IMPORTANT NOTICE

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached Prospectus accessed from this page or otherwise received as a result of such access and you are therefore advised to read this disclaimer page carefully before reading, accessing or making any other use of the attached Prospectus. In accessing the attached Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information as a result of such access.

Confirmation of Your Representation: You have been sent the attached Prospectus on the basis that you have confirmed to Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank International), Credit Suisse Securities (Europe) Limited, Morgan Stanley & Co. International plc or Nomura International plc (the "**Joint Lead Managers**") or to Goldman Sachs International, Merrill Lynch International and UBS Limited (the "**Co-Lead Managers**", and together with the Joint Lead Managers, the "**Managers**"), being the sender of the attached, (i) that the electronic mail (or e-mail) address to which it has been delivered is not located in the United States of America, its territories and possessions, any State of the United States and the District of Columbia; and which include Puerto Rico, the US Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands and (ii) that you consent to delivery by electronic transmission.

This Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) (the "**Issuer**") or the Managers and any person who controls any of them or any director, officer, employee or agent of the Issuer or any Manager or any person who controls either of them or any affiliate of any of the foregoing accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Issuer or any Manager.

You are reminded that the attached Prospectus has been delivered to you on the basis that you are a person into whose possession the attached Prospectus may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not nor are you authorised to deliver the attached Prospectus to any other person.

Restrictions: Nothing in this electronic transmission constitutes an offer of securities for sale in the United States or any other jurisdiction. Any securities to be issued will not be registered under the Securities Act of 1933 (the "**Securities Act**") and may not be offered or sold in the United States or to or for the account or benefit of U.S. persons (as such terms are defined in Regulation S under the Securities Act) unless registered under the Securities Act or pursuant to an exemption from such registration.

The attached Prospectus may not be forwarded or distributed to any other person and may not be reproduced in any manner whatsoever, and in particular, may not be forwarded to any U.S. person or to any U.S. address. Any forwarding, distribution or reproduction of this document in whole or in part is unauthorised. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

Under no circumstances shall the attached Prospectus constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. The attached Prospectus may only be communicated to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000 does not apply to the Issuer.

Prospectus dated 7 November 2011

Rabobank Nederland
Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.
U.S.$2,000,000,000 8.40 per cent. Perpetual Non-Cumulative Capital Securities

Issue Price of the Capital Securities: 100 per cent.

The U.S.$ 2,000,000,000 8.40 per cent. Perpetual Non-Cumulative Capital Securities (the "**Capital Securities**") will be issued by Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland) ("**Rabobank Nederland**", the "**Issuer**" or the "**Bank**"). Interest on the Capital Securities will accrue on their Prevailing Principal Amount from (and including) 9 November 2011 (the "**Issue Date**") to (but excluding) 29 June 2017 (the "**First Reset Date**") at an initial rate of 8.40 per cent. per annum, and will, subject as provided below, be payable semi-annually in arrear on 29 June and 29 December in each year. There will be a short first Interest Period of 50 days, beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date. Interest on the Capital Securities shall accrue from (and including) the First Reset Date at a rate, to be reset every five years thereafter, based on the US Treasury Benchmark Rate (as defined in 'Terms and Conditions of the Capital Securities') plus 7.49 per cent. Payments on the Capital Securities will be made without deduction for, or on account of, taxes of the Netherlands to the extent described under 'Terms and Conditions of the Capital Securities – Taxation'. Payments of interest will be made at the sole discretion of the Issuer and subject to the approval of the Dutch Central Bank. The Interest Payment Dates on the Capital Securities are aligned with the June and December interest payment dates of the Participations (as defined herein). Any interest not paid as aforesaid will not accumulate.

The Capital Securities will be perpetual securities and will have no fixed or final redemption date. Subject to satisfaction of certain conditions (as described herein) and applicable law, the Capital Securities may be redeemable (at the option of the Issuer) on 29 June 2017 (the "**First Call Date**"), or at any time thereafter, in whole but not in part in an amount equal to the Redemption Price (as defined in 'Terms and Conditions of the Capital Securities'). Unless the Capital Securities have previously been redeemed or purchased and cancelled as provided in the 'Terms and Conditions of the Capital Securities', the Issuer will undertake to exercise its option to redeem the Capital Securities as aforesaid on the first Interest Payment Date falling on or after 29 December 2041 on which the Conditional Call Exercise Requirements (as defined in 'Terms and Conditions of the Capital Securities') have been satisfied, as further described herein. In addition, upon the occurrence of a Tax Law Change or a Capital Event (each as defined in 'Terms and Conditions of the Capital Securities'), the Capital Securities may be redeemed (at the option of the Issuer) prior to the First Call Date in whole but not in part in an amount equal to their Redemption Price, as further described herein. Upon the occurrence of a CRD IV Capital Event (as defined in 'Terms and Conditions of the Capital Securities') or a Capital Event, the Issuer may substitute, or vary the terms of, the Capital Securities so that they remain or, as appropriate, become Compliant Securities (as defined in the Conditions). The Capital Securities will constitute direct, unsecured and subordinated obligations of the Issuer and shall rank at all times *pari passu* and without any preference among themselves.

If a Loss Absorption Event (as defined in 'Terms and Conditions of the Capital Securities') occurs, the Issuer shall, *inter alia*, cancel any accrued but unpaid interest and, if required, write down the Prevailing Principal Amount of the Capital Securities in order to cause the Loss Absorption Event no longer to continue. Once the principal amount of a Capital Security has been written down in accordance with the Terms and Conditions, the amount of such write down shall not be restored in any circumstances. Each Capital Security may be written down on more than one occasion provided, *inter alia*, that the principal amount shall never be less than zero.

Application has been made to the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten* or "**AFM**"), in its capacity as competent authority under the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) and regulations thereunder (together "**Dutch securities laws**"), for the approval of this Prospectus for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**"). Applications have also been made for the Capital Securities to be admitted to trading on NYSE Euronext in Amsterdam, a regulated market of Euronext Amsterdam N.V. ("**Euronext Amsterdam**"). References in this Prospectus to the Capital Securities being "**listed**" (and all related references) shall mean that the Capital Securities have been admitted to trading on Euronext Amsterdam. Euronext Amsterdam is a regulated market for the purposes of the Directive 2004/39/EC of the European Parliament and the Council on Markets in Financial Instruments. The denominations of the Capital Securities shall be U.S.$100,000 and integral multiples of U.S.$1,000 in excess thereof, up to and including U.S.$199,000. The Capital Securities will initially be represented by a temporary global Capital Security without interest coupons in bearer form (the "**Temporary Global Capital Security**"), which will be deposited with a common depositary on behalf of Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**") on the Issue Date. The Temporary Global Capital Security will be exchangeable for interests in a global capital security (the "**Global Capital Security**"), without interest coupons, on or after a day which is expected to be 19 December 2011, upon certification as to non-US beneficial ownership. Individual definitive Capital Securities in bearer form ("**Definitive Capital Securities**") will only be available in certain limited circumstances as described herein. See 'Summary of the Provisions Relating to the Capital Securities in Global Form'.

The Capital Securities are expected upon issue to be rated 'A-, Rating Watch Negative (exp)' by Fitch Ratings Ltd. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The credit ratings included or referred to in this Prospectus have been issued by Fitch Ratings Ltd. which is established in the European Union and is registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies.

Prospective investors should have regard to the factors described under the section headed 'Risk Factors' in this Prospectus.

Joint Lead Managers and Joint Bookrunners

Credit Suisse	**Morgan Stanley**
Nomura	**Rabobank International**

Co-Lead Managers

BofA Merrill Lynch	**Goldman Sachs International**	**UBS Investment Bank**

This Prospectus is to be read in conjunction with all the documents which are incorporated herein by reference (see ‘Important Information - Documents Incorporated by Reference’ below).

The Capital Securities have not been and will not be registered under the U.S. Securities Act of 1933 (the “**Securities Act**”). Subject to certain exceptions, Capital Securities may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act).

EACH PURCHASER OF THE CAPITAL SECURITIES MUST COMPLY WITH ALL APPLICABLE LAWS AND REGULATIONS IN FORCE IN ANY JURISDICTION IN WHICH IT PURCHASES, OFFERS OR SELLS THE CAPITAL SECURITIES OR POSSESSES OR DISTRIBUTES THIS PROSPECTUS AND MUST OBTAIN ANY CONSENT, APPROVAL OR PERMISSION REQUIRED BY IT FOR THE PURCHASE, OFFER OR SALE BY IT OF THE CAPITAL SECURITIES 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 MANAGERS SHALL HAVE ANY RESPONSIBILITY THEREFOR.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Managers (as defined in ‘Subscription and Sale’ below) to subscribe or purchase, any of the Capital Securities. The distribution of this Prospectus and the offering of the Capital Securities in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions. For a description of further restrictions on offers and sales of Capital Securities and distribution of this Prospectus see ‘Subscription and Sale’ below.

No person is authorised to give any information or to make any representation not contained in this Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer or the Managers. Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that the information contained in it or any other information supplied in connection with the Capital Securities is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

None of Credit Suisse Securities (Europe) Limited, Morgan Stanley & Co. International plc or Nomura International plc have separately verified the information contained in this Prospectus. Credit Suisse Securities (Europe) Limited, Morgan Stanley & Co. International plc and Nomura International plc make no representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Prospectus. Neither this Prospectus nor any other financial statements are or should be considered as a recommendation by the Issuer or the Managers that any recipient of this Prospectus or any other financial statements should purchase the Capital Securities. Prospective investors should have regard to the factors described under the section headed ‘Risk Factors’ in this Prospectus. This Prospectus does not describe all of the risks of an investment in the Capital Securities. Each potential purchaser of Capital Securities should determine for itself the relevance of the information contained in this Prospectus and its purchase of Capital Securities should be based upon such investigation as it deems necessary.

Unless the context otherwise requires, references in this Prospectus to “**Rabobank Group**”, “**Rabobank**” or the “**Group**” are to Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. and its members, subsidiaries and affiliates.

Unless otherwise specified or the context requires, references to "**£**" are to the currency of the United Kingdom, "**dollars**", "**U.S. dollars**" and "**U.S.$**" are to United States dollars, and references to "**EUR**" and "**€**" are to euro, which means 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.

In connection with this issue of Capital Securities, Credit Suisse Securities (Europe) Limited (the "**Stabilising Manager**") (or persons acting on behalf of any Stabilising Manager) may over-allot Capital Securities or effect transactions with a view to supporting the market price of the Capital Securities at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Capital Securities is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Capital Securities and 60 days after the date of the allotment of the Capital Securities. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager (or person(s) acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

All figures in this Prospectus have not been audited, unless stated otherwise. Such figures are internal figures of Rabobank Nederland or Rabobank Group (as defined hereafter).

Table of Contents

RISK FACTORS ... 6

IMPORTANT INFORMATION ... 18

FORWARD-LOOKING STATEMENTS ... 19

OVERVIEW ... 20

TERMS AND CONDITIONS OF THE CAPITAL SECURITIES ... 25

SUMMARY OF PROVISIONS RELATING TO THE CAPITAL SECURITIES WHILE IN GLOBAL FORM ... 46

DESCRIPTION OF BUSINESS OF RABOBANK GROUP ... 49

RABOBANK GROUP STRUCTURE ... 60

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS ... 63

SELECTED FINANCIAL INFORMATION ... 97

RISK MANAGEMENT ... 100

GOVERNANCE OF RABOBANK GROUP ... 107

REGULATION OF RABOBANK GROUP ... 123

CAPITALISATION OF RABOBANK GROUP ... 129

USE OF PROCEEDS ... 130

TAXATION ... 131

SUBSCRIPTION AND SALE ... 133

GENERAL INFORMATION ... 139

RISK FACTORS

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

Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with the Capital Securities are also described below.

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

*Capitalised terms used herein shall, unless otherwise defined, have the same meanings as in the terms and conditions of the Capital Securities (the "**Conditions**").*

Factors that may affect the Issuer's ability to fulfil its obligations under the Capital Securities

Business and general economic conditions

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

Credit risk

Credit risk is defined as the risk that the bank will suffer economic losses because a counterparty cannot fulfil its financial or other contractual obligations arising from a credit contract. A 'credit' is each legal relationship on the basis of which Rabobank, in its role as financial service provider, can or will obtain a claim on a debtor by providing a product, a facility or a limit. As well as loans and facilities (with or without commitment), credit as a generic term also includes, among other things, guarantees, letters of credit and derivatives.

The current economic downturn may result in loan losses that are above Rabobank Group's long-term average, which could have a material adverse effect on Rabobank Group's results of operations.

Country risk

With respect to country risk, a distinction can be made between transfer risk and collective debtor risk. Transfer risk relates to the possibility of foreign governments placing restrictions on funds transfers from debtors in that country to creditors abroad. Collective debtor risk relates to the situation in which a large number of debtors in a country cannot meet their commitments for the same reason (e.g. war, political and social unrest or natural disasters, but also government policy that does not succeed in creating macro-economic and financial stability).

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

Interest rate and inflation risk

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

Funding and liquidity risk

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

Market risk

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

Currency risk

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

Operational risk

As a risk type, operational risk has acquired its own distinct position in the banking world. It is understood to mean 'the risk of losses resulting from failure of internal processes, people or systems or from external events'. Events of recent decades in modern international banking have shown on several occasions that ineffective control of operational risks can lead to substantial losses. Under the Basel II accord, banks must hold capital for this risk. Examples of operational risk incidents are highly diverse and include: fraud, claims relating to inadequate products, inadequate documentation, losses due to poor occupational health and safety conditions, errors in transaction processing, non-compliance with the law and system failures. The occurrence of any such incidents could have a material adverse effect on Rabobank Group's results of operations.

Legal risk

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

Tax risk

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

Systemic risk

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

Effect of governmental policy and regulation

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

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

At 30 June 2011, mortgage loan interest payments for Dutch homeowners are tax deductable. If the tax deductibility is reduced or abolished, this could have a material adverse effect on Rabobank Group's results of operations.

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

Minimum regulatory capital and liquidity requirements

Rabobank Group is subject to the risk, inherent in all regulated financial businesses, of having insufficient capital resources to meet the minimum regulatory capital requirements. Any failure of Rabobank Group to maintain its minimum regulatory capital ratios could result in administrative actions or sanctions, which in turn may have a material adverse impact on Rabobank Group's results of operations. A shortage of available capital might restrict Rabobank Group's opportunities for expansion.

The Basel Committee on Banking Supervision has put forward a number of fundamental reforms to the regulatory capital framework for internationally active banks which are designed to ensure that banks have more capital and that capital instruments issued by such banks fully absorb losses before tax payers are exposed to loss (the "Basel III Reforms"). The Basel III Reforms (as described further under the risk factor entitled "*Basel III Reforms - Loss absorbency at the point of non-viability*" below) are expected to be implemented by relevant authorities starting from 1 January 2013. In the European Union, the Basel III Reforms are expected to be implemented by means of, among other things, the proposed CRD IV (as defined in the Conditions).

There can be no assurance that, prior to their implementation, the Basel Committee on Banking Supervision will not amend the Basel III Reforms. Further, the European Union and/or the Dutch Central Bank may implement the Basel III Reforms, including the provisions relating to terms which capital instruments are required to have (see further the risk factor entitled "*The Capital Securities may be subject to Loss Absorption Measures*" below), in a manner that is different from that which is currently envisaged or may impose more onerous requirements on Dutch banks. In particular, if the regulatory capital requirements, liquidity restrictions or ratios applied to Rabobank Group are increased in the future, any failure of Rabobank Group to maintain such increased regulatory capital ratios could result in administrative actions or sanctions, which may have an adverse effect on Rabobank Group's results of operations.

Credit ratings

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

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

Competition

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

Business environment

Concerns about geopolitical developments, social unrest (such as the turmoil that broke out in the beginning of 2011 in the Middle East and North Africa), oil prices and natural disasters (such as the earthquake that occurred in Japan in March 2011), among other things, can affect the global financial markets. Accounting and corporate governance scandals in recent years have had a significant negative impact on investor confidence. The occurrence of any such developments and events could have a material adverse effect on Rabobank Group's results of operations.

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

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

Key employees

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

Factors which are material for the purpose of assessing the market risks associated with the Capital Securities

The Capital Securities may not be a suitable investment for all investors

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

(a) have sufficient knowledge and experience to make a meaningful evaluation of the Capital Securities, the merits and risks of investing in the Capital Securities and the information contained or incorporated by reference in this Prospectus or any applicable supplement;

(b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Capital Securities and the impact the Capital Securities will have on its overall investment portfolio;

(c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Capital Securities, including where the currency for principal or interest payments is different from the potential investor's currency;

(d) understand thoroughly the terms of the Capital Securities and be familiar with the behaviour of any relevant financial markets; and

(e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Capital Securities are subordinated obligations

Subject, *inter alia*, as discussed under "*– The Capital Securities may be subject to Loss Absorption Measures*", Holders of the Capital Securities have rights to payment upon liquidation or redemption equivalent to those to which the Holders would be entitled if they held the most senior ranking preferred equity securities or preferred or preference shares directly issued by the Issuer.

The Issuer's obligation to make payments under the Capital Securities is limited. In particular, the Issuer's obligations under the Capital Securities constitute unsecured obligations of the Issuer and rank:

(a) subordinated and junior to indebtedness of the Issuer (other than the Issuer's obligations under any guarantee or contractual right that effectively ranks *pari passu* with, or junior to, the Issuer's obligations under the Capital Securities or the Coupons (including, without limitation, the Issuer's Existing Capital Securities and Participations (each as defined in Condition 1)));

(b) *pari passu* (a) with the Issuer's obligations under the guarantees and contingent guarantees in relation to the Non-cumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trusts II, III, IV, V and VI and the corresponding LLC Class B Preferred Securities issued by Rabobank Capital Funding LLCs II, III, IV, V and VI, (b) with the Issuer's obligations under the Existing Capital Securities, and (c) effectively, with the most senior ranking preferred equity securities or preferred or preference shares of the Issuer; and

(c) senior to the Issuer's obligations under the Participations and any other instruments ranking *pari passu* with the Participations (in accordance with and by virtue of the subordination provisions of the Participations) and any other instruments ranking *pari passu* therewith.

By virtue of this subordination, payments to the Holders will, in the case of the bankruptcy or dissolution as a result of the insolvency of the Issuer or in the event of a Moratorium, only be made after all payment obligations of the Issuer ranking senior to Capital Securities and Coupons have been satisfied. In addition, any right of set-off by the Holder or Couponholder in respect of any amount owed to such Holder or Couponholder by the Issuer under or in connection with such Capital Security or Coupon shall be excluded and each Holder or Couponholder shall, by virtue of being the Holder of any Capital Security or a Couponholder, as the case may be, be deemed to have waived all such rights of set-off. See also the risk factor entitled "*Future bank recovery and resolution regimes*".

Other than the limitations in relation to the issue of prior rating Tier 1 Capital as set out in Condition 3(c), the Capital Securities do not limit the Issuer's ability or the ability of any entity in the Rabobank Group to incur additional indebtedness, including indebtedness that ranks senior in priority of payment to the Capital Securities.

No limitation on issuing pari passu securities; subordination

There is no restriction on the amount of securities which the Issuer may issue and which rank pari passu with, the Capital Securities and no restriction on the Issuer issuing securities with similar, different or no Loss Absorption Event provisions.

The issue of any such securities may reduce the amount recoverable by Holders on a winding-up of the Issuer. Accordingly, in the winding-up of the Issuer and after payment of the claims of senior creditors and of depositors, there may not be a sufficient amount to satisfy the amounts owing to the Holders.

The Capital Securities may be subject to Loss Absorption Measures

Investors may lose all or part of their investment upon the occurrence or, as appropriate, the continuation of one or more of the following events (each a "Loss Absorption Event"):

(a) as a result of losses incurred by the Rabobank Group as reported in its Relevant Accounts, the Issuer's Equity Capital Ratio falls or remains below 8 per cent.; or

(b) there has been such a significant reduction in the retained earnings or similar reserves of the Issuer or the Rabobank Group causing a significant deterioration in the financial and regulatory solvency position of the Issuer and the Rabobank Group that the Issuer determines, or the Dutch Central Bank has notified the Issuer in writing that it believes, that the Issuer's Equity Capital Ratio will fall below 8 per cent. in the near term.

If a Loss Absorption Event has occurred and is continuing, the Issuer shall, after first giving notice thereof to Holders in accordance with the Conditions and subject to certain conditions (including obtaining the prior written consent of the Dutch Central Bank):

(i) cancel any Interest accrued to the relevant Loss Absorption Measure Effective Date; and

(ii) to the extent the cancellation of Interest in accordance with (i) above, together with the cancellation of interest on any other Loss Absorbing Instruments or any other instrument issued directly or indirectly by the Issuer which, in the case of the bankruptcy of the Issuer, a Moratorium or the dissolution (*ontbinding*) as a result of the insolvency of the Issuer ranks *pari passu* with, or junior to, the Capital Securities and which contains provisions for the cancellation of interest analogous to any of those in the Capital Securities, in each case on or before the relevant Loss Absorption Measure Effective Date, is in aggregate insufficient to result in the relevant Loss Absorption Event no longer continuing, irrevocably (without the need for the consent of the Holders) reduce the then Prevailing Principal Amount of each Capital Security by the relevant Write Down Amount.

A Loss Absorption Event may occur on more than one occasion, including on liquidation or redemption, and each Capital Security may be Written Down on more than one occasion. Once the principal amount of a Capital Security has been Written Down, the relevant Write Down Amount(s) will not be restored in any circumstances including where the relevant Loss Absorption Event(s) cease(s) to continue.

To the extent that part of the principal amount of a Capital Security has been Written Down in accordance with the above, Interest will continue to accrue on the then Prevailing Principal Amount of that Capital Security.

In addition, the Capital Securities may become subject to statutory loss absorption measures upon the occurrence of a Non-Viability Event — see the risk factors entitled "*Basel III Reforms — Loss absorbency at the point of non-viability*", "*Future bank recovery and resolution regimes*" and "*Change of law*" below for further information.

As used herein, "Non-Viability Event" means the earlier of (a) a decision that a write-off, without which the relevant bank would become non-viable, is necessary; and (b) the decision to make a public sector injection of capital, without which the relevant bank would become non-viable, in each case as determined by the relevant authority. This definition is for illustrative purposes only and may not necessarily reflect the meaning ascribed to the term "Non-Viability Event" (or any term equivalent thereto) pursuant to any law or regulation implementing the Basel III Reforms.

Holders will bear the risk of fluctuation in the Equity Capital Ratio

The market price of the Capital Securities is expected to be affected by fluctuations in the Equity Capital Ratio since the amount of Equity Capital may vary, as may the amount and basis of calculation of the Rabobank Group's Risk Weighted Assets (the basis of calculation of the Risk Weighted Assets may vary due to changes in the Solvency Rules). Any indication that the Equity Capital Ratio is trending towards a Loss Absorption Event may have an adverse effect on the market price of the Capital Securities. The level of the Equity Capital Ratio may significantly affect the trading price of the Capital Securities.

Profit Risk

The extent to which the Issuer makes a profit from its operations (if any) will affect whether it will exercise its discretion not to pay Interest pursuant to Condition 5.

Payments of Interest are discretionary

Payment of Interest on any Interest Payment Date is at the sole discretion of the Issuer. The Issuer may elect not to pay Interest, in whole or in part, on any Interest Payment Date. The Issuer may make such election for any reason.

Any Interest which is not paid on the applicable Interest Payment Date shall not accumulate or be payable at any time thereafter. Holders shall have no right thereto whether in a bankruptcy or dissolution as a result of the insolvency of, or in the event of a Moratorium with respect to, the Issuer or otherwise.

Thus, any Interest not paid as a result of these restrictions will be lost and the Issuer will have no obligation to make payment of such Interest or to pay interest thereon.

Furthermore, if the Issuer exercises its discretion not to pay Interest on any Interest Payment Date, this will not give rise to any restriction on the Issuer making distributions or any other payments to the holders of any securities ranking *pari passu* with, or junior to, the Capital Securities (including the Participations).

Perpetual Securities

The Capital Securities are perpetual securities which have no scheduled repayment date. Holders of Capital Securities have no ability to require the Issuer to redeem their Capital Securities unless an Event of Default occurs. The Events of Default, and Holders' rights following an Event of Default, are set out in Condition 9.

The Issuer has the option to redeem the Capital Securities in certain circumstances (including from the First Call Date) and, subject to the Conditions, has undertaken to exercise its option to redeem the Capital Securities on the Conditional Call Exercise Date. The ability of the Issuer to redeem Capital Securities, including on a Conditional Call Exercise Date, is subject to the Issuer satisfying certain conditions (see Condition 7).

This means that Holders of Capital Securities have no ability to cash in their investment, except:

(a) if the Issuer exercises its rights to redeem or purchase the Capital Securities;

(b) if permitted following an Event of Default; or

(c) by selling their Capital Securities.

In addition, upon the occurrence of a Tax Law Change or a Capital Event, the Capital Securities may be redeemed at their Redemption Price, as more particularly described in the Conditions.

The Capital Securities shall be redeemed at their Prevailing Principal Amount as at the date of such redemption. If any Loss Absorption Event has occurred since the Issue Date, as more fully described in "—The Capital Securities may be subject to Loss Absorption Measures", Holders will receive an amount less than the initial principal amount of the Capital Securities.

There can be no assurance that Holders will be able to reinvest the amount received upon redemption at a rate that will provide the same rate of return as their investment in the Capital Securities.

Substitution and Variation upon the occurrence of a CRD IV Capital Event or a Capital Event

Upon the occurrence and continuation of a CRD IV Capital Event or a Capital Event, the Issuer may, subject as provided in Condition 7 and without the need for any consent of the Holders, substitute all (but not some only) of the Capital Securities, or vary the terms of the Capital Securities so that they remain or, as appropriate, become, Compliant Securities (as defined in Condition 1), and which may take the form of preferred equity securities. The tax and stamp duty consequences of holding preferred equity securities following a substitution could be different for some categories of holder from the tax and stamp duty consequences for them of holding Capital Securities.

Basel III Reforms - Loss absorbency at the point of non-viability

The Basel III Reforms (as defined under the risk factor entitled "*Minimum regulatory capital and liquidity requirements*" above) provide that instruments, such as the Capital Securities, which do not contain any contractual terms providing for their writing off or conversion into ordinary shares upon the occurrence of a Non-Viability Event (as defined in the risk factor entitled "*The Capital Securities may be subject to Loss Absorption Measures*"), will cease to be eligible to count in full as Tier 1 Capital from 1 January 2013 unless, among other things, the jurisdiction of the relevant bank has in place laws that (i) require such instruments to be written down upon the occurrence of a Non-Viability Event, or (ii) otherwise require such instruments fully to absorb losses before tax payers are exposed to loss.

It is possible that any powers which result from any future change in law to give effect to the Basel III Reforms could be used in such a way as to result in the Capital Securities absorbing losses in the manner described in (i) or (ii) above. Accordingly, the operation of any such future legislation may have an adverse effect on the position of holders of the Capital Securities. See also the risk factors entitled "*The Capital Securities may be subject to Loss Absorption Measures*", "*Future bank recovery and resolution regimes*" and "*Change of law*".

Future bank recovery and resolution regimes

On 4 March 2011, the Dutch Ministry of Finance commenced a consultation process in relation to newly proposed banking legislation dealing with ailing banks (the "Dutch Proposal"). The consultations process has now been finalised, and the Dutch Proposal was sent to the Netherlands Parliament on 26 October 2011. The Dutch Proposal was preceded by a consultation launched by the European Commission on 6 January 2011 on a number of proposals for a comprehensive framework for dealing with ailing banks (the "EU Proposals") which contains a number of legislative proposals similar to the Dutch Proposal. Under the Dutch Proposal, substantial new powers would be granted to the Dutch Central Bank and the Dutch Minister of Finance (the "Minister of Finance") enabling them to deal with, *inter alia*, ailing Dutch banks prior to insolvency. The Dutch Proposal aims to empower Dutch Central Bank or the Minister of Finance, as applicable, to commence proceedings leading to: (i) the transfer of all or part of the business (including deposits) of the relevant bank to a private sector purchaser; (ii) the transfer of all or part of the business of the relevant bank to a "bridge bank"; and (iii) the public ownership (nationalisation) of the relevant bank. Subject to certain exceptions, it is currently proposed that as soon as any of these proposed proceedings have been initiated by the Dutch Central Bank or the Minister of Finance, as applicable, the relevant counterparties of a bank would not be entitled to invoke events of default or set off their claims against the bank.

The EU Proposals include a discussion of possible proposals to give regulators resolution powers to write down debt of a failing bank (or to convert such debt into equity) to strengthen its financial position and allow it to continue as a going concern subject to appropriate restructuring.

It is at this stage uncertain if the Dutch Proposal and/or any of the EU Proposals will be adopted and if so, when and in what form. However, if the Dutch Proposal and/or any of the EU Proposals were to be adopted in their current form, this could negatively affect the position of holders of the Capital Securities and the credit rating of the Capital Securities. Furthermore, it is possible that upon adoption of the Dutch Proposal or any of the EU Proposals or any other future similar proposals, any new powers which may be given to the Dutch Central Bank or another relevant authority could be used in such a way as to result in the subordinated debt instruments of the Issuer, such as the Capital Securities, absorbing losses in the course of any resolution of the Issuer. The application of any such legislation may affect the rights and effective remedies of holders of the Capital Securities as well as their market value.

See also the risk factors entitled "*The Capital Securities may be subject to Loss Absorption Measures*", "*Basel III Reforms - Loss absorbency at the point of non-viability*", and "*Change of law*" for further information.

Modification and waiver

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

The Agency Agreement may be amended by the Issuer (i) for the purposes of curing any ambiguity, or for curing, correcting or supplementing any defective provision contained therein or (ii) in any manner which the Issuer and the Fiscal Agent may mutually deem necessary or desirable and which does not adversely affect the interests of the Holders of the Capital Securities or the Couponholders, to all of which each Holder and Couponholder shall, by acceptance thereof, consent.

Further, the agreement or approval of the Holders and Couponholders shall not be required in the case of any Write Down of the principal amount of the Capital Securities in accordance with Condition 6(a).

Risks related to the market generally

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

The secondary market generally

The Capital Securities may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Capital Securities easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Capital Securities that are especially sensitive to interest rate, or market risks. These types of Capital Securities generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of the Capital Securities.

Exchange rate risks and exchange controls

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

Credit ratings may not reflect all risks

It is expected that the Capital Securities will be assigned a rating of 'A-, Rating Watch Negative (exp)' by Fitch on or around their Issue Date. The Capital Securities will not be assigned any rating by Moody's or Standard & Poor's on issue. There can be no assurance that Moody's or Standard & Poor's will in the future assign any rating to the Capital Securities or that if they do assign a rating that such rating will correspond to the then prevailing rating of the Capital Securities by Fitch. There can be no assurance that the methodology of the ratings agencies will not evolve or that any ratings once given will not be suspended, reduced or withdrawn at any time by the assigning rating agency.

The credit rating(s) of the Capital Securities from time to time may not be reliable and changes to the credit ratings could affect the value of the Capital Securities. Credit ratings may not reflect the potential impact of all risks relating to the value of the Capital Securities. Real or anticipated changes in the credit ratings of the Issuer will generally affect the market value of the Capital Securities. Further, any credit ratings may be revised downwards in the event of, inter alia, a deterioration in the Equity Capital Ratio of Rabobank Group.

A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Legal investment considerations may restrict certain investments

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

EU Savings Directive

The EU has adopted EC Council Directive 2003/48/EC on the taxation of savings income (the "EU Savings Directive"). The EU Savings Directive requires Member States of the European Union (each an "EU Member State") to provide to the tax authorities of other EU Member States details of payments of interest and other similar income paid by a person to an individual resident, or to certain other types of entity established, in another EU Member State, except that Austria and Luxembourg may instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period they elect otherwise. A number of non-EU countries and territories have adopted similar measures with effect from the same date.

If a payment were to be made or collected through an EU Member State (or a third country or territory which has adopted similar measures) which has opted for a withholding system and an amount of, or in respect of tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Capital Security as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent following implementation of the EU Savings Directive, the Issuer will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the EU Savings Directive.

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

Integral multiples of less than U.S.$100,000

The Capital Securities are denominated in amounts of U.S.$100,000 and integral multiples of U.S.$1,000 in excess thereof up to and including U.S.$199,000. In the event that definitive Capital Securities are required to be issued, a holder who holds a principal amount which is less than U.S.$100,000 (or, following adjustment (if any) downwards in accordance with Condition 6, the lesser amount resulting from such adjustment) in his account with the relevant clearing system at the relevant time would need to purchase a principal amount of Capital Securities such that his holding amounts to at least U.S.$100,000 (or, following adjustment (if any) downwards in accordance with Condition 6, the lesser amount resulting from such adjustment) before he may receive a definitive Capital Security in respect of such holding. Except in circumstances set out in the relevant Global Capital Security, investors will not be entitled to receive definitive Capital Securities.

Change of law

The conditions of the Capital Securities are based on Dutch law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to Dutch, European or any other applicable laws, regulations or administrative practices after the date of this Prospectus. Such changes in law may include, but are not limited to, the introduction of a variety of statutory resolution and loss-absorption tools which may affect the rights of holders of securities issued by the Issuer, including the Capital Securities. Such tools may include the ability to write off sums otherwise payable on such securities at a time when the Issuer is no longer considered viable by its regulator or upon the occurrence of another trigger (see the risk factors entitled "*Basel III Reforms — Loss absorbency at the point of non-viability*" and "*Future bank recovery and resolution regimes*" above for further details).

IMPORTANT INFORMATION

Responsibility Statement

This Prospectus comprises a prospectus for the purposes of the Prospectus Directive and the Dutch securities laws. Rabobank Nederland, having taken all reasonable care to ensure that such is the case, confirms that, to the best of its knowledge, the information contained in this Prospectus with respect to the Group and the Capital Securities or otherwise is in accordance with the facts and does not omit anything likely to affect the import of such information. Rabobank Nederland accepts responsibility accordingly.

Documents incorporated by reference

This Prospectus should be read and construed in conjunction with the following documents which have been previously published or are published simultaneously with this Prospectus and which have been filed with the AFM:

(a) the audited consolidated and unconsolidated annual financial statements of the Issuer for the financial year ended 31 December 2008 (together with the independent auditor's reports thereon and explanatory notes thereto);

(b) the audited consolidated and unconsolidated annual financial statements of the Issuer for the financial year ended 31 December 2009 (together with the independent auditor's reports thereon and explanatory notes thereto);

(c) the audited consolidated and unconsolidated annual financial statements of the Issuer for the financial year ended 31 December 2010 (together with the independent auditor's reports thereon and explanatory notes thereto); and

(d) the unaudited interim report of Rabobank Group for the six months ended 30 June 2011 (together with the review report on the condensed consolidated interim financial information in respect thereof).

Such documents shall be incorporated in, and form part of, this Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

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

FORWARD-LOOKING STATEMENTS

This Prospectus includes forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding the Issuer's financial position, business strategy, plans and objectives of management for future operations, 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 Rabobank Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Issuer's present and future business strategies and the environment in which the Rabobank Group will operate in the future. Among the important factors that could cause the Rabobank Group's actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the competitive nature of the banking business in the Netherlands; credit and other risks of lending; volatility in Dutch and international equity markets; government regulation and tax matters; the outcome of legal or regulatory disputes and proceedings; and changes in Dutch economic conditions, political events, interest rates, exchange rates and inflation. These forward-looking statements speak only as of the date of this Prospectus. The Issuer expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. The foregoing paragraph applies to those forward-looking statements which are both set out in this Prospectus and which are incorporated by reference herein — see 'Important Information — Documents incorporated by reference'.

OVERVIEW

The Overview below describes the principal terms of the Capital Securities. The section of this Prospectus entitled 'Terms and Conditions of the Capital Securities' contains a more detailed description of the Capital Securities. Capitalised terms used but not defined in this Overview shall bear the respective meanings ascribed to them in 'Terms and Conditions of the Capital Securities'.

Issuer of the Capital Securities...........	Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland)
Joint Lead Managers...........................	Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank International) Credit Suisse Securities (Europe) Limited Morgan Stanley & Co. International plc Nomura International plc
Co-Lead Managers..............................	Goldman Sachs International Merrill Lynch International UBS Limited
Fiscal Agent..	Deutsche Bank AG, London Branch
Paying Agents......................................	The Fiscal Agent and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank International)
Issue Size	U.S.$2,000,000,000
Maturity Date	The Capital Securities are perpetual securities and have no scheduled maturity date.
Issue Date	9 November 2011
Interest..	The Capital Securities will bear interest at an initial interest rate of 8.40 per cent. per annum on their Prevailing Principal Amount, from (and including) the Issue Date to (but excluding) 29 June 2017, payable, subject as provided below, semi-annually in arrear on each Interest Payment Date, as more fully described under Condition 4. Interest on the Capital Securities shall accrue from (and including) the First Reset Date at a rate, to be reset every five years thereafter, based on the US Treasury Benchmark Rate plus 7.49 per cent.
Interest Payment Dates.......................	Except as described below, interest will be payable on 29 June and 29 December in each year (each, an "**Interest Payment Date**"), commencing on 29 December 2011. There will be a short first Interest Period of 50 days, beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date. The Interest Payment Dates on the Capital Securities are aligned with the June and December interest payment dates of the Participations.
Ranking	The payment obligations under the Capital Securities and the Coupons constitute direct, unsecured and subordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. Subject to exceptions provided by mandatory applicable law, in the case of (a) the bankruptcy of the

Issuer; (b) a Moratorium; or (c) dissolution (*ontbinding*) as a result of the insolvency of the Issuer, the payment obligations of the Issuer under the Capital Securities and the Coupons shall rank:

(i) subordinated and junior to indebtedness of the Issuer (other than the Issuer's obligations under any guarantee or contractual right that effectively ranks *pari passu* with, or junior to, the Issuer's obligations under the Capital Securities or the Coupons (including, without limitation, the Existing Capital Securities and the Participations));

(ii) *pari passu* (a) with the Issuer's obligations under the guarantees and contingent guarantees in relation to the Non-cumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trusts II, III, IV, V and VI and the corresponding LLC Class B Preferred Securities issued by Rabobank Capital Funding LLCs II, III, IV, V and VI, (b) with the Issuer's obligations under the Existing Capital Securities, and (c) effectively, with the most senior ranking preferred equity securities or preferred or preference shares of the Issuer; and

(iii) senior to the Issuer's obligations under the Participations and any other instruments ranking *pari passu* with the Participations (in accordance with, and by virtue of, the subordination provisions of, the Participations) and any other instruments ranking *pari passu* therewith.

By virtue of such subordination, payments to Holders and Couponholders will, in the case of the bankruptcy or dissolution of the Issuer or in the event of a Moratorium, only be made after all payment obligations of the Issuer ranking senior to the Capital Securities and Coupons have been satisfied.

Discretionary Interest Payments........ The Issuer shall have full discretion at all times to cancel (in whole or in part) the Interest payable on any applicable Interest Payment Date. Any Interest paid (subject to the prior approval of the Dutch Central Bank, if required) may not exceed Distributable Items as at such Interest Payment Date.

Any Interest not paid on any relevant Interest Payment Date shall not accumulate or be payable at any time thereafter, and Holders shall have no right thereto whether in a bankruptcy or dissolution as a result of the insolvency of, or in the event of a Moratorium with respect to, the Issuer or otherwise.

Furthermore, if the Issuer exercises its discretion not to pay Interest on any Interest Payment Date, this will not give rise to any restriction on the Issuer making distributions or any other payments to the holders of any securities ranking *pari passu* with, or junior to, the Capital Securities (including the Participations).

Loss Absorption Events………….. Upon the occurrence, or the continuation of, one or more of the following events:

(a) as a result of losses incurred by the Rabobank Group as reported in its Relevant Accounts, the Issuer's Equity Capital Ratio falls or remains below 8 per cent.; or

(b) there has been such a significant reduction in the retained earnings or similar reserves of the Issuer or the Rabobank Group causing a significant deterioration in the financial and regulatory solvency position of the Issuer and the Rabobank Group that the Issuer determines, or the Dutch Central Bank has notified the Issuer in writing that it believes, that the Issuer's Equity Capital Ratio will fall below 8 per cent. in the near term,

(each a "**Loss Absorption Event**"), the Issuer shall, subject to certain conditions:

(i) cancel any Interest accrued to the relevant Loss Absorption Measure Effective Date; and

(ii) to the extent the cancellation of Interest in accordance with (i) above, together with the cancellation of interest on any other Loss Absorbing Instruments or any other instrument issued directly or indirectly by the Issuer which, in the case of the bankruptcy of the Issuer, a Moratorium or the dissolution (*ontbinding*) as a result of the insolvency of the Issuer ranks *pari passu* with, or junior to, the Capital Securities and which contains provisions for the cancellation of interest analogous to any of those in the Capital Securities, in each case on or before the relevant Loss Absorption Measure Effective Date, is in aggregate insufficient to result in the relevant Loss Absorption Event no longer continuing, irrevocably (without the need for the consent of the Holders) reduce the then Prevailing Principal Amount of each Capital Security by the relevant Write Down Amount.

A Loss Absorption Event may occur on more than one occasion and each Capital Security may be Written Down on more than one occasion. Once the principal amount of a Capital Security has been Written Down, the relevant Write Down Amount(s) will not be restored in any circumstances including where the relevant Loss Absorption Event(s) cease(s) to continue.

Optional Redemption .... Subject to certain conditions, as more particularly set out in Condition 7*(b)* of the Capital Securities, the Issuer may elect to redeem all, but not some only, of the Capital Securities on the First Call Date or at any time thereafter at their Redemption Price.

Unless the Capital Securities have previously been redeemed or purchased and cancelled, the Issuer has undertaken to exercise its option to redeem the Capital Securities on the first Interest Payment Date falling on or after 29 December 2041 (i) which is a Relevant Interest Payment Date and (ii) prior to which the Issuer has previously raised (or caused to be raised by a member of the Rabobank Group) the amount of net proceeds which the Issuer determines (at any time prior to such date in its sole discretion but in consultation with the Dutch Central Bank, as necessary) is the minimum amount required by the Rabobank Group to be raised through the issuance of Qualifying Securities to replace the Capital Securities (as more particularly set out in Condition 7*(c)* of the Capital Securities).

Redemption for Taxation Reasons ..... If as a result of a Tax Law Change:

(i) there is more than an insubstantial risk that the Issuer will be required to pay Additional Amounts with respect to payments on the Capital Securities; or

(ii) Interest payable on the Capital Securities when paid would not be deductible by the Issuer for Netherlands corporate income tax liability purposes,

then the Issuer may, at any time prior to the First Call Date redeem all, but not some only, of the Capital Securities at their Redemption Price on the relevant date fixed for redemption as more particularly set out in Condition 7*(d)*.

Redemption for Regulatory Reasons.. If a Capital Event has occurred and is continuing, then the Issuer may, at any time prior to the First Call Date redeem all, but not some only, of the Capital Securities at their Redemption Price, on the relevant date fixed for redemption, as more particularly set out in Condition 7*(e)*.

Substitution or variations for a CRD IV Capital Event or a Capital Event.. If a CRD IV Capital Event or a Capital Event has occurred and is continuing, then the Issuer may either substitute, or vary the terms of, the Capital Securities so that they remain, or as appropriate become Compliant Securities, as more particularly set out in Condition 7*(f)*.

Withholding Tax and Additional Amounts .... The Issuer will pay such Additional Amounts as may be necessary in order that the net payment received by each Holder in respect of the Capital Securities, after withholding for any taxes imposed by tax authorities in the Netherlands upon payments made by or on behalf of the Issuer in respect of the Capital Securities, will equal the amount which would have been received in the absence of any such withholding taxes, subject to customary exceptions, as more particularly set out in Condition 10.

Listing.. Application has been made to list the Capital Securities on NYSE Euronext in Amsterdam, a regulated market of Euronext Amsterdam N.V. It is expected that admission to listing will become effective and dealings are expected to commence on 9 November 2011.

Governing Law .... The Capital Securities will be governed by, and construed in accordance with, Dutch law.

Form .... Bearer. The Capital Securities will initially be represented by a Temporary Global Capital Security, without interest coupons, which will be deposited with a common depositary on behalf of Euroclear and Clearstream, Luxembourg. The Temporary Global Capital

	Security will be exchangeable for interests in a global capital security, without interest coupons, on or after 19 December 2011, upon certification as to non-US beneficial ownership.
Denomination	U.S.$100,000 and integral multiples of U.S.$1,000 in excess thereof, up to and including U.S.$199,000.
Clearing and Settlement	The Capital Securities have been accepted for clearance through the facilities of each of Euroclear and Clearstream, Luxembourg.
Rating	The Capital Securities are expected to be assigned on issue a rating of 'A-, Rating Watch Negative (exp)' by Fitch Ratings Ltd. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, reduction or withdrawal at any time by the assigning rating agency.
Security Codes	ISIN: XS0703303262 Common Code: 070330326
Selling Restrictions	The United States of America, United Kingdom, Japan, Singapore, Hong Kong, Malaysia, the Republic of China, the People's Republic of China, the Republic of Korea, India, Indonesia, Brazil, Switzerland, France, the Republic of Italy and Israel. The Capital Securities have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act). The Capital Securities are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. For a description of these and certain further restrictions on offers, sales and transfers of the Capital Securities and distribution of this Prospectus, see 'Subscription and Sale'.

TERMS AND CONDITIONS OF THE CAPITAL SECURITIES

The issue of the Capital Securities was authorised by a resolution of the Issuer on 1 November 2011 and is in accordance with the funding mandate authorised by a resolution of the Executive Board passed on 9 November 2010 and a resolution of the Supervisory Board passed on 29 November 2010. The Agency Agreement has been entered into in respect of the Capital Securities and is available for inspection during usual business hours at the specified offices of each of the Paying Agents. The Agency Agreement includes the form of the Capital Securities, the Coupons and the Talons. The Holders and the Couponholders (whether or not the Coupons held are attached to the relevant Capital Securities) are deemed to have notice of all the provisions of the Agency Agreement applicable to them.

1 Definitions

In these Conditions:

"**Additional Amounts**" means such additional amounts as may be necessary so that the net amount received by the Holders or the Couponholders, after the relevant withholding or deduction of any Relevant Tax, will equal the amount which would have been received in respect of the Capital Securities or the Coupons in the absence of such withholding or deduction;

"**Additional Tier 1 Capital**", at any time, has the meaning ascribed thereto (or to any equivalent term) at such time, in the Solvency Rules;

"**Administrative Action**" means any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to adopt such procedures or regulations);

"**Agency Agreement**" means the fiscal agency agreement dated 9 November 2011 entered into between the Issuer, the Fiscal Agent and the Paying Agents;

"**Authorised Signatories**" means any two of the members of the Executive Board;

"**Bank Instrument**" means any share capital or other instrument of the Issuer;

"**Business Day**" means a day, other than a Saturday, Sunday or public holiday, on which registered banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London and, if on that day a payment is to be made, in New York City also;

"**Calculation Amount**" means, initially, U.S.$1,000 in principal amount of each Capital Security, or, following adjustment (if any) downwards in accordance with Condition 6, the lesser amount resulting from such adjustment;

"**Capital Bank Guarantee**" means any guarantee issued by the Issuer of preferred equity securities or preferred or preference shares issued by any member of the Rabobank Group which qualify as consolidated Tier 1 Capital and which guarantee effectively ranks senior to a Parity Bank Guarantee;

A "**Capital Event**" is deemed to have occurred if the Issuer is notified in writing by the Dutch Central Bank to the effect that as a result only of any amendment to, or change in, the Solvency Rules, the Prevailing Principal Amount of the Capital Securities may no longer be included in full in the consolidated Tier 1 Capital of Rabobank Group other than by reason of a CRD IV Capital Event;

"**Capital Local Rabobank Guarantee**" means any guarantee issued by any Local Rabobank of preferred equity securities or preferred or preference shares issued by any member of the Rabobank Group which qualify as consolidated Tier 1 Capital and which guarantee effectively ranks senior to a Parity Local Rabobank Guarantee;

"**Capital Securities**" means the U.S.$ 2,000,000,000 8.40 per cent. Perpetual Non-Cumulative Capital Securities, which expression shall, unless the context otherwise requires, include any further instruments issued pursuant to Condition 15 and forming a single series with the Capital Securities;

"**Common Equity Tier 1 Capital**", at any time, has the meaning ascribed thereto (or to any equivalent term) at such time, in the Solvency Rules;

"**Compliant Securities**" means securities issued directly or indirectly by the Issuer that:

(a) have terms not materially less favourable to an investor than the terms of the Capital Securities (as reasonably determined by the Issuer, and provided that a certification to such effect of the Authorised Signatories shall have been delivered to the Fiscal Agent prior to the issue of the relevant securities), provided that such securities (1) contain terms such that they comply with the then current requirements of the Dutch Central Bank in relation to Tier 1 Capital; (2) include terms which provide for the same Interest Rate from time to time applying to the Capital Securities; (3) rank *pari passu* with, the Capital Securities; and (4) such securities shall preserve any existing rights under these Conditions to any accrued interest which has not been satisfied; and

(b) where the Capital Securities which have been substituted or varied were listed immediately prior to their substitution or variation, the relevant securities are listed on (i) Euronext Amsterdam or (ii) such other internationally recognised stock exchange as selected by the Issuer; and

(c) where the Capital Securities which have been substituted or varied had a published rating from a Rating Agency immediately prior to their substitution or variation each such Rating Agency has ascribed, or announced its intention to ascribe, an equal or higher published rating to the relevant Compliant Securities;

"**Conditional Call Exercise Date**" means the first Interest Payment Date falling on or after 29 December 2041 on which all of the Conditional Call Exercise Requirements are satisfied;

"**Conditional Call Exercise Requirements**" shall be deemed to be satisfied as at an Interest Payment Date falling on or after 29 December 2041 if (a) such Interest Payment Date is a Relevant Interest Payment Date and (b) the Issuer (or any member of the Rabobank Group) has raised the Replacement Capital Amount, if any, on or before such date;

"**Conditions**" means these terms and conditions of the Capital Securities, as they may be amended from time to time in accordance with the provisions hereof;

"**Corresponding Proportion**" means, in relation to the writing down of the Prevailing Principal Amount of any Loss Absorbing Instrument as contemplated in Condition 6*(c)* following the giving of a Loss Absorption Event Notice, an amount calculated by the Issuer which as near as practicable (taking account of currencies and market conventions for denominations) corresponds to the Prevailing Principal Amount of such Loss Absorbing Instrument divided by B and multiplying the result by NEC (as such terms are calculated in accordance with the definition of Write Down Amount and set out in the relevant Loss Absorption Event Notice);

"**Coupon**" means an interest coupon in respect of a Capital Security (which expression includes, where the context so permits, Talons);

"**Couponholders**" means the holder of a Coupon;

“**CRD IV**” means, taken together, (i) the CRD IV Directive, (ii) the CRD IV Regulation and (iii) the Future Capital Instruments Regulations;

“**CRD IV Capital Event**” is deemed to have occurred if the Issuer is notified in writing by the Dutch Central Bank to the effect that the Capital Securities can no longer be included in full in the consolidated Tier 1 Capital of Rabobank Group by reason of their non-compliance with CRD IV;

“**CRD IV Directive**” means the Directive of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms amending Directive 2002/87/EC, a draft of which was published on 20 July 2011;

“**CRD IV Regulation**” means the Regulation of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, a draft of which was published on 20 July 2011;

“**Day-count Fraction**” means (i) in respect of an Interest Amount payable on a scheduled Interest Payment Date (other than the first Interest Payment Date), one-half, (ii) in respect of an Interest Amount payable (A) on the first Interest Payment Date or (B) other than on a scheduled Interest Payment Date, the number of days in the relevant period divided by 360 (the number of days to be calculated on the basis if a year of 360 days with 12 30-day months and, in the case of an incomplete month, the number of days elapsed of the Interest Period in which the relevant period falls (including the first such day but excluding the last);

“**Determination Agent**” means an independent investment bank or financial institution selected by the Issuer for the purposes of performing the functions required to be performed by it under these Conditions;

“**Distributable Items**” means, as at any Interest Payment Date, the net profit of the Rabobank Group for the financial year of the Rabobank Group ended immediately prior to such Interest Payment Date together with any net profits and retained earnings from any previous financial years and any net transfers from any reserve accounts in each case available for the payment of distributions on Junior Group Member Instruments as shown in the audited annual financial statements of the Rabobank Group in respect of such financial year;

“**Dutch Central Bank**” means De Nederlandsche Bank N.V., or such other governmental authority in the Netherlands having primary supervisory authority with respect to the Rabobank Group;

“**Equity Capital**” means, at any time, the aggregate euro amount of all Junior Group Member Instruments (and such successor or other instruments representing capital paid up or contributed to the Rabobank Group by members and others) and retained earnings or similar reserves of the Rabobank Group, at such time calculated by the Issuer on a consolidated basis in accordance with the accounting standards applicable to the Rabobank Group;

“**Equity Capital Ratio**” means, at any time, the ratio of the Equity Capital divided by the Risk Weighted Assets, calculated by the Issuer on a consolidated basis;

“**Euronext Amsterdam**” means NYSE Euronext in Amsterdam, a regulated market of Euronext Amsterdam N.V.;

“**Event of Default**” means, any of the following events:

(i) default by the Issuer is made for more than 30 days in the payment of interest or principal due in respect of any of the Capital Securities or the Coupons; or

(ii) the Issuer becomes bankrupt, an administrator is appointed, or an order is made or an effective resolution is passed for the winding-up, liquidation or administration of the Issuer (except for the purposes of a reconstruction or merger the terms of which have previously been approved by a meeting of Holders) or an application is filed for a declaration (which is not revoked within a period of 30 days), or a declaration is made, of the emergency regulation (*noodregeling*) under Art 3:160 Chapter 3.5.5.1 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*), as modified or reenacted from time to time, in respect of the Issuer which qualifies as a winding-up of the business of the Issuer (*liquidatie van het bedrijf van de kredietinstelling*);

"**Excluded Declarations**" means any declarations or payments by any Local Rabobank applied for purposes deemed by such Local Rabobank to be of local or general interest as provided in the articles of association of such Local Rabobank;

"**Executive Board**" means the executive board (*raad van bestuur*) of the Issuer;

"**Existing Capital Securities**" means the NZ$ Perpetual Non-Cumulative Capital Securities issued on 8 October 2007, the U.S.$ Perpetual Non-Cumulative Securities issued on 22 October 2007, the U.S.$ Perpetual Non-Cumulative Capital Securities issued on 6 June 2008, the £ Perpetual Non-Cumulative Capital Securities issued on 10 June 2008, the CHF Perpetual Non-Cumulative Capital Securities issued on 27 June 2008, the ILS Perpetual Non-Cumulative Capital Securities issued on 14 July 2008, the U.S.$ Perpetual Non-Cumulative Capital Securities issued on 24 September 2008, the EUR Fixed to Floating Rate Perpetual Non-Cumulative Capital Securities issued on 27 February 2009, the U.S.$ Fixed to Floating Rate Perpetual Non-Cumulative Capital Securities issued on 4 June 2009, the U.S.$ Fixed to Floating Rate Perpetual Non-Cumulative Capital Securities issued on 18 June 2009, the CHF Fixed to Floating Rate Perpetual Non-Cumulative Capital Securities issued on 12 August 2009 and the U.S.$ Fixed Rate Perpetual Non-Cumulative Capital Securities issued on 26 January 2011;

"**Extraordinary Resolution**" means a resolution passed at a meeting duly convened and held in accordance with the Agency Agreement by a majority of at least 75 per cent. of the votes cast;

"**First Call Date**" means 29 June 2017;

"**First Fixed Period**" has the meaning ascribed to it in Condition 4*(b)*;

"**First Reset Date**" means 29 June 2017;

"**Fiscal Agent**" means Deutsche Bank AG, London Branch in its capacity as fiscal agent, which expression shall include any successor thereto;

"**Future Capital Instruments Regulations**" means any regulatory capital rules or regulations introduced after the Issue Date by the Dutch Central Bank or which are otherwise applicable to the Issuer (on a solo or consolidated basis), which prescribe (alone or in conjunction with any other rules or regulations) the requirements to be fulfilled by financial instruments for their inclusion in the regulatory capital of the Issuer (on a solo or consolidated basis) to the extent required by (i) the CRD IV Regulation or (ii) the CRD IV Directive;

"**Group Declarations**" means in relation to any Parity Share, Bank Instrument, Local Rabobank Instrument or Junior Group Member Instrument, any declaration or payments with respect to such share capital or other instrument held by any member of the Rabobank Group;

"**Holder**" means the holder of a Capital Security, from time to time;

"**Initial Interest Rate**" means 8.40 per cent. per annum;

"**Interest**" means interest in respect of the Capital Securities including, as the case may be, any applicable Additional Amounts thereon;

"**Interest Amount**" means the amount of Interest payable per Calculation Amount in respect of the relevant Interest Period or Interest Periods, as calculated by the Determination Agent;

"**Interest Determination Date**" means, in respect of a Reset Period, the second Business Day prior to the Reset Date in respect of such Reset Period;

"**Interest Payment Date**" means 29 June and 29 December of each year commencing 29 December 2011;

"**Interest Period**" means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

"**Interest Rate**" means, in respect of the First Fixed Period, the Initial Interest Rate, and, in respect of each Reset Period thereafter, the rate calculated in accordance with the provisions of Condition 4*(b)*;

"**Issue Date**" means 9 November 2011, being the date of the initial issue of the Capital Securities;

"**Issuer**" means Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland);

"**Junior Group Member Instrument**" means the Member Certificates (*ledencertificaten*) issued by Stichting AK Rabobank Ledencertificaten II representing depositary receipts of participations issued by the Issuer as well as any share capital or other instrument of any other member of the Rabobank Group which (i) qualifies as consolidated Common Equity Tier 1 Capital, Additional Tier 1 Capital or Other Tier 1 Capital and (ii) effectively ranks junior to the most senior preferred equity securities or preferred or preference shares of such member and is guaranteed by the Issuer or any Local Rabobank and which guarantee effectively ranks junior to a Parity Bank Share, in the case of the Issuer, or Parity Local Rabobank Share, in the case of a Local Rabobank;

"**Local Rabobank**" means any of the Issuer's local member banks;

"**Local Rabobank Instrument**" means any share capital or other instrument of any Local Rabobank which qualifies as consolidated Tier 1 Capital;

"**Loss Absorbing Instrument**" means any instrument (other than the Capital Securities) issued directly or indirectly by the Issuer which (a) in the case of the bankruptcy of the Issuer, a Moratorium or the dissolution (*ontbinding*) as a result of the insolvency of the Issuer ranks *pari passu* with, or junior to, the Capital Securities; and (b) contains provisions analogous to those in Condition 6 relating to a Write Down of the principal amount of such instrument or which otherwise permit the write down of such instrument and in respect of which the conditions (if any) to the operation of such provisions are (or with the giving of any certificate or notice which is capable of being given by the Issuer, would be) satisfied;

"**Loss Absorption Event**" means the occurrence or, as appropriate, the continuation of one or more of the following events:

(a) as a result of losses incurred by the Rabobank Group as reported in its Relevant Accounts, the Issuer's Equity Capital Ratio falls or remains below 8 per cent.; or

(b) there has been such a significant reduction in the retained earnings or similar reserves of the Issuer or the Rabobank Group causing a significant deterioration in the financial and regulatory solvency position of the Issuer and the Rabobank Group that the Issuer determines, or the Dutch Central Bank has notified the Issuer in writing that it believes, that the Issuer's Equity Capital Ratio will fall below 8 per cent. in the near term;

"**Loss Absorption Event Notice**" means the notice referred to in Condition 6 which shall be given by the Issuer not less than 15 nor more than 30 calendar days prior to the relevant Loss Absorption Measure Effective Date, to the Holder, the Fiscal Agent and the Paying Agents, in accordance with Condition 14 and which shall state with reasonable detail the nature of the relevant Loss Absorption Event, the relevant Loss

Absorption Measure being implemented, any Write Down Amount and the basis of its calculation and the relevant Loss Absorption Measure Effective Date;

"**Loss Absorption Measure**" has the meaning ascribed to it in Condition 6*(a)*;

"**Loss Absorption Measure Effective Date**" means the date specified as such in the relevant Loss Absorption Event Notice;

"**Margin**" means 7.49 per cent.;

"**Moratorium**" means a situation in which an "emergency regulation" (*noodregeling*) as contemplated in Chapter 3.5.5.1 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*), as modified or re-enacted from time to time, is applicable to the Issuer;

"**Other Tier 1 Capital**" means, at any time, any item(s) classified as Tier 1 Capital (as defined at such time, in the Solvency Rules) of the Rabobank Group on a consolidated basis;

"**Outstanding Payments**" means, in relation to any amounts payable on redemption or repayment of the Capital Securities, an amount representing accrued and unpaid Interest for the Interest Period during which redemption or repayment occurs to the date of redemption or repayment plus Additional Amounts thereon, if any;

"**Parity Bank Guarantee**" means a guarantee issued by the Issuer of preferred equity securities or preferred or preference shares issued by any member of the Rabobank Group which qualify as consolidated Tier 1 Capital and which guarantee effectively ranks:

(i) subordinated and junior to indebtedness of the Issuer (other than the Issuer's obligations under (a) the Capital Securities, (b) any guarantee or contractual right effectively ranking *pari passu* with the Issuer's obligations under the Capital Securities (including, for the avoidance of doubt, the Existing Capital Securities and the guarantees and contingent guarantees in relation to (i) the Non-cumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trusts II, III, IV, V and VI, and (ii) the corresponding LLC Class B Preferred Securities issued by Rabobank Capital Funding LLCs II, III, IV, V and VI) and (c) any guarantee or contractual right effectively ranking junior to the Issuer's obligations under the Capital Securities (including, without limitation, the Participations));

(ii) *pari passu* with the Capital Securities, the Existing Capital Securities and the most senior ranking preferred equity securities or preferred or preference shares of the Issuer (if and when existing); and

(iii) senior to any other share capital of the Issuer not described in paragraph (i)(A) of the definition of Parity Bank Share or paragraph (ii) above of this definition;

"**Parity Bank Share**" means:

(i) (A) the most senior ranking preferred equity securities or preferred or preference shares of the Issuer (if and when existing);

(B) any Bank Instrument which effectively ranks:

(1) subordinated and junior to indebtedness of the Issuer (other than the Issuer's obligations under (a) the Capital Securities, (b) any guarantee or contractual right effectively ranking *pari passu* with the Issuer's obligations under the Capital Securities (including, for the avoidance of doubt, the Existing Capital Securities and the guarantees and contingent guarantees in relation to (i) the Non-cumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trusts II, III, IV, V and VI, and (ii) the corresponding LLC Class B Preferred Securities issued by Rabobank Capital Funding

LLCs II, III, IV, V and VI); and (c) any guarantee or contractual right effectively ranking junior to the Issuer's obligations under the Capital Securities (including, without limitation, the Participations));

(2) *pari passu* with the Capital Securities, the Existing Capital Securities and the most senior ranking preferred equity securities or preferred or preference shares of the Issuer (if and when existing); and

(3) senior to any other share capital of the Issuer not described in paragraph (A) or (B)(2) of this definition;

and,

(C) any Parity Bank Guarantee;

and,

(ii) any preferred equity securities or preferred or preference shares issued by any member of the Rabobank Group which are guaranteed by the Issuer under a Parity Bank Guarantee or a Capital Bank Guarantee;

"**Parity Local Rabobank Guarantee**" means any guarantee issued by any Local Rabobank of preferred equity securities or preferred or preference shares issued by any member of the Rabobank Group which qualify as consolidated Tier 1 Capital and which guarantee effectively ranks:

(i) subordinated and junior to indebtedness of such Local Rabobank;

(ii) *pari passu* with the most senior ranking preferred equity securities or preferred or preference shares of such Local Rabobank (if and when existing); and

(iii) senior to any other share capital of such Local Rabobank not described in paragraph (i)(A) of the definition of Parity Local Rabobank Share or paragraph (ii) above of this definition (if and when existing);

"**Parity Local Rabobank Share**" means:

(i) (A) the most senior ranking preferred equity securities or preferred or preference shares of any Local Rabobank (if and when existing);

(B) any Local Rabobank Instrument which effectively ranks:

(1) subordinated and junior to indebtedness of such Local Rabobank;

(2) *pari passu* with the most senior ranking preferred equity securities or preferred or preference shares of such Local Rabobank (if and when existing); and

(3) senior to any other share capital of such Local Rabobank not described in paragraph (A) or (B)(2) above of this definition (if and when existing); and

(C) any Parity Local Rabobank Guarantee; and

(ii) any preferred equity securities or preferred or preference shares issued by any member of the Rabobank Group which are guaranteed by any Local Rabobank under a Parity Local Rabobank Guarantee or Capital Local Rabobank Guarantee;

"**Parity Share**" means (i) any Parity Bank Share and (ii) any Parity Local Rabobank Share; provided, however, that "Parity Share" shall not include any Parity Bank Share or Parity Local Rabobank Share which

(a) is held by, or on which payments are made to, any member of the Rabobank Group or (b) is accounted for as a financial liability in accordance with the generally accepted accounting standards applicable to the Rabobank Group from time to time;

"**Participations**" means the participations issued by the Issuer (with quarterly interest payment dates) and acquired by Stichting AK Rabobank Ledencertificaten II on 6 October 2011 (and any other similar participations issued thereafter by the Issuer);

"**Paying Agents**" means Deutsche Bank AG, London Branch and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank International) in their capacity as paying agents, which expression includes any successor and additional paying agents appointed from time to time in connection with the Capital Securities;

"**Prevailing Principal Amount**" means, in relation to each Capital Security at any time, the principal amount of such Capital Security at that time, being its initial principal amount, or any such lesser amount following adjustment (if any) downwards in accordance with Condition 6 and, in relation to any Loss Absorbing Instrument at any time, the principal amount of such Loss Absorbing Instrument at that time;

"**Proceedings**" means legal action or proceedings arising out of or in connection with any Capital Securities;

"**Qualifying Securities**" means securities of the Issuer or any member of the Rabobank Group that qualify as consolidated Tier 1 Capital under the Solvency Rules;

"**Rabobank Group**" means the Issuer together with its branches and consolidated subsidiaries and the Local Rabobanks;

"**Rating Agency**" means Moody's Investors Service Ltd or Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. or Fitch Ratings Ltd, or their respective successors;

"**Redemption Price**" means, in respect of each Capital Security at any time, the then Prevailing Principal Amount thereof together with any Outstanding Payments;

"**Relevant Accounts**" means, in relation to a Loss Absorption Event, the then most recently published annual, interim or ad hoc financial statements or other audited or unaudited published statement of results;

"**Relevant Date**" means, in respect of any payment, the date on which such payment first becomes due and payable but, if such payment is improperly withheld or refused, the date on which payment is made;

"**Relevant Interest Payment Date**" means any Interest Payment Date that occurs on, or within three calendar months of, the date on which the Issuer, any Local Rabobank or any other member of the Rabobank Group: (i) declares or pays a dividend or distribution or makes any other payment with respect to (x) any Bank Instrument which effectively ranks junior to a Parity Bank Share, (y) any Local Rabobank Instrument which effectively ranks junior to a Parity Local Rabobank Share or (z) any Junior Group Member Instrument (other than any Group Declarations and any Excluded Declarations); or (ii) redeems, repurchases or otherwise acquires (w) a Parity Share, (x) any Bank Instrument which effectively ranks junior to a Parity Bank Share, (y) any Local Rabobank Instrument which effectively ranks junior to a Parity Local Rabobank Share or (z) any Junior Group Member Instrument, for any consideration;

"**Relevant Tax**" means, collectively, any present or future taxes, duties, assessments or governmental charges of whatever nature, which are imposed or levied by or on behalf of the Netherlands or any authority therein or thereof having power to tax;

"**Replacement Capital Amount**" means the amount of net proceeds, between zero and the aggregate Redemption Price of the Capital Securities (both inclusive), which the Issuer determines (at any time prior to a Conditional Call Exercise Date in its sole discretion but in consultation with the Dutch Central Bank as deemed necessary) is the minimum amount required by the Rabobank Group to be raised through the issuance of Qualifying Securities to replace the Capital Securities on or prior to their redemption;

"**Reset Date**" has the meaning ascribed to it in Condition 4*(b)*;

"**Reset Period**" means the period from (and including) a Reset Date to (but excluding) the next succeeding Reset Date;

"**Risk Weighted Assets**" means, at any time, the aggregate euro amount of the risk weighted assets of the Rabobank Group at such time calculated by the Issuer on a consolidated basis in accordance with the Solvency Rules, at such time;

"**Solvency Rules**" means the solvency rules from time to time pursuant to the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) (as amended or replaced from time to time) or any other rules or regulations relating to capital to which the Issuer and the Rabobank Group are subject;

"**Talon**" means a talon for further Coupons;

"**Tax Law Change**" means (i) any amendment to, or clarification of, or change (including any announced prospective change) in, the laws or treaties (or any regulations promulgated thereunder) of the Netherlands or any political subdivision or taxing authority thereof or therein affecting taxation, (ii) any Administrative Action or (iii) any amendment to, clarification of, or change in the official position or the interpretation of such Administrative Action or any interpretation or pronouncement that provides for a position with respect to such Administrative Action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification or change is made known, which amendment, clarification or change is effective, or which pronouncement or decision is announced, on or after the Issue Date;

"**Tier 1 Capital**" means, at any time, the aggregate euro amount of all items classified as Tier 1 Capital (as defined at such time, in the Solvency Rules) of the Rabobank Group on a consolidated basis;

"**Tier 2 Capital**" means, at any time, the aggregate euro amount of all items classified as Tier 2 Capital (as defined at such time, in the Solvency Rules) of the Rabobank Group on a consolidated basis;

"**Total Capital**" means, at any time, the aggregate euro amount of Tier 1 Capital and Tier 2 Capital at such time;

"**U.S.$**", "**U.S. dollars**" or "**cent**" means the lawful currency of the United States of America;

"**U.S. Treasury Benchmark Rate**" means either (i) the rate per annum equal to the yield, under the heading that represents the average for the week immediately preceding the third Business Day prior to the relevant Reset Date, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities" for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after the relevant Reset Date, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the U.S. Treasury Benchmark Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the third Business Day prior to the relevant date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the relevant Reset Date, in each case calculated on the third Business Day immediately preceding the relevant Reset Date. For the purposes of this definition of U.S. Treasury Benchmark Rate:

"**Comparable Treasury Issue**" means the United States Treasury selected by the Determination Agent, having a five year maturity, that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a five-year maturity most nearly equal to the next Reset Date;

"**Comparable Treasury Price**" means, with respect to any Reset Date, the average of three, or such lesser number as is obtained by the Determination Agent, Reference Treasury Dealer Quotations for the relevant Reset Date;

"**Reference Treasury Dealer**" means each of the three nationally recognised firms selected by the Determination Agent that are primary U.S. Government securities dealers; and

"**Reference Treasury Dealer Quotations**" means with respect to each Reference Treasury Dealer and the relevant Reset Date, the average, as determined by the Determination Agent, of the bid and asked prices for the Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the Determination Agent by such Reference Treasury Dealer at 5:00 p.m., New York City time on the third Business Day immediately preceding such Reset Date; and

"**Write Down Amount**" means the amount by which the Prevailing Principal Amount of a Capital Security is to be Written Down on a Loss Absorption Measure Effective Date and which is calculated per Calculation Amount of such Capital Security in accordance with the following formula:

$$\mathrm{WDA} = \mathrm{NEC} \times \frac{\mathrm{PPA}}{\mathrm{B}}$$

where:

"**WDA**" means the Write Down Amount per Calculation Amount (provided that if WDA is not an integral multiple of U.S.$10, WDA shall be rounded down to the nearest integral multiple of U.S.$10 and further provided that if WDA would otherwise be greater than PPA, it shall be deemed to be equal to PPA, such that the principal amount of each Capital Security shall never be reduced to an amount less than zero);

"**PPA**" means the Calculation Amount of such Capital Security immediately prior to the relevant Loss Absorption Measure Effective Date;

"**B**" means the sum of:

(i) the aggregate Prevailing Principal Amount of all the Capital Securities outstanding immediately prior to the relevant Loss Absorption Measure Effective Date;

(ii) the aggregate Prevailing Principal Amount of all Loss Absorbing Instruments outstanding and available to absorb losses immediately prior to the relevant Loss Absorption Measure Effective Date (ignoring for this purpose any interest accrued but unpaid on such instruments and the amount by which the then Prevailing Principal Amount of such Loss Absorbing Instrument has, or will be, written down in respect of the relevant loss pursuant to the Issuer's obligation in Condition 6*(c)*) translated where necessary into U.S. dollars at the Prevailing Rate; and

(iii) the aggregate book value of all Equity Capital as at the relevant Loss Absorption Measure Effective Date (ignoring for this purpose any interest accrued but unpaid on such instruments) translated where necessary into U.S. dollars at the Prevailing Rate);

"**NEC**" means in respect of losses incurred by the Rabobank Group for a particular period as reported in any Relevant Accounts for the same period which give rise to a Loss Absorption Event:

(i) if the Equity Capital Ratio prior to the effect of such losses is equal to, or higher than, 8 per cent., the amount (translated into U.S. dollars at the Prevailing Rate) of new Equity Capital that otherwise would have to be raised or generated by the Issuer or the Rabobank Group to cause the relevant Loss Absorption Event to cease to be continuing; or

(ii) if the Equity Capital Ratio prior to the effect of such losses is lower than 8 per cent., the amount (translated where necessary into U.S. dollars at the Prevailing Rate) of such losses as reported in such Relevant Accounts; and

"**Prevailing Rate**" means, in respect of any currency, the spot rate of exchange between such currency and U.S. dollars prevailing at or about 12 noon (London time) on the Business Day immediately prior to the date on which the relevant Loss Absorption Event Notice is given as appearing on, or as derived from, the relevant page on Bloomberg or such other information service provider that displays the relevant information or, if such a rate cannot be determined at such time, the rate prevailing as at or about 12 noon (London time) on the immediately preceding day on which such rate can be so determined.

The Write Down Amount for each Capital Security will therefore be the product of WDA and the Prevailing Principal Amount of such Capital Security divided by the Calculation Amount (in each case immediately prior to the relevant Loss Absorption Measure Effective Date).

2 Form, Denomination and Title

(a) Form and Denomination

The Capital Securities are serially numbered and in bearer form in the denominations of U.S.$100,000, and integral multiples of U.S.$1,000 in excess thereof, up to and including U.S.$199,000, each with Coupons and one Talon attached on issue. No definitive Capital Securities will be issued with a denomination above U.S.$199,000. Capital Securities of one denomination may not be exchanged for Capital Securities of any other denomination.

(b) Title

Title to the Capital Securities, the Coupons and the Talons passes by delivery. The holder of any Capital Security, Coupon or Talon will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it, or its theft or loss) and no person will be liable for so treating the Holder or Couponholder, as the case may be.

3 Status and Subordination

(a) Status

The Capital Securities and the Coupons constitute direct, unsecured and subordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The rights and claims of the Holders and Couponholders are subordinated as described in Condition 3*(b)*.

(b) Subordination

Subject to exceptions provided by mandatory applicable law, the payment obligations under the Capital Securities and Coupons constitute unsecured obligations of the Issuer and shall, in the case of

(a) the bankruptcy of the Issuer, (b) a Moratorium or (c) dissolution (*ontbinding*) as a result of the insolvency of the Issuer, rank:

(i) subordinated and junior to indebtedness of the Issuer (other than the Issuer's obligations under any guarantee or contractual right that effectively ranks *pari passu* with, or junior to, the Issuer's obligations under the Capital Securities or the Coupons (including, without limitation, the Existing Capital Securities and the Participations));

(ii) pari *passu* (a) with the Issuer's obligations under the guarantees and contingent guarantees in relation to the Non-cumulative Guaranteed Trust Preferred Securities issued by Rabobank Capital Funding Trusts II, III, IV, V and VI and the corresponding LLC Class B Preferred Securities issued by Rabobank Capital Funding LLCs II, III, IV, V and VI, (b) with the Issuer's obligations under the Existing Capital Securities, and (c) effectively, with the most senior ranking preferred equity securities or preferred or preference shares of the Issuer; and

(iii) senior to the Issuer's obligations under the Participations and any other instruments ranking *pari passu* with the Participations (in accordance with, and by virtue of the subordination provisions of, the Participations) and any other instruments ranking *pari passu* therewith.

By virtue of such subordination, payments to the Holders and Couponholders will, in the case of the bankruptcy or dissolution as a result of the insolvency of the Issuer or in the event of a Moratorium, only be made after all payment obligations of the Issuer ranking senior to the Capital Securities and Coupons have been satisfied. In addition, any right of set-off by the Holder or Couponholder in respect of any amount owed to such Holder or Couponholder by the Issuer under or in connection with such Capital Security or Coupon shall be excluded and each Holder or Couponholder shall, by virtue of being the Holder of any Capital Security or a Couponholder, as the case may be, be deemed to have waived all such rights of set-off.

(c) Other Issues

So long as the Capital Securities are outstanding, the Issuer shall not:

(a) issue any preferred equity securities or preferred or preference shares or debt or other securities, in each case that qualify as Tier 1 Capital under the Solvency Rules; or

(b) enter into any guarantee, support or other credit enhancement of any such issue by any other member of the Rabobank Group,

in each case if such issue or guarantee, support or other credit enhancement would rank ahead of the Capital Securities as to entitlement to distribution upon a bankruptcy or dissolution as a result of the insolvency of the Issuer or in the event of a Moratorium unless the Issuer amends the terms of the Capital Securities prior thereto such that the rights and claims of Holders would be entitled to rank equally with such new issue or guarantee, support or other credit enhancement upon a bankruptcy or dissolution as a result of the insolvency of the Issuer, or in the event of a Moratorium.

In addition, so long as the Capital Securities are outstanding, the Issuer shall not:

(i) permit (where such permission is required) or take any action to cause a Local Rabobank to issue any preferred equity securities or preferred or preference shares or debt or other securities, in each case that rank senior to any Parity Local Rabobank Share and qualify as Tier 1 Capital under the Solvency Rules; or

(ii) permit (where such permission is required) or take any action to cause a Local Rabobank to issue any guarantee, support or other credit enhancement ranking senior to any Parity Local Rabobank Guarantee of any such issue by any other member of the Rabobank Group.

4 Interest

(a) General

Subject to Conditions 5 and 6, the Capital Securities bear Interest on their Prevailing Principal Amount from (and including) the Issue Date in accordance with the provisions of this Condition 4.

Subject to Condition 5, Interest shall be payable on the Capital Securities semi-annually in arrear in equal instalments on each Interest Payment Date as provided in this Condition 4, save that there shall be a short first Interest Period of 50 days, beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date.

Interest will not be cumulative and Interest which is not paid will not accumulate or compound and Holders of the Capital Securities will have no right to receive such Interest at any time, even if Interest is paid in the future.

(b) Interest Rate

From (and including) the Issue Date to (but excluding) the First Reset Date (the "First Fixed Period"), the Capital Securities bear interest on their Prevailing Principal Amount at the Initial Interest Rate.

The Interest Rate will be reset on the First Reset Date and every fifth anniversary thereafter (each a "Reset Date") on the basis of the aggregate of the Margin and the U.S. Treasury Benchmark Rate on the relevant Interest Determination Date, as determined by the Determination Agent.

The Determination Agent will, as soon as practicable upon determination of the Interest Rate which shall apply to the Reset Period commencing on the relevant Reset Date, cause the applicable Interest Rate and the corresponding Interest Amount to be notified to the Fiscal Agent, each of the Paying Agents and Euronext Amsterdam or any other stock exchange on which the Capital Securities are for the time being listed and to be notified to Holders as soon as possible after their determination but in no event later than the second Business Day thereafter.

The determination of the applicable Interest Rate by the Determination Agent shall (in the absence of manifest error) be final and binding upon all parties.

If any Interest Payment Date falls on a day that is not a Business Day, the relevant payment will be made on the next day which is a Business Day, without adjustment, interest or further payment as a result thereof.

(c) Interest Accrual, Calculation and Rounding

The Capital Securities will cease to bear Interest from (and including) the date of redemption thereof pursuant to Condition 7 unless payment of all amounts due in respect of the Capital Securities is not properly and duly made, in which event Interest shall continue to accrue, both before and after judgment, at the Interest Rate and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date.

Interest in respect of any Capital Security shall be calculated per Calculation Amount and shall be equal to the product of the Calculation Amount, the Interest Rate and the relevant Day-count Fraction for the relevant period, rounding the resultant figure to the nearest cent (half a cent being rounded upwards).

If, following a Loss Absorption Event, Interest is payable in respect of part only of an Interest Period, such Interest shall be calculated by reference to the relevant Prevailing Principal Amount and part (ii) of the definition of Day-count Fraction.

(d) Determination Agent

The Issuer will procure that, so long as any Capital Security is outstanding, there shall at all times be a Determination Agent when one is required for the purposes of these Conditions. If the Determination Agent fails duly to establish the Interest Rate or to calculate the corresponding Interest Amount, the Issuer shall appoint another Determination Agent to act as such in its place. The Determination Agent may not resign its duties without a successor having been so appointed.

5 Discretionary Interest

The Issuer shall have full discretion at all times to cancel (in whole or in part) the Interest payable on any applicable Interest Payment Date. Any Interest paid (subject to the prior approval of the Dutch Central Bank, if required) may not exceed Distributable Items as at such Interest Payment Date.

Any Interest not paid on the relevant Interest Payment Date shall not accumulate or be payable at any time thereafter, and Holders shall have no right thereto whether in a bankruptcy or dissolution as a result of the insolvency of, or in the event of a Moratorium with respect to, the Issuer or otherwise.

The Issuer shall deliver a certificate signed by the Authorised Signatories to the Fiscal Agent and the Paying Agents, and shall give notice to any stock exchange on which the Capital Securities are for the time being listed or admitted to trading and, in accordance with Condition 14, the Holders, in each case before the relevant Interest Payment Date on which Interest was scheduled to be paid if the Issuer has exercised its discretion under this Condition 5 not to pay such Interest in full, to such effect setting out brief details of such exercise.

6 Loss Absorption

(a) Loss Absorption Measures

If a Loss Absorption Event has occurred and is continuing, the Issuer shall, after first giving a Loss Absorption Event Notice, subject as provided below:

(i) cancel any Interest which is accrued to the relevant Loss Absorption Measure Effective Date and unpaid; and

(ii) to the extent the cancellation of Interest in accordance with (i) above, together with the cancellation of interest on any other Loss Absorbing Instruments or any other instrument issued directly or indirectly by the Issuer which, in the case of the bankruptcy of the Issuer, a Moratorium or the dissolution (*ontbinding*) as a result of the insolvency of the Issuer ranks *pari passu* with, or junior to, the Capital Securities and which contains provisions for the cancellation of interest analogous to any of those in the Capital Securities, in each case on or before the relevant Loss Absorption Measure Effective Date, is in aggregate insufficient to result in the relevant Loss Absorption Event no longer continuing, irrevocably (without the need for the consent of the Holders) reduce the then Prevailing Principal Amount of each Capital Security by the relevant Write Down Amount (such reduction being referred to herein as a "**Write Down**", and "**Written Down**", shall be construed accordingly);

(each of (i) and (ii) are referred to herein as a "**Loss Absorption Measure**").

(b) Conditions to a Loss Absorption Measure

Giving effect to any Loss Absorption Measure is subject to (i) the Issuer obtaining the prior written consent of the Dutch Central Bank therefor, provided at the relevant time such consent is required to be given; (ii) both at the time of, and immediately following, the giving effect to of any Loss Absorption Measure, no Capital Event or CRD IV Capital Event has occurred or is continuing or, as appropriate, would occur; (iii) the Issuer giving the relevant Loss Absorption Event Notice which notice shall be irrevocable; and (iv) prior to the giving of the Loss Absorption Event Notice, the Issuer delivering to the Fiscal Agent a certificate signed by the Authorised Signatories stating that, and in reasonable detail how, the relevant requirement or circumstance giving rise to the right to effect the relevant Loss Absorption Measure is satisfied.

(c) Consequences of a Loss Absorption Measure

A Loss Absorption Event may occur on more than one occasion (and each Capital Security may be Written Down on more than one occasion provided that (i) only one Write Down may be made as a result of losses reported in any Relevant Accounts covering the same, or any overlapping, period and (ii) the principal amount of each Capital Security shall never be reduced to an amount less than zero). Following any Write Down of the Capital Security, references herein to "**Prevailing Principal Amount**" shall be construed accordingly.

Once the principal amount of a Capital Security has been Written Down, the relevant Write Down Amount(s) will not be restored in any circumstances including where the relevant Loss Absorption Event(s) cease(s) to continue.

Following the giving of a Loss Absorption Event Notice which specifies a Write Down of the Capital Securities, the Issuer shall procure that (i) a similar notice is given in respect of other Loss Absorbing Instruments (in accordance with their terms) and (ii) the Prevailing Principal Amount of each series of Loss Absorbing Instruments outstanding (if any) and of each series of Equity Capital (the terms of which permit such a write down) outstanding (if any) is written down by an amount equal to the relevant Corresponding Proportion as soon as reasonably practicable following the giving of such Loss Absorption Event Notice.

The Issuer shall determine the WDA in the manner set out in the definition thereof and shall set out its determination thereof in the relevant Loss Absorption Event Notice together with the then Prevailing Principal Amount of each Capital Security following the relevant Write Down. The Issuer's determination of the WDA (and its component parts) shall in the absence of manifest error be binding on all parties. In addition, prior to the giving of the Loss Absorption Event Notice, the Issuer shall deliver a certificate to the Fiscal Agent signed by the Authorised Signatories setting out in reasonable detail its calculation of the WDA.

7 Redemption, Substitution, Variation and Purchase

(a) No Fixed Redemption Date

The Capital Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall only have the right to redeem them or purchase them in accordance with the following provisions of this Condition 7.

(b) ***Conditions to Redemption, Substitution, Variation and Purchase***

Any redemption, substitution, variation or purchase of the Capital Securities in accordance with Condition 7*(c)*, *(d)*, *(e)*, *(f)* or *(g)* is subject to the Issuer (i) obtaining the prior written consent of the Dutch Central Bank, provided that at the relevant time such consent is required to be given; (ii) both at the time of, and immediately following, the redemption or purchase, being in compliance with its capital requirements as provided in the Solvency Rules applicable to it from time to time (and a certificate from the Authorised Signatories confirming such compliance shall be conclusive evidence of such compliance); and (iii) except in the case of any purchase of the Capital Securities in accordance with Condition 7*(g)*, giving not less than 30 nor more than 60 calendar days' notice to the Holders, the Fiscal Agent and the Paying Agents, in accordance with Condition 14, which notice shall be irrevocable.

Prior to the publication of any notice of redemption, substitution or variation pursuant to this Condition 7 (other than redemption pursuant to Condition 7*(c)*), the Issuer shall deliver to the Fiscal Agent a certificate signed by the Authorised Signatories stating that the relevant requirement or circumstance giving rise to the right to redeem, substitute or, as appropriate, vary is satisfied.

(c) ***Issuer's Call Option***

Subject to the first paragraph of Condition 7*(b)*, the Issuer may elect, in its sole discretion, to redeem all, but not some only, of the Capital Securities on the First Call Date or at any time thereafter at their Redemption Price.

Unless the Capital Securities have previously been redeemed or purchased and cancelled in accordance with Condition 7, the Issuer undertakes to exercise its option to redeem the Capital Securities on the Conditional Call Exercise Date (being the first Interest Payment Date falling on or after 29 December 2041 (i) which is a Relevant Interest Payment Date and (ii) prior to which the Issuer has previously raised (or caused to be raised by a member of the Rabobank Group) the amount of net proceeds, between zero and the aggregate Redemption Price of the Capital Securities (both inclusive), which the Issuer determines (at any time prior to such date in its sole discretion but in consultation with the Dutch Central Bank, as necessary) is the minimum amount required by the Rabobank Group to be raised through the issuance of Qualifying Securities to replace the Capital Securities (on or prior to their redemption)).

Interest on the Prevailing Principal Amount of the Capital Securities shall, subject to Condition 5 and 7, continue to accrue at the Interest Rate until the Capital Securities have been redeemed in full.

Subject to Condition 7*(b)*, nothing in this Condition 7*(c)* shall prevent the Issuer from exercising its option to redeem the Capital Securities on the Interest Payment Date falling on 29 December 2041 or at any time thereafter, in its sole discretion in accordance with the first paragraph of this Condition 7*(c)* without regard to the Conditional Call Exercise Requirements.

(d) ***Redemption Due to Taxation***

If as a result of a Tax Law Change:

(i) there is more than an insubstantial risk that the Issuer will be required to pay Additional Amounts with respect to payments on the Capital Securities; or

(ii) Interest payable on the Capital Securities when paid would not be deductible by the Issuer for Netherlands corporate income tax liability purposes, then the Issuer may, subject to Condition 7*(b)*, having delivered to the Fiscal Agent a copy of an opinion of an independent nationally recognised law firm or other tax adviser in the Netherlands experienced in such matters to the effect set out in (i) or, as applicable, (ii) above, and having given the notice required by Condition 7*(b)* specifying the date fixed for redemption, at any time prior to the First Call Date redeem all, but not some only, of the Capital Securities at their Redemption Price on the relevant date fixed for redemption.

(e) Redemption for Regulatory Purposes

If a Capital Event has occurred and is continuing, then the Issuer may, subject to Condition 7*(b)* and having given the notice required by Condition 7*(b)* specifying the date fixed for redemption, at any time prior to the First Call Date redeem all, but not some only, of the Capital Securities at their Redemption Price on the relevant date fixed for redemption.

(f) Substitution or Variation for CRD IV Capital Event or a Capital Event

If a CRD IV Capital Event or a Capital Event has occurred and is continuing, then the Issuer may, subject to Condition 7*(b)* (without any requirement for the consent or approval of the Holders) either substitute all (but not some only) of the Capital Securities for, or vary the terms of the Capital Securities so that they remain or, as appropriate, become, Compliant Securities. Upon the expiry of the notice required by Condition 7*(b)*, the Issuer shall either vary the terms of, or substitute, the Capital Securities in accordance with this Condition 7*(f)*, as the case may be.

In connection with any substitution or variation in accordance with this Condition 7*(f)*, the Issuer shall comply with the rules of any stock exchange on which the Capital Securities are for the time being listed or admitted to trading.

(g) Purchases

The Issuer or any other member of the Rabobank Group may, subject to Condition 7*(b)*(i) and (ii), at any time purchase Capital Securities in any manner and at any price (provided that, if they should be cancelled under Condition 7*(h)* below, they are purchased together with all unmatured Coupons and Talons relating to them).

(h) Cancellation

All Capital Securities redeemed by the Issuer pursuant to this Condition 7, and any unmatured Coupons or Talons attached to or surrendered with them, will forthwith be cancelled. All Capital Securities and Coupons purchased by or on behalf of the Issuer or any other member of the Rabobank Group may be held, reissued, resold or, at the option of the Issuer, surrendered to the Fiscal Agent for cancellation. Capital Securities, Coupons and Talons so surrendered shall be cancelled forthwith and may not be reissued or resold and the obligations of the Issuer in respect of any such Capital Securities, Coupons or Talons shall be discharged.

8 Payments

(a) Method of Payment

(i) Payments of principal and Interest shall be made against presentation and surrender (or, in the case of a partial payment, endorsement) of the Capital Securities or the appropriate Coupons (as the case may be) at the specified office of any Paying Agent (subject to Condition 8*(a)*(ii)) by U.S. dollar cheque drawn on, or by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City. Payments of Interest due in respect of any Capital Security other than on presentation and surrender of matured Coupons shall be made only against presentation and either surrender or endorsement (as appropriate) of the relevant Capital Security.

(ii) Payments of Interest may only be made at the specified offices of Paying Agents outside the United States of America, except that they may be made at the specified office of a Paying Agent in New York City if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States of America with the reasonable expectation that such Paying Agents would be able to make payment at such offices of the full amount of the Interest in U.S. dollars when due, (ii) payment of the full amount of such Interest at all specified offices of the Paying Agents outside the United States of America is illegal or effectively precluded by exchange controls or other similar restrictions, and (iii) the relevant payment is permitted by applicable U.S. law. If a Capital Security is presented for payment of principal at the specified office of any Paying Agent in the United States of America in circumstances where Interest is not to be paid there, the relevant Paying Agent will annotate the Capital Security with the record of the principal paid and return it to the holder for the obtaining of Interest elsewhere.

(b) Payments Subject to Fiscal Laws

Without prejudice to the terms of Condition 10, all payments made in accordance with these Conditions shall be made subject to any fiscal or other laws and regulations applicable in the place of payment. No commissions or expenses shall be charged to the Holders in respect of such payments.

(c) Unmatured Coupons

Upon the due date for redemption of any Capital Security, any unexchanged Talon relating to such Capital Security (whether or not attached) shall become void and no Coupons shall be delivered in respect of such Talon and unmatured Coupons relating to such Capital Security (whether or not attached) shall become void and no payment shall be made in respect of them. Where any Capital Security is presented for redemption without all unmatured Coupons and any unexchanged Talons relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(d) Talons

On or after the Interest Payment Date for the final Coupon forming part of the Coupon sheet issued in respect of any Capital Security, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (but excluding any Coupons that may have become void pursuant to Condition 11).

(e) Payments on Business Days

A Capital Security or Coupon may only be presented for payment on a business day in the place of presentation. Unless otherwise specified herein, if the day on which the relevant Capital Security or Coupon may be presented for payment falls after the due date for any payment in respect of the Capital Securities or Coupons, the Holder or Couponholder, as the case may be, shall not be entitled to any interest or other sum in respect of such postponed payment. In this Condition, "business day" means a day on which commercial banks and foreign exchange markets are open in the place of the location of the specified office of the relevant Paying Agent.

9 Events of Default

If an Event of Default occurs, the Holder of any Capital Security may by written notice to the Issuer at its specified office declare such Capital Security to be forthwith due and payable, whereupon the Prevailing

Principal Amount of such Capital Security together with any Outstanding Payments to the date of payment shall become immediately due and payable, provided that repayment will only be effected after the Issuer has obtained the prior written consent of the Dutch Central Bank.

10 Taxation

All payments made by or on behalf of the Issuer in respect of the Capital Securities and the Coupons will be made without withholding or deduction for or on account of Relevant Tax paid by or on behalf of the Issuer, unless the withholding or deduction of such Relevant Tax is required by law. In that event, the Issuer will pay, as further Interest, Additional Amounts, except that no such Additional Amounts will be payable to a Holder or Couponholder (or to a third party on the Holder's or Couponholder's behalf) with respect to any Capital Securities:

(i) if such Holder or Couponholder is liable to such taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Netherlands in respect of the Capital Securities or Coupons by reason of such Holder or Couponholder having some connection with the Netherlands other than by reason only of holding Capital Securities or Coupons or the receipt of the relevant payment in respect thereof;

(ii) if such Holder or Couponholder could lawfully avoid (but has not so avoided) such deduction or withholding by complying, or procuring that any third party complied, with any statutory requirements or by making or procuring that a third party makes a declaration of non-residence or other similar claim for exemption to any tax authority;

(iii) where such deduction or withholding is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(iv) if such Holder or Couponholder could lawfully avoid (but has not so avoided) such deduction or withholding by presenting and surrendering the relevant Capital Security or Coupon to another Paying Agent in a Member State of the European Union.

11 Prescription

Claims for principal and Interest shall become void unless the relevant Capital Security or Coupon (which for this purpose shall not include Talons) is presented for payment as required by Condition 8 within a period of five years of the appropriate due date. There shall be no prescription period for Talons but there shall not be included in any Coupon sheet issued in exchange for a Talon any Coupon the claim in respect of which would be void pursuant to this Condition 11 or Condition 8*(c)*.

12 Replacement of Capital Securities, Coupons and Talons

If any Capital Security, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Fiscal Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Capital Securities, Coupons or Talons must be surrendered before replacements will be issued.

13 Meetings of Holders, Modification and Waiver

(a) Meetings of Holders

The Agency Agreement contains provisions for convening meetings of Holders to consider any matter affecting their interests, including sanctioning by Extraordinary Resolution of a modification of any of these Conditions. Such a meeting may be convened by the Issuer or Holders holding not less than 10 per cent. in principal amount of the Capital Securities for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in principal amount of the Capital Securities for the time being outstanding, or at any adjourned meeting two or more persons holding or representing whatever the principal amount of the Capital Securities held or represented, unless the business of such meeting includes consideration or proposals, *inter alia*, (i) to modify the provisions for redemption of the Capital Securities or the dates on which Interest is payable in respect of the Capital Securities, (ii) to reduce or cancel the principal amount of, or amounts payable on redemption of, the Capital Securities (in each case other than as a result of the operation of Condition 6), (iii) to reduce the rate of Interest in respect of the Capital Securities or to vary the method of calculating the rate of Interest, or method of calculating the Interest Amount, on the Capital Securities, (iv) to change the currency of payment of the Capital Securities or the Coupons, (v) to modify the provisions concerning the quorum required at any meeting of Holders or (vi) to modify the provisions regarding the status or loss absorption features of the Capital Securities referred to in Condition 3*(a)* or Condition 6, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent. in principal amount of the Capital Securities for the time being outstanding or at any adjourned meeting two or more persons holding or representing not less than 25 per cent. in principal amount of the Capital Securities for the time being outstanding.

(b) Modification and Waiver

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

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

The Conditions may be amended as provided herein without the agreement or approval of the Holders or Couponholders in the case of any Write Down of the principal amount of the Capital Securities in accordance with Condition 6*(a)* or in the circumstances described in Condition 7*(f)* in connection with the variation of the terms of the Capital Securities so that they become or remain alternative Compliant Securities.

14 Notices

Notices to Holders shall be valid if published in a leading newspaper having general circulation in London (which is expected to be the Financial Times) and, for so long as the Capital Securities are listed on Euronext Amsterdam and the rules of such exchange so require, in the Euronext Amsterdam N.V.'s Daily Official List and a daily newspaper with general circulation in the Netherlands. If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange on which the Capital Securities are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Holders in accordance with this Condition.

15 Further Issues

The Issuer may from time to time, without the consent of the Holders or Couponholders, create and issue further instruments ranking *pari passu* in all respects (or in all respects save for the date from which interest thereon accrues and the amount of the first interest payment on such further instruments) and so that such further issue shall be consolidated and form a single series with the outstanding Capital Securities.

16 Agents

The Fiscal Agent and Paying Agents initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent and Paying Agents act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Holder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent and any Paying Agent and to appoint additional or other agents, provided that it will at all times maintain (i) a Fiscal Agent, (ii) a Paying Agent, (iii) paying agents having specified offices in at least two major European cities (including Amsterdam) and (iv) a Paying Agent having specified office in a major city in a Member State of the European Union other than the United Kingdom that will not be obliged to withhold or deduct tax 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 or any law implementing or complying with, or introduced to conform to such Directive.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in the circumstances described in Condition 8*(a)*(ii) above (if there is no such Paying Agent at the time) and shall after such circumstances arise maintain such a Paying Agent.

Notice of any such termination or appointment and of any change in the specified office of the Fiscal Agent or any Paying Agent will be given to the Holders in accordance with Condition 14. If the Fiscal Agent or any Paying Agent is unable or unwilling to act as such or if it fails to make a determination or calculation or otherwise fails to perform its duties under these Conditions or the Agency Agreement (as the case may be), the Issuer shall appoint an independent investment bank or financial institution registrar to act as such in its place. The Fiscal Agent and the Paying Agents may not resign their duties or be removed without a successor having been appointed as aforesaid.

17 Governing Law

The Capital Securities, the Coupons and the Talons are governed by, and shall be construed in accordance with, the laws of the Netherlands.

18 Jurisdiction

The competent courts of Amsterdam, the Netherlands are to have non-exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Capital Securities, the Coupons or the Talons and, accordingly, any Proceedings may be brought in such courts. This submission is made for the benefit of each of the Holders and Couponholders and shall not affect the right of any of them to take Proceedings in any other court of competent jurisdiction.

SUMMARY OF PROVISIONS RELATING TO THE CAPITAL SECURITIES WHILE IN GLOBAL FORM

The Temporary Global Capital Security and the Global Capital Security contain provisions which apply to the Capital Securities while they are in global form, some of which modify the effect of the terms and conditions of the Capital Securities set out in this document. The following is a summary of certain of those provisions.

1. Form of Capital Securities

The Capital Securities will initially be represented by a Temporary Global Capital Security without interest coupons in bearer form, which will be deposited on or about the Issue Date with Deutsche Bank AG, London Branch as common depositary on behalf of interests held through Euroclear and Clearstream, Luxembourg.

2. Exchange

The Temporary Global Capital Security is exchangeable in whole or in part for interests in the Global Capital Security on or after a date which is expected to be 19 December 2011, upon certification as to non-U.S. beneficial ownership in the form set out in the Temporary Global Capital Security.

The Global Capital Security is exchangeable in whole but not, except as provided in the paragraph below, in part (free of charge to the holder) for Definitive Capital Securities:

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

(ii) if principal in respect of any Capital Securities is not paid when due; or

(iii) with the consent of the Issuer.

If principal in respect of any Capital Securities is not paid when due, the Holder may, by notice to the Fiscal Agent (which may but need not be the default notice referred to in ‘Default’ below) require the exchange of a specified principal amount of the Global Capital Security (which may be equal to or (provided that if the Global Capital Security is held by or on behalf of Euroclear, Clearstream, Luxembourg and/or the Alternative Clearing System, Euroclear, Clearstream, Luxembourg and/or the Alternative Clearing System agree) less than the outstanding principal amount of Capital Securities represented by the Global Capital Security) for Definitive Capital Securities on or after the Exchange Date specified in such notice.

3. Payments

Payments of principal and interest in respect of Capital Securities represented by the Global Capital Security will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Capital Securities, surrender of the Global Capital Security to or to the order of the Fiscal Agent or such other Paying Agent as shall have been notified to the Holders for such purpose.

A record of each payment made in respect of Capital Securities represented by the Global Capital Security will be endorsed in the appropriate schedule to such Global Capital Security, which endorsement will be prima facie evidence that such payment has been made in respect of such Capital Securities. Conditions 10(iv) and 16(iv) will apply to the Definitive Capital Securities only.

4. Accountholders

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

5. Default

The Global Capital Security provides that the Holders may cause the Global Capital Security or a portion of it to become due and payable in the circumstances described in Condition 9 by stating in the notice to the Issuer the principal amount of Capital Securities to which such notice relates. If principal in respect of any Capital Security is not paid when due and payable, the holder of the Global Capital Security may from time to time elect that direct enforcement rights under the provisions of the Global Capital Security shall come into effect as against the Issuer, in favour of the relevant person(s) shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system as the holder(s) of such Capital Securities represented by the Global Capital Security. Such election shall be made by notice to the Fiscal Agent and presentation of the Global Capital Security to or to the order of the Fiscal Agent for reduction of the principal amount of Capital Securities represented by the Global Capital Security to U.S.$ zero (or to such other figure as shall be specified in the notice) by endorsement thereon and the corresponding endorsement thereon of such principal amount of Capital Securities in respect of which such direct enforcement rights have arisen. Upon such notice being given the appropriate direct enforcement rights shall take effect.

6. Notices

So long as the Capital Securities are represented by the Global Capital Security and the Global Capital Security is held on behalf of a clearing system, notices to Holders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Terms and Conditions of the Capital Securities, except that so long as the Capital Securities are listed on Euronext Amsterdam and rules of such exchange so require, notices to Holders will also be published on the Euronext Daily Official List.

7. Prescription

Claims against the Issuer in respect of principal and interest on redemption while the Capital Securities are represented by the Global Capital Security will become void unless the Global Capital Security is presented for payment within a period of five years of the appropriate due date in the case of principal and interest.

8. Meetings

The holder of the Global Capital Security will be treated as being two persons for the purposes of any quorum requirements of a meeting of Holders and, at any such meeting, as having one vote in respect of each U.S.$0.01 principal amount of Capital Securities for which the Global Capital Security may be exchanged.

9. Purchase, Cancellation and Write Down

Cancellation of any Capital Security required by the Conditions to be cancelled, and the Write Down of the principal amount of any Capital Security in accordance with the Conditions, will be effected by reduction in the principal amount of the Global Capital Security.

DESCRIPTION OF BUSINESS OF RABOBANK GROUP

General

Rabobank Group is an international financial service provider operating on the basis of cooperative principles. At 30 June 2011, 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, leasing and real estate. It serves approximately 10 million clients around the world. In the Netherlands, its focus is on broad financial services provision in the Netherlands and primarily on the food and agribusiness internationally. 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 30 largest financial institutions (*source: The Banker*).

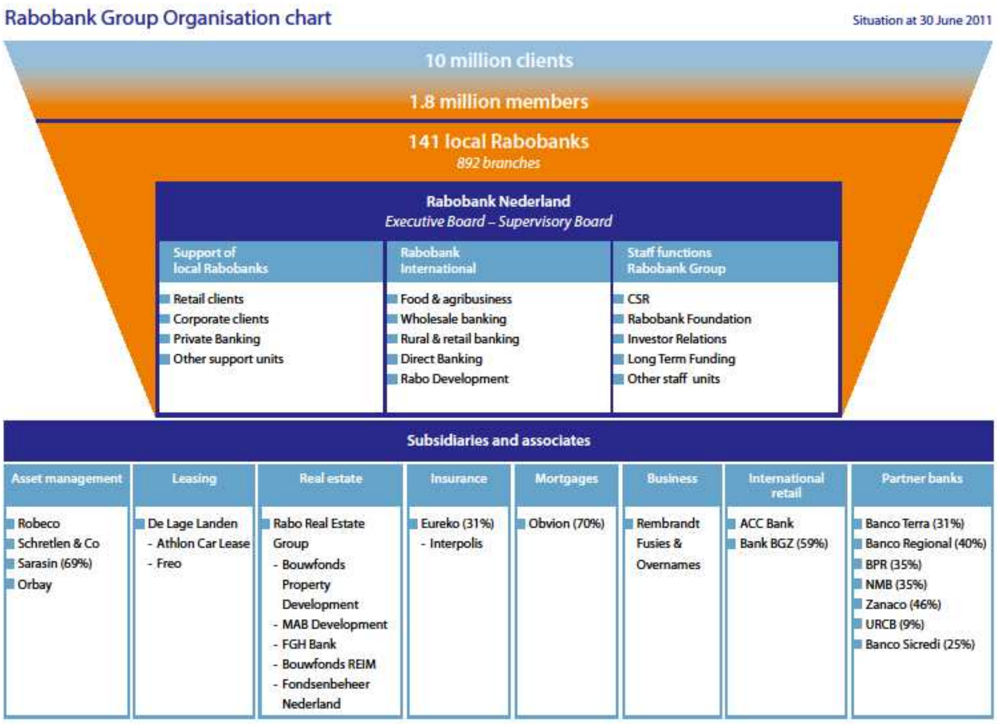
Rabobank Group's cooperative core business comprises independent local Rabobanks. Clients can become members of their local Rabobank. In turn, the local Rabobanks are members of Rabobank Nederland, the supralocal cooperative organisation that advises and supports the banks in their local services. Rabobank Nederland also supervises the operations, sourcing, solvency and liquidity of the local Rabobanks. With 892 branches and 2,956 cash-dispensing machines at 30 June 2011, 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, 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 30 June 2011, Rabobank Group had total assets of €665.0 billion, a private sector loan portfolio of €440.9 billion, amounts due to customers of €305.4 billion, savings deposits of €137.4 billion and equity of €42.5 billion. Of the private sector loan portfolio, €211.2 billion, virtually all of which are mortgages, consists of loans to private individuals, €149.3 billion of loans to the trade, industry and services sector and €80.4 billion of loans to the food and agri sector. At 30 June 2011, its tier 1 ratio, which is the ratio between tier 1 capital and total risk-weighted assets, was 16.2 per cent. For the six months' period ended 30 June 2011, Rabobank Group's efficiency ratio was 59.7 per cent., and the return on equity, or net profit expressed as a percentage of tier 1 capital, was 10.8 per cent. For the six months' period ended 30 June 2011, Rabobank Group realised a net profit of €1,854 million and a risk-adjusted return on capital ("**RAROC**") of 16.8 per cent. after tax. At 30 June 2011, Rabobank Group had 59,380 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, 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 30 June 2011, Rabobank Group's domestic retail banking operations had total assets of €371.8 billion, a private sector loan portfolio of €291.3 billion, amounts due to customers of €197.9 billion and savings deposits of €114.7 billion. For the six months' period ended 30 June 2011, Rabobank Group's domestic retail banking operations accounted for 48 per cent., or €3,511 million, of Rabobank Group's total income and 57 per cent., or €1,058 million, of Rabobank Group's net profit. At 30 June 2011, Rabobank Group's domestic retail banking operations employed 27,199 full-time employees.

Local Rabobanks

The 141 (at 30 June 2011) local Rabobanks are independent cooperative entities, each with their own operating areas. With 892 branches and 2,956 cash dispensing machines at 30 June 2011, 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 banking and international retail banking

Rabobank International

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

Rabobank's retail activities are performed under the Rabobank label, with the exception of the Irish ACCBank, which is a wholly owned subsidiary, and the Polish Bank BGZ, in which Rabobank International has a 59 per cent. stake. The Polish State floated part of its shares in Bank BGZ in the first half of 2011. As a result, 12 per cent. of the shares have been publicly traded on the Polish stock exchange since the end of May 2011.

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 30 June 2011, Rabobank Group's wholesale banking and international retail banking operations had total assets of €450.2 billion and a private sector loan portfolio of €97.8 billion. For the six months' period ended 30 June 2011, Rabobank Group's wholesale banking and international retail banking operations accounted for 29 per cent., or €2,092 million, of Rabobank Group's total income and 27 per cent., or €506 million, of Rabobank Group's net profit. At 30 June 2011, Rabobank Group's wholesale banking and international retail banking operations employed 15,572 full-time employees.

Asset management

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 30 June 2011, the assets under management and held in custody for clients of Rabobank Group's asset management operations amounted €269.4 billion. For the six months' period ended 30 June 2011, Rabobank Group's asset management operations accounted for 9 per cent., or €691 million, of Rabobank Group's total income and 7 per cent., or €135 million, of Rabobank Group's net profit. At 30 June 2011, Rabobank Group's asset management operations employed 3,104 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 30 June 2011, Robeco managed €149.3 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 though the local Rabobanks.

At 30 June 2011, Sarasin managed €83.1 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 30 June 2011, Schretlen & Co managed €8.6 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 35 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 30 June 2011, De Lage Landen had a loan portfolio of €25.9 billion. For the six months' period ended 30 June 2011, De Lage Landen accounted for 9 per cent., or €645 million, of Rabobank Group's total income and 8 per cent., or €154 million, of Rabobank Group's net profit. At 30 June 2011 Rabobank Group's Leasing operations employed 4,884 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 six months' period ended 30 June 2011, the Rabo Real Estate Group sold 3,567 houses. At 30 June 2011 Rabo Real Estate Group managed €7.3 billion of real estate assets and its loan portfolio amounted to €18.5 billion. For the six months' period ended 30 June 2011, the Real Estate operations accounted for 4 per cent., or €310 million, of Rabobank Group's total income and 5 per cent., or €87 million, of Rabobank Group's net profit. At 30 June 2011, Rabobank Group's Real Estate operations employed 1,598 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.

Licence 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.

Exchange of Rabobank Member Certificates

In October 2011, the Rabobank Member Certificates were exchanged. On that occasion, holders of former Rabobank Member Certificates received new Rabobank Member Certificates as well as a payment in cash equaling the difference between the former Rabobank Member Certificate's net asset value and the new Rabobank Member Certificate's nominal value. The new Rabobank Member Certificates are depository receipts of participation rights directly issued by Rabobank Nederland. The exchange enabled the capital represented by the former Rabobank Member Certificates to continue to be qualified as core capital (common equity tier 1) for Rabobank Nederland.

Ratings

On 13 October 2011, Fitch published a press statement in which it announced that it had placed the long-term issuer default rating (IDR) of Rabobank Group as well as of Rabobank Nederland of AA+ on 'Rating Watch Negative'.

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

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 and in the first half of 2011.

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 30 June 2011, Rabobank Group employed 59,380 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 the second half of 2011 and in 2012.

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 six months' period ended 30 June 2011, Rabobank Group had a market share of approximately 29.0 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 3.3 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 30 June 2011, Rabobank Group had a market share of approximately 39.4 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, 38.0 per cent. are held by the local Rabobanks and 1.4 per cent. are held by Robeco Direct's savings bank Roparco.

Lending to small and medium-sized enterprises

At 30 June 2011, Rabobank Group had a market share of approximately 42 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 and in 2011, a dividend of €483 million, as approved by the General Meeting, was distributed to the local Rabobanks. At Rabobank Group level, this increase in share capital and these distributions of dividend have 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, to 141 at 31 December 2010 and to 141 at 30 June 2011. The local Rabobanks are organised as cooperative entities under the laws of the Netherlands and draw all of their members from their customers. At 30 June 2011, the local Rabobanks had approximately 1.8 million 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 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 fulfill those obligations. Within Rabobank Group the participating entities are:

Rabobank Nederland
Local Rabobanks

Rabohypotheekbank N.V.
Raiffeisenhypotheekbank N.V.
De Lage Landen Financial Services B.V.
De Lage Landen Financiering B.V.
De Lage Landen International B.V.
De Lage Landen Trade Finance B.V.
Schretlen & Co N.V.

The local Rabobanks are also parties to several compensation agreements whereby shortfalls of local Rabobanks with respect to equity, profitability, loan loss reserves and financing losses are financed by charging all other local Rabobanks.

403 Declaration

Rabobank Nederland has assumed liability for the debts arising from legal transactions of a number of Rabobank Group companies under section 2:403 of the Dutch Civil Code (*Burgerlijk Wetboek*).

In addition, Rabobank Nederland provides (bank) guarantees in its ordinary course of business.

Rabobank Nederland's activities

Capital adequacy and liquidity

The cross-guarantee system operates in concert with the regulatory and administrative supervision of the local Rabobanks by Rabobank Nederland. Notwithstanding the fact that Rabobank Nederland and the local Rabobanks are supervised by the Dutch Central Bank (*De Nederlandsche Bank N.V.*) on a consolidated basis, based on Article 3:111 of the Financial Supervision Act, Rabobank Nederland has responsibility for ensuring compliance by the local Rabobanks with the applicable capital adequacy and liquidity regulations. The capital adequacy regulations are intended to preserve a bank's ability to withstand loan losses and other business risks through reserves and retained earnings. The internal standards actually applied by Rabobank Nederland, however, are more conservative than the regulations promulgated by the law. This policy partly reflects the fact that local Rabobanks, which cannot raise new capital by issuing shares, can only grow and maintain an appropriate ratio of reserves to total liabilities by making profits. Any local Rabobank whose ratio of reserves to total liabilities fails to meet internal solvency standards is subject to stricter supervision by Rabobank Nederland. In particular, Rabobank Nederland may restrict such local Rabobank's authority to make lending decisions within Rabobank Group's lending limits.

The local Rabobanks are permitted to have accounts only with Rabobank Nederland, which is the sole outlet for each local Rabobank's excess liquidity and acts as treasurer to the local Rabobanks.

Supervision on market conduct

Pursuant to section 2:105 of the Financial Supervision Act, Rabobank Nederland has been designated by the Minister of Finance (*Ministerie van Financiën*) as an undertaking which is deemed to have a collective licence, applying both to itself and to all local Rabobanks. As a consequence of this collective licence, the supervision by the AFM, as far as compliance with the rules on market conduct pursuant to the Financial Supervision Act is concerned, will be directed at Rabobank Nederland. In turn, Rabobank Nederland plays a central role in the supervision of the conduct of the local Rabobanks.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the consolidated financial statements and the notes thereto of Rabobank Group incorporated by reference into this Prospectus. Certain figures for Rabobank Group at and for the year ended 31 December 2009 included in the following discussion have been restated as a result of changes in accounting policies and presentation applied in the consolidated financial statements for the year ended 31 December 2010. See below "Change in accounting policies and certain restatements" for further information. Since 2005, the consolidated 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 30 June 2011, 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, 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 30 June 2011, Rabobank Group had total assets of €665.0 billion and 59,380 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 30 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 892 branches and 2,956 cash-dispensing machines at 30 June 2011, 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 the Capital Securities – 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. 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 the second half of 2011 and in 2012, 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 incorporated by reference into this Prospectus for additional discussion of the application of Rabobank Group's accounting policies.

Value adjustments

Rabobank regularly assesses the adequacy of the allowance for loan losses by performing ongoing evaluations of the loan portfolio. Rabobank's policies and procedures to measure impairment are IFRS compliant. Rabobank considers a loan to be impaired when, based on current information and events, it is probable that Rabobank will not be able to collect all amounts due (principal and interest) according to the original contractual terms of the loan.

Rabobank distinguishes:

- Specific allowances for impaired corporate loans. For these loans, impairment is measured on a case-by-case basis. Once a loan is identified as impaired, the impairment amount is measured as the difference between the carrying amount and the recoverable amount of the loan. The recoverable amount equals the present value of expected future cash flows discounted at the loan's effective rate.
- Collective allowances for loans that are not significant enough to be assessed individually. Retail portfolios of loans that are not individually assessed for impairment are grouped into pools, based on similar risk characteristics, and are collectively assessed for impairment. The allowance is set using IFRS-adjusted Basel II parameters.
- An Incurred But Not Reported ("**IBNR**") allowance for losses on loans that have been incurred but have not yet been individually identified at the balance sheet date. Non-impaired loans are included in groups with similar risk characteristics and are collectively assessed for the potential losses, based on IFRS-adjusted expected loss parameters. Furthermore, factors are used which assume that within three to six months impairment will be discovered.

The impairment amount thus determined is recorded in the profit and loss account as a bad debt cost with the corresponding credit posted as an allowance against the loan balance in the balance sheet.

The Provisioning Committee headed by the CFO decides twice a year on allowance-taking for all impaired loans above a certain threshold (currently over €45 million).

Trading activities

Rabobank's trading portfolio is carried at fair value based on market prices or model prices if the market prices are not available. The market value of financial instruments in Rabobank Group's trading portfolio is generally based on listed market prices or broker-dealer price quotations. If prices are not readily determinable, fair value is based on valuation models. The fair value of certain financial instruments, including OTC derivative instruments, are valued using valuations models that consider, among other factors, contractual and market prices, correlations, time value, credit, yield curve volatility factors and/or prepayment rates of the underlying positions.

Change in accounting policies

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

Results of operations

The following table sets forth certain summarised financial information for Rabobank Group for the years indicated:

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

Depreciation and amortisation charges increased 8 per cent. to €571 million in 2010 compared to €527 million in 2009.

Value adjustments

Many of Rabobank Group's corporate clients were able to improve their financial position. As a result, Rabobank made considerably fewer allocations on balance to the allowance for loan losses. Bad debt costs were down mainly at the local Rabobanks, Rabobank International and De Lage Landen. At Group level, value adjustments dropped by 37 per cent., falling to €1,234 million in 2010 compared to €1,959 million in 2009. At 29 basis points of average lending (2009: 48), bad debt costs are still slightly above the long-term average of 23 basis points (based on the period 2000 to 2009).

Taxation

The recognised tax expense was €514 million in 2010 compared to €229 million in 2009, which corresponds to an effective tax rate of 15.6 per cent. (2009: 9.4 per cent.).

Net profit

Net profit increased by 26 per cent. to €2,772 million in 2010 compared to €2,208 million in 2009 primarily due to lower bad debt costs, but also because of higher interest income and a moderate rise in expenses. An amount of €1,846 million (in 2009: €1,395 million) remains net of non-controlling interests and payments on Rabo Member Certificates and hybrid equity instruments. This amount was used to bolster Rabobank's capital position.

Year ended 31 December 2009 compared to year ended 31 December 2008

Total income

Rabobank Group's total income increased 2 per cent. to €11,867 million in 2009 compared to €11,652 million in 2008, due to an increase in other income.

Interest

The local Rabobanks and Robeco Direct saw a decrease in their savings margins due to strong competition in the savings market. This had a significant impact on interest income, which fell by 6 per cent. to €8,046 million in 2009 compared to €8,517 million in 2008. However, a recovery of the margins on new mortgage loans, business loans, lease transactions and property loans had a positive effect on interest income.

Commission

The local Rabobanks experienced a decline in commission from treasury services. At Group level, this was a factor in the 11 per cent. drop in commission income to €2,575 million in 2009 compared to €2,889 million in 2008.

Other results

Other results increased by €1,000 million in 2009 to €1,246 million compared to €246 million in 2008 which was related to rising trading income in the wholesale banking division, the repurchase of debt securities and improved financial performance by Eureko, an associate. The settlement between Eureko and the Polish government in the matter of Polish insurer PZU, in which Eureko has an equity interest, had a positive impact on earnings.

Operating expenses

Cost cuts were achieved throughout Rabobank Group. Total operating expenses decreased by 4 per cent. in 2009, falling to €7,304 million compared to €7,611 million in 2008. Staff costs accounted for 53 per cent. of total operating expenses.

Staff costs

The decrease in clients' activity levels led to an outflow of staff at virtually all Group entities, particularly in the second half of the year. This resulted in a reduction in employee headcount by 2 per cent. to 59,311 (2008: 60,568) full-time employees at group level. Staff costs fell by 10 per cent. to €3,869 million compared to €4,290 million in 2008 as a result of internal staff cuts as well as a sharp reduction in the costs of contract staff and a decrease in pension costs.

Other administrative expenses

Other administrative expenses increased by 4 per cent. to €2,908 million compared to €2,796 million in 2008 due, in particular, to the provision of €200 million that was formed for the collapse of DSB Bank. This provision was formed within the scope of the deposit guarantee scheme.

Depreciation

Depreciation was almost stable at €527 million compared to €525 million in 2008.

Value adjustments

Value adjustments increased at Group level due to the poor economic conditions, which particularly affected the local Rabobanks, but also Rabobank International and De Lage Landen. The "value adjustments" item rose by €770 million to €1,959 million in 2009 compared to €1,189 million in 2008. This corresponds with 48 (2008: 31) basis points of the average loan portfolio volume, which is above the 10-year average of 21 basis points (based on the period 1999 to 2008).

Taxation

The recognised tax expense in 2009 amounted to €316 million compared to €98 million in 2008. This corresponds with an effective tax rate of 12.1 per cent. (2008: 3.4 per cent.). The tax-exempt share of profit of associates, including the equity interest in Eureko, is a factor in the lower tax rate.

Net profit

Rabobank Group's net profit decreased by 17 per cent. in 2009 to €2,288 million, compared to €2,754 million in 2008. Net of non-controlling interests, payments on Rabobank Member Certificates and hybrid capital instruments, the amount remaining was €1,475 million compared to €2,089 million in 2008.

Segment discussion*

Domestic retail banking

The following table sets forth certain summarised financial information for Rabobank Group's domestic retail banking business for the years indicated:

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

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 amortization

Depreciation charges fell by 6 per cent. to €133 million compared to €141 million in 2008, partly because of lower depreciation charges on real estate and equipment.

Value adjustments

The ongoing challenging economic situation in the Netherlands has a significant impact on many sectors of the Dutch market. Value adjustments in the food and agri sector are concentrated in glass horticulture. Although there were increases, these increases were relatively low compared to value adjustments in the trade, industry and services sector, where virtually every segment was affected, with the inland water transport sector hit in particular. There was a sharp increase in the number of business failures in the Netherlands, and many enterprises experienced pressure on profitability and liquidity. Businesses that face continuity problems receive intensive counselling and, if so warranted based on the long-term outlook, are given top-up loans to bridge the current period of hardship. Rabobank's credit risk has increased because of the economic conditions, which has resulted in an increase in value adjustments. These were up €522 million in domestic retail banking, increasing to €721 million in 2009 compared to €199 million in 2008. Bad debt costs amounted to 26 (2008: 8) basis points of average lending, which is higher than the 10-year average of 10 basis points (based on the period from 1999 to 2008). Of the loan portfolio, 68 per cent. is comprised of residential mortgages; as in previous years, bad debt costs on this segment of the portfolio were minor at 2 basis points.

Taxation

Taxation decreased in 2009 by €184 million to €294 million compared to €478 million in 2008.

Net profit

Net profit decreased by 15 per cent. to €1,213 million in 2009 compared to €1,433 million in 2008.

Wholesale banking and international retail banking

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

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

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

The following table sets forth certain summarised financial information for Rabobank Group's asset management business for the years indicated:

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

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		
	2010	**2009**	**2008**
	(in millions of euro)		
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

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

The depreciation and amortisation item increased by 14 per cent. to €40 million, compared to €35 million in 2009, due to higher amortisation charges of software.

Value adjustments

Value adjustments were down €86 million to €214 million at De Lage Landen in 2010 due to a tight risk management policy and supported by the tentative economic recovery. Expressed in basis points of average lending, bad debt costs stood at 90 basis points (2009: 132 basis points), which is above the long-term average of 63 basis points (based on the period 2000 to 2009).

Taxation

Taxation increased in 2010 by €68 million to €66 million compared to a negative amount of €2 million in 2009.

Net profit

Net profit increased 79 per cent. to €201 million in 2010 compared to €112 million in 2009.

Year ended 31 December 2009 compared to year ended 31 December 2008

Total income

At De Lage Landen total income increased by 1 per cent. to €1,026 million in 2009 compared to €1,015 million in 2008 as a result of higher interest income.

Interest

Interest income increased by 11 per cent. to €590 million in 2009 compared to €530 million in 2008 due to higher margins on new business and growth in the lending volume.

Commission

Lower agency commission caused total commission to decrease by 3 per cent. to €59 million in 2009 compared to €61 million in 2008.

Other results

The downturn in the market for second-hand cars led to an 11 per cent. decline in other results to €377 million in 2009 compared to €424 million in 2008.

Operating expenses

Total operating expenses incurred in the leasing division in the reporting period increased by 3 per cent. to €616 million in 2009 compared to €596 million in 2008.

Staff costs

Staff costs fell by 1 per cent. to €375 million in 2009 compared to €377 million in 2008. The acquisition of Masterlease's Italian car leasing operations, which resulted in approximately 45 additional full-time employees, was a factor in the 1 per cent. increase in the total employee base to 4,734 (2008: 4,667) full-time employees.

Other administrative expenses

Other administrative expenses rose by 10 per cent. to €206 million in 2009 compared to €188 million as a result of asset impairments.

Depreciation

Depreciation increased by €4 million to €35 million in 2009 compared to €31 million in 2008.

Value adjustments

The poor economic situation caused value adjustments at De Lage Landen to rise by €182 million to €300 million in 2009 compared to €118 million in 2008. Expressed in basis points of the average lending volume, bad debt costs were 132 (2008: 56) basis points. This is above the 10 year average of 56 basis points (based on the period from 1999 to 2008).

Taxation

Taxation decreased by €68 million to a negative amount of €2 million in 2009 compared to €66 million in 2008.

Net profit

Net profit decreased 52 per cent. to €112 million in 2009 compared to €235 million in 2008.

Real estate

The following table sets forth certain summarised financial information for Rabobank Group's real estate business for the years indicated:

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

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 €665.0 billion at 30 June 2011, a 2 per cent. increase from €652.5 billion at 31 December 2010. 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

Economic growth resulted in an improved investment climate in the Netherlands. Exports increased and Dutch businesses tentatively resumed their capital expenditures. The mortgage portfolio also showed limited growth. The loans to customers item increased by 1 per cent., or €4.2 billion, to €460.1 billion at 30 June 2011 from €455.9 billion at 31 December 2010. Thanks in part to higher corporate loans and private individual loans, the private sector loan portfolio increased by €4.6 billion to €440.9 billion at 30 June 2011, an increase of 1 per cent. from €436.3 billion at 31 December 2010. Loans to private individuals, primarily for mortgage finance, was up €3.2 billion, or 2 per cent., to €211.2 billion at 30 June 2011. 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 €1.6 billion to €149.3 billion at 30 June 2010, a 1 per cent. increase compared to 31 December 2010. Lending to the food and agri sector decreased by €0.2 billion to €80.4 billion at 30 June 2011.

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			
	2010		2009	
	(in millions of euro and as percentage of total private sector lending)			
Private individuals	208,005	48%	200,094	48%

	At 31 December			
	2010		2009	
	(in millions of euro and as percentage of total private sector lending)			
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			
	2010		2009	
	(in millions of euro and as percentage of total loans to customers)			
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 30 June 2011, amounts due to customers of Rabobank Group were €305.4 billion, an increase of 2 per cent. compared to 31 December 2010. The balance held in savings deposits increased by €6.5 billion to €137.4 billion, an increase of 5 per cent. Other amounts due to customers (including current accounts, repurchase agreements and time deposits) increased by €0.2 billion to €168.0 billion at 30 June 2011. Current account/settlement accounts decreased by €0.2 billion to €86.8 billion. At 30 June 2011, debt securities in issue (including certificates of deposit, commercial paper and bonds) totalled €209.7 billion compared to €196.8 billion at 31 December 2010. 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:

	At 31 December		
	2010	2009	2008
	(in millions of euro)		
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 €24.6 billion at 30 June 2011, a 5 per cent. increase from €23.5 billion at 31 December 2010.

*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				
	Trading	**Other at fair value through profit and loss**	**Available-for-sale**	**Held-to-maturity**	**Total**
	(in millions of euro)				
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				
	Trading	Other at fair value through profit and loss	Available-for-sale	Held-to-maturity	Total
	(in millions of euro)				
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		
	2010	2009	2008
	(in millions of euro)		
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

	At 31 December		
	2010	**2009**	**2008**
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, core 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 30 June 2011, Rabobank Group's tier 1 ratio stood at 16.2 per cent (year-end 2010; 15.7 per cent.). The minimum requirement set for the tier 1 ratio 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.

Total risk-weighted assets were up €10.0 billion to €229.6 billion at 30 June 2011 compared to €219.6 billion 31 December 2010. Retained earnings and the issuing of hybrid financial instruments were a contributing factor in the €2.8 billion increase in tier 1 capital to €37.3 billion at 30 June 2011 compared to 31 December 2010. See "Regulation of Rabobank Group" for further discussion of the Basel standards.

The core tier 1 ratio expresses the relationship between core tier 1 capital and total risk-weighted assets. At 30 June 2011, Rabobank Group's core tier 1 ratio stood at 12.7 per cent. (year-end 2010: 12.6 per cent.).

The BIS ratio is calculated by dividing the total of tier 1 and tier 2 capital by the total of risk-weighted assets. At 30 June 2011, the BIS ratio stood at 16.7 per cent. (year-end 2010: 16.3 per cent.). The minimum requirement set for the BIS ratio by the external supervisors of 8.0 per cent.

The following table sets forth the risk-weighted capital ratios of Rabobank Group at 30 June 2011, 31 December 2010, 31 December 2009 and 31 December 2008:

Development in capital and solvency ratios

	At 30 June	At 31 December		
	2011	2010	2009	2008
	(in millions of euro, except percentages)			
Tier 1 capital	37,304	34,461	32,152	30,358
Tier 1 ratio	16.2%	15.7%	13.8%	12.7%
Qualifying capital	38,299	35,734	32,973	30,912
BIS ratio	16.7%	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:

	2010	2009	2008	2007	2006
	(in percentages)				
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:

	2010	2009	2008	2007	2006
	(in millions of euro, except percentages)				
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		
	2010	**2009**	**2008**
	(in millions of euro)		
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		
	2010	**2009**	**2008**
	(in millions of euro)		
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

	At 31 December		
	2010	2009	2008
	(in millions of euro)		
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					
	On demand	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
	Payments due by period (in millions of euro)					
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 decrease 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:

	Banks	Public authorities	Private sector	Total
	(in millions of euro)			
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

	Banks	Public authorities	Private sector	Total
		(in millions of euro)		
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		
	On balance	Off balance	Total
		(in millions of euro)	
Animal protein	13,361	285	13,645
Dairy	14,955	188	15,143
Grain and oilseeds	14,787	456	15,243

	At 31 December 2010		
	On balance	Off balance	Total
	(in millions of euro)		
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		
	2010	**2009**	**2008**
	(in millions of euro)		
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:

	2010	**2009**	**2008**
	(in millions of euro)		
Domestic retail banking	2,030	1,398	1,303
Wholesale banking and international retail banking	1,915	1,415	721
Asset management	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

	2010	2009	2008
	(in millions of euro)		
Wholesale banking and international retail banking	1,296	1,500	1,137
Asset management	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	(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	(6)	(3)	(4)
Leasing	(21)	(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	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	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		
	2010	**2009**	**2008**
		(in millions of euro)	
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.

	2010	**2009**	**2008**
		(in millions of euro)	
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.

	2010	**2009**	**2008**
		(in millions of euro)	
Year-end balance	153,891	120,701	105,191

	2010	2009	2008
	(in millions of euro)		
Average balance	141,209	116,309	110,327
Maximum month-end balance	153,891	122,776	112,900

SELECTED FINANCIAL INFORMATION

The following selected financial data are derived from the reviewed condensed consolidated interim financial information 2011 of Rabobank Group, which have been reviewed by Ernst & Young Accountants LLP, the independent auditor in the Netherlands, with the exception of the financial ratios, the latter being derived from the interim report 2011 of Rabobank Group. The data should be read in conjunction with the consolidated financial statements, related notes incorporated by reference herein and the "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this Prospectus. The condensed consolidated interim financial information 2011 of Rabobank Group has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and is presented in conformity with IAS 34 Interim Financial Reporting

Consolidated statement of financial position

	At 30 June 2011	At 31 December 2010	At 30 June 2010
		(in millions of euro)	
Assets			
Cash and cash equivalents	26,088	13,471	9,356
Due from other banks	36,993	33,511	34,095
Trading financial assets	12,167	12,987	12,782
Other financial assets at fair value through profit or loss	9,337	9,588	10,037
Derivative financial instruments	34,704	43,947	63,578
Loans to customers	460,118	455,941	454,224
Available-for-sale financial assets	55,835	55,458	60,652
Held-to-maturity financial assets	120	218	241
Investments in associates	3,587	3,539	3,898
Intangible assets	3,551	3,675	3,936
Property and equipment	6,052	6,006	6,156
Investment properties	786	816	1,291
Current tax assets	253	357	352
Deferred tax assets	1,008	1,200	1,418
Employee benefits	1,953	1,668	1,765
Other assets	12,401	10,154	11,829
Total assets	664,953	652,536	675,610

	At 30 June 2011	At 31 December 2010	At 30 June 2010
	(in millions of euro)		
Liabilities			
Due to other banks	24,639	23,476	27,623
Due to customers	305,360	298,761	297,765
Debt securities in issue	209,657	196,819	192,417
Derivative financial instruments and other trade liabilities	41,332	49,640	72,441
Other debts	10,726	8,199	9,999
Other financial liabilities at fair value through profit or loss	25,857	29,867	30,144
Provisions	990	979	1,080
Current tax liabilities	288	359	494
Deferred tax liabilities	853	731	612
Employee benefits	367	466	461
Subordinated debt	2,371	2,482	2,350
Total liabilities	622,440	611,779	635,386

	At 30 June 2011	At 31 December 2010	At 30 June 2010
	(in millions of euro)		
Equity			
Equity of Rabobank Nederland and local Rabobanks	25,607	24,749	23,794
Rabobank Member Certificates issued by a group company	6,576	6,583	6,358
	32,183	31,332	30,152
Capital Securities and Trust Preferred Securities III to VI	7,669	6,306	6,337
Non-controlling interests	2,661	3,119	3,735
Total equity	42,513	40,757	40,224
Total equity and liabilities	664,953	652,536	675,610

Condensed consolidated statement of income

	30 June 2011	30 June 2010
	(in millions of euro)	
Interest	4,507	4,347
Commission	1,513	1,413
Other results	1,283	672
Total Income	7,303	6,432
Staff costs	2,596	2,362
Other administrative expenses	1,471	1,278
Depreciation and amortisation	290	266
Operating expenses	4,357	3,906
Value adjustments	618	569
Operating profit before taxation	2,328	1,957
Taxation	474	318
Net profit	1,854	1,639
Of which attributable to Rabobank Nederland and local Rabobanks	1,340	1,176
Of which attributable to holders of Rabobank Member Certificates	157	151
Of which attributable to Capital Securities	267	240
Of which attributable to Trust Preferred Securities III to VI	36	36
Of which attributable to non-controlling interests	54	36
Net profit for the period	1,854	1,639

Financial ratios:

	At 30 June 2011	At 31 December 2010	At 30 June 2010
BIS ratio	16.7%	16.3%	15.4%
Tier 1 ratio	16.2%	15.7%	14.8%
Core tier 1 ratio	12.7%	12.6%	11.8%
Equity capital ratio[1]	14.0%	14.2%	13.4%
Bad debt costs (in basis points of average lending)	29	29	27

Note:

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

RISK MANAGEMENT

Rabobank Group places a high priority on the management of risk and has extensive procedures in place for systematic risk management. Within Rabobank Group, the risk management policies relating to interest rate risk, market risk and liquidity risk are developed and monitored by the Balance Sheet and Risk Management Committee Rabobank Group ("**BRMC-RG**") in cooperation with the Group Risk Management department. The BRMC-RG is responsible for balance sheet management, establishing risk policy, setting risk measurement standards, broadly determining limits and monitoring developments, and advising the Executive Board on all relevant issues regarding risk management. Rabobank Group's risk management policies relating to credit risk are developed by the Policy Credit Committee Rabobank Group in cooperation with the Group Risk Management and the Credit Risk Management department. These two committees report to the Executive Board, which is ultimately responsible for risk management within Rabobank Group.

The principal risks faced by Rabobank Group are credit risk, country risk, interest rate risk, liquidity risk, market risk and operational risk. Rabobank has implemented an economic capital framework to determine the amount of capital it should hold on the basis of its risk profile and desired credit rating. Economic capital represents the amount of capital needed to cover for all risks associated with a certain activity. The economic capital framework makes it possible to compare different risk categories with each other because all risks are analysed by using the same methodology. See also "Risk Factors".

Risk Adjusted Return On Capital

Relating the profit achieved on a certain activity to the capital required for that activity produces the Risk-Adjusted Return On Capital ("**RAROC**"). RAROC is calculated by dividing economic return by economic capital. The calculation and review of RAROC across Rabobank Group's business activities and entities assists Rabobank Group in striking a balance between risk, returns and capital for both Rabobank Group and its constituent parts. This approach encourages each individual group entity to ensure appropriate compensation for the risks it runs. RAROC is therefore an essential instrument for positioning products in the market at the right price.

The use of the RAROC model to classify Rabobank Group's activities also plays a significant part in the allocation of capital to the various group entities and the different risk categories. If the calculated RAROC lags behind a formulated minimum result to be achieved, which is a reflection of the costs of the capital employed, economic value is wasted. A higher RAROC implies the creation of economic value. For the six months ended 30 June 2011, Rabobank realised a RAROC after tax of 16.8 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 30 June 2011, 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.

Rabobank Group has a robust framework of policies and processes in place that is designed to measure, manage and mitigate credit risks. Rabobank Group's prudent policy for accepting new clients is characterised by careful assessment of clients and their ability to make repayments on credit granted. As a result, the loan portfolio has a relatively low risk profile. Rabobank Group's objective is to enter into long term relationships with clients which are beneficial for both the client and Rabobank Group. As a result of Rabobank Group's high level of diversification, it has not experienced major fluctuations in its levels of profitability in the past.

EAD is the expected exposure to the client in the event of, and at the time of, a counterparty's default. At 30 June 2011, the EAD of the total Advanced IRB loan portfolio was €553 billion (year-end 2010: €546 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. At 30 June 2011, the weighted average PD of the total Advanced IRB loan portfolio is 1.18 per cent. (year-end 2010: 1.21 per cent.).

The following table shows the impaired loans (i.e. the amount of loans for which an allowance has been taken) at 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		
	2010	2009	2008
		(in percentages)	
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 fulfill 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 six months ended 30 June 2011 and 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

	Six months ended 30 June	Year ended 31 December		
	2011	2010	2009	2008
		(in percentages)		
Domestic retail	0.15	0.13	0.26	0.08
Wholesale banking and international retail banking	0.66	0.64	1.05	0.93
Leasing	0.44	0.90	1.32	0.56
Real estate	0.49	0.36	0.14	—
Rabobank Group	0.29	0.29	0.48	0.31

Structured credit

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 €5.1 billion (at 31 December 2010: €5.8 billion) at 30 June 2011.

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 30 June 2011 the counterparty risk on the monoline insurers before provisioning was €1,227 million (31 December 2010: €1,330 million). The total provision was €1,068 million (At 31 December 2010: €1,114 million), reducing the remaining counterparty risk to €160 million (At 31 December 2010: €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.

Sovereigns

In its investment and trading portfolios at 30 June 2011 Rabobank Group has a very limited exposure to government bonds issued by European countries which are currently perceived by the markets as less creditworthy: Italy €347 million (year-end 2010: €388 million), Greece €211 million (year-end 2010: €373 million), Spain €69 million (year-end 2010: €137 million), Portugal €18 million (year-end 2010: €80 million) and Ireland €45 million (year-end 2010: €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. (At 31 December 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:

	200 basis points increase	**200 basis points decrease**
	(in millions of euro, except percentages)	
IatR 1-12 months	41	8
IatR 13-24 months	202	(111)
EatR	(10%)	9%

Rabobank Group performs complementary scenario analyses to access 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 in 2010.

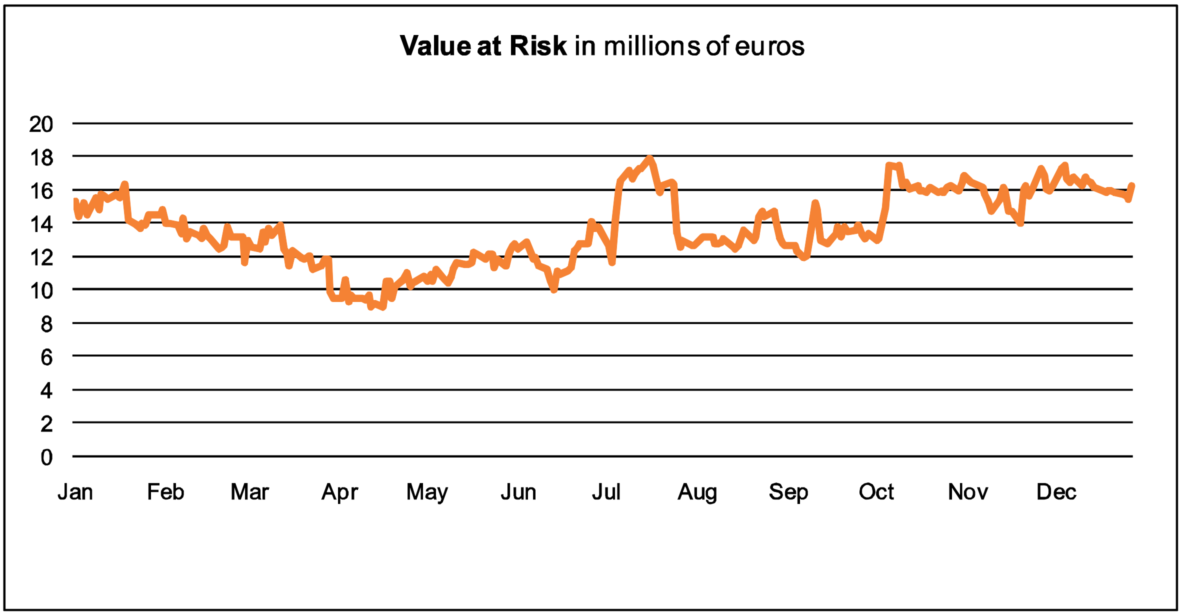
Outstanding asset-backed commercial paper ("**ABCP**") amounted to €10.1 billion at 30 June 2011 (year end 2010: €14.0 billion). These conduits are mainly used for funding of own originated loans and customer loans and receivables, and are fully integrated in the Group's liquidity risk management framework.

Market risk

Market risk relates to the change in value of Rabobank Group's trading portfolio as a consequence of changes in market prices, such as interest rates, foreign exchange rates, credit spreads, commodity prices and equity share prices. The BRMC-RG is responsible for developing and supervising market risk policies and monitors Rabobank Group's worldwide market risk profile. On a daily basis, the Market Risk department measures and reports the market risk positions. Market risk is calculated based on internally developed risk models and systems, which are approved and accepted by the Dutch Central Bank. Rabobank Group's risk models are based on the "Value at Risk" concept. Value at Risk describes the maximum possible loss that Rabobank Group can suffer in a single day, based on historical market price changes and a given certain confidence interval. Value at Risk within Rabobank Group is based on actual historical market circumstances. To measure the potential impact of strong adverse market price movements, stress tests are applied. These "event risk scenarios" measure the effect of sharp and sudden changes in market prices. Statistical models are also used to generate other risk measures which assist the Market Risk department, as well as the BRMC-RG in evaluating Rabobank Group's market positions.

For the year ended 31 December 2010, the Value at Risk fluctuated between €9 million (2009: €23 million) and €18 million (2009: €50 million), with an average of €14 million (2009: €32 million). The decrease of the average Value at Risk compared to 2009 follows from improvements in calculation methods and from changes in positions, books and activities.

Value at Risk models have certain limitations; they are more reliable during normal market conditions, and historical data may fail to predict the future. Therefore, Value at Risk results cannot guarantee that actual risk will follow the statistical estimate. The performance of the Value at Risk models is regularly reviewed by means of back testing. These back testing results are reported both internally, as well as to the regulator. In addition to Value at Risk, also other risk indicators are used for market risk management.



Source: Rabobank Group Annual Report 2010

Operational risk

Operational risk is the risk of direct or indirect losses arising from deficiencies in procedures and systems and from human failures or from external events. Rabobank Group has a Group-wide operational risk policy. Decentralised procedures are set up at all entities to record operational incidents and report them on a quarterly basis to the central Operational Risk department. In addition, sophisticated instruments are made available to enable operational risk management within each Rabobank Group entity. The management of each Rabobank Group entity is responsible for developing policies and procedures to manage operational risks in line with Rabobank Group Operational Risk Management policy.

GOVERNANCE OF RABOBANK GROUP

Corporate governance

In recent years the corporate governance of organisations has been of particular public interest. On account of its cooperative organisation, Rabobank's corporate governance is characterised by a robust system of checks and balances. As a result, this governance is in many respects even stricter than in listed enterprises. The members of the independent, cooperative local Rabobanks exercise influence at a local level. As members of Rabobank Nederland, the local Rabobanks in turn play a very important part in the policy-making within Rabobank's organisation. For example, a distinguishing feature in Rabobank Group's governance is the Central Delegates Assembly, Rabobank Group's parliament, which meets at least four times a year and where Rabobank Nederland's members are able to participate in virtually all Rabobank Nederland's strategic decisions.

Although the Dutch Corporate Governance Code does not apply to the cooperative as a legal form of enterprise, Rabobank Nederland's corporate governance is broadly consistent with this code. Rabobank also observes the Banking Code, which was adopted in 2009 by the Netherlands Bankers' Association and came into force on 1 January 2010.

Executive Board

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

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

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

Supervisory Board

The Supervisory Board performs the supervisory role within Rabobank Nederland. This means that the Supervisory Board supervises the policy pursued by the Executive Board and the general conduct of affairs of Rabobank Nederland and its affiliated entities. As part thereof, the Supervisory Board monitors the compliance with the law, the Articles of Association and other relevant rules and regulations. In practice, this means that the achievement of Rabobank Group's objectives, the strategy, business risks, the design and operation of the internal risk management and control systems, the financial reporting process and compliance with laws and regulations are discussed at length and tested regularly. In addition, the Supervisory Board has an advisory role in respect of the Executive Board.

The Supervisory Board has five committees: the Audit & Compliance Committee, the Cooperative Issues Committee, the Appointments Committee, the Remuneration Committee and the Appeals Committee. These committees perform preparatory and advisory work for the Supervisory Board.

In the performance of their duties, the members of the Supervisory Board act in the interests of all stakeholders of Rabobank Nederland and its affiliated entities. Certain key Executive Board decisions are subject to Supervisory Board approval. Examples include decisions on strategic collaboration with third parties, major investments and acquisitions, as well as the annual adoption of policy plans and the budget.

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

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

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

Member influence

As a cooperative, Rabobank has members, not ordinary shareholders like companies do. The local cooperative Rabobanks are members of the Rabobank Nederland cooperative and hence have an important role in the working of Rabobank Nederland's governance. In that context, a key element is the open and transparent culture, with clear accountability for the management and supervision and the assessment thereof. The influence and control of the local Rabobanks are manifested through their representation in two bodies: the Central Delegates Assembly and the General Meeting. The local Rabobanks can vote at the General Meeting according to a formula that is adjusted periodically by the Executive Board, and through indirect representation at the Central Delegates Assembly.

Central Delegates Assembly

The local Rabobanks are organised geographically in twelve Regional Delegates Assemblies, each with a board of six. Together the Boards of the Regional Delegates Assemblies form the Central Delegates Assembly (*Centrale Kringvergadering*) ("**CKV**"), which meets at least four times a year in the city of Utrecht. Prior to the CKV, the banks belonging to a particular Regional Delegates Assembly discuss the agenda at their Assembly. Thus, the members of the local Rabobanks, through the representation of the local management and supervisory bodies in the Regional Delegates Assemblies, are represented in the CKV, although without instructions or consultations. The majority of the Boards of the Regional Delegates Assemblies and thereby the CKV consists of individuals elected by the local members, who from their commitment to the Rabobank organisation wish to fulfill 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 can be explained according to the "comply or explain" principle.

Controls over financial reporting

Rabobank Group constantly seeks to improve its corporate governance and overall internal controls, with the aim of achieving an open culture and transparent accountability in respect of policies and supervision, and to remain in line with the leading standards across the globe. Accordingly, Rabobank Group voluntarily implemented internal controls over its financial reporting in a manner similar to that of US-registered companies pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 (the "**Sarbanes-Oxley Act**"), even though Rabobank Group is not a registrant with the United States Securities and Exchange Commission and, thus, is not subject to the Sarbanes-Oxley Act or related regulations and oversight. Rabobank Group believes that internal controls over financial reporting increase the effectiveness of such reporting, and offer opportunities to identify and remedy any deficiencies at an early stage. This results in a higher quality of Rabobank Group's financial reporting process.

Internal controls

Rabobank Group uses internal controls to provide reasonable assurance that:

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

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

Members of Supervisory Board and Executive Board

Supervisory Board of Rabobank Nederland

The following persons, all of whom are resident in the Netherlands, are appointed as members of the Supervisory Board and the Executive Board of Rabobank Nederland, respectively:

Name	Born	Year Appointed[(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	2012	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	2012	Dutch
Marinus (M.) Minderhoud	1946	2002	2014	Dutch
Martin (M.J.M.) Tielen	1942	2002	2013	Dutch
Cees (C.P.) Veerman	1949	2007	2015	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.

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
Main positions	• Chairman of the Supervisory Board of Rabobank Nederland • Chairman of the Board of Directors of Stichting TBI
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 Princessehof

Date of first appointment to the Supervisory Board	June 2002
(Member of the Board of Directors from June 1996 until June 2002)	
Current term of appointment to the Supervisory Board	June 2009 – to be decided (June 2013 at the latest)

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 Scheidsgerecht) • Chairman National Arbitration Board for Schools (Landelijke Geschillencommissie Scholen)
Date of first appointment to the Supervisory Board	June 2009
Current term of appointment to the Supervisory Board	June 2009 – June 2013

Mr B. Bijvoet (Bernard)

Date of Birth	12 April 1940
Profession	Professional supervisory director
Main position	None
Nationality	Dutch
Auxiliary positions	Supervisory Directorships: • Member of the Supervisory Board of Rabobank Nederland • Member of the Supervisory Board of Eureko B.V. • Chairman of the Supervisory Board of Aware Food Group
Date of first appointment to the Supervisory Board	June 2002
Current term of appointment to the Supervisory Board	June 2008 – to be decided (June 2012 at the latest)

Mr A. de Bruijn (Tom)

Date of Birth	9 July 1953
Profession	• Entrepreneur • Professional director / professional supervisory director

Main position	Grower of cut flowers and potted plants
Nationality	Dutch
Auxiliary positions	Supervisory Directorships: • Member of the Supervisory Board of Rabobank Nederland Other auxiliary positions: • Acting member of the Board of Directors of Vereniging Achmea • Chairman Program Advisory Committee Greenhouse Farming Research (Commodity Board for Horticulture / productschap tuinbouw) • Member of the Board of the Dutch Foundation for Innovation in Greenhouse Farming (Stichting Innovatie Glastuinbouw Nederland) • Chairman of the Cooperative Growers Society FresQ (Coöperatieve Telersvereniging) • Member of the Board of the Dutch Produce Association (Branch association of market organisations in vegetables, fruit and fungi in The Netherlands)
Date of first appointment to the Supervisory Board	June 2009
Current term of appointment to the Supervisory Board	June 2009 – June 2013

Mr W. Dekker (Wout)

Date of Birth	10 November 1956
Profession	• Professional director
Main position	Chief Executive Officer / Chairman Executive Board Nutreco N.V.
Nationality	Dutch
Auxiliary Positions	Supervisory Directorships: • Member of the Supervisory Board of Rabobank Nederland • Member Supervisory Board (member audit committee, member Remuneration Committee) Macintosh Retail Group N.V. Other auxiliary positions: • Member Taskforce Biodiversity & Natural Resources • Member Advisory Council for Issuers NYSE Euronext Amsterdam
Date of first appointment to the Supervisory Board	June 2010

Current term of appointment to the Supervisory Board	June 2010 – June 2012

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	September 2010
Current term of appointment to the Supervisory Board	September 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 2012

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 2014

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 • Professional director / supervisory director
Main positions	• CEO of Bracamonte B.V. in Groesbeek • Professor at Tilburg University and Wageningen University focusing on the field of sustainable rural development from a European perspective • Crop farmer
Nationality	Dutch
Auxiliary positions	Supervisory Directorships: • Member of the Supervisory Board of Rabobank Nederland • Member of the Supervisory Board of USG People • Member of the Supervisory Board of DHV Holding B.V. • Member of the Supervisory Board of Prominent • Member of the Supervisory Board of Barenbrug B.V. • Chairman of the Supervisory Board of Koninklijke Reesink N.V. • Member of the Supervisory Board of Ikazia Hospital Rotterdam • Member of the Supervisory Board of KDS • Chairman of the Board of Supervision of the knowledge for Climate (Kennis voor Klimaat) • Chairman of the Board of Supervision Deltares Other auxiliary positions: • Chairman Deltacommissie (2008) • Chairman of the Committee for the long term education system

	• Chairman of the Society for the Preservation of Nature Reserves in the Netherlands (Vereniging Natuurmonumenten) • Chairman Project Administration Noord Zuidlijn • Chairman Board of Supervision Roosevelt Academy • Chairman Review Committee TI Pharma • Chairman Advisory Board Dutch Delta Academy • Member of the Governing Board of the Netherlands Organisation for Scientific Research (NWO)
Date of first appointment to the Supervisory Board	June 2007
Current term of appointment to the Supervisory Board	June 2007 – June 2015

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	1950	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 and Communications 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 Supervisory Board of Rabohypotheekbank and as member of the council of shareholders of Rabo Development B.V. Outside Rabobank, Mr. Moerland serves as chairman of the European Association of Co-operative Banks (Groupement) and member of the Board of Directors International Raiffeisen Union (IRU) and the National Cooperative Council for Agri- and Horticulture (Nationale Coöperatieve Raad voor Land- en tuinbouw (NCR).

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 Board of Supervisory Directors ROVA and member of the Supervisory Board of Rabohypotheekbank, IPB Holding B.V., Rabo Herverzekeringsmaatschappij N.V., Robeco and the Nederlandse Financierings Maatschappij voor Ontwikkelingslanden (FMO). Mr. Bruggink serves as chairman of the Board of Directors of Rabobank Ledencertificaten N.V., chairman of the Board of Directors of Stichting Rabobank Pensioenfonds and member of the Board of Directors of Rabo Groei Sparen B.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 senior marketing 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 and member of the Supervisory Boards of Rabohypotheekbank and De Lage Landen. Mr. Marttin is member of the board of Rabobank International Holding, RI Investments Holding B.V. and chairman of the council of shareholders of Rabo Development B.V. 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 Boards of Rabo Bouwfonds Holding N.V., Rabo Vastgoedgroep, Rabohypotheekbank, Bank Sarasin & Cie AG and Rothschilds Continuation Holding AG. Mr. Schat is member of the board of Rabobank International Holding and of RI Investments Holding B.V. Furthermore he fulfils a number of external positions on behalf of Rabobank, being a member of the Advisory Council for Issuers (NYSE Euronext Amsterdam), member of the Executive Board of employer's organisation VNO-NCW and member of the Steering Committee Unico Banking Group.

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, Cooperation & Sustainability 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*), the Foundation Guarantee Rabobank (*Stichting Waarborg Rabobank*) and Chairman of the Board of the Foundation Supervision Internal Market Rabobank Member Certificates (*Stichting Toezicht Interne Markt Rabobank Ledencertificaten*). Mrs. Silvis furthermore serves as member of the Board of the Rabobank Foundation and as member of the Supervisory Board of Rabohypotheekbank and the Supervisory Board of De Lage landen. Furthermore she fulfils a number of external positions, on behalf of Rabobank as member of the Board of the Dutch Association of Banks (Nederlandse Vereniging van Banken), Holland Financial Centre and INSEAD Dutch Council and as member of the Supervisory Board of Koninklijke Kentalis Zorggroep.

Administrative, management and supervisory bodies – conflicts of interests

The Issuer is not aware of any potential conflicts of interest between the duties to Rabobank and their private interests or other duties of the persons listed above under "Supervisory Board of Rabobank Nederland" and "Executive Board of Rabobank Nederland".

Administrative, management and supervisory bodies - business address

The business address of the members of Rabobank's Supervisory Board and Executive Board is Croeselaan 18, 3521 CB Utrecht, the Netherlands.

REGULATION OF RABOBANK GROUP

Rabobank Nederland is a bank organised under the laws of the Netherlands. The principal Dutch law on supervision applicable to Rabobank Nederland is the Financial Supervision Act (*Wet op het financieel toezicht*), which entered into force on 1 January 2007 and under which Rabobank Nederland is supervised by the Dutch Central Bank (*De Nederlandsche Bank N.V.*), the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*) and the Dutch Ministry of Finance (*Ministerie van Financiën*). Rabobank Nederland and the various Rabobank Group entities are also subject to certain European Union ("**EU**") legislation, which has a significant impact on the regulation of Rabobank Group's banking, asset management and broker-dealer businesses in the EU, and the regulation and supervision of local supervisory authorities of the various countries in which Rabobank Group does business.

Basel Standards

The Basel Committee on Banking Supervision of the Bank for International Settlements (the "**Basel Committee**") develops international capital adequacy guidelines based on the relationship between a bank's capital and its credit risks. In this context, on 15 July 1988, the Basel Committee adopted risk-based capital guidelines (the "**Basel guidelines**"), which were implemented by banking regulators in the countries that have endorsed them. The Basel guidelines are intended to strengthen the soundness and stability of the international banking system. The Basel guidelines are also intended to reduce competitive inequality among international banks by harmonising the definition of capital and the rules for the evaluation of asset risks and by establishing a uniform target capital base ratio (capital to risk-weighted assets). Supervisory authorities in each jurisdiction have, however, some discretion in determining whether to include particular instruments as capital under the Basel guidelines and to assign different weights, within a prescribed range, to various categories of assets. The Basel guidelines were adopted by the European Community and applied to all banks and financial institutions in the EU, and on 1 January 1991, the Dutch Central Bank implemented them and they were made part of Dutch regulations.

In June 1999, the Basel Committee proposed a review of the Basel guidelines of 1988. A new accord ("**Basel II**" – the previous Basel guidelines being referred to as "**Basel I**") was published in June 2004. Basel II is a flexible framework that is more closely in line with internal risk control and that results in a more sophisticated credit risk weighting. The Basel II framework, consisting of three "pillars", reinforces these risk-sensitive requirements by laying out principles for banks to assess the adequacy of their capital ("**Pillar 1**") and for supervisors to review such assessments to ensure banks have adequate capital to support their risks ("**Pillar 2**"). It also seeks to strengthen market discipline by enhancing transparency in banks' financial reporting ("**Pillar 3**").

Basel II provides a range of options for determining the capital requirements for credit risk and also operational risk. In comparison to Basel I, Pillar 1 of the new capital framework aligns the minimum capital requirements more closely to each bank's actual risk of economic loss. Pursuant to Pillar 2, effective supervisory review of banks' internal assessments of their overall risks is exercised to ensure that bank management is exercising sound judgement and has reserved adequate capital for these risks. Pillar 3 uses market discipline to motivate prudent management by increasing transparency in banks' public reporting.

Instead of the previous "one size fits all" approach, under Basel II banks have the option to choose between various approaches, each with a different level of sophistication in risk management, ranging from simple via intermediate to advanced, giving banks the possibility to select approaches that are most appropriate for their operations and their financial market infrastructure.

For credit risk, banks can choose between the "Standardised Approach", the "Foundation Internal Ratings Based Approach" and the "Advanced Internal Ratings Based Approach". The Standardised Approach is based on external credit ratings and is the least complex. The two Internal Ratings Based Approaches allow banks to use internal credit rating systems to assess the adequacy of their capital. The Foundation Internal Ratings Based Approach allows banks to use their own credit rating systems with respect to the "Probability of Default". In addition to this component of credit risk, the Advanced Internal Ratings Based Approach allows banks to use their own credit rating systems with respect to the "**Exposure at Default**" and the "**Loss Given Default**". Rabobank Group has chosen the most sophisticated approach, the Advanced Internal Ratings Based Approach.

For operational risk, banks can also choose between three approaches with different levels of sophistication, the most refined one being the "Advanced Measurement Approach". Rabobank Group has chosen the Advanced Measurement Approach.

In the future, under Basel III, capital and liquidity requirements will increase. On 17 December 2009, the Basel Committee proposed a number of fundamental reforms to the regulatory capital framework in its consultative document entitled "Strengthening the resilience of the banking sector". The Basel Committee published its economic impact assessment on 18 August 2010 and, on 12 September 2010, the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee, announced further details of the proposed substantial strengthening of existing capital requirements. On 16 December 2010 the Basel Committee issued its final view on Basel III. The framework sets out rules for higher and better quality capital, better risk coverage, the introduction of a leverage ratio as a backstop to the risk-based requirements, measures to promote the build-up of capital that can be drawn down in periods of stress, and the introduction of two liquidity standards. The Basel Committee's package of reforms includes increasing the minimum common equity (or equivalent) requirement from 2 per cent. (before the application of regulatory adjustments) to 4.5 per cent. (after the application of stricter regulatory adjustments which will be gradually phased in from 1 January 2013 until 1 January 2017). The total tier 1 capital requirement will increase from 4 per cent. to 6 per cent. In addition, banks will be required to maintain, in the form of common equity (or equivalent), a capital conservation buffer of 2.5 per cent. to withstand future periods of stress, bringing the total common equity (or equivalent) requirements to 7 per cent. If there is excess credit growth in any given country resulting in a system-wide build up of risk, a countercyclical buffer of up to 2.5 per cent. of common equity (or other fully loss absorbing capital) may be applied as an extension of the conservation buffer. Furthermore, banks considered to have systemic importance should have loss absorbing capacity beyond these standards. The capital requirements are to be supplemented by a leverage ratio, and a liquidity coverage ratio and a net stable funding ratio will also be introduced. The proposed reforms are expected to be implemented from the beginning of 2013, although certain requirements are subject to a series of transitional arrangements and will be phased in over a period of time, to become fully effective by 2019.

The Basel Committee's reforms have introduced two international minimum standards for liquidity risk supervision with the aim of ensuring banks have an adequate liquidity buffer to absorb liquidity shocks. The first one is the liquidity coverage ratio ("**LCR**"; to be introduced on 1 January 2015), which is a test to promote short-term resilience of a bank's liquidity risk profile by ensuring that it has sufficiently high-quality liquid assets to survive a significant stress scenario lasting for 30 days. The second one is a net stable funding ratio ("**NSFR**"; to be introduced on 1 January 2018), which is a test to promote resilience over a longer period by creating additional incentives for banks to fund their activities with more stable funding on an ongoing basis. The NSFR test is similar to the LCR except the period over which it is tested is one year.

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

European Union standards

The European Union had adopted a capital adequacy regulation for credit institutions in all its member states based on the Basel I guidelines. In 1989, the EC adopted the Council Directive of 17 April 1989 on the "own funds" of credit institutions (the "**Own Funds Directive**"), defining qualifying capital ("**own funds**"), and the Council Directive of 18 December 1989 on a capital base ratio for credit institutions (the "**Capital Base Ratio Directive**" and, together with the Own Funds Directive, the "**Capital Directives**"), setting forth the required ratio of own funds to risk-adjusted assets and off-balance sheet items. The Capital Directives required EU member states to transform the provisions of the Capital Base Ratio Directive and the provisions of the Own Funds Directive into national law directly binding on banks operating in the member states. The Capital Directives permitted EU member states, when transforming the Capital Directives into national law, to establish more stringent, but not more lenient requirements. In 1993, the EC adopted the Directive of 15 March 1995 on the capital adequacy of investment firms and credit institutions ("**EEC Directive 1993/6**") and in 2000 the Directive of 20 March 2000 on the taking up and pursuit of the Business of Credit Institutions ("**EC Directive 2000/12**"), which directive consolidated various previous directives, including the Capital Directives.

EC Directive 2000/12 and EEC Directive 1993/6 have been recast by EC Directives 2006/48 and 2006/49 (the "**Capital Requirements Directive**"), respectively, to introduce the new capital requirements framework agreed by the Basel Committee. The new rules on capital requirements reflect the flexible structure and the major components of Basel II, tailored to the specific features of the EU market. The simple and intermediate approaches of Basel II have been available from January 2007 and the most advanced approaches since January 2008.

On 16 December 2002, the EU adopted a directive on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate. This directive aims to address the supervisory issues that arise from the blurring of distinctions between the activities of firms in each of the banking, securities, investment services and insurance sectors. The main objectives of the directive are to:

- ensure that a financial conglomerate has adequate capital;
- introduce methods for calculating a conglomerate's overall solvency position;
- deal with the issues of intra-group transactions, exposure to risk and the suitability and professionalism of management at financial conglomerate level; and
- prevent situations in which the same capital is used simultaneously as a buffer against risk in two or more entities which are members of the same financial conglomerate ("**double gearing**") and where a parent issues debt and downstreams the proceeds as equity to its regulated subsidiaries ("**excessive leveraging**").

The directive was implemented in the Netherlands in the Financial Supervision Act that came into effect on 1 January 2007.

The Capital Requirements Directive has been amended three times in 2009 and once in 2010 to repair shortcomings identified in the original Capital Requirements Directive. The amendments entered into force as of 31 December 2010 with certain further amendments due to enter into force on 31 December 2011. Further amendments to the Capital Requirements Directive will take place in the future due to the implementation of the new requirements under Basel III. The European Commission proposals to implement the Basel III requirements in Europe, which comprise a draft regulation and a draft directive, were published on 20 July 2011.

In 2010, agreement was reached at EU level on the introduction of a new supervisory structure for the financial sector. The new European architecture consists of the existing national authorities and the newly created European Systemic Risk Board ("**ESRB**") and the following three European Authorities: Banking ("**EBA**"), Insurance and Occupational Pensions ("**EIOPA**") and Securities and Markets ("**ESMA**"). These institutions have been in place since 1 January 2011. Operational day-to-day supervision continues to be with national supervisors.

The European Commission is proposing a European Crisis Management Framework. In this framework different issues will be addressed, such as prevention tools and early intervention and final resolution mechanisms. Rabobank Group generally supports the Basel Committee and European Commission reform programmes to strengthen the global capital and liquidity regulations and reduce market volatility. Notwithstanding, a number of proposals may hamper traditional retail-oriented institutions in their intermediary function, and thus reduce their ability to play their important role in the European economy. Further, the new rules still allow national regulators a measure of autonomy. For instance, the liquidity requirements assign relatively extensive powers to national regulators, which may affect the level playing field in the European Internal Market. Hence the biggest challenge for policy makers and supervisors is to take a coordinated and unified approach. It is essential that supervisors and regulators across the globe adopt a more consistent and coordinated approach (for example, while Europe is already introducing Basel III, Basel II is not yet fully applied in the US).

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

Dutch regulation

General

As of September 2002, banking supervision in the Netherlands has been divided into prudential supervision, carried out by the Dutch Central Bank, and conduct of business supervision, carried out by the Netherlands Authority for the Financial Markets.

Pursuant to authority granted under the Financial Supervision Act, the Dutch Central Bank, on behalf of the Dutch Minister of Finance, supervises and regulates the majority of Rabobank Group's activities. The Netherlands Authority for the Financial Markets supervises primarily the conduct of business. Set forth below is a brief summary of the principal aspects of the Financial Supervision Act.

Scope of the Financial Supervision Act

A bank is any enterprise whose business it is to receive repayable funds from outside a closed circle and from others than professional market parties, and to grant credits for its own account. Rabobank Nederland and various Rabobank Group entities, including each of the local Rabobanks, are banks and, because they are engaged in the securities business as well as the commercial banking business, each is considered a "universal bank".

Licensing

Under the Financial Supervision Act, a bank established in the Netherlands is required to obtain a licence from the Dutch Central Bank before engaging in any banking activities. The requirements to obtain a licence, among others, are as follows: (i) the day-to-day policy of the bank must be determined by at least two persons; (ii) the bank must have a body of at least three members which has tasks similar to those of a board of supervisory directors; and (iii) the bank must have a minimum own funds (*eigen vermogen*) of €5,000,000. Also, the Dutch Central Bank shall refuse to grant a licence if, among other things, it is of the view that (i) the persons who determine the day-to-day policy of the bank have insufficient expertise to engage in the business of the bank, (ii) the trustworthiness of the persons who determine the policy of the bank is not beyond doubt, or (iii) through a qualified holding in the bank, influence on the policy of such enterprise or institution may be exercised which is contrary to "prudent banking policy" (*gezonde en prudente bedrijfsvoering*). In addition to certain other grounds, the licence may be revoked if a bank fails to comply with the requirements for maintaining it.

Reporting and investigation

A bank is required to file with the Dutch Central Bank its annual financial statements in a form approved by the Dutch Central Bank, which includes a statement of financial position and a statement of income that have been certified by an appropriately qualified auditor. In addition, a bank is required to file quarterly (and some monthly) statements, on a basis established by the Dutch Central Bank, which also has the option to demand more frequent reports.

Rabobank Nederland and the local Rabobanks must file consolidated quarterly (and some monthly) reports as well as annual reports that provide a true and fair view of their respective financial position and results with the Dutch Central Bank. Rabobank Nederland's independent auditor audits these reports annually.

Under the Dutch Financial Supervision Act, Rabobank Nederland is required to make its annual financial statements and its semi-annual financial statements generally available to the public within four months and two months, respectively, of the end of a period to which the financial information relates. In addition, Rabobank must make generally available an interim management statement during each half-year period. Such interim management statement must be made public in the period between 10 weeks after the beginning and six weeks before the end of the relevant half-year period. The annual and semi-annual financial statements and the interim management statements must be filed with the AFM simultaneously with their publication.

Supervision

The Dutch Central Bank exercises supervision with respect to the solvency and liquidity of banks, supervision of the administrative organisation of banks and structure supervision relating to banks. To this end, the Dutch Central Bank has issued the following general regulations:

Solvency supervision

The regulations of the Dutch Central Bank on solvency supervision require – in broad terms – that a bank maintains own funds in an amount equal to at least 8 per cent. of its risk-weighted assets and operations. These regulations also impose limitations on the aggregate amount of claims (including extensions of credit) a bank may have against one debtor or a group of related debtors. Since the implementation of the Financial Supervision Act, the regulations have become more sophisticated, being derived from the new capital measurement guidelines of Basel II as described under "Basel standards" above and as laid down in EU directives described above under "European Union standards". For credit risk Rabobank uses the Advanced Internal Ratings Based Approach. For operational risk, Rabobank uses the most refined approach, the Advanced Measurement Approach.

Liquidity supervision

The regulations of the Dutch Central Bank relating to liquidity supervision require that a bank maintains sufficient liquid assets against certain liabilities of the bank. The basic principle of the liquidity regulations is that liquid assets must be held against "net" liabilities of banks (after netting out claims and liabilities in a maturity schedule) so that the liabilities can be met on the due dates or on demand, as the case may be. These regulations impose additional liquidity requirements if the amount of liabilities of a bank with respect to one debtor or group of related debtors exceeds a certain limit.

Structure supervision

The Financial Supervision Act provides that a bank must obtain a declaration of no-objection from the Minister of Finance (or in certain cases from the Dutch Central Bank) before, among other things, (i) reducing its own funds (*eigen vermogen*) by way of repayment of capital or distribution of reserves or making disbursements from the item comprising the cover for general banking risks as referred to in article 2:424 of the Dutch Civil Code, (ii) acquiring or increasing a qualified holding in a regulated institution such as a bank or other regulated financial institution, if the balance sheet total of that institution at the time of the acquisition or increase amounts to more than 1 per cent. of the bank's consolidated balance sheet total, (iii) acquiring or increasing a "qualified holding" in another enterprise than those mentioned under (ii) if the amount paid for the acquisition or the increase together with any amounts paid for prior acquisitions and prior increases exceeds 1 per cent. of the consolidated own funds of the bank, (iv) acquiring directly or indirectly all or a substantial part of the assets and liabilities of another enterprise or institution if this amounts to more than 1 per cent. of the bank's consolidated balance sheet total, (v) merging with another enterprise or institution if the balance sheet total thereof amounts to more than 1 per cent. of the bank's consolidated balance sheet total or (vi) proceeding with a financial or corporate reorganisation. For the purposes of the Financial Supervision Act, "qualified holding" is defined to mean the holding, directly or indirectly, of an interest of at least 10 per cent. of the issued share capital or voting rights in an enterprise, or a similar form of control.

In addition, any person is permitted to hold, acquire or increase a qualified holding in a Dutch bank, or to exercise any voting power in connection with such holding, only after such person has obtained a declaration of no objection from the Minister of Finance (or in certain cases from the Dutch Central Bank).

Administrative supervision

The Dutch Central Bank also supervises the administrative organisation of the individual banks, their financial accounting system and internal controls. The administrative organisation must be such as to ensure that a bank has at all times a reliable and up-to-date overview of its rights and obligations. Furthermore, the electronic data processing systems, which form the core of the accounting system, must be secured in such a way as to ensure optimum continuity, reliability and security against fraud. As part of the supervision of the administrative organisation, the Dutch Central Bank has also stipulated that this system must be able to prevent conflicts of interests, including the abuse of inside information.

Emergencies

The Financial Supervision Act contains an "emergency regulation" which can be declared in respect of a bank by a Dutch court at the request of the Dutch Central Bank in the interest of the combined creditors of the bank. As of the date of the emergency, only the court-appointed administrators have the authority to exercise the powers of the bodies of the bank. A bank can also be declared in a state of bankruptcy by the court.

U.S. regulation

Dodd-Frank

In the United States the Dodd-Frank Wall Street Reform and Consumer Reform Act ("**Dodd-Frank**") contains very significant reforms, the full effect of which can only be assessed when the implementation rules are finalised. There have also been numerous derivative proposals from the Commodity Futures Exchange Commission ("**CFTC**") and the Securities and Exchange Commission ("**SEC**") plus joint agency proposals to implement minimum capital standards (the Collins Amendment) and market risk capital guidelines.

CAPITALISATION OF RABOBANK GROUP

The following table sets forth in summary form Rabobank Group's consolidated own funds and consolidated long-term and short-term debt securities at 31 December 2010 and at 31 December 2009:

	At 31 December	
	2010	**2009**
	(in millions of euro)	
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	2,482	2,362
Long-term debt securities in issue	124,024	93,382
Short-term debt securities in issue	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 8.375 per cent. Perpetual Non-Cumulative Capital Securities.

In October 2011, the Rabobank Member Certificates were exchanged. On that occasion, holders of former Rabobank Member Certificates received new Rabobank Member Certificates as well as a payment in cash equal to the difference between the net asset value of the former Rabobank Member Certificates and the nominal value of the new Rabobank Member Certificates. The holders were given the opportunity to reinvest this cash payment in new Rabobank Member Certificates, which they did for a total of EUR120,000,000. Given that the difference between the net asset value of the former Rabobank Member Certificates and the nominal value of the new Rabobank Member Certificates amounted to EUR308,000,000, and the reinvestment amount was EUR120,000,000, Rabobank Group's consolidated own funds decreased with EUR288,000,000 as a consequence of this exchange.

There has been no other material change in the capitalisation of Rabobank Group since 31 December 2010.

USE OF PROCEEDS

The net proceeds of the issue of the Capital Securities, expected to amount to approximately U.S.$1.9 billion, will be used to fund the general banking business and commercial activities of the Rabobank Group, and to strengthen its capital base.

The expenses in connection with the transaction are expected to amount to €17,500.

TAXATION

Netherlands Taxation

The following is intended as general information only and it does not purport to present any comprehensive or complete picture of all aspects of Dutch tax law which could be of relevance to a Holder of Capital Securities. Prospective Holders should therefore consult their tax adviser regarding the tax consequences of any purchase, ownership or disposal of Capital Securities.

The following summary is based on Dutch tax law as applied and interpreted by Dutch tax courts and as published and in effect on the date hereof, without prejudice to any amendments introduced at a later date and implemented with or without retroactive effect.

For the purpose of this paragraph, "**Dutch Taxes**" shall mean taxes of whatever nature levied by or on behalf of the Netherlands or any of its subdivisions or taxing authorities.

Withholding Tax

Any payments made under the Capital Securities will not be subject to withholding or deduction for, or on account of, any Dutch Taxes.

Taxes on income and capital gains

A Holder will not be subject to any Dutch Taxes on any payment made to the Holder under the Capital Securities or on any capital gain made by the Holder from the disposal, or deemed disposal, or redemption of, the Capital Securities, except if:

(i) the Holder is, or is deemed to be, resident in the Netherlands; or

(ii) the Holder is an individual and has opted to be taxed as if resident in the Netherlands for Dutch income tax purposes; or

(iii) the Holder derives profits from an enterprise, whether as entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net worth of the enterprise other than as an entrepreneur or a shareholder, which enterprise is, in whole or in part, carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) in the Netherlands to which the Capital Securities are attributable; or

(iv) the Holder is an individual and derives benefits from miscellaneous activities (*overige werkzaamheden*) carried out in the Netherlands in respect of the Capital Securities, including (without limitation) activities which are beyond the scope of active portfolio investment activities; or

(v) the Holder is entitled other than by way of the holding of securities to a share in the profits of an enterprise effectively managed in the Netherlands to which the Capital Securities are attributable.

Gift tax or inheritance tax

No Dutch Taxes are due in respect of any gift of the Capital Securities by, or inheritance of the Capital Securities on the death of, a Holder, except if:

(a) the Holder is resident, or is deemed to be resident, in the Netherlands; or

(b) at the time of the gift or death of the Holder, his Capital Securities are attributable to an enterprise (or an interest in an enterprise) which is, in whole or in part, carried on through a permanent establishment or permanent representative in the Netherlands; or

(c) the Holder passes away within 180 days after the date of the gift of the Capital Securities and is not, or not deemed to be, at the time of the gift, but is, or deemed to be, at the time of his death, resident of the Netherlands; or

(d) the Holder is entitled to a share in the profits of an enterprise effectively managed in the Netherlands, other than by way of the holding of securities or through an employment contract, to which enterprise the Capital Securities are attributable.

For purposes of Dutch gift or inheritance tax, an individual who is of Dutch nationality will be deemed to be resident in the Netherlands if he has been resident in the Netherlands at any time during the ten years preceding the date of the gift or his death. For purposes of Dutch gift tax, any individual, irrespective of his nationality, will be deemed to be resident in the Netherlands if he has been a resident in the Netherlands at any time during the 12 months preceding the date of the gift. Furthermore, under circumstances a Holder will be deemed to be a resident in the Netherlands for purposes of Dutch gift and inheritance tax, if the heirs jointly or the recipient of the gift, as the case may be, so elect.

Other taxes

No other Dutch Taxes, such as turnover tax, or other similar tax or duty (including stamp duty and court fees), are due by Rabobank Nederland or a Holder by reason only of the issue, acquisition or transfer of the Capital Securities.

Residency

Subject to the exceptions above, a Holder will not become resident, or deemed resident, in the Netherlands for tax purposes, or become subject to Dutch Taxes, by reason only of Rabobank Nederland's performance, or the Holder's acquisition (by way of issue or transfer to it), holding and/or disposal of the Capital Securities.

EU Savings Directive

The EU has adopted EC Council Directive 2003/48/EC on the taxation of savings income (the "**EU Savings Directive**"). The EU Savings Directive requires Member States of the European Union (each an "**EU Member State**") to provide to the tax authorities of other EU Member States details of payments of interest and other similar income paid by a person to an individual resident, or to certain other types of entity established, in another EU Member State, except that Austria and Luxembourg may instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period they elect otherwise. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland) with effect from the same date.

Investors should note that the European Commission has announced proposals to amend the EU Savings Directive. If implemented, the proposed amendments would, *inter alia*, extend the scope of the EU Savings Directive to (i) payments made through certain intermediate structures (whether or not established in an EU Member State) for the ultimate benefit of an EU resident individual, and (ii) a wider range of income similar to interest.

If a payment were to be made or collected through an EU Member State (or a third country or territory which has adopted similar measures) which has opted for a withholding system and an amount of, or in respect of tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Capital Security as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent following implementation of this Directive, the Issuer will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

SUBSCRIPTION AND SALE

Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank International), Credit Suisse Securities (Europe) Limited, Morgan Stanley & Co. International plc and Nomura International plc (the "**Joint Lead Managers**") and Goldman Sachs International, Merrill Lynch International and UBS Limited (the "**Co-Lead Managers**", and together with the Joint Lead Managers, the "**Managers**") have, pursuant to a subscription agreement dated 7 November 2011 (the "**Subscription Agreement**") agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe the Capital Securities at 100 per cent. of the principal amount of the Capital Securities plus accrued interest (if any), less certain commissions as agreed with the Issuer.

In addition, the Issuer will reimburse the Managers for certain of its expenses in connection with the issue of the Capital Securities.

United States

The Capital Securities have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act ("**Regulation S**") or pursuant to an exemption from the registration requirements of the Securities Act. Each Manager has represented that it has offered and sold the Capital Securities, and agreed that it will offer and sell the Capital Securities (i) as part of their distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the offering and the Issue Date, only in accordance with Rule 903 of Regulation S. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Capital Securities, and it and they have complied and will comply with the offering restrictions requirement of Regulation S. Each Manager has agreed that, at or prior to confirmation of sale of Capital Securities, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Capital Securities from it during the distribution compliance period a confirmation or notice to substantially the following effect:

> "The securities covered hereby have not been registered under the U.S. Securities Act of 1933 (the "**U.S. Securities Act**") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date of the offering, except in either case in accordance with Regulation S under the U.S. Securities Act. Terms used above have the meanings given to them by Regulation S under the U.S. Securities Act."

Terms used in this paragraph titled "**United States**" have the meanings given to them by Regulation S.

United Kingdom

Each Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of the Capital Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Capital Securities in, from or otherwise involving the United Kingdom.

Japan

The Capital Securities have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Capital Securities in Japan or to, or for the benefit of, any resident in Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Singapore

Each Manager has acknowledged that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager has represented and agreed that it has not offered or sold any Capital Securities or caused the Capital Securities to be made the subject of an invitation for subscription or purchase nor will it offer or sell the Capital Securities or cause the Capital Securities to be made the subject of an invitation for subscription or purchase, nor has it circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Capital Securities, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(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 Capital Securities 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 Capital Securities pursuant to an offer made under Section 275 of the SFA except:

(i) 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;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law; or

(iv) as specified in Section 276(7) of the SFA.

Hong Kong

Each Manager has represented and agreed that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Capital Securities other than (a) to "professional investors" as defined in the Securities and Futures

Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Capital Securities, 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 Capital Securities 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.

Malaysia

Each Manager has acknowledged that no approval from the Securities Commission has been or will be obtained for the offering of the Capital Securities in Malaysia. Each Manager has represented and agreed that the Capital Securities shall not be offered or sold to any person in Malaysia except to non-residents (as defined in the Labuan Trust Companies Act 1990) of Malaysia in Labuan falling within Schedule 4 of the Securities Commission Act of 1993 or as trades effected on the secondary market to a person falling within paragraph 11 of Schedule 2 of the Securities Commission Act of 1993.

Each Manager has acknowledged that no prospectus has been or will be registered under the Securities Commission Act of 1993 in respect of the Capital Securities and the Capital Securities will only be issued, offered for subscription or be the subject matter of an invitation to subscribe, to non-residents (as defined in the Labuan Trust Companies Act 1990) of Malaysia in Labuan falling within Schedule 4 of the Securities Commission Act of 1993 or to persons exclusively outside Malaysia.

Consequently, each Manager has represented and agreed that it has neither offered, sold or made any invitation, and will not offer, sell or make any invitation, in relation to the Capital Securities to any person in Malaysia except to non-residents (as defined in the Labuan Trust Companies Act 1990) of Malaysia in Labuan falling within Schedule 4 of the Securities Commission Act of 1993 or as trades effected on the secondary market to a person falling within paragraph 11 of Schedule 2 of the Securities Commission Act of 1993, nor has it distributed or published nor will it distribute or publish this Prospectus or any other offering document or material relating to the Capital Securities, whether directly or indirectly, to any person in Malaysia except to non-residents (as defined in the Labuan Trust Companies Act 1990) of Malaysia in Labuan falling within Schedule 4 of the Securities Commission Act of 1993.

Republic of China

Each Manager has represented and agreed that the Capital Securities are not being offered or sold and may not be offered or sold, directly or indirectly, in the Republic of China (for such purposes, "**Republic of China**" shall include Taiwan and other areas under the effective control of the Republic of China), except as permitted by the securities laws of the Republic of China.

People's Republic of China

Each Manager has represented and agreed that the Capital Securities are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China except as permitted by the securities laws of the People's Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan).

Republic of Korea

The Capital Securities have not been and will not be registered under the Securities and Exchange Act of the Republic of Korea. Accordingly, each Manager has represented and agreed, that it has not, directly or indirectly, offered, sold or delivered and will not, directly or indirectly, offer, sell or deliver any Capital Securities in the Republic of Korea or to, or for the account or benefit of, any resident of the Republic of Korea or to others for re-offering or resale, directly or indirectly, in the Republic of Korea or to, or for the account or benefit of, any resident of the Republic of Korea, except as otherwise permitted by applicable Korean laws and regulations.

India

Each Manager has represented and agreed that (i) this Prospectus will not be registered as a prospectus with the Registrar of Companies in the Republic of India and the Capital Securities will not be offered or sold in the Republic of India. The Capital Securities nor the Prospectus or any other offering document or material relating to the Capital Securities shall not be marketed or sold, directly or indirectly, in the Republic of India to any person who may be a resident or non-resident, or outside the Republic of India to any person who is a resident of the Republic of India. The Capital Securities shall not be sold to any entity that is regulated by any Indian government or political subdivision thereof, any department, agency or body of any government or political subdivision thereof; any regulatory authority, including the Reserve Bank of India and the Securities Exchange Board of India and such entity is not entering into any contract where it may derive any ownership or economic or any other interest from or in such Capital Securities.

Indonesia

Each Manager has represented and agreed that (i) it has not offered or sold and will not offer or sell any Capital Securities in Indonesia or to Indonesian nationals, corporates or residents including by way of invitation, offering or advertisement, and (ii) it has not distributed, and will not distribute this Prospectus or any other offering material relating to the Capital Securities in Indonesia, or to Indonesian nationals, corporates or residents, in a manner which constitutes a public offering of the Capital Securities under the laws and regulations of the Republic of Indonesia.

Brazil

The Capital Securities have not been and will not be issued nor placed, distributed, offered or negotiated in the Brazilian capital markets. Neither the Issuer of the Capital Securities nor the issuance of the Capital Securities have been or will be registered with the Brazilian Securities Commission (*Comissão de Valores Mobiliários*, the CVM). Therefore, each of the Managers has represented and agreed that it has not offered or sold, and will not offer or sell, the Capital Securities in Brazil, except in circumstances which do not constitute a public offering, placement, distribution or negotiation of securities in the Brazilian capital markets.

Switzerland

This document is not intended to constitute an offer or solicitation to purchase or invest in the Capital Securities described herein. The Capital Securities may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Capital Securities constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland, and neither this Prospectus nor any other offering or marketing material relating to the Capital Securities may be publicly distributed or otherwise made publicly available in Switzerland.

Republic of Italy

The offering of the Capital Securities has not been registered pursuant to Italian securities legislation and, accordingly, each Manager has represented and agreed that it has not offered, sold or distributed, and will not offer, sell or distribute any Capital Securities or any copy of this Prospectus or any other document relating to the Capital Securities in the Republic of Italy ("**Italy**") except:

(a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998 as amended (the "**Consolidated Financial Services Act**") and Article 34-*ter*, first paragraph, letter (b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended (the "**Regulation No. 11971**"); or

(b) in any other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Consolidated Financial Services Act and Article 34-*ter* of Regulation No. 11971.

Moreover, and subject to the foregoing, any offer, sale or delivery of the Capital Securities or distribution of copies of this Prospectus or any other document relating to the Capital Securities in Italy under paragraphs (a) or (b) above must be:

(i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Consolidated Financial Services Act, Legislative Decree No. 385 of 1 September 1993 (the "**Banking Act**"), CONSOB Regulation No. 16190 of 29 October 2007, all as amended and integrated from time to time;

(ii) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time ot time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in Italy; and

(iii) in compliance with any securities, tax, exchange control and any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time, *inter alia*, by CONSOB or the Bank of Italy.

Any investor purchasing the Capital Securities in this offering is solely responsible for ensuring that any offer or resale of the Capital Securities it purchases in this offering occurs in compliance with applicable laws and regulations.

Investors should also note that, in any subsequent distribution of the Capital Securities in Italy, Article 100-*bis* of Consolidated Financial Services Act may require compliance with the law relating to public offers of securities. Furthermore, where no exemption from the rules on public offerings applies, the Capital Securities which are initially offered and placed in Italy or abroad to qualified investors only but in the following year are "systematically" distributed on the secondary market in Italy become subject ot the public offer and the prospectus requirement rules provided under the Consolidated Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of such Capital Securities being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the investors.

This Prospectus and the information contained herein are intended only for the use of its recipient and are not to be distributed to any third-party resident or located in Italy for any reason. No person resident or located in Italy other than the original recipients of this document may rely on it or its contents.

France

Each of the Managers has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, any Capital Securities to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Prospectus or any other offering material relating to the Capital Securities and such offers, sales and distributions have been and will be made in France only to (a) persons providing investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (b) qualified investors (*investisseurs qualifiés*), as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 to D.411-3 of the French *Code monétaire et financier*.

Israel

The Prospectus has not been approved for public offering by the Israeli Securities Authority. Each of the Managers has agreed that the Capital Securities are being offered to a limited number of investors (35 investors or less) and/or special types of investors ("**Investors**") such as: mutual trust funds, managing companies of mutual trust funds, provident funds, managing companies of provident funds, insurers, banking corporations and subsidiary corporations, except for mutual service companies (purchasing bonds/notes for themselves and for clients who are Investors), portfolio managers (purchasing bonds/notes for themselves and for clients who are investors), investment counsellors (purchasing bonds/notes for themselves), members of the Tel-Aviv Stock Exchange (purchasing bonds/notes for themselves and for clients who are investors), underwriters (purchasing bonds/notes for themselves), venture capital funds, corporate entities the main business of which is the capital market and which are wholly-owned by Investors, and corporate entities whose net worth exceeds NIS 250 million, except for those incorporated for the purpose of purchasing securities in a specific offer; and in all cases under circumstances that will fall within the private placement exemption or other exemptions of the Securities Law, 5728-1968 or Joint Investment Trusts Law, 5754-1994. Each of the Managers has agreed that the Prospectus may not be reproduced or used for any other purpose, nor be furnished to any person other than those to whom copies have been sent.

General

No action has been taken in any jurisdiction that would permit a public offering of any of the Capital Securities, or possession or distribution of the Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required.

Each Manager has agreed that it will comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Capital Securities, or has in its possession or distributes the Prospectus or any other offering material.

GENERAL INFORMATION

1. Application has been made to the AFM to approve this document as a prospectus for the purposes of Article 5.4 of the Prospectus Directive. Application has also been made for the Capital Securities to be admitted to trading on Euronext Amsterdam by NYSE Euronext, a regulated market of Euronext Amsterdam N.V., subject only to the issue of the Temporary Global Capital Security.

2. The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Capital Securities. The issue of the Capital Securities was authorised by a resolution of the Issuer on 1 November 2011 and is in accordance with the funding mandate authorised by a resolution of the Executive Board passed on 9 November 2010 and a resolution of the Supervisory Board passed on 29 November 2010, as confirmed by a Secretary's Certificate dated 4 November 2011.

3. There has been no significant change in the financial or trading position of the Issuer since 31 December 2010 or of the Rabobank Group since 30 June 2011 and there has been no material adverse change in the financial position or prospects of the Issuer or of the Rabobank Group since 31 December 2010.

4. Neither the Issuer nor any member, subsidiary or affiliate of the Rabobank Group is, or has been during the 12 months preceding the date of this Prospectus, involved in any governmental, legal or arbitration proceedings which may have, or have had in the recent past, significant effects on the Issuer's and/or Rabobank Group's financial position or profitability, nor so far as the Issuer is aware are any such proceedings involving any of them pending or threatened.

5. The Capital Securities have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). The International Securities Identification Number (ISIN) is XS0703303262 and the Common Code is 070330326.

   The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg, Duchy of Luxembourg.

6. There are no material contracts entered into in the ordinary course of the Issuer's business, which could result in any member of the Rabobank Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to Holders in respect of the Capital Securities being issued.

7. Where information in this Prospectus (including where such information has been incorporated by reference) has been sourced from third parties this information has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from the information published by such third parties no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.

8. Subject to the provisions regarding the Issuer's discretion to pay Interest, as set out in Condition 5, the yield of the Capital Securities for the period from (and including) the Issue Date to (but excluding) the First Reset Date, is 8.40 per cent. on a semi-annual basis. Thereafter, the yield shall be subject to the reset mechanism described in Condition 4. The yield is calculated as at the Issue Date on the basis of the issue price. It is not an indication of any future yield.

9. For so long as the Capital Securities are listed on Euronext Amsterdam, copies (and English translations where the documents in question are not in English) of the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection, free of charge, at the offices of the Fiscal Agent:

(a) the Fiscal Agency Agreement (which includes the forms of the Global Capital Security and the Definitive Capital Security);

(b) the Articles of Association of the Issuer;

(c) the audited and consolidated financial statements of the Issuer and the Rabobank Group for the three financial years ended 31 December 2010;

(d) the unaudited interim report of the Rabobank Group for the six months ended 30 June 2011 (and the review report on the condensed consolidated interim financial information in respect thereof); and

(e) a copy of this Prospectus.

10. Ernst & Young Accountants LLP, of which the 'Registeraccountants' are members of the Royal Netherlands Institute for Registeraccountants, has audited, and issued unqualified auditor's reports on, the financial statements of the Issuer for the years ended 31 December 2008, 2009 and 2010. Ernst & Young Accountants LLP has given its consent to the inclusion in this Prospectus of (i) its independent auditor's reports for the years ended 31 December 2008, 2009 and 2010, (ii) its independent auditor's assurance reports on Management's Assessment on Internal Control over Financial Reporting as of 31 December 2008, 2009 and 2010 and (iii) its review report to the condensed consolidated interim financial information for the six-month period 30 June 2011, each as incorporated by reference herein in the form and context in which they appear. Ernst & Young Accountants LLP has no interest in the Issuer. The address of Ernst & Young Accountants LLP is as follows: Ernst & Young Accountants LLP, Euclideslaan 1, 3584 BL Utrecht, The Netherlands.

PRINCIPAL OFFICE OF THE ISSUER

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