAIMS OF THE CREDITORS OF THE GUARANTOR, INCLUDING THE BENEFICIARIES OF THE GUARANTEE, HAVE BEEN SATISFIED AND DISCHARGED.

NOTWITHSTANDING THE FOREGOING, UNDER DUTCH LAW, A BRANCH IS NOT A SEPARATE LEGAL ENTITY AND, THEREFORE, FROM A PURELY DUTCH LAW PERSPECTIVE, THE GUARANTEE PROVIDED BY THE GUARANTOR FOR THE OBLIGATIONS OF THE ISSUER DOES NOT PROVIDE A SEPARATE MEANS OF RECOURSE.

THE NOTES MAY BE SUBJECT TO INVESTMENT RISK, INCLUDING POSSIBLE LOSS OF PRINCIPAL.

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IMPORTANT INFORMATION

This Offering Circular should be read in conjunction with all documents which are deemed to be incorporated herein by reference (see “Documents Incorporated by Reference”) and the relevant Offering Circular Supplement and should be read and construed on the basis that such documents are incorporated in and form part of this Offering Circular.

The Dealers (as defined herein under “Plan of Distribution”) have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers as to the accuracy or completeness of the information contained or incorporated by reference in this Offering Circular or any other information provided by the Issuer in connection with the Program.

No person is or has been authorized by the Issuer to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the Program or the Notes and, if given or made, such information or representation must not be relied upon as having been authorized by the Issuer or any of the Dealers.

The information contained in this Offering Circular and any Offering Circular Supplement was obtained from the Issuer and other sources that the Issuer believes to be reliable, but no assurance can be given as to the accuracy or completeness of such information. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and of the terms of such Notes (see “Special Considerations – Risk Factors”). The contents of this Offering Circular and any Offering Circular Supplement are not to be construed as legal, business or tax advice. Prospective investors should consult their own attorney, business advisor or tax advisor for legal, business or tax advice.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Program is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Program or to advise any investor in the Notes of any information coming to their attention. Investors should review, inter alia, the most recently published documents incorporated by reference herein (as described in “Documents Incorporated by Reference”) when deciding whether or not to purchase any Notes.

The Notes have not been and will not be registered with, recommended, approved or disapproved by the United States Securities and Exchange Commission (“SEC”) or any federal or state securities commission or regulatory authority. Rather, the Notes are being offered in reliance upon an exemption provided by Section 3(a)(2) of the Securities Act. Furthermore, the foregoing authorities have not passed upon the accuracy or determined the adequacy of this Offering Circular or any Offering Circular Supplement. Any representation to the contrary is a criminal offense.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in jurisdictions other than the United States of America (the “United States”) and The Netherlands. The Issuer and the Dealers do not represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or any of the Dealers which would permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required other than the United States and The Netherlands. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any such jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession or control this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. See “Selling Restrictions” in this Offering Circular and in the Terms Supplement.

ENFORCEMENT OF LIABILITIES AND SERVICE OF PROCESS

The Issuer is the Utrecht Branch of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., a cooperative entity established under the laws of The Netherlands with its statutory seat in Amsterdam, The Netherlands and the Guarantor is the New York Branch of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. Most of the directors and executive officers of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. and certain of the Issuer's advisers named in this Offering Circular or incorporated therein by reference are residents of countries other than the United States, and all or a substantial portion of the assets of such non-U.S. residents are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or to enforce against them judgments of U.S. courts predicated upon the civil liability provisions of the federal securities laws of the United States.

The Issuer and the Guarantor will expressly accept the jurisdiction of the Supreme Court of the State of New York or the United States District Court for the Southern District of New York, in either case in the Borough of Manhattan, The City of New York, for the purpose of any suit, action or proceeding, arising out of the Notes offered hereby. The Issuer has appointed the Guarantor as its agent in the United States to accept service of process in any such action. There can be no assurance as to the enforceability in The Netherlands in original actions or in actions for enforcement of judgments in U.S. courts, of liabilities predicated solely upon the federal securities laws of the United States.

Under New York law, (a) the Guarantor, as a New York state-licensed branch of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., a Dutch bank, is required to set aside and pledge certain liquid assets equal to a percentage of its liabilities, including the Guarantee, (b) the Superintendent may increase that percentage or take possession of such assets and the rest of the property and business of the Guarantor located in New York for the benefit of the Guarantor's creditors, including the beneficiaries of the Guarantee, if the financial condition of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. deteriorates or if Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. is placed in liquidation or has been declared bankrupt or has become subject to any emergency procedure in The Netherlands or otherwise and (c) the Superintendent is authorized not to turn over any such assets or other property of the Guarantor to the principal office of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. or any Dutch liquidator or receiver until all of the claims of the creditors of the Guarantor, including the beneficiaries of the Guarantee, have been satisfied and discharged.

Notwithstanding the foregoing, under Dutch law, a branch is not a separate legal entity and, therefore, from a purely Dutch law perspective, the Guarantee provided by the Guarantor for the obligations of the Issuer does not provide a separate means of recourse.

All references in this document to "U.S. dollars," "U.S.\$," "USD" and "\$" refer to the currency of the United States of America, and to "euro" and "EUR" refer to the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty establishing the European Community, as amended by the Treaty on the European Union, which is the lawful currency of The Netherlands.

RABOBANK GROUP

“Rabobank Group” or the “Group” is comprised of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) (“**Rabobank Nederland**”), a coöperative entity (*coöperatie*) in The Netherlands, its local member credit institutions (the “**Local RaboBanks**”), and its subsidiaries. The Local RaboBanks are themselves cooperative entities and draw their members from their customers. The underlying purpose of the cooperative structure is to make high quality services and products available to its customers at reasonable prices, providing the Group with the profits necessary to continue offering such services and products.

The principal office of Rabobank Group is located at Croeselaan 18, 3521 CB Utrecht, The Netherlands.

Through their mutual financial association, various legal entities within Rabobank Group together make up a single organization. An internal liability relationship exists between these legal entities, as referred to in Article 3.111 of the Financial Supervision Act. This relationship is formalized in an internal cross-guarantee system, which stipulates that if a participating institution has insufficient funds to meet its obligations towards its creditors, the other participants must supplement that institution’s funds in order to enable it to fulfill those obligations. Participating entities within Rabobank Group 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.

For regulatory and financial reporting purposes, Rabobank Nederland and the Local RaboBanks, as well as the participating subsidiaries, are treated as one consolidated entity.

The above information is qualified by the detailed information as to the business, operations and financial condition of the Group set forth in the Information Statement which is incorporated by reference herein.

DOCUMENTS INCORPORATED BY REFERENCE

We incorporate by reference into this Offering Circular the documents listed below and any future interim financial information published by Rabobank Group on an ongoing basis and any other documents published by Rabobank Group that specifically state they are being incorporated by reference into this Offering Circular, in each case until we complete our offering of the Notes to be issued under this Offering Circular or, if later, the date on which any of our affiliates ceases offering and selling such Notes:

(a) the consolidated financial statements of Rabobank Group for the years ended December 31, 2008, 2009 and 2010 (the “**Financial Statements**”);

(b) the auditor’s reports to the consolidated financial statements of Rabobank Group for the years ended December 31, 2008, 2009 and 2010; and

(c) the Information Statement of Rabobank Group dated May 13, 2011 prepared in connection with this Offering Circular, as supplemented or amended;

(collectively, the “**Incorporated Documents**”), save that any statement contained herein or in any Incorporated Document shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

The Issuer will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the written or oral request of such person, a copy of any or all of the Incorporated Documents unless such documents have been modified or superseded as specified above. Requests for the Incorporated Documents should be directed to the Issuer at its office set out at the end of this Offering Circular or at the offices of the Guarantor at 245 Park Avenue, New York, New York 10167, United States. Telephone requests may be made at (212) 916-7800.

If the terms of the Program are modified or amended in a manner which would make this Offering Circular, as so modified or amended, inaccurate or misleading, a new offering circular will be prepared and distributed by the Issuer.

The Issuer is exempt from reporting with the U.S. Securities and Exchange Commission under the U.S. Securities Exchange Act of 1934, as amended, pursuant to Rule 12g3-2(b). Each prospective purchaser is offered the opportunity, prior to purchasing any Notes, to ask questions of, and receive answers from the Issuer and to obtain relevant information about the Issuer without Issuer's unreasonable effort or expense. To ask questions of the Issuer or to obtain or access financial reports of the Issuer, requests should be directed first to: IR@rabobank.com.

Any financial information related to Rabobank Group provided upon such request will not necessarily be in conformity with the generally accepted accounting principles of the United States. The most recently published audited annual financial statements of Rabobank Group and any subsequent interim financial statements are available at: www.rabobank.com/content/investor_relations/reports. The website URL is an inactive textual reference only. The information on Rabobank Group's website is not incorporated herein and does not form a part of this Offering Circular.

SUMMARY OF THE PROGRAM

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular series of Notes, the relevant Offering Circular Supplement. Words and expressions defined in “Terms and Conditions of the Notes” below shall have the same meanings in this summary.

Issuer.....	The Utrecht Branch of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland)
Description	Medium Term Note Program.
Size	Up to \$15,000,000,000 (or the equivalent in other currencies at the date of the issue) aggregate principal amount of Notes outstanding at any one time.
Offering Circular Supplements	The Product Supplement and Terms Supplement for each series of Notes shall set forth, among other things, certain information about the terms and conditions of such Notes and the offering and sale thereof. Such information may differ from that set forth herein and, in all cases, shall supplement and, to the extent inconsistent herewith, supersede the information contained herein.
Dealer(s)	<p>The Issuer may appoint Dealer(s) either for the duration of the Program or for an offering of a particular series of Notes.</p> <p>The Issuer may from time to time terminate the appointment of any Dealer under the Program or appoint additional Dealers either in respect of one or more series of Notes or in respect of the Program. References in this Offering Circular to “Dealers” are to the persons that are appointed as underwriter, agent or dealers for the duration of the Program (and whose appointment has not been terminated) and all persons appointed as an underwriter, agent or dealer for one or more series.</p>
Fiscal Agent.....	The Fiscal and Paying Agent. Initially, the Fiscal Agent shall be Deutsche Bank Trust Company Americas. The Fiscal Agent may be changed in accordance with the Fiscal and Paying Agency Agreement (as defined herein). See “Terms and Conditions of the Notes – Amendments, Modifications and Substitutions.”
Issue Price.....	Notes may be issued at par or at a discount or premium to par. The issue price for each series of Notes shall be set forth in the applicable Terms Supplement.
Form of Notes.....	Except as provided under “Terms and Conditions of the Notes – Exchange and Replacement of Notes” or as otherwise specified in the applicable Terms Supplement, the Notes of each series will be

	represented exclusively by one or more global certificates in registered form without receipts, interest coupons or talons (each, a “ Global Certificate ”) deposited with and registered in the name of The Depository Trust Company in New York, New York (“ DTC ”) or its nominee, or (if specified in the applicable Offering Circular Supplement) deposited with and registered in the name of any other clearing system or its nominee.
Initial Delivery of Notes	On or before the issue date for each series of Notes, the Global Certificate representing such Notes shall be deposited with and registered in the name of DTC or its nominee, unless otherwise specified in the relevant Offering Circular Supplement.
Currencies.....	Subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer and the relevant Dealer(s) and specified in the applicable Offering Circular Supplement.
Maturities.....	Such maturities as may be agreed between the Issuer and the relevant Dealer(s) and specified in the applicable Offering Circular Supplement.
Denomination.....	Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) and specified in the applicable Offering Circular Supplement.
Redemption	The relevant Offering Circular Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified installments, if applicable, or following an Event of Default or an exercise of a Tax Call Right, as defined below) or that such Notes will be redeemable prior to the stated maturity on such dates, at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer(s) and as specified in the relevant Offering Circular Supplement.
Status of Notes	The Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer, all as described in “Terms and Conditions of the Notes.”
Guarantee.....	All payments and/or deliveries (if any) of principal, premium, interest or other amounts (in cash or in securities) payable or deliverable on, or exchangeable for, the Notes of any series in accordance with the terms of such Notes will be irrevocably and unconditionally guaranteed by the Guarantor pursuant to a Guarantee issued in connection with the Notes.
Taxation.....	For the U.S. tax consequences of persons holding security entitlements in respect of any Notes, see the relevant Offering Circular Supplement.

Risks	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 some of the risks is contained in “Special Consideration – Risk Factors.” The relevant Offering Circular Supplement will also contain risk factors particular to such Notes.
Effective Yield	The effective yield, if applicable, as of the first day of issue of a series of Notes, will be mentioned in the relevant Terms Supplement.
Use of Proceeds.....	The Issuer will use the net proceeds to hedge its exposure on the Notes and for general corporate purposes. See “Use of Proceeds.”
Governing Law.....	The terms of the Notes and the Guarantee will be governed by New York law.
Listing.....	The Notes will not be listed unless otherwise specified in the relevant Terms Supplement.
Selling Restrictions	<p>None of the Issuer, the Guarantor or the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.</p> <p>Each Dealer has agreed, and each further Dealer appointed under the Program will be required to agree, that it will not offer, sell or deliver any of the Notes in any jurisdiction except under circumstances that will result in compliance with the applicable laws of such jurisdiction.</p> <p>Specific selling restrictions will be as set forth in this Offering Circular under “Selling Restrictions” and in the Terms Supplement.</p>

Ratings*

The Program has been rated as follows: Notes with maturities of one year or more are currently rated AAA by Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. ("Standard & Poor's") and Aaa by Moody's Investors Service, Inc. ("Moody's"). Notes with maturities of less than one year are rated A-1+ by Standard & Poor's and P1 by Moody's. Notes issued under the Program may be rated or unrated. Where an issuance of Notes is rated, such rating will not necessarily result in a rating of AAA or A1+ by Standard & Poor's and Aaa or P1 by Moody's and will be specified in the applicable Offering Circular Supplement.

* A rating reflects only the views of Moody's or Standard & Poor's, as the case may be, and is not a recommendation to buy, sell or hold the Notes. There is no assurance that such ratings shall be retained for any given period of time or that it shall not be revised-downward or withdrawn entirely by Moody's or Standard & Poor's, as the case may be, if, in their respective judgments, circumstances so warrant.

SPECIAL CONSIDERATIONS

Risk Factors

Investment in the Notes is subject to a number of risks not associated with similar investments in a conventional debt security. You should consider carefully all the risk factors described in the Product Supplement relevant to the series of Notes you are investing in.

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 Offering Circular Supplement, shall be applicable to the Notes of each series. These terms and conditions as completed, amended, supplemented or varied by the relevant Offering Circular Supplement (and subject to simplification by the deletion of non-applicable provisions), shall be reflected in the Fiscal and Paying Agency Agreement for, and the security certificates representing, such Notes. The summaries in this Offering Circular and the relevant Offering Circular Supplement of certain provisions of the Notes, the Guarantee and the Fiscal and Paying Agency Agreement do not purport to be complete and such summaries are subject to the detailed provisions of the Fiscal and Paying Agency Agreement and the security certificates representing such Notes to which reference is hereby made for a full description of such provisions, including the definition of certain terms used, and for other information regarding the Notes and the Guarantee. All capitalized terms that are not defined in this Offering Circular will have the meanings given to them in the Fiscal and Paying Agency Agreement and if not defined therein, the relevant Offering Circular Supplement.

The Notes of each series will be issued pursuant to an Amended and Restated Fiscal and Paying Agency Agreement dated as of June 20, 2007 (as amended or supplemented from time to time as of the date of issue of such series of Notes (the “**Issue Date**”)) (the “**Fiscal and Paying Agency Agreement**”) between the Issuer and Deutsche Bank Trust Company Americas as fiscal and paying agent (the “**Fiscal Agent**”), registrar and transfer agent. Calculation of interest and/or premium, if any, on the Notes, and certain other determinations, will be made by the calculation agent (the “**Calculation Agent**”) which, unless otherwise specified in the applicable Offering Circular Supplement will initially be Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. The terms and conditions of the role and responsibilities of the Calculation Agent will initially be contained in the Fiscal and Paying Agency Agreement. Each Holder of each series of Notes is deemed to have notice of and to have accepted all of the provisions of the Fiscal and Paying Agency Agreement applicable to it.

The Notes will be the direct, general, unconditional, unsecured and unsubordinated obligations of the Issuer and will rank *pari passu* without any preference among themselves and *pari passu* with all of the Issuer’s other unconditional, unsecured and unsubordinated obligations, except those mandatorily preferred by law. A copy of the Fiscal and Paying Agency Agreement can be obtained by writing to the Guarantor at the following address: 245 Park Avenue, New York, New York 10167, United States.

General Terms of the Notes

The Issuer intends to issue from time to time Notes in one or more series having an aggregate principal amount of up to \$15,000,000,000 (or the equivalent in other currencies on the date of issue).

The specific terms of any series of the Notes with respect to which this Offering Circular is being delivered will be set forth in the relevant Offering Circular Supplement. The Offering Circular Supplement will also contain information, where applicable, about material U.S. federal income tax considerations relating to the Notes covered by such Offering Circular Supplement. This Offering Circular may not be used to consummate sales of any series of the Notes unless accompanied by an Offering Circular Supplement related to such series of the Notes.

Guarantee

Pursuant to the Guarantee, the Guarantor unconditionally and irrevocably guarantees to each Holder of each series of Notes the payments and/or deliveries (if any) of the redemption amount, interest or other amounts (in cash or in securities) due and payable or deliverable on, or exchangeable for, such Notes, if such amounts have not been received by such Holder at the time such payment is due and payable or deliverable, as applicable (after giving effect to all the applicable cure periods). Under the terms of the Guarantee, the Guarantor has waived diligence, presentment, demand, protest and notice of any kind with respect to the Guarantee. The Guarantor has also waived any requirement that the Holder or Holders of any Notes exhaust any rights or take

any action against the Issuer in respect of the obligations covered by the Guarantee. The Guarantee provides that in the event of a default in payment or delivery of any amounts due to the Holder or Holders of any Notes, such Holder or Holders may institute legal proceedings directly against the Guarantor to enforce the Guarantee without first proceeding against the Issuer. The Guarantee (i) is a direct, general, unconditional, unsecured and unsubordinated obligation of the Guarantor and ranks *pari passu* with all other unconditional, unsecured and unsubordinated contingent obligations of the Guarantor, except those mandatorily preferred by law, (ii) is a continuing guarantee, (iii) is irrevocable and (iv) is a guarantee of payment and delivery of the amounts due and payable or deliverable under the Notes and not of collection. The Guarantee shall not be discharged except by the payment and delivery of all amounts due and payable or deliverable under the Notes. The Guarantee, however, does not obligate the Guarantor or any other party to make a secondary market in the Notes of any series or to make any payments with respect to any secondary market transactions.

Under New York law, (a) the Guarantor, as a New York state-licensed branch of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., a Dutch bank, is required to set aside and pledge certain liquid assets equal to a percentage of its liabilities, including the Guarantee, (b) the Superintendent may increase that percentage or take possession of such assets and the rest of the property and business of the Guarantor located in New York for the benefit of the Guarantor's creditors, including the beneficiaries of the Guarantee, if the financial condition of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. deteriorates or if Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. is placed in liquidation or has been declared bankrupt or has become subject to any emergency procedure in The Netherlands or otherwise and (c) the Superintendent is authorized not to turn over any such assets or other property of the Guarantor to the principal office of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. or any Dutch liquidator or receiver until all of the claims of the creditors of the Guarantor, including the beneficiaries of the Guarantee, have been satisfied and discharged.

Notwithstanding the foregoing, under Dutch law, a branch is not a separate legal entity and, therefore, from a purely Dutch law perspective, the Guarantee provided by the Guarantor for the obligations of the Issuer does not provide a separate means of recourse.

In the event that U.S. withholding taxes are applicable on payments made by the Guarantor, there is no additional gross up for such withholding taxes. In many circumstances, such withholding taxes could be avoided if the beneficial owner of a Note provides the Issuer or its paying agent with a properly completed U.S. IRS Form W-8 or W-9.

The Offering Circular Supplement

The following terms of the Notes of any particular series in respect of which this Offering Circular is being delivered will be specified to the extent applicable in the Offering Circular Supplement related to such series:

- (i) the title and series of Notes;
- (ii) the limit (if any) upon the aggregate principal amount of Notes of such series;
- (iii) the dates on which or periods during which Notes of such series may be issued;

(iv) the redemption amount (if any) or other amounts (in cash or in securities) payable or deliverable on, or exchangeable for, the Notes of such series, and the dates on which, or the range of dates within which, such amounts will be payable or deliverable, or, if applicable, the method by which such date or dates shall be determined;

(v) the rate or rates (which may be fixed or variable) at which the Notes of such series shall bear interest (if any) or the method by which such rate or rates shall be determined, the date or dates from which such interest shall accrue or the method by which such date or dates shall be determined, the Interest Payment Dates (as defined below) on which such interest shall be payable and the record date for the interest payable on any Interest Payment Date;

(vi) the place or places where the redemption amount (if any), interest (if any) or other amounts (in cash or in securities) payable or deliverable on, or exchangeable for, the Notes of such series shall be paid or delivered, and the coin or currency, if other than U.S. dollars, in which any amounts payable in cash shall be paid;

(vii) the Issuer's obligation or option (if any) to redeem or purchase Notes of such series, in whole or in part, prior to the designated maturity and the periods within which or the dates on which, the prices at which and the terms and conditions upon which such Notes will be redeemed or repurchased, in whole or in part, pursuant to such obligation or option;

(viii) the denominations in which Notes of such series will be issuable;

(ix) if other than the principal amount thereof, the amount which shall be payable (or such amount of securities which shall be delivered) upon declaration of any acceleration of the maturity thereof and the method by which such amount shall be determined;

(x) the entity that will act as Calculation Agent for such series, if other than Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.;

(xi) the entity that will act as Depository for such series, if other than DTC;

(xii) any relevant Business Day convention for the shifting of payment or calculation dates not occurring on a Business Day in accordance with the procedures described under, “—Payments of Interest and Redemption Amount – (b) Business Day”;

(xiii) if the redemption amount (if any), interest (if any) or any other amounts (in cash or in securities) payable or deliverable on, or exchangeable for, such Notes may be linked to or determined with reference to the price or performance of one or more Reference Assets, information regarding such Reference Asset(s) and the manner in which such amounts shall be determined;

(xiv) if the Issuer will deliver one or more securities in respect of the redemption amount (if any), interest (if any) or other amounts payable under Notes of such series, how the amount of securities to be delivered will be determined;

(xv) any additional Events of Default (as defined below) provided for with respect to Notes of such series;

(xvi) if the Issuer will be obligated to redeem Notes of such series on the occurrence of certain events involving U.S. information reporting requirements, the circumstances under which it will be obligated to do so;

(xvii) a discussion of certain U.S. federal income tax considerations related to the purchase, ownership and disposition of Notes; and

(xviii) any other terms of Notes of such series not inconsistent with the provisions of the Fiscal and Paying Agency Agreement.

Payments of Interest and Redemption Amount

(a) Method of Payment

The Issuer will remit to the Fiscal Agent, who will, upon receipt, further remit to the person or persons in whose name a Note is registered in the Notes Register (each, a “**Holder**” of such Notes) the redemption amount (if any), interest (if any) or any other amounts (in cash or in securities) payable or deliverable on, or exchangeable for, such Notes. In the case of Notes represented by a Global Certificate deposited with and registered in the name of DTC or its nominee, DTC will be considered the exclusive Holder of the entire issue of such Notes. Thus, upon payment in full of any amount due under such Notes to DTC, the Issuer and the Guarantor will be discharged from any further obligation with regard to such payments. No person other than DTC shall have any claim directly against the Issuer or, as the case may be, the Guarantor in respect of any payments due on any Notes represented by a Global Certificate on deposit with and registered in the name of DTC or its nominee.

The Issuer understands that it is DTC’s ordinary practice to credit payments made on any Notes to the accounts of its participants in accordance with the principal amount of Notes credited to their accounts with DTC, unless DTC has reason to believe that it will not receive payment on the applicable payment date. Payments to persons who have Notes credited to an account with a participant of DTC or another securities intermediary will be governed by the laws and agreements governing such account with such participant or other securities intermediary and will be the responsibility of such participant or other securities intermediary, and not of DTC, the Fiscal Agent, the Issuer or the Guarantor, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of the redemption amount (if any), interest (if any) or any other amounts (in cash or in securities) payable or deliverable on, or exchangeable for, any Notes deposited with and registered in the name of DTC or its nominee is the responsibility of the Issuer, the Guarantor, or the Fiscal Agent. Disbursement of such payments to DTC’s participants is the responsibility of DTC, and disbursement of such payments to persons who have Notes credited to an account with a participant

of DTC or another securities intermediary shall be the responsibility of such participant or other securities intermediary.

(b) Business Day

If the date for payment of any amount in respect of any Note is not a Business Day (as defined below), the Holder thereof shall instead be entitled to payment: (i) on the next following Business Day in the relevant place, if “Following Business Day” convention is specified in the applicable Offering Circular Supplement; or (ii) on the next following Business Day in the relevant place, unless the date for payment would thereby fall into the next calendar month, in which event such date for payment shall be brought back to the immediately preceding Business Day in the relevant place, if “Modified Following Business Day” convention is specified in the applicable Offering Circular Supplement; provided that if neither “Following Business Day” nor “Modified Following Business Day” convention is specified in the applicable Offering Circular Supplement, “Following Business Day” convention shall be deemed to apply. In the event that any adjustment is made to the maturity date, redemption date or early repayment date of any Notes in accordance with this paragraph, the relevant amount due in respect of such Note shall not be affected by such adjustment and no additional interest will accrue during the period from and after the maturity date, redemption date or repayment date, as applicable. For these purposes, unless otherwise specified in the applicable Offering Circular Supplement, “**Business Day**” means a day which is a day (other than a Saturday or Sunday or other day on which banks in New York, Amsterdam or London are required or permitted to close) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in New York, Amsterdam and London.

Interest

If the applicable Offering Circular Supplement specifies that a particular series of Notes shall bear interest (the “**Interest Paying Notes**”), interest will be payable on the interest payment dates (the “**Interest Payment Dates**”) set forth in the applicable Offering Circular Supplement and each Interest Paying Note will bear interest at either:

- a fixed rate specified in the applicable Offering Circular Supplement; or
- a floating rate specified in the applicable Offering Circular Supplement determined by reference to an interest rate basis, which may be adjusted by a spread and/or spread multiplier, as defined below, or by reference to a Reference Asset. Any Floating Rate Note (as defined below) may also have either or both of the following:
 - a maximum interest rate limitation, or ceiling, on the rate at which interest may accrue during any interest period; and
 - a minimum interest rate limitation, or floor, on the rate at which interest may accrue during any interest period.

In addition, the interest rate on Floating Rate Notes will in no event be higher than the maximum rate permitted by New York law, as the same may be modified by United States Federal law of general application.

Unless otherwise provided in the applicable Offering Circular Supplement each Interest Paying Note will bear interest from its date of issue or from the most recent date on which interest on that Note has been paid or duly provided for, at the fixed or floating rate specified in the applicable Offering Circular Supplement, until the redemption amount (if any) has been paid or made available for payment at maturity, redemption or repayment, as applicable, of such Notes. Interest on the Interest Paying Notes will be payable on each Interest Payment Date and at the date specified in the applicable Offering Circular Supplement for maturity, redemption or repayment, as applicable. Unless otherwise indicated in the applicable Offering Circular Supplement, interest payments in respect of the Interest Paying Notes will equal the amount of interest accrued from and including the immediately preceding Interest Payment Date in respect of which interest has been paid or duly made available for payment (or from and including the date of issue, if no interest has been paid with respect to the applicable Note) to but excluding the related Interest Payment Date, maturity date, redemption date or repayment date, as the case may be. Unless otherwise specified on the applicable Offering Circular Supplement, if the maturity date of the Notes of any series is extended due to the existence of a Market Disruption Event, as defined in the related Offering Circular Supplement, you will not be paid any interest on Notes of such series from the originally scheduled maturity date until the extended maturity date. In the case of acceleration of the maturity of the Notes of any series, interest will be paid on the Notes of such series through and excluding the related date of accelerated payment. Unless otherwise specified in the Offering Circular Supplement, the Calculation Agent

will calculate interest payable on any Interest Payment Date on the basis of a 360-day year consisting of twelve 30-day months.

Interest on any Notes will be payable to each Holder thereof at the close of business on the regular record date relating to such Interest Payment Date, except that if the Issuer fails to pay the interest due on an Interest Payment Date, the defaulted interest will be paid to each Holder of such Notes at the close of business on the record date the Issuer will establish for the payment of defaulted interest on such Notes or in any other lawful manner, if after giving notice to the Fiscal Agent, the Fiscal Agent deems it practicable. Interest payable at maturity, redemption or repayment will be payable to each Holder of such Notes.

(a) Fixed Rate Notes

Each series of fixed rate Notes (the “**Fixed Rate Notes**”) will bear interest at the rate specified in the applicable Offering Circular Supplement. The Interest Payment Dates for Fixed Rate Notes will be specified in the applicable Offering Circular Supplement and the regular record dates will be the third Business Day prior to each Interest Payment Date, unless otherwise specified in the applicable Offering Circular Supplement. In the event that any date for any payment on any Fixed Rate Notes is not a Business Day, payment of the redemption amount (if any) or interest otherwise payable on such Fixed Rate Notes will be made as provided in “— Payments of Interest and Redemption Amount – Business Day” above unless otherwise specified in the applicable Offering Circular Supplement. The Issuer will not pay any additional interest as a result of the delay in payment.

(b) Floating Rate Notes

Each series of floating rate Notes (the “**Floating Rate Notes**”) will bear interest at the annual rate specified in the applicable Offering Circular Supplement. The applicable Offering Circular Supplement will provide the specific terms of the relevant series of Floating Rate Notes, including, as applicable:

- whether such Floating Rate Notes are regular Floating Rate Notes, inverse Floating Rate Notes or floating rate/fixed rate Notes;
- the interest rate basis or bases;
- method of calculation of the interest rate;
- interest reset dates;
- interest reset period;
- Interest Payment Dates;
- maximum interest rate and minimum interest rate (if any);
- the spread and/or spread multiplier (if any);
- the index currency (if other than U.S. dollars);
- description of the underlying Reference Assets (if any); and
- any other variable that the amount of interest paid on such Floating Rate Notes will be based on.

The “spread” is the number of basis points to be added to or subtracted from the related interest rate basis or bases applicable to a series of Floating Rate Notes. The “spread multiplier” is the percentage of the related interest rate basis or bases applicable to a series of Floating Rate Notes by which such interest basis or bases will be multiplied to determine the applicable interest rate on such Floating Rate Notes.

Day Count Fraction

Calculation of an amount of interest for any Interest Period shall be as follows:

(i) if “Actual/365” or “Actual/Actual” is specified in the applicable Terms Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366

and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(ii) if “Actual/365 (Fixed)” is specified in the applicable Terms Supplement, the actual number of days in the Interest Period divided by 365;

(iii) if “Actual/365 (sterling)” is specified in the applicable Terms Supplement, 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 applicable Terms Supplement, the actual number of days in the Interest Period divided by 360;

(v) if “30/360,” “360/360” or “Bond Basis” is specified in the applicable Terms Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));

(vi) if “30E/360” or “Eurobond Basis” is specified in the applicable Terms Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of an Interest Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30 day month); and

(vii) if “Actual/Actual-ISMA” is specified in the applicable Terms Supplement, (A) if the Interest Period is equal to or shorter than the accrual period specified in the Terms Supplement during which it falls (“**Determination Period**”), the number of days in the Interest 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 Interest Period is longer than one Determination Period, the sum of : (x) the number of days in such Interest 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 Interest 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.

Redemption

(a) Optional Early Redemption by Issuer

Unless otherwise indicated in this Offering Circular under “—Redemption for Tax Reasons” or in the applicable Offering Circular Supplement, the Notes will not be redeemable at the Issuer’s option prior to their stated maturity date. If so provided for in the applicable Offering Circular Supplement, the Issuer will have the option to redeem any series of Notes (in whole or in part) on one or more optional repayment dates prior to their stated maturity date and in such manner and for such early redemption amount as specified in the applicable Offering Circular Supplement.

(b) Optional Early Redemption by Holder

If applicable, the Offering Circular Supplement for Notes of the relevant series will indicate that the Holder thereof has the option to require the Issuer to redeem the Notes of such series (in whole or in part) on one or more optional redemption dates prior to their stated maturity date and in such manner and for such early redemption amount as specified in the applicable Offering Circular Supplement.

In the case of any Notes represented by one or more Global Certificates deposited with and registered in the name of DTC or its nominee, DTC will be the exclusive Holder of such Notes and therefore will be the only person that can exercise a right to redemption. In order to cause DTC to timely exercise a right to redeem a particular Note, as provided in “—Optional Early Redemption by Holder” above, any person holding a security entitlement in respect of such Notes must instruct its securities intermediary to notify DTC of such person’s desire to exercise a right to repayment. Different securities intermediaries have different cut-off times for accepting instructions from their customers and, accordingly, each person who holds a security entitlement in respect of any Notes (each, an “**Entitlement Holder**” in respect of such Notes) should consult its securities

intermediary in order to ascertain the cut-off time by which an instruction must be given in order for timely notice to be delivered to DTC.

(c) Mandatory Early Redemption

Unless otherwise indicated in the applicable Offering Circular Supplement, the Notes of any series will not be subject to mandatory redemption prior to the stated maturity date. If so provided in the applicable Offering Circular Supplement, Notes of such series will be redeemable, in whole and not in part, on mandatory early redemption dates prior to their stated maturity date or upon the occurrence of certain events in such manner as specified in the applicable Offering Circular Supplement. The applicable Offering Circular Supplement will also provide the applicable mandatory redemption amount, which may be fixed at the time of sale of Notes of such series, or the method of calculating the payment amount for which such Notes will be redeemed.

(d) Secondary Market Purchases

The Issuer and/or its affiliates may purchase Notes of any series at any price in the open market or otherwise. Notes so purchased by the Issuer and/or its affiliates may, at their discretion, be held or resold or surrendered to the Fiscal Agent for cancellation.

Special Provisions for Notes payable by delivery of securities

All expenses including but not limited to any depository charges, levies, scrip fees, registration, transaction or exercise charges, stamp duty, stamp duty reserve tax and/or taxes or duties (together “**Delivery Expenses**”) arising from the delivery and/or transfer of securities deliverable as payment in respect of any Notes shall be for the account of the Holder or Holders of such Notes and no delivery and/or transfer of securities in respect of such Notes shall be made until all Delivery Expenses have been discharged to the satisfaction of the Issuer by such Holder or Holders.

Neither the Issuer nor the Fiscal Agent shall be under any obligation to register or cause the registration of any Holder of any Notes or any other person prior to or after any delivery of securities in respect of such Notes as the owner or holder of any such securities deliverable in respect of such Notes or otherwise.

Redemption for Taxation Reasons

The Notes of any series may be redeemed (a “**Tax Call Right**”) at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 days’ notice to the Holder or Holders of such Notes (which notice shall be irrevocable) at a redemption amount specified in the applicable Offering Circular Supplement. If no amount is specified in the applicable Offering Circular Supplement, the tax redemption amount shall be 100% of the principal amount of such Notes in cash plus accrued and unpaid interest to the date fixed for redemption, which will be provided in the notice to the Holder or Holders of such Notes. A Tax Call Right may be exercised if:

- on the occasion of the next payment or delivery due under such Notes, the Issuer has or will become obliged to pay additional amounts as provided in “Payment of Additional Amounts” below, as a result of any change in, or amendment to, the laws or regulations of any relevant jurisdiction (as defined below), or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the issue date of such Notes; and
- such obligation cannot be avoided by the Issuer taking reasonable measures available to it.

Before the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent a certificate 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 or tax 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.

Payment of Additional Amounts

Except as provided in the applicable Offering Circular Supplement, all payments of principal and interest in respect of the Notes 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 (or any other jurisdiction of a successor corporation) or any authority therein or thereof having power to tax (a “**relevant jurisdiction**”), unless such withholding or deduction is required by law. In that

event, the Issuer shall pay such additional amounts as shall result in receipt by the Holder or Holders of such Notes of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to such Notes presented for payment:

- in the relevant jurisdiction with respect to such taxes levied by the relevant jurisdiction;
- by or on behalf of a Holder or Entitlement Holder thereof who is liable for taxes or duties levied by a relevant jurisdiction in respect of such Notes by reason of any present or former connection of the Holder or Entitlement Holder with that same relevant jurisdiction other than by reason only of the holding of such Note or security entitlement in respect thereof; for purposes of this paragraph, present or former connection with a relevant jurisdiction includes a connection between the relevant jurisdiction and a fiduciary, settlor, beneficiary, member or shareholder if an Entitlement Holder is an estate, a trust, a partnership or a corporation and includes a connection of an Entitlement Holder (or a fiduciary, settlor, beneficiary, member or shareholder) by reason of being or having been a citizen or resident of the relevant jurisdiction, being or having been engaged in a trade or business or present in the relevant jurisdiction, or having had a permanent establishment in the relevant jurisdiction;
- by or on behalf of a Holder or Entitlement Holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring third party compliance with any statutory requirements or by making or procuring a third party to make a declaration or certificate of non-residence or complying or procuring third party compliance with any information or reporting requirement in order to or claim an exemption from tax or governmental duty or charge;
- 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 Directives;
- by or on behalf of a Holder or Entitlement Holder who would have been able to avoid such withholding or deduction by presenting such Notes to any other paying agent;
- more than 30 days after the Relevant Date;
- any capital gain, estate, inheritance, gift, sales, transfer or personal property tax or any similar tax, assessment or governmental charge;
- any tax, assessment or other governmental charge that is payable otherwise than by withholding from payments on or in respect of such Notes; or
- in the case of any combination of the items listed above.

Nor shall we pay additional amounts with respect to any payment on any Notes to a Holder or an Entitlement Holder who is a fiduciary, an entity treated as a partnership or any other person that is not the sole beneficial owner of such payment to the extent such payment would be required by the laws of a relevant jurisdiction to be included in income, for tax purposes, of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been entitled to the additional amounts had such beneficiary, settlor, member or beneficial owner been the Holder or Entitlement Holder of such Notes.

Relevant Date

In respect of any Note, Relevant Date means the date on which payment in respect of such Note 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 Holder or Holders of such Note that, upon further presentation of such Note being made, such payment will be made, provided that payment is in fact made upon such presentation. References in these Sections to (i) "principal" shall be deemed to include any premium payable in respect of the Note, any final redemption amounts, early redemption amounts, optional redemption amounts and all other amounts in the nature of principal payable, (ii) "interest" shall be deemed to include all interest amounts and all other amounts payable and (iii) "principal" and/or "interest" shall be deemed to include any additional amounts that may be payable under this section.

Exchange and Replacement of Notes

The next paragraph concerning the transfer, exchange and replacement of Notes will only apply in the event that the use of DTC's book-entry system is discontinued pursuant to the terms of the Fiscal and Paying Agency Agreement and that certificates representing such Notes are delivered outside of the DTC's system.

Subject to the procedures described in the section entitled "Provisions Relating to the Notes While in Global Form-Form, Denomination and Title," in this Offering Circular, Notes of any series may be transferred or exchanged for Notes of such series of a like aggregate principal amount in any authorized denominations and otherwise of the same terms as the Notes of such series so transferred or exchanged. The transfer of any Notes may be registered only in the Notes Register and only upon surrender of each certificate representing such Notes to the Fiscal Agent. Each certificate representing any Notes presented or surrendered for registration of transfer or for exchange shall (if so required by the Fiscal Agent or the Issuer) be duly endorsed, or be accompanied by a written instrument of transfer with such evidence of due authorization and guarantee of signature as may reasonably be required by the Fiscal Agent in form satisfactory to the Fiscal Agent, duly executed by the Holder thereof or his attorney duly authorized in writing. In the event any certificate representing any Notes becomes mutilated, destroyed, stolen or lost, the Fiscal Agent shall authenticate and deliver a replacement certificate of like tenor and principal amount in exchange or replacement therefor in accordance with the provisions therefor in the Fiscal and Paying Agency Agreement.

Extension of Maturity

The applicable Offering Circular Supplement will indicate whether the Issuer has the option to extend the maturity of Notes of any series for one or more periods up to but not beyond the final maturity date set forth in the applicable Offering Circular Supplement. If the Issuer has that option with respect to Notes of any series, the Issuer will describe the procedures in the applicable Offering Circular Supplement.

Types of Reference Assets

The Issuer may issue Notes with the redemption amount and/or the amount of interest payable on any Interest Payment Date to be determined by reference to (i) one or more debt or equity securities of entities that are not affiliated with us, (ii) an index or indices, (iii) one or more commodities, (iv) the value of one or more currencies as compared to the value of one or more other currencies, (v) one or more interest rates, (vi) baskets of any of the aforementioned securities, instruments or indices, or (vii) any other asset or measure of financial performance as provided in the applicable Offering Circular Supplement. The applicable Offering Circular Supplement will set forth the specific information pertaining to the applicable Reference Assets.

(a) Debt, Common Stock, Preferred Stock and American Depositary Receipts

The Issuer may use as Reference Assets the following securities and/or instruments of entities that are not affiliated with the Issuer (each, a "**Reference Issuer**"): debt (evidenced by notes or bonds), common stock, other common equity securities or instruments, preferred stock or American Depositary Receipts. Reference Issuers will be (i) subject to the reporting requirements of the Exchange Act and (ii) will either be eligible to use Form S-3 or Form F-3 under the Securities Act for a primary offering of non-investment grade securities pursuant to General Instruction B.1 of such forms or will meet the listing criteria that a Reference Issuer would have to meet if the class of Notes was to be listed on a national securities exchange as equity-linked securities, such as the American Stock Exchange Rule 107.B. The applicable Offering Circular Supplement will specify the relevant Reference Issuer(s) and the type of securities or instruments that comprise the Reference Assets.

(b) Index or Indices

The Issuer may use one or more indices published by third party publishers as a Reference Asset(s). Such indices are typically statistical composites which measure changes in the economy as a whole or in a specific market segment. The applicable Offering Circular Supplement will list the index or indices used and will provide the specific information pertaining to such index or indices.

(c) Commodities

The Issuer may use one or more commodities, including, but not limited to, oil, natural gas, copper, nickel and gold as a Reference Asset(s). The applicable Offering Circular Supplement will list the commodity or commodities used and will provide the specific information pertaining to such commodities.

(d) Currencies and Exchange Rates

The Issuer may use one or more currencies and/or foreign exchange rates as a Reference Asset(s). Examples of currencies that may be used as a Reference Asset(s) are: Euro, Hong Kong Dollar, British Pound, Swiss Franc, Japanese Yen, Canadian Dollar and Australian Dollar. Notwithstanding the foregoing, other currencies and/or foreign exchange rates are not precluded from being used as a Reference Asset(s) and will be described in the applicable Offering Circular Supplement.

(e) Interest Rates

The Issuer may use one or more interest rates as a Reference Asset(s). Examples of such interest rates that may be used are LIBOR and the Treasury Rate, each as defined in the relevant Offering Circular Supplement. Notwithstanding the foregoing, other interest rates are not precluded from being used as a Reference Asset(s) and will be described in the applicable Offering Circular Supplement.

(f) Baskets

The Issuer may use a basket or combination of multiple Reference Assets described above and in the applicable Offering Circular Supplement as the Reference Asset for a series of Notes. Specific terms of such baskets will be described in the applicable Offering Circular Supplement.

Events of Default and Remedies; Waiver of Past Defaults

(a) Events of Default and Remedies

With respect to the Notes of any series, the following will be events of default (“**Events of Default**”) under the Fiscal and Paying Agency Agreement:

(i) default by the Issuer or the Guarantor for more than 30 days in the payment of (A) interest (if any) on any of the Notes of such series when the same becomes due and payable or (B) the amount(s) (in cash or in securities) payable or deliverable on, or exchangeable for, any Notes of any series at its maturity (whether at the stated maturity or by declaration of acceleration, call for redemption at the Issuer’s option or otherwise) as specified in the terms of the Notes of such series; or

(ii) the Issuer or the Guarantor fails to perform when due or observe any of its other obligations under the Notes of such series and such failure continues for the period of 60 days following service on the Issuer or the Guarantor, as the case may be, of notice requiring the same to be remedied; or

(iii) Rabobank Nederland fails in the due repayment of borrowed money which exceeds euro 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 Rabobank Nederland or Rabobank Nederland fails to honor any guarantee or indemnity in excess of euro 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 Rabobank Nederland, provided that in each case no Event of Default shall be deemed to have occurred and be continuing if Rabobank Nederland shall contest its liability in good faith or shall have been ordered not to make such payment by a competent court; or

(iv) Rabobank Nederland 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 Rabobank Nederland (except for purposes of reconstruction or merger (as understood under the laws of the Netherlands) the terms of which have previously been approved by a meeting of the Holders of the Notes of such series and the holders of any other notes issued by Rabobank Nederland or any of its offices) 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, the Issuer or the Guarantor; or

(v) Rabobank Nederland compromises with its creditors generally or such measures are officially decreed (as understood under the laws of the Netherlands); or

(vi) Rabobank Nederland shall cease to carry on the whole or a substantial part of its business (except for the purposes of a reconstruction or merger (as understood under the laws of the Netherlands) the terms of which have previously been approved by a meeting of the Holders of the Notes of such series and the holders of any other notes issued by Rabobank Nederland or any of its offices).

Under the Fiscal and Paying Agency Agreement, upon the occurrence and continuance of an Event of Default with respect to Notes of any series at the time outstanding, then, and in every such event, except for any series of Notes for which the principal amount or the redemption amount shall have already become due and payable, or deliverable on, or exchangeable for, the Notes, either the Fiscal Agent acting at the written direction of the Holder or Holders of not less than a majority in aggregate principal amount of the Notes of each such affected series then outstanding (voting as a single class) or the Holder or Holders of not less than a majority in aggregate principal amount of the Notes of each such affected series then outstanding (voting as a single class) by notice in writing to the Issuer (and to the Fiscal Agent if given by such Holder or Holders), may declare the principal amount of all Notes of all such affected series, interest accrued thereon (if any) or any other amounts or property payable or deliverable, to be due and payable or deliverable, and upon any such declaration, the same shall become immediately due and payable or deliverable.

The Fiscal and Paying Agency Agreement provides that if an Event of Default with respect to Notes of any series occurs, has not been waived and is continuing, the Fiscal Agent may at the written direction of the Holder or Holders of at least a majority of the outstanding aggregate principal amount of Notes of each applicable series will, proceed to protect and enforce its rights and the rights of the Holder or Holders of Notes of such series by such appropriate judicial proceedings as the Fiscal Agent shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in the Fiscal and Paying Agency Agreement or in aid of the exercise of any power granted in the Fiscal and Paying Agency Agreement, or to enforce any other proper remedy. The Fiscal Agent will not, however, be under any obligation to exercise any of its rights or powers under the Fiscal and Paying Agency Agreement at the request or direction of any Holder or Holders of the Notes of any series, unless such Holder or Holders shall have offered to the Agent indemnity reasonably satisfactory to it.

Any money collected by the Fiscal Agent upon exercise of the remedies under the Fiscal and Paying Agency Agreement will be applied in the following order:

- (i) first, to the payment of any costs and expenses of the Fiscal Agent incurred in the enforcement of the Notes;
- (ii) second, to the payment of the amounts then due and unpaid for interest on the Notes;
- (iii) third, to the payment of the principal amount or redemption amount (if any);
- (iv) fourth, to the payment of other amounts (in cash or in securities) payable or deliverable on, or exchangeable for, the outstanding Notes of such series; and
- (v) fifth, to the payment of the remainder, if any, to the Issuer or any other person lawfully entitled thereto.

The Fiscal and Paying Agency Agreement further provides that if a default which is, or after notice or passage of time or both would be, an Event of Default (a “**Default**”) under the Fiscal and Paying Agency Agreement shall have occurred and be continuing, the Fiscal Agent shall, within 30 days after a responsible officer of the Fiscal Agent obtains written notice from the Issuer or any Holder of the occurrence of such Default, give notice of such Default to the Issuer, as well as to the Holder or Holders of the Notes of all series then outstanding affected thereby, in the manner provided in the Fiscal and Paying Agency Agreement unless such Default has been cured or waived. Where a notice of the occurrence of an Event of Default has been given to the Holder or Holders of outstanding Notes of such series pursuant to the Fiscal and Paying Agency Agreement provision described in the preceding sentence and the Event of Default is thereafter cured, the Fiscal Agent shall give notice to the Holder or Holders of outstanding Notes of such series that the Event of Default is no longer continuing within 30 calendar days after receiving written notice from the Issuer or the Holder or Holders of not less than a majority in principal amount of the Outstanding Notes of such affected series (voting as a single class) that the Event of Default has been cured.

(b) Waiver of Past Defaults

The Fiscal and Paying Agency Agreement provides that, with respect to any series of Notes, the Fiscal Agent at the written direction of the Holder or Holders of at least a majority of the aggregate principal amount of the outstanding Notes of any series (voting as a single class) shall, on behalf of the Holder or Holders of all outstanding Notes of such series, waive any Default, or any Event of Default, with respect to Notes of such series and its consequences, except a Default in the payment of the amounts (in cash, securities or other property) payable or deliverable on, or exchangeable for, any Note of such series (unless such Default has been cured and a sum or securities sufficient to pay or deliver such amounts (in cash, securities or other property) due otherwise than by acceleration has been deposited with the Fiscal Agent) or a Default in respect of a provision

of the Fiscal and Paying Agency Agreement which pursuant to the terms thereof cannot be modified or amended without the consent of each Holder of the outstanding Notes of such affected series as is specified below in “— Amendments, Modifications and Substitutions.”

Satisfaction and Discharge

The Fiscal and Paying Agency Agreement will cease to be of further effect with respect to the Notes of any series (except as to rights of registration of transfer and exchange, substitution of mutilated, defaced, destroyed, lost or stolen security certificates representing Notes of any series, rights, obligations and immunities of the Fiscal Agent and rights of each Holder or Holders of any Notes of such series as beneficiary with respect to the property deposited with the Fiscal Agent and payable to all or any of them) if:

(1) either

(A) all of the interest on, and all of the redemption amount (if any) or principal of (in cash, securities or other property) all of the outstanding Notes of such series, shall have been paid or delivered, as and when the same shall have become due, payable or deliverable;

(B) all of the security certificates representing all of the Notes of such series theretofore authenticated and delivered (other than (i) any security certificate representing any Notes of such series that shall have been destroyed, lost or stolen and that shall have been replaced or paid as provided in the Fiscal and Paying Agency Agreement) shall have been delivered to the Fiscal Agent for cancellation; or

(C) the Issuer or the Guarantor shall have irrevocably deposited or caused to be deposited with the Fiscal Agent in trust the entire amount in cash, securities or other property due on the Notes of such series (other than such unclaimed funds, securities or other property repaid by the Fiscal Agent or any Paying Agent to the Issuer in accordance the Fiscal and Paying Agency Agreement) sufficient to satisfy and discharge to the date of maturity all payment and delivery obligations under the Notes of such series represented by each security certificate not theretofore delivered to the Fiscal Agent for cancellation; and

(2) the Issuer has paid or caused to be paid all other sums payable hereunder by the Issuer with respect to such series of Notes; and

(3) the Issuer has delivered to the Fiscal Agent an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for in the Fiscal and Paying Agency Agreement relating to the satisfaction and discharge of the Fiscal and Paying Agency Agreement with respect to such series have been complied with.

The Fiscal Agent, on demand of the Issuer accompanied by an Officers' Certificate and at the cost and expense of the Issuer, will execute proper instruments acknowledging such satisfaction and discharging of the Fiscal and Paying Agency Agreement with respect to such series.

Fiscal Agent, Paying Agent and Authenticating Agent

The Fiscal and Paying Agency Agreement contains provisions regarding the appointment and removal of the Fiscal Agent, the Paying Agent and an Authenticating Agent. The Fiscal and Paying Agency Agreement provides that the Fiscal Agent may at any time resign and be discharged of its responsibilities under the Fiscal and Paying Agency Agreement and of its responsibilities created by the Notes upon 60 days' prior written notice to the Issuer and that the Issuer may remove the Fiscal Agent at any time, for such cause as shall be determined in its sole discretion. If the Fiscal Agent resigns or is removed or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or if a receiver of the Fiscal Agent, or of its property, shall be appointed, or if any public officer shall take charge or control of the Fiscal Agent, or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, or if a vacancy exists in the office of the Fiscal Agent for any reason, the Issuer shall promptly appoint a successor Fiscal Agent. If no successor Fiscal Agent is appointed by the Issuer, then any holder who has been a bona fide Holder of a Note of such series for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Fiscal Agent with respect to the Notes of such series. The Fiscal and Paying Agency Agreement further provides that the Fiscal Agent shall act as the Registrar and shall maintain the Notes Register at an office in the Borough of Manhattan, The City of New York.

The Fiscal and Paying Agency Agreement provides that the Fiscal Agent shall act as the Paying Agent, with respect to each series of Notes, upon the terms and subject to the conditions set forth in the Fiscal and Paying Agency Agreement. The Fiscal and Paying Agency Agreement provides that the Issuer may at any time vary or terminate the appointment of the Paying Agent and appoint a replacement Paying Agent or approve any change in the location of the Paying Agent. In addition, until all outstanding Notes have been delivered to the Fiscal Agent for cancellation or monies sufficient to make all such payments on all outstanding Notes have been made available for payment and either paid or returned to the Issuer as provided in the Fiscal and Paying Agency Agreement and in the Notes, the Issuer will maintain a Paying Agent in the Borough of Manhattan, The City of New York. If the Issuer fails to appoint or maintain another entity as Paying Agent (when required pursuant to the Fiscal and Paying Agency Agreement), the Fiscal Agent shall act as the Paying Agent. The Issuer shall require any Paying Agent other than the Fiscal Agent to agree in writing that it will hold in trust for the benefit of the Holder or Holders or the Fiscal Agent all money and other property held by it for any payment or delivery due in respect of any Notes and will notify the Fiscal Agent of any default by the Issuer in making any such payment.

The Fiscal Agent shall be under no liability for interest on any money or other property received by it under the Fiscal and Paying Agency Agreement except as otherwise agreed with the Issuer.

Amendments, Modifications and Substitutions

Amendments to the Notes

The Issuer and the Fiscal Agent may modify, amend or supplement the Fiscal and Paying Agency Agreement without the consent of any Holder or Holders of the Notes of any series if such modification, amendment or supplement could not reasonably be expected to be prejudicial to the interests of the Holder or Holders of such Notes or if the modification, amendment or supplement is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law or for any of the following purposes:

- (1) to evidence the succession of another corporation or other entity to the Issuer or the Guarantor, and the assumption by any such successor of the covenants of the Issuer or the Guarantor as described below;
- (2) to change the branch or office of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. that is acting as the Issuer or that is acting as the Guarantor;
- (3) to substitute for the Issuer or any previous substitute of the Issuer, any corporation (incorporated or otherwise formed in any country in the world) controlling, controlled by or under common control with, the Issuer as the principal debtor in respect of the Notes or undertake its obligations in respect of the Notes through any of its offices or branches (any such company or office or branch, the “**Substituted Debtor**”), provided that (A) such documents shall (together the “**Documents**”) be executed by the Substituted Debtor and the Issuer or any previous substitute Issuer as aforesaid as may be necessary (i) to give full effect to the substitution and (without limiting the generality of the foregoing) pursuant to which the Substituted Debtor shall undertake in favor of each Holder to be bound by the terms and conditions of the Notes and the provisions of the Fiscal and Paying Agency Agreement as fully as if the Substituted Debtor had been named in the Notes and the Fiscal and Paying Agency Agreement as the principal debtor in respect of the Notes in place of the Issuer or any previous substitute Issuer as aforesaid and pursuant to which the Issuer shall irrevocably and unconditionally guarantee in favor of each Holder the payment of all sums payable by the Substituted Debtor as such principal debtor (such guarantee of the Issuer herein referred to as the “**Substitution Guarantee**”), provided that such Substitution Guarantee shall not be required if the Guarantor or any other office or branch of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. will continue to guarantee the Notes, and (ii) for the Guarantee to remain in full force and effect to guaranty payment of the Notes by the Substituted Debtor as fully as if the Substituted Debtor had been named in the Notes and the Guarantee; (B) the Documents shall contain a warranty and representation by the Substituted Debtor and the Issuer that (i) the Substituted Debtor and the Issuer have obtained all necessary governmental and regulatory approvals and consents for such substitution and for the giving by the Issuer of the Substitution Guarantee, if required, in respect of the obligations of the Substituted Debtor, (ii) 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 (iii) the obligations assumed by the Substituted Debtor and the

Substitution Guarantee given by the Issuer, if required, are each valid and binding in accordance with their respective terms and enforceable by each Holder and that, in the case of the Substituted Debtor undertaking its obligations with respect to the Notes through a branch, the Notes remain the valid and binding obligations of such Substituted Debtor; and (C) the Fiscal and Paying Agency Agreement shall be deemed to be amended so that it shall also be an Event of Default under the Agreement if the Substitution Guarantee, if required, shall cease to be valid or binding on or enforceable against the Issuer; upon the Documents becoming valid and binding obligations of the Substituted Debtor and the Issuer and subject to the Substituted Debtor giving notice thereof to the Holders within 15 Business days after execution of the Documents, the Substituted Debtor shall be deemed to be named in the Notes as the principal debtor in place of the Issuer as issuer (or of any previous substitute Issuer under these provisions) and the Notes and the Guarantee shall thereupon be deemed to be amended to give effect to the substitution. The execution of the Documents together with the notice referred to above, 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;

- (4) to add additional covenants, restrictions or conditions for the protection of each Holder thereof;
- (5) to cure ambiguities in the Fiscal and Paying Agency Agreement or the Notes, or to correct defects or inconsistencies in the provisions thereof;
- (6) to reflect the replacement of the Fiscal Agent, or the assumption by the Issuer or a substitute Fiscal Agent of all the Fiscal Agent's responsibilities under the Fiscal and Paying Agency Agreement;
- (7) to evidence the replacement or change of address of the Depositary; or
- (8) in the case of any redeemable or accelerated Note, to reduce the principal amount thereof to reflect the payment, repayment and/or redemption of a portion of the outstanding principal amount thereof.

The amendments, modifications and substitutions described above (e.g., the substitution of the Issuer with the Substituted Debtor) may constitute a taxable event to Holders. Whether or not an amendment, modification or substitution constitutes a taxable event to Holders will not be taken into account for purposes of determining whether such amendment, modification or substitution could be reasonably expected to be prejudicial to the interests of Holders.

The Issuer may modify, amend or supplement the terms and conditions of the Notes, with the consent of Holder or Holders of not less than a majority of the aggregate principal amount of the Notes outstanding as of the record date set by the Issuer in connection with any request, demand, authorization direction, notice, consent or waiver ("**Majority Outstanding Holder or Holders**"), or with respect to a modification, amendment or supplement that affects only the Holder or Holders of a specific series, with the consent of the Holder or Holders of not less than a majority of the aggregate principal amount of the Notes outstanding for a specific series of Notes as of the record date set by the Issuer in connection with any request, demand, authorization, direction, notice, consent or waiver ("**Majority Series Holder or Holders**").

Notwithstanding the paragraph above, the Issuer may not modify, amend or supplement the terms and conditions of the Notes, without the consent of each of the Holder or Holders of each series of Notes affected by the proposed modification, amendment or supplement if such modification, amendment or supplement purports to: (i) change the stated maturity of such Notes; (ii) extend the time of payment for any premium, or interest on such Notes; (iii) change the coin or currency in which the principal of, redemption amount, premium, if any, or interest on such Notes is payable; (iv) reduce the principal amount thereof or the interest rate thereon, except in the case of a series of repayable or redeemable Notes, as provided therein; (v) change the method of payment to other than wire transfer in immediately available funds; (vi) impair the right of each Holder thereof to institute suit for the enforcement of payments of redemption amount, principal of, premium, if any, or interest or other amounts on such Notes; or (vii) modify the provisions therein governing the amendment thereof.

The Issuer may consolidate with or merge into any other corporation, banking association or other legal entity (collectively, the "**corporation**"), or sell, convey, transfer or lease the property of the Issuer as an entirety or substantially as an entirety to any other corporation authorized to acquire and operate the same; *provided, however*, that any such consolidation, merger, sale or conveyance shall be upon the condition that: (i) immediately after such consolidation, merger, sale or conveyance the corporation (whether the Issuer or such other corporation) formed by or surviving any such consolidation or merger, or the corporation to which such sale or conveyance shall have been made, shall not be in default in the performance or observance of any of the

terms, covenants and conditions of the Notes to be observed or performed by the Issuer; and (ii) the corporation (if other than the Issuer) formed by or surviving any such consolidation or merger, or the corporation to which such sale or conveyance shall have been made, shall expressly assume the due and punctual payment of the principal of, premium, if any, and interest on, the Notes. In case of any such consolidation, merger, sale, conveyance, transfer or lease, and upon the assumption by the successor corporation of the due and punctual performance of all of the covenants in the Notes to be performed or observed by the Issuer, such successor corporation shall succeed to and be substituted for the Issuer with the same effect as if it had been named in the Notes as the Issuer and thereafter the predecessor corporation shall be relieved of all obligations and covenants in the Notes and may be liquidated and dissolved.

Substitution of the Issuer

In the event of a substitution of the Issuer as provided above under “Amendments to the Notes”, the Documents 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 the Issuer by any Holder in relation to the Notes or the Documents shall not have been finally adjudicated, settled or discharged. The Substituted Debtor and the Issuer acknowledge the right of every Holder to the production of the Documents for the enforcement of any of the Notes or the Documents.

Not later than 15 Business Days after the execution of the Documents, the Substituted Debtor shall give notice thereof to the Holder or Holders. A supplement to the Offering Circular concerning the substitution of the Issuer shall be prepared by the Issuer.

Further Issues

The Issuer may from time to time without the consent of the Holder or Holders of any Notes create and issue further notes having the same terms and conditions as such Notes (except for the Issue Price, Issue Date or Interest Payment Dates) and so that the same shall be consolidated and form a single series with such Notes, and references to “Notes” shall be construed accordingly.

Notices

All notices regarding any Notes will be deemed to be validly given if mailed to each Holder of such Notes, affected by such event, at such Holder’s address as it appears on the Notes Register and shall be sufficiently given if so mailed within the time prescribed. Failure to mail a notice or communication to any particular Holder or any defect in it shall not affect its sufficiency with respect to any other Holder or Holders.

Notices to be given by any Holder of any Notes shall be in writing and given to the Fiscal Agent at the address provided for this purpose in the Fiscal and Paying Agency Agreement. Such notice may be given by any person holding a security entitlement in respect to such Notes to the Fiscal Agent through DTC or any other relevant clearing system as the case may be, in such manner as the Fiscal Agent and the clearing system may approve for this purpose.

Any notice to any Holder of any Notes shall be deemed to have been given on the date of the mailing of such notice. Any notice to the Agent and the Issuer shall be deemed effective when actually received.

Governing Law and Jurisdiction

Governing Law

The Notes and the Guarantee will be governed by, and shall be construed in accordance with, the laws of the State of New York.

Jurisdiction

The courts of the State of New York or the courts of the United States of America located in The City of New York are to have non-exclusive jurisdiction to settle any disputes which may arise out of or in connection with any Notes and accordingly any legal action or proceedings arising out of or in connection with any Notes (“**Proceedings**”) may be brought in such courts. These submissions are made for the benefit of each of the Holder or Holders of such Notes and shall not affect the right of any of them to take Proceedings in any other court of competent jurisdiction.

Consents, Waivers and Other Holder Action

Any request, demand, authorization, direction, notice, consent, waiver or other action to be given or taken by the Holder or Holders of any Notes may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holder or Holders in person or by an agent duly appointed in writing.

The Issuer may set a record date for purposes of determining the identity of the Holder or Holders of any Notes entitled to consent, waive or otherwise take an action. The record date may be set for any date or dates not more than sixty (60) days nor less than fifteen (15) days prior the date of such consent, waiver or other action.

PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Form, Denomination and Title

Unless otherwise provided in the applicable Offering Circular Supplement, the Notes of each series will be represented by one or more Global Certificates in registered form without receipts, interest coupons or talons deposited with and registered in the name of DTC or its nominee.

The Fiscal Agent will serve initially as Registrar for the Notes. In such capacity, the Registrar will cause to be kept at its offices in the Borough of Manhattan, New York a register (the “**Notes Register**”) in which, subject to such reasonable regulations as it may prescribe, the Registrar will provide for the registration of the Notes and of registered transfers thereof. The Issuer reserves the right to transfer such function as to the Notes to another bank or financial institution at any time.

Subject to applicable law and the terms of the Fiscal and Paying Agency Agreement and the Notes, the Issuer and the Fiscal Agent will deem and treat the person or persons in whose name any Notes are registered (i.e., the Holder thereof) as the absolute owner or owners thereof for all purposes whatsoever notwithstanding any notice to the contrary; and all payments or deliveries to or to the order of the Holder or Holders of such Notes will be valid and effectual to discharge the liability of the Issuer and the Fiscal Agent on such Notes to the extent of the sum or sums so paid or delivered. So long as DTC, its nominee, or a successor of DTC or any such nominee is the registered owner of any issue of Notes represented by one or more Global Certificates, DTC, such nominee or such successor of DTC or such nominee, as the case may be, will be considered the sole owner or Holder of the Notes represented by such Global Certificate(s) for all purposes under the Fiscal and Paying Agency Agreement. Accordingly, holders of security entitlements in respect of any Notes represented by one or more Global Certificates deposited with and registered in the name of DTC or its nominee (i.e. an Entitlement Holder) must rely on the procedures of DTC, and, if such person is not a participant in DTC, on the applicable law and contractual arrangements governing its account relationship with its securities intermediary through which such person holds its security entitlement in respect of such Notes, to exercise any rights of a Holder of such Notes. The Issuer understands that, under existing industry practices, in the event that it requests any action of the Holder or Holders or that the Entitlement Holders desire to give or take any action which a Holder is entitled to give or take under the Fiscal and Paying Agency Agreement, DTC, its nominee or a successor of DTC or its nominee, as the Holder of such Notes, would authorize the participants through which the relevant security entitlements are held (or persons holding security entitlements in respect of such Notes directly or indirectly through participants) to give or take such action, and such participants would authorize Entitlement Holders holding their security entitlements through such participants (or such persons holding security entitlements directly or indirectly through participants) to give or take such action and would otherwise act upon the instructions given to such participants (or such persons) by such Entitlement Holders.

DTC may grant proxies or otherwise authorize its participants (or persons holding security entitlements in respect of any Notes directly or indirectly through its participants) to exercise any rights of a Holder or take any other actions which a Holder is entitled to take under the Fiscal and Paying Agency Agreement or in respect of the Notes. Because DTC can act only on behalf of its participants, who in turn act on behalf of indirect participants, the ability of an Entitlement Holder to pledge its interest in the Notes to persons or entities that do not participate in the DTC system, or otherwise take action in respect of such interest, may be limited by the lack of an individual security certificate for such interest. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive or certificated form. Such limits and such laws may impair the ability to transfer security entitlements in respect of any Notes.

The interest of each Entitlement Holder is to be recorded on the records of its securities intermediary. Entitlement Holders will not receive written confirmation from DTC of their purchase, but Entitlement Holders are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the securities intermediary through which they entered into the transaction. Transfers of interests in the Notes are to be accomplished by entries made on the books of securities intermediaries acting on behalf of Entitlement Holders. DTC has no knowledge of the actual Entitlement Holders of the Notes; DTC’s records reflect only the identity of the participants to whose accounts security entitlements in respect of such Notes are credited. The participants will remain responsible for keeping account of holdings in favor of their customers.

Security entitlements in respect of Notes represented by one or more Global Certificates deposited with and registered in the name of DTC or its nominee will be exchangeable for Notes represented by certificates delivered to and registered in the name of the Entitlement Holders thereof only if such exchange is permitted by applicable law and (i) DTC notifies the Issuer that it is unwilling or unable to continue as depositary for such

Notes or DTC ceases to be a clearing agency registered as such under the Securities Exchange Act of 1934, as amended, if so required by applicable law or regulation, and, in either case, a successor depositary is not appointed by the Issuer within 60 days after receiving such notice or becoming aware that DTC is no longer so registered, or (ii) the Issuer, in its sole discretion, elects to issue Notes in such form. The Notes so issued in exchange for any such Global Certificate shall be of like tenor and of an equal aggregate principal amount, in authorized denominations. Such Notes shall be registered in the name or names of such person or persons as DTC or any other relevant clearing system shall instruct the Registrar. It is expected that such instructions may be based upon directions received by DTC from its participants with respect to security entitlements in respect of the Notes. Except as provided above, persons holding a security entitlement in respect of the Notes other than DTC will not be entitled to receive physical delivery of certificates representing the Notes and will not be considered the registered Holder or Holders of such Notes for any purpose.

Any security certificate issued under the circumstances described in the preceding paragraph will be transferable in whole or in part in an authorized denomination upon the surrender of such security certificate, together with the form of transfer endorsed thereon duly completed and executed, at the specified office of the Registrar or the specified office of any Transfer Agent. In the case of a transfer of only a part of the Notes represented by a security certificate, a new security certificate in respect of the balance not transferred will be issued to the transferor. Each new security certificate to be issued upon transfer will, within three Business Days of receipt of such form of transfer, be delivered to the transferee at the office of the Registrar or such Transfer Agent or mailed at the risk of the Entitlement Holder entitled to the Notes in respect of which the relevant security certificate is issued to such address as may be specified in such form of transfer.

DTC's practice is to credit DTC participants' account, upon DTC's receipt of funds and corresponding detail information from the Issuer or Fiscal Agent on the applicable payment date in accordance with their respective holdings shown on DTC's records. Payments by DTC participants to the Entitlement Holder will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such participant and not of DTC, the Fiscal Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time.

Primary Distribution. Distribution of the Notes may be cleared and settled through DTC or any other clearing system specified in the applicable Offering Circular Supplement.

Clearance and settlement procedures may vary from one series of Notes to another according to the currency of the Notes of such series. Application will be made to the relevant clearing system(s) for the Notes of the relevant series to be accepted for clearance and settlement and the applicable clearance numbers will be specified in the applicable Terms Supplement.

DTC participants holding Notes through DTC on behalf of investors are expected to follow the settlement practices applicable to United States corporate debt obligations in DTC's Same-Day Funds Settlement System. Notes will be credited to the securities custody accounts of such DTC participants against payment in same-day funds on the settlement date.

Secondary Market Trading. Secondary market trading between DTC participants will be cleared in the ordinary way in accordance with DTC's rules and operating procedures and will be settled using procedures applicable to United States corporate debt obligations in DTC's Same-Day Funds Settlement System in same-day funds, if payment is made in U.S. Dollars, or free of payment if payment is made in a currency other than U.S. Dollars. In the latter case, separate payment arrangements outside of the DTC system are required to be made between DTC participants.

Other Clearing Systems. Any other clearing system that the Issuer, the Fiscal Agent and the relevant Dealer(s) agree shall be available for a particular issuance of Notes, including the clearance and settlement procedures for such clearing system, will be described in the applicable Offering Circular Supplement.

DTC. Although DTC has agreed to the procedures described herein in order to facilitate transfers of security entitlements in respect of Notes among participants of DTC, they are under no obligation to perform or continue to perform such procedures and such procedures may be modified or discontinued at any time. Neither the Issuer nor the Fiscal Agent will have any responsibility for the performance by DTC or its participants or its indirect participants of the respective obligations under the rules and procedures governing its operations.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the 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 holds securities that DTC participants deposit with DTC. DTC also facilitates the settlement among DTC participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in DTC participants' accounts, thereby eliminating the need for physical movement of securities certificates and any risk from lack of simultaneous transfers of securities and cash. DTC participants who maintain accounts directly with DTC include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations and may include Dealers ("**participants**"). DTC is owned by a number of its participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to DTC's system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly. The rules applicable to DTC and DTC participants are on file with the U.S. Securities and Exchange Commission.

USE OF PROCEEDS

The Issuer will use the net proceeds to hedge its exposure on the Notes and for general corporate purposes.

BENEFIT PLAN INVESTOR CONSIDERATIONS

Each fiduciary of a pension, profit-sharing or other employee benefit plan subject to the Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”), (a “**Plan**”) should consider the fiduciary standards of ERISA in the context of the Plan’s particular circumstances before authorizing an investment in the Notes. Accordingly, among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the Plan. In addition, certain governmental, church and non-U.S. plans (“**Non-ERISA Arrangements**”) are not subject to the provisions of Section 406 of ERISA or Section 4975 of the Code, but may be subject to federal, state, local or non-U.S. laws that are substantially similar to those provisions (“**Similar Laws**”).

In addition to ERISA’s general fiduciary standards, the Issuer, directly or through its affiliates, may be considered a “party in interest” within the meaning of ERISA, or a “disqualified person” within the meaning of the Code, with respect to many Plans, as well as many individual retirement accounts and Keogh plans (also “**Plans**”). ERISA Section 406 and Code Section 4975 generally prohibit transactions between plans and parties in interest or disqualified persons. Prohibited transactions within the meaning of ERISA or the Code would likely arise, for example, if the Notes are acquired by or with the assets of a Plan with respect to which the Issuer or any of its affiliates is a service provider or other party in interest, unless the Notes are acquired pursuant to an exemption from the “prohibited transaction” rules. A violation of these prohibited transaction rules could result in an excise tax or other liabilities under ERISA and/or Section 4975 of the Code for such persons, unless exemptive relief is available under an applicable statutory or administrative exemption.

There are five prohibited transaction class exemptions (“**PTCEs**”) issued by the U.S. Department of Labor that may provide exemptive relief for direct or indirect prohibited transactions resulting from the purchase or holding of the Notes. Those class exemptions are PTCE 96-23 (for certain transactions determined by in-house asset managers), PTCE 95-60 (for certain transactions involving insurance company general accounts), PTCE 91-38 (for certain transactions involving bank collective investment funds), PTCE 90-1 (for certain transactions involving insurance company separate accounts), and PTCE 84-14 (for certain transactions determined by independent qualified professional asset managers). In addition, ERISA Section 408(b)(17) and Section 4975(d)(20) of the Code provide a limited exemption for the purchase and sale of securities and related lending transactions, provided that neither the issuer of the securities nor any of its affiliates has or exercises any discretionary authority or control or renders any investment advice with respect to the assets of any Plan involved in the transaction and provided further that the Plan receives no less, and pays no more, than “adequate consideration” (within the meaning of ERISA Section 408(b)(17) and Section 4975(f)(10) of the Code) in connection with the transaction (the so-called “**service-provider exemption**”). There can be no assurance that any of these exemptions or any other exemption will be available with respect to any particular transaction involving the Notes.

Because the Issuer, directly or through its affiliates, may be considered a party in interest or disqualified person with respect to many Plans, unless otherwise specified in the applicable Product Supplement, the Notes may not be purchased, held or disposed of by any Plan, any entity whose underlying assets include “plan assets” by reason of any Plan’s investment in the entity (a “**Plan Asset Entity**”) or any person investing “plan assets” (within the meaning of Department of Labor Regulation Section 2510.3-101, as modified by ERISA Section 3(42)) of any Plan or Plan Asset Entity, unless such purchase, holding or disposition is eligible for exemptive relief under PTCE 96-23, 95-60, 91-38, 90-1, or 84-14 or the service-provider exemption. Unless specified otherwise in the applicable Product Supplement, any purchaser, including any fiduciary purchasing on behalf of a Plan, Plan Asset Entity or Non-ERISA Arrangement, transferee or holder of the Notes will be deemed to have represented, in its corporate and fiduciary capacity, by its purchase and holding of the Notes that (a) either (i) it is not a Plan, a Plan Asset Entity or Non-ERISA Arrangement and is not purchasing such securities on behalf of or with “plan assets” of any Plan, Plan Asset Entity or Non-ERISA Arrangement or (ii) its purchase, holding and disposition are eligible for exemptive relief under PTCE 96-23, 95-60, 91-38, 90-1 or 84-14 or the service-provider exemption or similar exemptions from Similar Laws and (b) neither the Issuer nor any of its affiliates is a “fiduciary” (within the meaning of ERISA Section 3(21) or, with respect to a Non-ERISA Arrangement, any federal, state, local or non-U.S. laws that are substantially similar to such section) with respect to the purchaser or holder in connection with such person’s purchase or holding of the Notes, or as a result of any exercise by the Issuer or any of its affiliates of any rights in connection with the Notes, and no advice provided by the Issuer or any of its affiliates has formed a primary basis for any investment decision by or on behalf of such purchaser or holder in connection with the Notes and the transactions contemplated with respect to the Notes.

In addition to considering the consequences of holding the Notes, Plans, Plan Asset Entities and Non-ERISA Arrangements purchasing the Notes should also consider the possible implications of owning any underlying security that an investor may receive upon an optional or mandatory exchange of the Notes at maturity or otherwise. Purchasers of the Notes have exclusive responsibility for ensuring that their purchase, holding and disposition of the Notes do not violate the prohibited transaction rules of ERISA, the Code or any Similar Laws.

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries or other persons considering purchasing the Notes on behalf of or with “plan assets” of any Plan, Plan Asset Entity or Non-ERISA Arrangement consult with their counsel regarding the availability of exemptive relief under PTCEs 96-23, 95-60, 91-38, 90-1 or 84-14 or the service-provider exemption, or similar exemptions from Similar Laws. The sale of any Notes to a Plan, Plan Asset Entity or Non-ERISA Arrangement is in no respect a representation by the Issuer or any of its affiliates or representatives that such an investment meets all relevant legal requirements with respect to investments by any such Plan, Plan Asset Entity or Non-ERISA Arrangement generally or any particular Plan, Plan Asset Entity or Non-ERISA Arrangement or that such investment is appropriate for such Plans, Plan Asset Entities or Non-ERISA Arrangements generally or any particular Plan, Plan Asset Entity or Non-ERISA Arrangement.

PLAN OF DISTRIBUTION

The Issuer may sell the Notes being offered by this Offering Circular through underwriters, agents or dealers, including its affiliates (“**Dealers**”), or directly to one or more purchasers.

The Terms Supplement relating to the offering of any series of Notes will identify or describe:

- any underwriters, agents or dealers;
- their aggregate compensation;
- the purchase price of the Notes of such series for investors;
- the initial issue price of the Notes of such series; and
- the securities exchange (if any) on which the Notes of such series will be listed.

The Issuer may designate agents from time to time to solicit offers to purchase the Notes, and will name any such agent, who may be deemed to be an underwriter as that term is defined in the Securities Act, and state any commissions it is to pay to that agent in the applicable Terms Supplement. That agent will be acting on a best efforts basis for the period of its appointment or, if indicated in the applicable Terms Supplement, on a firm commitment basis.

If the Issuer uses a dealer to offer and sell the Notes, the Issuer may sell the Notes to the dealer, as principal, and will name the dealer in the applicable Terms Supplement. The dealer may then resell the Notes to the public at varying prices to be determined by that dealer at the time of resale.

If the Issuer uses underwriters for the sale of the Notes, they will acquire the Notes for their own account. The Issuer will enter into an underwriting or terms agreement with those underwriters when the Issuer and they reach an agreement for the sale of the Notes, and the Issuer will include the names of the underwriters and the terms of the transaction in the applicable Terms Supplement. The underwriters may resell the Notes from time to time in one or more transactions, including negotiated transactions, at a fixed issue price or at varying prices determined at the time of sale. Unless the Issuer otherwise states in the applicable Terms Supplement, various conditions will apply to the underwriters’ obligation to purchase the Notes, and the underwriters will be obligated to purchase all of the Notes of a particular series if they purchase any of such Notes. Any initial issue price and any discounts or concessions allowed or reallocated or paid to dealers may be changed from time to time.

The net proceeds of any Notes will equal the purchase price in the case of sales to a dealer, the public offering price less discount in the case of sales to an underwriter or the purchase price less commission in the case of sales through an agent, in each case, less other expenses attributable to issuance and distribution.

Underwriters, agents and dealers may be entitled under agreements with the Issuer to indemnification by the Issuer against some civil liabilities, including liabilities under the Securities Act, and may be customers of, engage in transactions with or perform services for the Issuer in the ordinary course of business.

To the extent the total aggregate principal amount of Notes offered pursuant to an Offering Circular Supplement is not purchased by investors, one or more of our affiliates may agree to purchase for investment the unsold portion. As a result, upon completion of an offering our affiliates may own up to a significant portion of the Notes offered in such offering.

This Offering Circular may be used by any underwriter, agent or dealer in connection with offers and sales of the securities in market-making transactions. In a market-making transaction, the underwriter, agent or dealer may resell a Note it acquires from other Holder or Holders, after the original offering and sale of the Note. Resales of this kind may occur in the open market or may be privately negotiated, at prevailing market prices at the time of the resale or at related or negotiated prices. In these transactions, the underwriter, agent or dealer may act as principal or agent, including as agent for the counterparty in a transaction in which the underwriter, agent or dealer acts as principal. The underwriter, agent or dealer may receive compensation in the form of discounts and commissions, including from both counterparties in some cases. Affiliates of the Issuer may engage in transactions of this kind and may use this Offering Circular for this purpose.

The Issuer does not expect to receive any proceeds from market-making transactions, or that any affiliate that engages in these transactions will pay any proceeds from its market-making resales to the Issuer.

Information about the trade and settlement dates, as well as the purchase price, for a market-making transaction will be provided to the purchaser in a separate confirmation of sale. Unless otherwise stated in the confirmation of sale, a Holder or Holders may assume that they are purchasing Notes in a market-making transaction.

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 in the Offering Circular Supplement issued in respect of the issue of Notes to which it relates or in a supplement to this Offering Circular.

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 Offering Circular or any other offering material or any final terms set out in the Offering Circular Supplement, 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 Offering Circular, any other offering material (including any Offering Circular Supplements) or any final terms.

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, and each further Dealer appointed under the Program will be required to represent, warrant and agree, 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 Offering Circular as completed by the Offering Circular Supplement 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 Offering Circular Supplement in relation to the Notes specifies 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”**), in the period beginning on 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 Offering Circular Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, and ending on the date specified in such prospectus or Offering Circular Supplement, 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 the Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

United Kingdom

Each Dealer has represented, warranted and agreed, and each Dealer subsequently appointed will be required to represent, warrant and agree 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 such Notes in, from or otherwise involving the United Kingdom.

The Netherlands

Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it has complied and will comply with the requirement under the Dutch Savings Certificates Act (*Wet inzake spaarbewijzen*) that Notes which qualify as savings certificates as defined in the Dutch Savings Certificates Act may be transferred and accepted only through the mediation of either the Issuer or a Member of Euronext Amsterdam N.V. with due observance of the Dutch Savings Certificates Act (including registration requirements), except in the case of (i) the initial issue of such Notes to the first holders thereof, (ii) any transfer and acceptance by individuals who do not act in the conduct of a profession or trade, and (iii) any transfer and acceptance of such Notes, if they are physically issued outside the Netherlands and are not distributed in the Netherlands in the course of primary trading or immediately thereafter.

United States of America

The Notes are exempted securities within the meaning of Section 3(a)(2) of the Securities Act.

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 U.S. persons, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and the U.S. Treasury regulations thereunder.

All Bearer Notes (including Global Bearer Notes) and any coupons and talons appertaining thereto 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.

Hong Kong

Each Dealer has represented and agreed that:

1. it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes (except for the Notes which are a “structured product” as defined in the Securities and Futures Ordinance (Cap. 571 of Hong Kong)) other than (a) to “professional investors” as defined in the Securities and Futures Ordinance 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

2. 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 and any rules made under that Ordinance.

Singapore

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore (the “MAS”). Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, 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 to any person pursuant to Section 275(1A), 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.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the “Financial Instruments and Exchange Law”) and each Dealer has agreed that it will not offer or sell any securities, directly or indirectly, 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 organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

LEGAL MATTERS

Certain legal matters shall be passed upon for the Issuer with respect to New York law and United States federal law by Latham & Watkins LLP, 885 Third Avenue, New York, New York 10022, U.S.A.

EXPERTS

The consolidated financial statements of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) as at and for the year ended December 31, 2010, appearing in this Offering Circular have been audited by Ernst & Young Accountants LLP, independent public accountants of Rabobank Group, as set

forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on authority of such firm as experts in auditing and accounting in the Netherlands. Their report as given on page F-75 and F-76 of the Information Statement is based on auditing principles generally accepted in the Netherlands.

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INFORMATION STATEMENT
Dated May 13, 2011



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

Utrecht Branch

***(a cooperative with limited liability established under the laws of The Netherlands
and having its statutory seat in Amsterdam, The Netherlands)***

Rabo Notes

Medium Term Note Program

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Unless the context otherwise requires, references in this Information Statement to 'Rabobank Nederland' or the 'Bank' are to Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. and references to the 'Rabobank Group' or 'Rabobank' are to Rabobank Nederland and its members, subsidiaries and affiliates. References herein to the 'Branch' or the 'Issuer' shall mean Rabobank Nederland, issuing Notes through its Utrecht Branch.

In this Information Statement, unless otherwise specified or the context otherwise requires, references to 'U.S.\$' and '\$' are to the lawful currency of the United States and to '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.

Presentation of financial information

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

Change in accounting policies

As a result of changes in accounting policies and presentation, certain figures for Rabobank Group at and for the year ended December 31, 2009 in this Information Statement 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 Information Statement.

FORWARD-LOOKING STATEMENTS

This Information Statement includes 'forward-looking statements' within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended. All statements other than statements of historical facts included in this Information Statement, including, without limitation, those regarding the Bank'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 Bank's present and future business strategies and the environment in which the Bank will operate in the future.

The important factors that could cause the Bank'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 Bank conduct 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 Information Statement. Other than as required by law or the rules and regulations of the relevant stock exchange, the Bank 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 Bank's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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:

	<i>At 31 December</i>	
<i>(in millions of euro)</i>	<i>2010</i>	<i>2009</i>
Equity of Rabobank Nederland and local Rabobanks		
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
Total equity	40,757	37,883
Subordinated debt		
Long-term debt securities in issue	2,482	2,362
Short-term debt securities in issue	124,024	93,382
	72,795	78,370
Total capitalisation	240,058	211,997
Breakdown of reserves and retained earnings		
Revaluation reserves for available-for-sale financial assets	48	(368)
Other reserves	80	(322)
Retained earnings	24,621	22,653
Total reserves and retained earnings	24,749	21,963

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.

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 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



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 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 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.

THE UTRECHT BRANCH

Rabobank Nederland, Utrecht Branch is not a separate legal entity under Dutch law. All payments and/or deliveries of principal, premium (if any), interest (if any) or other amounts (in cash or in securities) payable or deliverable on, or exchangeable for, the notes of any series will be irrevocably and unconditionally guaranteed by Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., New York Branch, a branch duly licensed in the State of New York (the 'New York Branch'), pursuant to a guarantee issued by the New York Branch.

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:

Supervisory Board of Rabobank Nederland

Name	Born	Year Appointed ⁽¹⁾	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 ⁽²⁾	1956	2010	2014	Dutch
Louise (L.O.) Fresco	1952	2006	2014	Dutch
Leo (S.L.J.) Graafsma ⁽²⁾	1949	2010	2014	Dutch
Erik (E.A.J.) van de Merwe ⁽²⁾	1950	2010	2014	Dutch
Marinus (M.) Minderhoud ⁽³⁾	1946	2002	2011	Dutch
Martin (M.J.M.) Tielen	1942	2002	2013	Dutch
Cees (C.P.) Veerman ⁽³⁾	1949	2007	2011	Dutch
Arnold (A.H.C.M.) Walravens ⁽³⁾	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)*Date of Birth*

17 June 1943

Profession

- Professional supervisory director
- Former Professor at the Erasmus University of Rotterdam
- Emeritus Professor at the University of Groningen
- Chairman of the Supervisory Board of Rabobank Nederland
- Chairman of the Board of Directors of Stichting TBI

*Main positions**Nationality*

Dutch

*Auxiliary positions*Supervisory Directorships:

- Chairman of the Supervisory Board of Siers Groep B.V.
- Chairman of the Supervisory Board of Arriva Nederland B.V.
- Chairman of the Supervisory Board of TSS B.V.
- Vice-Chairman of the Supervisory Board of KIWA N.V.

Other auxiliary positions:

- Member of the Board of Directors of Stichting Administratiekantoor Unilever N.V.
- Vice-Chairman of the Board of Supervision of the University Medical Center Groningen
- Chairman of the Board of Supervision of the Fries Museum en Prinsessehof

Date of first appointment to the Supervisory Board

June 2002

Current term of appointment to the Supervisory Board(Member of the Board of Directors from June 1996 until June 2002)
June 2009 – June 2013**Mr A.J.A.M. Vermeer (Antoon)***Date of Birth*

21 October 1949

Profession

Professional director / supervisory director

*Main positions*Member of a dairy farming partnership (*maatschap melkveehouderijbedrijf*)*Nationality*

Dutch

*Additional positions*Supervisory Directorships:

- Vice-Chairman of the Supervisory Board of Rabobank Nederland
- Chairman of the Supervisory Board of VION N.V.
- Member of the Supervisory Board of Eureko B.V.

Other additional positions:

- Member of the Board of Governors of the ZLTO Food, Farming and Agribusiness Chair, Tilburg University
- Chairman Board of Supervision of HAS Den Bosch
- Chairman Council for the Rural Area (*Raad voor het Landelijk Gebied*)

Date of first appointment to the Supervisory Board

June 2002

Current term of appointment to the Supervisory Board

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*)

	<i>Scheidsgerecht)</i>
	– Chairman National Arbitration Board for Schools (<i>Landelijke Geschillencommissie Scholen</i>)
<i>Date of first appointment to the Supervisory Board</i>	June 2009
<i>Current term of appointment to the Supervisory Board</i>	June 2009 – June 2013
Mr B. Bijvoet (Bernard)	
<i>Date of Birth</i>	12 April 1940
<i>Profession</i>	Professional supervisory director
<i>Main position</i>	None
<i>Nationality</i>	Dutch
<i>Auxiliary positions</i>	<u>Supervisory Directorships:</u>
	– 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
<i>Date of first appointment to the Supervisory Board</i>	June 2002
<i>Current term of appointment to the Supervisory Board</i>	June 2008 – June 2012
Mr A. de Bruijn (Tom)	
<i>Date of Birth</i>	9 July 1953
<i>Profession</i>	– Entrepreneur
	– Professional director / professional supervisory director
<i>Main position</i>	Grower of cut flowers and potted plants
<i>Nationality</i>	Dutch
<i>Auxiliary positions</i>	<u>Supervisory Directorships:</u>
	– Member of the Supervisory Board of Rabobank Nederland
	<u>Other auxiliary positions:</u>
	– Acting member of the Board of Directors of Vereniging Achmea
	– Chairman Program Advisory Committee Greenhouse Farming Research (<i>Commodity Board for Horticulture / productschap tuinbouw</i>)
	– Member of the Board of the Dutch Foundation for Innovation in Greenhouse Farming (<i>Stichting Innovatie Glastuinbouw Nederland</i>)
	– Chairman of the Cooperative Growers Society FresQ (<i>Coöperatieve Telersvereniging</i>)
	– Member of the Board of the Dutch Produce Association (Branch association of market organisations in vegetables, fruit and fungi in The Netherlands)
<i>Date of first appointment to the Supervisory Board</i>	June 2009
<i>Current term of appointment to the Supervisory Board</i>	June 2009 – June 2013
Mr W. Dekker (Wout)	
<i>Date of Birth</i>	10 November 1956
<i>Profession</i>	– Professional director
<i>Main position</i>	Chief Executive Officer / Chairman Executive Board Nutreco N.V.
<i>Nationality</i>	Dutch
<i>Auxiliary Positions</i>	<u>Supervisory Directorships:</u>
	– Member of the Supervisory Board of Rabobank Nederland
	– Member Supervisory Board (member audit committee, member Remuneration Committee) Macintosh Retail Group N.V.
	<u>Other auxiliary positions:</u>
	– Member Taskforce Biodiversity & Natural Resources
	– Member Advisory Council for Issuers NYSE Euronext Amsterdam
<i>Date of first appointment to the Supervisory Board</i>	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 Stimulering 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

<i>Main positions</i>	<ul style="list-style-type: none"> – Professional director / supervisory director – 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
<i>Nationality</i>	Dutch
<i>Auxiliary positions</i>	<u>Supervisory Directorships:</u> <ul style="list-style-type: none"> – 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 <u>Other auxiliary positions:</u> <ul style="list-style-type: none"> – Chairman Deltacommissie (2008) – Chairman of the Society for the Preservation of Nature Reserves in the Netherlands (<i>Vereniging Natuurmonumenten</i>) – 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)
<i>Date of first appointment to the Supervisory Board</i>	June 2007
<i>Current term of appointment to the Supervisory Board</i>	June 2007 – June 2011
Mr A.H.C.M. Walravens (Arnold)	
<i>Date of Birth</i>	4 May 1940
<i>Profession</i>	Advisor
<i>Main position</i>	<ul style="list-style-type: none"> – Chairman of the Supervisory Board of Eureko B.V. – Emeritus Professor Technical University Delft
<i>Nationality</i>	Dutch
<i>Auxiliary positions</i>	<u>Supervisory Directorships:</u> <ul style="list-style-type: none"> – Member of the Supervisory Board of Rabobank Nederland – Chairman of the Supervisory Board of Achmea Re Luxemburg – Member of the Supervisory Board of OWM Molest-risico W.A. – Chairman of the Supervisory Board of Sneep Industries B.V. <u>Other auxiliary positions:</u> <ul style="list-style-type: none"> – Vice-Chairman of the Board of Vereniging Achmea – Chairman of the Board of MBA Studies, IEDC, Bled School of Management Slovenia – Member of the Senate of the International Executive Development Center, Slovenia – Director/owner 'Aan de Oude Delft', Art and Auction Services – Member Business Board Atag B.V.
<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.

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 and the 'Management's Discussion and Analysis of Financial Condition and Results of Operations' included in this Information Statement. 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

<i>At 31 December</i>			
<i>(in millions of euro)</i>	<i>2010</i>	<i>2009</i> <i>(restated)</i>	<i>2009</i>
ASSETS			
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
Total assets	652,536	607,483	607,698

<i>At 31 December</i>			
<i>(in millions of euro)</i>	<i>2010</i>	<i>2009</i> <i>(restated)</i>	<i>2009</i>
LIABILITIES			
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
Total liabilities	611,779	569,600	569,600

At 31 December

<i>(in millions of euro)</i>	<i>2010</i>	<i>2009</i> <i>(restated)</i>	<i>2009</i>
EQUITY			
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
	<u>31,332</u>	<u>28,278</u>	<u>28,493</u>
Capital Securities and Trust Preferred Securities III to VI	6,306	6,182	6,182
Non-controlling interests	3,119	3,423	3,423
Total equity	<u>40,757</u>	<u>37,883</u>	<u>38,098</u>
Total equity and liabilities	<u>652,536</u>	<u>607,483</u>	<u>607,698</u>

Consolidated statement of income

Year ended 31 December

<i>(in millions of euro)</i>	<i>2010</i>	<i>2009</i> <i>(restated)</i>	<i>2009</i>
Interest income	19,928	19,795	19,766
Interest expense	11,314	11,720	11,720
Interest	<u>8,614</u>	<u>8,075</u>	<u>8,046</u>
Commission income	3,469	3,015	3,015
Commission expense	638	440	440
Commission	<u>2,831</u>	<u>2,575</u>	<u>2,575</u>
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
Income	<u>12,716</u>	<u>12,434</u>	<u>11,867</u>
Staff costs	4,919	4,603	3,869
Other administrative expenses	2,706	2,908	2,908
Depreciation and amortisation	571	527	527
Operating expenses	<u>8,196</u>	<u>8,038</u>	<u>7,304</u>

Value adjustments	1,234	1,959	1,959
Operating profit before taxation	3,286	2,437	2,604
Income tax expense	514	229	316
Net profit	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
Net profit for the year	2,772	2,208	2,288

Financial ratios:

<i>(in millions of euro)</i>	<i>2010</i>	<i>2009</i>
BIS ratio	16.3%	14.1%
Tier 1 ratio	15.7%	13.8%
Equity capital ratio ¹	14.2%	12.4%
Bad debt costs (in basis points of average lending)	29	48

Note:

(1) The equity capital ratio is calculated by dividing retained earnings and Rabobank Member Certificates by total of risk-weighted assets.

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 Information Statement. 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 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 Information Statement 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 Information Statement 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 summarized financial information for Rabobank Group for the years indicated:

	Year ended 31 December			
	<i>2010</i>	<i>2009</i>	<i>2009</i>	<i>2008</i>
<i>(in millions of euro)</i>		<i>(restated)</i>		
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

Total income	12,716	12,434	11,867	11,652
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
Operating expenses	8,196	8,038	7,304	7,611
Gross result	4,520	4,396	4,563	4,041
Value adjustments	1,234	1,959	1,959	1,189
Operating profit before taxation	3,286	2,437	2,604	2,852
Taxation	514	229	316	98
Net profit	2,772	2,208	2,288	2,754

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 summarized financial information for Rabobank Group's domestic retail banking business for the years indicated:

	Year ended 31 December		
<i>(in millions of euro)</i>	<i>2010</i>	<i>2009</i>	<i>2008</i>

Interest	4,894	4,360	4,758
Commission	1,321	1,261	1,354
Other results	294	505	42
Total income	6,509	6,126	6,154
Staff costs	2,160	2,196	2,264
Other administrative expenses	1,553	1,569	1,639
Depreciation and amortisation	120	133	141
Operating expenses	3,833	3,898	4,044
Gross result	2,676	2,228	2,110
Value adjustments	358	721	199
Operating profit before taxation	2,318	1,507	1,911
Taxation	475	294	478
Net profit	1,843	1,213	1,433

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 and international retail banking

The following table sets forth certain summarized financial information for Rabobank Group's wholesale and international retail banking business for the years indicated:

	Year ended 31 December			
	2010	2009	2009	2008
(in millions of euro)		(restated)		

Interest	2,813	2,955	2,926	3,156
Commission	460	488	488	304
Other results	306	(63)	133	(1,463)
Total income	3,579	3,380	3,547	1,997
Staff costs	1,020	998	998	909
Other administrative expenses	811	691	691	715
Depreciation and amortisation	108	94	94	84
Operating expenses	1,939	1,783	1,783	1,708
Gross result	1,640	1,597	1,764	289
Value adjustments	597	940	940	786
Operating profit before taxation	1,043	657	824	(497)
Taxation	269	91	178	(524)
Net profit	774	566	646	27

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 changes 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 summarized financial information for Rabobank Group's asset management and investment business for the years indicated:

Year ended 31 December

<i>(in millions of euro)</i>	<i>2010</i>	<i>2009</i>	<i>2008</i>
Interest	166	104	144
Commission	995	757	1,084
Other results	47	123	390
Total income	1,208	984	1,618
Staff costs	564	553	559
Other administrative expenses	287	288	352
Depreciation and amortisation	116	109	102
Operating expenses	968	950	1,013
Gross result	240	34	605
Value adjustments	2	4	42
Operating profit before taxation	238	30	563
Taxation	71	17	125
Net profit	167	13	438

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		
<i>(in millions of euro)</i>	<i>2010</i>	<i>2009</i>	<i>2008</i>
Interest	658	590	530
Commission	83	59	61
Other results	440	377	424
Total income	1,181	1,026	1,015
Staff costs	416	375	377

Other administrative expenses	244	206	188
Depreciation and amortisation	40	35	31
Operating expenses	700	616	596
Gross result	481	410	419
Value adjustments	214	300	118
Operating profit before taxation	267	110	301
Taxation	66	(2)	66
Net profit	201	112	235

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 summarized financial information for Rabobank Group's real estate business for the years indicated:

	Year ended 31 December		
<i>(in millions of euro)</i>	<i>2010</i>	<i>2009</i>	<i>2008</i>
Interest	253	182	85
Commission	26	44	31
Other results	214	283	311
Total income	493	509	427
Staff costs	193	196	220
Other administrative expenses	145	164	131
Depreciation and amortisation	29	37	43
Operating expenses	367	397	394
Gross result	126	112	33
Value adjustments	63	22	0
Operating profit before taxation	63	90	33
Taxation	21	22	9
Net profit	42	68	24

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 2009 compared to € 509 million in 2008.

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 2009, 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:

At 31 December				
<i>(in millions of euro and as percentage of total private sector lending)</i>	<i>2010</i>		<i>2009</i>	
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%
Total private sector lending	436,292	100%	415,235	100%

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:

At 31 December

<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%
Total loans to customers	455,941	100%	433,870	100%

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:

	Year ended 31 December		
<i>(in millions of euro)</i>	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
Total	525,447	485,409	464,790

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	Available-for-sale	Held-to-maturity	Total
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		<i>through profit and loss</i>			
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
Total debt securities	10,225	8,553	54,359	218	73,355
Venture capital	—	608	—	—	608
Equity instruments	2,762	427	1,099	—	4,288
Total other assets	2,762	1,035	1,099	—	4,896
Total	12,987	9,588	55,458	218	78,251
Category 1 ¹	6,842	2,577	49,547	—	58,966
Category 2 ¹	5,618	4,951	5,689	—	16,258
Category 3 ¹	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>	<i>Trading</i>	<i>Other at fair value through profit and loss</i>	<i>Available- for-sale</i>	<i>Held-to- maturity</i>	<i>Total</i>
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
Total debt securities	10,433	6,655	32,324	418	49,830
Venture capital	—	518	—	—	518
Equity instruments	2,328	1,949	1,025	—	5,302
Total other assets	2,328	2,467	1,025	—	5,820
Total	12,761	9,122	33,349	418	55,650
Category 1 ¹	6,010	3,548	31,265	—	40,823
Category 2 ¹	5,967	4,103	1,311	—	11,381
Category 3 ¹	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>	<i>2010</i>	<i>2009</i>	<i>2008</i>
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
Total credit related and contingent liabilities	49,730	44,664	42,651
Revocable credit facilities	41,229	39,890	44,402
Total credit related commitments	84,554	84,554	87,053

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

	<i>At 31 December</i>		
<i>(in millions of euro, except percentages)</i>	<i>2010</i>	<i>2009</i>	<i>2008</i>
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>	<i>2010</i>	<i>2009</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>
Return on assets ¹	0.42	0.37	0.47	0.45	0.43
Return on equity ²	5.60	6.36	8.67	8.81	8.57
Equity to assets ratio ³	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>	<i>2010</i>	<i>2009</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>
Outstanding Rabobank Member Certificates ¹	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:

	At 31 December		
<i>(in millions of euro)</i>	<i>2010</i>	<i>2009</i>	<i>2008</i>
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
Total loans to customers	455,941	433,357	426,283
Value adjustments in loans to customers	(3,845)	(4,399)	(3,130)
Reclassified assets	6,954	8,135	9,994
Gross loans to customers	452,832	429,621	419,419

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:

	At 31 December		
<i>(in millions of euro)</i>	<i>2010</i>	<i>2009</i>	<i>2008</i>
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
Total government clients	5,602	3,936	8,848
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
Total private sector lending	436,292	415,235	408,620

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

Payments due by period (in millions of euro)	3					Total
	On demand	Less than 3 months	months to 1 year	1 to 5 years	More than 5 years	
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
Total financial assets	45,216	89,579	48,154	123,231	329,095	635,275
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
Total financial liabilities	212,765	122,122	84,419	112,664	77,274	609,244
Net liquidity surplus/(deficit)	(175,854)	(24,238)	(36,265)	10,567	251,821	26,031

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>	<i>Banks</i>	<i>Public authorities</i>	<i>Private sector</i>	<i>Total</i>
At 31 December 2010				
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
At 31 December 2009				
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
At 31 December 2008				
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:

At 31 December 2010			
<i>(in millions of euro)</i>	<i>On balance</i>	<i>Off balance</i>	<i>Total</i>
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
Total private sector lending to food and agri	80,618	1,674	82,292
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
Total private sector lending to trade, manufacturing and services	147,669	12,782	160,452
Private individuals	208,005	502	208,571
Total private sector lending	436,292	14,959	451,315

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:

	At 31 December		
<i>(in millions of euro)</i>	<i>2010</i>	<i>2009</i>	<i>2008</i>
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
Rabobank Group	9,284	9,294	6,573

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>	<i>2010</i>	<i>2009</i>	<i>2008</i>
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
Total balance at 1 January	4,399	3,130	2,282
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
Total additions	2,781	3,429	1,929
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)	—
Total reversal of impairments	(1,458)	(1,440)	(780)
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	—	—	—
Total written off	(2,034)	(764)	(441)
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)
Total other	157	44	140
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
Total balance at 31 December	3,845	4,399	3,130

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.

	At 31 December		
<i>(in millions of euro)</i>	<i>2010</i>	<i>2009</i>	<i>2008</i>

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
Total due to customers by businesses	145,976	145,158	173,376
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
Total due to customers by individuals	152,785	141,180	130,838
Total due to customers	298,761	286,338	304,214

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>	<i>2010</i>	<i>2009</i>	<i>2008</i>
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>	<i>2010</i>	<i>2009</i>	<i>2008</i>
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

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

	At 31 December		
<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.
Rabobank Group	2.16	2.28	1.65

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

	Year ended 31 December		
<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	—
Rabobank Group	0.29	0.48	0.31

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.

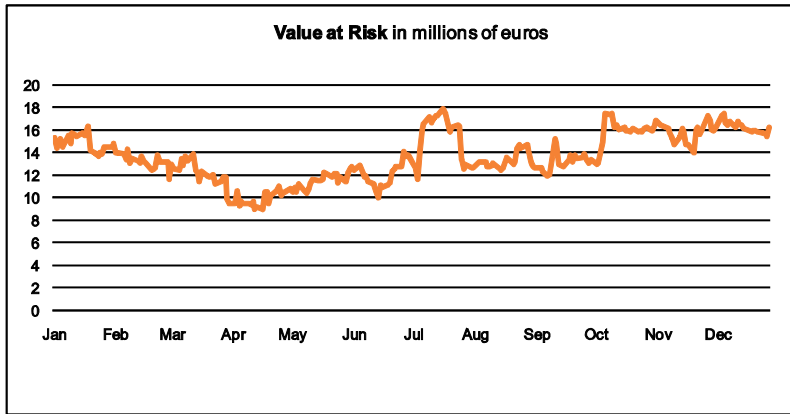
Outstanding asset-backed commercial paper ('ABCP') amounted to € 14.0 billion at 31 December 2010 (year end 2009: € 15.3 billion). These conduits are mainly used for funding of own originated loans and customer loans and receivables, and are fully integrated in the Group's liquidity risk management framework.

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.

REGULATION OF RABOBANK NEDERLAND AND THE NEW YORK BRANCH

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 Dutch Financial Markets 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.

United States

The New York Branch is licensed by the New York State Banking Department and subject to supervision and regulation by the New York State Banking Department and the Board of Governors of the Federal Reserve System (the 'Federal Reserve Board'). Under the International Banking Act of 1978, as amended (the 'IBA'), and currently applicable regulations, operations of Rabobank Nederland at the New York Branch are conducted with the same rights and are subject to essentially

the same limitations as would apply to the operations of a U.S. national bank doing business in the same location. Rabobank Nederland is subject to the asset pledge requirements of the New York Banking Law, and the New York Branch is subject to lending and other prudential limits and to restrictions on payment of interest on demand deposits. The IBA also subjects Rabobank Nederland to the restrictions on investments in banking organizations and on engaging in nonbanking activities in the United States set forth in the Bank Holding Company Act of 1956, as amended (the 'BHCA').

The Foreign Bank Supervision Enhancement Act of 1991 ('FBSEA') increased the degree of federal bank regulation of and supervision over United States branches of foreign banks such as the New York Branch. FBSEA provides, among other things, that the Federal Reserve Board may examine such a branch and provides that each branch of a foreign bank shall be examined regularly in an on-site examination. In addition, FBSEA prohibits any foreign bank from establishing a branch, agency or representative office without the prior approval of the Federal Reserve Board or as the Federal Reserve Board may otherwise permit.

FBSEA also provides that the Federal Reserve Board may terminate the license of any State branch of a foreign bank if the Federal Reserve Board has cause to believe that the foreign bank is not subject to comprehensive supervision or regulation on a consolidated basis by the appropriate authorities in its home country, or that there is reasonable cause to believe that such foreign bank, or any affiliate of such foreign bank, has committed a violation of law or engaged in an unsafe or unsound banking practice in the United States and, as a result of such violation or practice, the continued operation of the branch would not be consistent with the public interest or with the IBA, the BHCA or the Federal Deposit Insurance Act. A foreign bank so required to terminate activities conducted at a branch in the United States must comply with the requirements of applicable federal and state law with respect to procedures for the closure or dissolution thereof.

The New York Branch is examined regularly by the New York State Banking Department and the Federal Reserve Board, is subject to recordkeeping and reporting requirements and must comply with such additional requirements as may be prescribed by the New York State Banking Department and the Federal Reserve Board.

The New York State Banking Department is authorized to revoke the authority of a foreign bank to operate a State branch and to take possession of and to liquidate the property and assets of a foreign bank in New York in certain events. These events include the insolvency or liquidation of the bank and violations of certain provisions of law or regulation. In any liquidation of a foreign bank's property and assets in New York, all claims of creditors and depositors against the bank arising out of transactions with the bank's New York branch will rank equally and senior to (1) claims of creditors whose claims would not represent an enforceable legal obligation against a branch if the branch were a separate legal entity and (2) liabilities of the branch to other offices, branches, agencies and subsidiaries of the bank. Pledged assets are used by the New York State Banking Department to cover the cost of liquidation and to repay any deposits and credit balances.

The Federal Reserve Board has imposed reserve requirements on state branches of foreign banks having worldwide assets in excess of \$1 billion, such as Rabobank Nederland. These reserve requirements are substantially the same as the reserve requirements applicable to a national bank in respect of maintenance of reserves against New York Branch deposits.

Under Section 6(c) to the IBA, a foreign bank may accept or maintain domestic, retail deposit accounts having balances of less than \$100,000 only through an insured United States bank subsidiary. The New York Branch is not engaged in a United States retail banking business; therefore, its deposits need not be, and are not, insured by the Federal Deposit Insurance Corporation.

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.

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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.

Consolidated statement of financial position

In millions of euros	Note	At 31 December 2010	At 31 December 2009
Assets			
Cash and cash equivalents	6	13,471	16,565
Due from other banks	7	33,511	35,641
Trading financial assets	8	12,987	12,761
Other financial assets at fair value through profit or loss	9	9,588	9,122
Derivative financial instruments	10	43,947	39,091
Loans to customers	11	455,941	433,357
Available-for-sale financial assets	12	55,458	33,349
Held-to-maturity financial assets	13	218	418
Investments in associates	14	3,539	4,056
Intangible assets	15	3,675	3,736
Property and equipment	16	6,006	6,124
Investment properties	17	816	1,363
Current tax assets		357	240
Deferred tax assets	25	1,200	1,358
Employee benefits	26	1,668	1,467
Other assets	18	10,154	8,835
Total assets		652,536	607,483

In millions of euros	Note	At 31 December 2010	At 31 December 2009
Liabilities			
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
Total liabilities		611,779	569,600
Equity			
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
Total equity		40,757	37,883
Total equity and liabilities		652,536	607,483

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
Interest	33	8,614	8,075
Commission income	34	3,469	3,015
Commission expense	34	638	440
Commission	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
Income		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
Operating expenses		8,196	8,038
Value adjustments	41	1,234	1,959
Operating profit before taxation		3,286	2,437
Income tax expense	42	514	229
Net profit		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
Net profit for the year		2,772	2,208

Consolidated statement of comprehensive income

In millions of euros	For the year ended 31 December		
	Note	2010	2009
Net profit		2,772	2,208
Arising in the period (after taxation):			
<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
Total other comprehensive income		1,075	404
Total comprehensive income		3,847	2,612
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
Total comprehensive income		3,847	2,612

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
At 1 January 2010	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
Total comprehensive income	2,664	303	533	347	3,847
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)
At 31 December 2010	24,749	6,583	6,306	3,119	40,757
At 1 January 2009	20,050	6,236	3,510	3,639	33,435
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)
Total comprehensive income	1,824	318	386	84	2,612
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)
At 31 December 2009	21,963	6,315	6,182	3,423	37,883

Consolidated statement of cash flows

In millions of euros	For the year ended 31 December		
	Note	2010	2009
Cash flows from operating activities			
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
Net cash flow from operating activities		15,428	10,216
Cash flows from investing activities			
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
Net cash flow from investing activities		(19,872)	(3,042)
Cash flows from financing activities			
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)	-
Net cash flow from financing activities		1,350	2,286
Net change in cash and cash equivalents		(3,094)	9,460
Cash and cash equivalents at beginning of year	6	16,565	7,105
Cash and cash equivalents at end of year		13,471	16,565
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
Tier 1 and qualifying capital can be broken down as follows:		
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)
Tier 1 capital	34,461	32,152
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
Qualifying capital	35,734	32,973
Risk-weighted assets	219,568	233,221
Ratios		
Tier 1 ratio	15.7%	13.8%
BIS ratio	16.3%	14.1%
Equity capital ratio ¹	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

¹ 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
Total	630,736	583,559
Credit related and contingent liabilities	49,730	44,664
Total	680,466	628,223

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	
Total loans to customers	455,941		433,357	
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	
Private sector lending	436,292		415,235	
This can be broken down geographically as follows:				
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%
Total	436,292	100%	415,235	100%

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%
Total	436,292	100%	415,235	100%

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
Total loans granted to TIS	147,669	143,679

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
Total loans granted to food and agri	80,618	71,462

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
At 31 December 2010					
Due from other banks	25,097	8,385	2	27	33,511
Loans to customers					
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
Total	131,827	340,786	11,150	5,689	489,452
At 31 December 2009					
Due from other banks	31,151	4,410	10	70	35,641
Loans to customers					
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
Total	128,075	325,106	10,670	5,147	468,998

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
At 31 December 2010					
Due from other banks	2	-	-	-	2
Loans to customers					
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
Total	7,255	2,509	1,120	266	11,150
At 31 December 2009					
Due from other banks	10	-	-	-	10
Loans to customers					
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
Total	6,814	2,349	1,145	362	10,670

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
Total	5,843	5,528	109	206
		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
Total	5,843	3,358	1,057	797	631
		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	-	-
Total	5,843	3,796	1,672	366	9
		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
Total	7,452	1,330	1,114	216

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
At 31 December 2010						
Liabilities						
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
Total financial liabilities	208,258	118,298	80,449	101,275	82,465	590,745
Contingent liabilities	10,084	-	-	-	-	10,084
At 31 December 2009						
Liabilities						
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
Total financial liabilities	203,767	129,815	60,979	75,248	70,187	539,996
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
At 31 December 2010			
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
Total financial assets	182,949	452,326	635,275

Contract repayment date

In millions of euros	Less than 1 year	More than 1 year	Total
At 31 December 2010			
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
Total financial liabilities	419,306	189,938	609,244
Net liquidity surplus	(236,357)	262,388	26,031
At 31 December 2009			
Total financial assets	157,037	432,102	589,139
Total financial liabilities	402,544	164,504	567,048
Net liquidity surplus	(245,507)	267,598	22,091

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
Total			14.0	15.3	

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
Assets				
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
Total financial assets	625,121	628,420	580,304	579,156
Liabilities				
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
Total financial liabilities	601,045	603,790	558,965	558,387

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
At 31 December 2010				
Assets				
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
Liabilities				
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
At 31 December 2009				
Assets				
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
Liabilities				
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
At 31 December 2010								
Assets								
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
Liabilities								
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
At 31 December 2009								
Assets								
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
Liabilities								
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
At 31 December 2010			
Assets			
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
Liabilities			
Derivatives and other trade liabilities	152	(96)	56
Other financial liabilities at fair value through profit or loss	(20)	(18)	(38)
At 31 December 2009			
Assets			
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)
Liabilities			
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)
Closing balance	94	115

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
For the year ended 31 December 2010								
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
Total income	6,509	3,579	1,208	1,181	493	154	(408)	12,716
Segment expense	4,191	2,536	970	914	430	(56)	445	9,430
Operating profit before tax	2,318	1,043	238	267	63	210	(853)	3,286
Income tax expense	475	269	71	66	21	(175)	(213)	514
Net profit for the year	1,843	774	167	201	42	385	(640)	2,772

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
Total assets	360,901	440,080	25,204	29,796	26,535	89,746	(319,726)	652,536
Business unit liabilities	338,681	440,202	22,355	26,862	25,331	73,563	(315,215)	611,779
Total liabilities	338,681	440,202	22,355	26,862	25,331	73,563	(315,215)	611,779
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
Value adjustments in loans to customers								
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
Closing balance	2,261	1,020	12	444	94	14	-	3,845
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
For the year ended 31 December 2009								
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
Total income	6,126	3,380	984	1,026	509	503	(94)	12,434
Segment expense	4,619	2,723	954	916	419	44	322	9,997
Operating profit before tax	1,507	657	30	110	90	459	(416)	2,437
Income tax expense	294	91	17	(2)	22	(87)	(106)	229
Net profit for the year	1,213	566	13	112	68	546	(310)	2,208
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
Total assets	328,928	406,940	22,151	28,739	26,369	42,576	(248,220)	607,483
Business unit liabilities	308,255	452,593	19,695	26,013	25,249	28,441	(290,646)	569,600
Total liabilities	308,255	452,593	19,695	26,013	25,249	28,441	(290,646)	569,600
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
Value adjustments in loans to customers								
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
Closing balance	2,030	1,915	9	387	45	13	-	4,399
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	Investments in property and equipment and intangible assets		Investments in property and equipment and intangible assets	
	Income from external clients		Income from external clients	
	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
Total	12,716	1,812	12,434	2,201

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
Total cash and cash equivalents	13,471	16,565

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
Total due from other banks	33,511	35,641
Breakdown of value adjustments		
At 1 January	134	118
Additional impairment for credit losses	12	26
Reversal of impairment for credit losses	(15)	(7)
Value adjustments	(3)	19
Amounts written off during the year	(16)	(1)
Other changes	(6)	(2)
At 31 December	109	134

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
Total	12,987	12,761

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
Total	9,588	9,122

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 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
At 31 December 2010			
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
Total derivative financial assets/liabilities recognised	3,243,241	43,947	49,640
Derivative financial instruments held for trading			
Currency derivative financial instruments			
Unlisted tradable contracts (OTC)			
Forward currency contracts	32,506	1,251	1,321
Currency swaps	415,562	8,898	7,001
Currency options	9,059	149	152
Listed tradable contracts			
Currency futures	1,265	-	-
Options	558	15	12
Total currency derivative financial instruments	458,950	10,313	8,486
Interest rate derivative financial instruments			
Unlisted tradable contracts (OTC)			
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
Total OTC contracts	2,473,627	27,212	26,796
Listed tradable contracts			
Interest rate swaps	105,586	5	5
Total interest rate derivative financial instruments	2,579,213	27,217	26,801
Credit derivative financial instruments			
Credit default swaps	28,647	1,129	647
Total return swaps	7,225	346	481
Total credit derivative financial instruments	35,872	1,475	1,128
Equity instruments/index derivative financial instruments			
Unlisted tradable contracts (OTC)			
Options	5,300	657	1,347
Listed tradable contracts			
Futures	239	-	-
Options	14,415	395	-
Total equity instruments/index derivative financial instruments	19,954	1,052	1,347
Other derivative financial instruments	7,503	1,310	2,102
Total derivative financial assets/liabilities held for trading	3,101,492	41,367	39,864
Derivative financial instruments held as hedges			
Derivative financial instruments classified as fair value hedges			
Currency swaps and cross-currency interest rate swaps	20,615	1,814	239
Interest rate swaps	121,134	765	7,856
Total derivative financial instruments classified as fair value hedges	141,749	2,579	8,095
Derivative financial instruments classified as cash flow hedges			
Interest rate swaps	-	1	1
Total derivative financial assets/liabilities classified as hedges	141,749	2,580	8,096

In millions of euros	Notional amounts	Fair value	
		Assets	Liabilities
At 31 December 2009			
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
Total derivative financial assets/liabilities recognised	2,950,131	39,091	48,765
Derivative financial instruments held for trading			
Currency derivative financial instruments			
Unlisted tradable contracts (OTC)			
Forward currency contracts	36,251	631	607
Currency swaps	377,339	7,288	6,709
Currency options	6,826	205	159
Listed tradable contracts			
Currency futures	1,032	-	-
Options	622	12	11
Total currency derivative financial instruments	422,070	8,136	7,486
Interest rate derivative financial instruments			
Unlisted tradable contracts (OTC)			
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
Total OTC contracts	2,269,470	25,123	26,523
Listed tradable contracts			
Interest rate swaps	87,227	1	16
Total interest rate derivative financial instruments	2,356,697	25,124	26,539
Credit derivative financial instruments			
Credit default swaps	28,759	1,713	960
Total return swaps	6,983	768	628
Total credit derivative financial instruments	35,742	2,481	1,588
Equity instruments/index derivative financial instruments			
Unlisted tradable contracts (OTC)			
Options	7,814	1,852	2,715
Listed tradable contracts			
Futures	192	2	-
Options	8,794	538	-
Total equity instruments/index derivative financial instruments	16,800	2,392	2,715
Other derivative financial instruments	3,812	82	272
Total derivative financial assets/liabilities held for trading	2,835,121	38,215	38,600
Derivative financial instruments held as hedges			
Derivative financial instruments classified as fair value hedges			
Currency swaps and cross-currency interest rate swaps	10,374	421	422
Interest rate swaps	104,635	454	7,223
Total derivative financial instruments classified as fair value hedges	115,009	875	7,645
Derivative financial instruments classified as cash flow hedges			
Interest rate swaps	1	1	17
Total derivative financial assets/liabilities classified as hedges	115,010	876	7,662

11 Loans to customers

In millions of euros	2010	2009
Loans initiated by Rabobank:		
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
Total loans to customers	455,941	433,357

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
Value adjustments in loans to customers		
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
Total value adjustments in loans to customers	3,845	4,399
Individual value adjustment (specific provision)	3,101	3,560
Collective value adjustment (collective provision)	325	416
IBNR	419	423
Total value adjustments in loans to customers	3,845	4,399
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
Total financial assets reclassified to loans	9,382	8,707	11,269	10,149

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)
Operating profit before taxation on reclassified trading financial assets	17	88
Net interest income	93	254
Value adjustments	(38)	(478)
Operating profit before taxation on reclassified available-for-sale financial assets	55	(224)

Finance leases

Loans to customers also includes receivables from finance leases, which can be broken down as follows:

In millions of euros	2010	2009
Receivables from gross investment in finance leases:		
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
Total receivables from gross investment in finance leases	23,649	20,856
Unearned deferred finance income from finance leases	3,006	645
Net investment in finance leases	20,643	20,211
Net investment in finance leases can be broken down as follows:		
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
Net investment in finance leases	20,643	20,211

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
Total available-for-sale financial assets	55,458	33,349

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
Closing balance	55,458	33,349

13 Held-to-maturity financial assets

In millions of euros	2010	2009
Government bonds	208	360
Other debt instruments	10	58
Total held-to-maturity financial assets	218	418

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)
Closing balance	218	418

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)
Total	3,539	4,056

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 Eureka 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
Year ended 31 December 2010				
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)
Closing balance	2,327	491	857	3,675
Cost	2,528	921	1,594	5,043
Accumulated amortisation and impairments	(201)	(430)	(737)	(1,368)
Net carrying amount	2,327	491	857	3,675
Year ended 31 December 2009				
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)
Closing balance	2,363	510	863	3,736
Cost	2,381	851	1,429	4,661
Accumulated amortisation and impairments	(18)	(341)	(566)	(925)
Net carrying amount	2,363	510	863	3,736

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 (before² 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.

²The 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
Year ended 31 December 2010			
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)
Closing balance	2,443	3,563	6,006
Cost	4,001	6,756	10,757
Accumulated depreciation and impairments	(1,558)	(3,193)	(4,751)
Net carrying amount	2,443	3,563	6,006
Year ended 31 December 2009			
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)
Closing balance	2,383	3,741	6,124
Cost	3,897	6,911	10,808
Accumulated depreciation and impairments	(1,514)	(3,170)	(4,684)
Net carrying amount	2,383	3,741	6,124

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)
Closing balance	816	1,363
The carrying amount exceeds the fair value by 93 (2009: 41).		
Cost	1,180	1,676
Accumulated depreciation	(364)	(313)
Net carrying amount	816	1,363

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
Total other assets	10,154	8,835

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
Total real estate projects	3,355	3,251

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)
Total work in progress	1,114	1,096

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
Total due to other banks	23,476	22,429

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
Total due to customers	298,761	286,338

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
Total debt securities in issue	196,819	171,752

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
Total other liabilities	8,199	8,083

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
Total other financial liabilities at fair value through profit or loss	29,867	27,319

24 Provisions

In millions of euros	2010	2009
Restructuring provision	160	228
Provision for tax and legal issues	474	512
Other	345	355
Total provisions	979	1,095
Changes in provisions were as follows:		
Restructuring provision		
Opening balance	228	223
Interest	-	9
Additions charged to profit	21	71
Withdrawals	(74)	(70)
Release	(15)	(5)
Closing balance	160	228
Provision for tax and legal issues		
Opening balance	512	512
Interest	-	8
Additions charged to profit	129	63
Withdrawals	(118)	(58)
Release	(49)	(13)
Closing balance	474	512
Other		
Opening balance	355	140
Additions charged to profit due to deposit guarantee system	-	213
Other additions charged to profit	-	2
Withdrawals	(5)	-
Release	(5)	-
Closing balance	345	355
Total provisions	979	1,095

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	1-5 years	More than	Total
	1 year		5 years	
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
Deferred tax assets		
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)
Closing balance	1,200	1,358
Deferred tax liabilities		
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
Closing balance	731	489
Deferred tax assets		
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
Total deferred tax assets	1,200	1,358
Deferred tax liabilities		
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
Total deferred tax liabilities	731	489

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)
Deferred tax expense	26	(141)

26 Employee benefits

In millions of euros	2010	2009
Employee benefits - assets	(1,668)	(1,467)
Employee benefits - liabilities	466	500
Net pension liabilities	(1,202)	(967)
Pension plans	(1,587)	(1,408)
Other employee benefits	385	441
Net pension liabilities	(1,202)	(967)

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)
Net liabilities	(1,587)	(1,408)	(185)	341	618
Experience adjustments					
Plan liabilities	75	88	320	(107)	75
Plan assets	729	(1,529)	320	(396)	266

In millions of euros	2010	2009
Present value of liabilities administered by funds		
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
Expected present value of entitlements at 31 December	11,941	10,283
Actuarial result	1,609	791
Present value of entitlements at 31 December	13,550	11,074
Fair value of plan assets		
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)
Expected fair value of assets at 31 December	13,065	13,549
Actuarial result	729	(1,529)
Fair value of assets at 31 December	13,794	12,020

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%
Total	100%	100%

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	2010	2009
Expected income from investments	713	762
Actuarial result	729	(1,529)
Actual income from investments	1,442	(767)

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
Total cost of defined benefit plans	290	(622)

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
Total subordinated debt	2,482	2,362

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)
At 31 December	420	391

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
Total credit related and contingent liabilities	49,730	44,664

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
Total liabilities relating to operating leases	497	230

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
Total payments receivable from operating leases	3,016	3,704

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
Total reserves and retained earnings at year-end	24,749	21,963

Changes in reserves were as follows:

In millions of euros	2010	2009
Foreign currency translation reserve		
Opening balance	(419)	(464)
Currency translation differences emerging during the year	413	45
Closing balance	(6)	(419)
Revaluation reserve for available-for-sale financial assets		
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
Closing balance	48	(368)

In millions of euros	2010	2009
Revaluation reserve for associates		
Opening balance	134	163
Fair value changes	(30)	(29)
Closing balance	104	134

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
Hedging reserve for cash flow hedges		
Opening balance	(37)	(31)
Fair value changes	18	(6)
Net gains/(losses) reclassified under profit	1	-
Closing balance	(18)	(37)
Retained earnings		
Opening balance	22,653	21,169
Net profit attributable to Rabobank Nederland and local banks	1,846	1,395
Other	122	89
Closing balance	24,621	22,653
Total reserves and retained earnings	24,646	21,963

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
Changes during the year:		
Opening balance	6,315	6,236
Share premium	11	-
Rabobank Member Certificates issued and cancelled during the year and other	257	79
Closing balance	6,583	6,315

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
Total Capital Securities and Trust Preferred Securities III to VI	6,306	6,182

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 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
Changes during the year:		
Opening balance	1,229	1,697
Purchase of Trust Preferred Securities	-	(527)
Foreign exchange differences	124	59
Closing balance	1,353	1,229

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)
Closing balance	3,119	3,423

33 Interest

In millions of euros	2010	2009
Interest income		
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
Total interest income	19,928	19,795
Interest expense		
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
Total interest expense	8,614	8,075
Interest		

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
Commission income		
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
Total commission income	3,469	3,015
Commission expense		
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
Total commission expense	638	440
Net commission	2,831	2,575

35 Income from associates

In millions of euros	2010	2009
Income from associates	292	592
Key figures of associates are as follows:		
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)
Total income from associates	292	592

In late 2010, the equity interest in Eureko 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
Net trading income	357	1,427
Income from other financial assets	(181)	(1,009)
Income from other financial liabilities	55	(840)
Net income from other financial assets and liabilities	(126)	(1,849)
Total net income from financial assets and liabilities at fair value through profit or loss	231	(422)

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
Total other income	643	1,476

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
Total staff costs	4,919	4,603

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
Total depreciation and amortisation	571	527

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
Total value adjustments	1,234	1,959

42 Income tax expense

In millions of euros	2010	2009
Current income tax		
Reporting period	523	373
Prior years	(35)	(3)
Deferred tax	26	(141)
Income tax expense	514	229

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)
Income tax expense	514	229

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)
Taxations reported in equity	(514)	(344)

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
Loans				
Outstanding at beginning of year	768	269	13	23
Granted during the year	235	603	-	-
Repaid during the year	(604)	(104)	-	(10)
Loans at end of the year	399	768	13	13
Due to other banks and due to customers				
Outstanding at beginning of the year	5,479	5,695	-	-
Received during the year	960	38	-	-
Repaid during the year	(8)	(254)	-	-
Deposits at 31 December	6,431	5,479	-	-
Other liabilities				
Other liabilities	91	91	13	15
Credit liabilities and other guarantees issued by Rabobank	-	-	-	12
Income				
Interest income	21	28	-	-
Commission income	288	307	-	-
Trading income	69	156	-	-
Other	6	6	-	-
Total income from transactions with related parties	384	497	-	-
Expense				
Interest expense	376	369	-	-
Commission expense	18	13	-	-
Total expenses from transactions with related parties	394	382	-	-

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
Total	14	13

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
Total	10.3	9.9

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
Loans, advances and guarantees				
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)
Outstanding at 31 December	6.5	4.6	3.1	3.5

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
Subsidiaries		
The Netherlands		
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%
Other Euro zone/EU countries		
ACC Bank Plc	100%	100%
Rest of Europe		
Bank Sarasin & Cie S.A.	46%	69%
Bank Gospodarki Żywnościowej S.A.	59%	59%
North America		
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%
Australia and New Zealand		
Rabobank Australia Limited	100%	100%
Rabobank New Zealand Limited	100%	100%
Associates		
Netherlands		
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
Assets		
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
Total assets	1,526	1,430
Liabilities		
Due to other banks	1,152	982
Due to private and public-sector clients	174	186
Other liabilities	200	262
Total liabilities	1,526	1,430
Operating income	(9)	(8)
Operating expense	13	12
Operating profit before tax	(22)	(20)
Income tax expense	1	4
Net profit	(21)	(16)

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
Total reverse repurchase transactions and securities borrowing agreements	19,100	20,932

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
Total repurchase and securities lending	3,880	3,160

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	-
Total	17,853	6,419

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
Assets	
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
Total assets	612,096
Liabilities	
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
Total liabilities	578,661
Equity	
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
Total equity	33,435
Total equity and liabilities	612,096

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.), *cfo*

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

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

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

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 ¹	2007	2006
Volume of services					
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
Financial position and solvency					
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
Profit and loss account					
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
Ratios					
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%
Nearby					
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
Market shares (in the Netherlands)					
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%
Ratings					
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

¹ 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
Personnel data					
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
Sustainable assets under management and held in custody					
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
Assets subject to engagement					
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	-	-	-
Savings					
Green savings	425	360	125	106	-
Fund management					
Capital Public Fund Management	2,815	2,713	2,700	2,300	2,000
Sustainable financing					
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
Supporting local communities					
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	-	-
Climate footprint					
CO ₂ -emissions attributable to business (x 1,000 ton CO ₂)	171	180	183	176	-
CO ₂ -emissions per FTE (tonnes CO ₂)	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
Assets		
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
Total assets	607,698	612,120

In millions of euros	At 31 December 2009	At 31 December 2008
Liabilities		
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
Total liabilities	569,600	578,661
Equity		
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
Total equity	38,098	33,459
Total equity and liabilities	607,698	612,120

Consolidated statement of income

In millions of euros	For the year ended 31 December	
	2009	2008
Interest income	19,766	27,245
Interest expense	11,720	18,728
Interest	8,046	8,517
Fee and commission income	3,015	3,400
Fee and commission expense	440	511
Fees and commission	2,575	2,889
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
Income	11,867	11,652
Staff costs	3,869	4,290
Other administrative expenses	2,908	2,796
Depreciation and amortisation	527	525
Operating expenses	7,304	7,611
Value adjustments	1,959	1,189
Operating profit before taxation	2,604	2,852
Income tax expense	316	98
Net profit	2,288	2,754
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
Net profit for the year	2,288	2,754

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
Arising in the period (after taxation):		
<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)
Total other comprehensive income	502	(1,241)
Total comprehensive income	2,790	1,513
Of which attributable to Rabobank Nederland and local Rabobanks	2,002	320
Of which attributable to holders of Rabobank Member Certificates	318	316
Of which attributable to Capital Securities	308	94
Of which attributable to Trust Preferred Securities III to VI	78	100
Of which attributable to non-controlling interests	84	683
Total comprehensive income	2,790	1,513

Consolidated statement of changes in equity

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

Consolidated statement of cash flows

For the year ended 31 December

In millions of euros	2009	2008
Cash flows from operating activities		
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
Net cash flow from operating activities	10,216	2,253
Cash flows from investing activities		
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
Net cash flow from investing activities	(3,042)	2,456
Cash flows from financing activities		
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)
Net cash flow from financing activities	2,286	267
Net change in cash and cash equivalents	9,460	4,976
Cash and cash equivalents at beginning of year	7,105	2,129
Cash and cash equivalents at end of year	16,565	7,105
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
Assets		
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>
Total assets	470,755	423,204

In millions of euros	At 31 December 2010	At 31 December 2009
Equity and liabilities		
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>
Total equity and liabilities	470,755	423,204
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
Net profit	1,469	1,704
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
Assets		
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>
Total assets	423,419	468,133

In millions of euros	At 31 December 2009	At 31 December 2008
Equity and liabilities		
Professional securities transactions	744	502
Other banks	43,177	72,881
Banks	43,921	73,383
Savings	5,628	5,705
Professional securities transactions	3,662	1,286
Other due to customers	88,004	125,960
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	1,032	567
	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	1,784	1,102
Equity	13,382	6,950
Capital base	24,693	17,163
Total equity and liabilities	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)
Net profit	1,784	1,102
.....
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Prepared in accordance with Section 402 of Book 2 of the Dutch Civil Code.....