

## RESEARCH

**Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland)**

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**Major Rating Factors****Strengths:**

- Extremely sound and stable business and financial profiles
- Long-term steady earnings growth record
- Robust asset quality
- Strong capital and liquidity positions
- Cautious management philosophy
- High systemic importance in Dutch market

**Counterparty Credit Rating**

AAA/Stable/A-1+

**Weaknesses**

- Some exposure to structured credit and monolines, now being scaled back
- Strategic challenge in diversifying while seeking to maintain traditional risk and earnings profiles

**Rationale**

The ratings on Coöperative Centrale Raiffeisen-Boerenleenbank B.A.--commonly known as Rabobank Nederland (Rabobank)--reflect its extremely sound business and financial profiles, strong market position in The Netherlands, and low risk profile. These attributes have enabled it to win new business during the current turbulence, particularly in its home market.

Net earnings growth was in line with Rabobank's 12% target in the first half of 2008, but there was an 8% decline if a disposal gain is excluded. This represents a resilient underlying performance relative to peers in the current market conditions. The domestic retail business achieved 28% earnings growth, helped by provision releases, and offset a €529 million aggregate charge to wholesale banking earnings as a result of the credit crunch. At June 30, 2008, Rabobank's residual net exposure to U.S. subprime and Alt-A mortgages was relatively low at €108 million, and it had significantly reduced the balance sheet usage of its financial markets business.

Underwriting standards have traditionally been sound and Standard & Poor's Ratings Services considers its asset quality to be strong. At June 2008, the Dutch banking businesses accounted for 71% of customer lending, mostly in residential mortgages. We expect loan arrears and losses to be adversely affected by the slowing global economy, but we do not expect a significant deterioration. Rabobank's impairment charge increased to 27 basis points (bps) of average loans in the first half of 2008, above the 24bps long-term average, which principally reflected impairments on available-for-sale securities. The charge on loans was 9bps, as the domestic retail provision releases were offset by increased charges on wholesale and international business.

As a cooperative with no equity market access, Rabobank has consistently maintained a strong, high quality capital base, particularly on a risk-adjusted basis. Its Basel II Tier 1 ratio was 11.2% at June 2008, after taking into account regulatory floors during the transition process. Its funding and liquidity positions are strong and anchored by its market-leading domestic retail deposit base, which has received a strong net inflow in 2008. We consider Rabobank to be of high systemic importance within the Dutch banking system, reflecting its high market shares across all major products.

**Outlook**

The stable outlook reflects Standard & Poor's expectation that Rabobank will continue to demonstrate a resilient earnings performance, with manageable risk charges. Its main challenge is to find ways to diversify its domestic business and grow selectively internationally while maintaining a low-risk and stable earnings profile. The ratings could come under pressure if

the group's earnings quality, capitalization, or risk profile weaken as a result of an acceleration of risk charges in wholesale and international banking activities or a material decline in the Dutch economy. A material merger or acquisition would likely dilute Rabobank's creditworthiness and lead to a downgrade. Reputational damage from increased earnings volatility or a risk management failure would remove key supports from the rating.

### **Profile: Third-Largest Dutch Bank By Asset Size**

With reported assets of €567.7 billion at June 2008, Rabobank is the third-largest Dutch banking group. Its roots are in financing the Dutch food and agriculture sector and in retail banking, but it continues to diversify both sectorally and geographically. At June 2008, it employed more than 60,000 staff in 43 countries.

As a universal bank in The Netherlands, Rabobank provides lending and deposit products, and payment, insurance, and investment services to a broad client base. Services are provided through local member banks, of which there were 161 with 1,130 branches at June 2008. It is the market leader in mortgages and retail savings with market shares of 30% and 41%, respectively. It has a 38% share of the Dutch small business market and is seeking to become the leading bank for larger Dutch corporates.

Rabobank has steadily diversified by product and internationally over a number of years. Wholesale banking activities are carried out under the trading name of Rabobank International, which is a division of Rabobank Nederland rather than a separate legal entity. This division also manages the non-Dutch retail banking operations, which include subsidiaries in Australia, the U.S., New Zealand, and Ireland. They also include BGZ Bank in Poland, which became consolidated in April 2008 when Rabobank increased its stake to 59%. The international operations leverage Rabobank's core skills, particularly in the food and agricultural sector, where Rabobank is a leader in the financing of the processing industry in the U.S. and Australia.

Rabobank has a variety of specialist subsidiaries. These include De Lage Landen (leasing) and Robeco (asset management). At June 2008, the group had assets managed and held in custody of €210 billion. Rabobank is the largest insurance broker in The Netherlands and sources products from Eureko B.V. (A-/Stable/--), in which it has a 39% stake.

### **Support And Ownership: Clearing Bank For Dutch Cooperative Banks**

Rabobank has an unusual corporate structure. It is a cooperative, mutual entity that acts as the central clearer for the local banks, which in turn are members and sole owners of Rabobank. Rabobank is responsible for the supervision of the local banks' solvency, liquidity, and operations on behalf of the Dutch regulator. The system is bound together by a cross-guarantee scheme under which members pledge to support each other's obligations. Certain finance subsidiaries are also included within this scheme. We view Rabobank and the other members of the Dutch cooperative banking system as representing a unified credit risk. For regulatory and financial reporting purposes, they are similarly treated as a consolidated organization.

The local banks in The Netherlands are associations with members, who tend to be borrowing customers. The local banks' articles of association give them the status of financial services cooperatives. Members are not entitled to the capital or profits of the local banks. The number of local banks has fallen steadily as Rabobank has encouraged mergers to generate economies of scale. We expect the number to settle at about 150.

In 2000, Rabobank introduced Membership Certificates that offer clients the opportunity to invest in its capital. The three separate issues were heavily oversubscribed, both by customers and employees, and raised €6.3 billion in total.

We regard Rabobank as a systematically important bank in The Netherlands. We fully expect that it would, if required, be able to draw on the capital and liquidity facilities recently announced by the Dutch government. However, we do not expect it to require such support in the foreseeable future. In line with our rating approach in "supportive" countries, where the government relies on prudent policies to maintain a sound banking sector, Standard & Poor's does not factor the probability of government support into the ratings on healthy private sector banks in The Netherlands.

### **Strategy: Diversification Is The Main Challenge**

Reflecting its cooperative status, Rabobank takes a longer-term approach to strategic development than many publicly listed banks. Its objectives are to grow net profits by 12% per year and to have a return on equity (ROE) of 10% while maintaining a Tier 1 ratio of at least 10% (under Basel I definitions). Its strategy is to be the largest and best "all finance" provider in The Netherlands, and also to be the global leader in banking for the food and agricultural sectors. The Dutch market remains the primary focus.

Due to its high share of the mature Dutch banking market, Rabobank has limited domestic growth potential in the medium term, although the current market turbulence has created opportunities to gain share in both deposits and lending. It uses an "all finance" approach to strengthen customer relationships and find more substantial growth prospects. This involves offering a wider range of financial products to retail and corporate customers. It was a major factor behind the Robeco (asset management) and Athlon (leasing) acquisitions, the stake in Eureko, and the purchase of Bouwfonds' property development and asset management operations.

Rabobank continues to be active in the wholesale market, building on its core competencies, particularly in the food and agricultural sectors. Its international expansion follows the growth of these global sectors, focusing on markets where agricultural-related production is important (or shows high growth potential), and on current and prospective international trade flows in these markets.

The international retail activities are still relatively small, representing 7% of group lending at June 2008 (at €25.6 billion versus €7 billion at year-end 2002). They are expected to maintain steady growth as Rabobank expands organically, and potentially acquires further stakes in agricultural and rural banks. We expect it to take a more cautious approach during the current global economic downturn. In particular, following several acquisitions of agriculturally focused banks in the U.S. in recent years, we expect Rabobank to concentrate on integrating these operations.

Rabobank had also expanded its financial market activities in recent years. Like many peers, it has now actively managed down its exposures, balance sheet usage, and cost base in segments such as structured credit, leveraged finance, and asset-backed commercial paper (ABCP). We expect to see its wholesale markets business focus more on traditional treasury and balance sheet management roles, rather than areas where Rabobank's competitive advantage and the cultural fit may be more questionable.

Although Eureko has an international business model, Rabobank's main interest is the combination of Eureko's Dutch subsidiary (Achmea) with the former Rabobank insurance operations (Interpolis) to achieve a stronger position in the Dutch insurance market. We will continue to monitor the effect of the Eureko stake on the stability and quality of Rabobank's earnings.

### Accounting: IFRS Reporter

Rabobank has prepared its accounts under International Financial Reporting Standards (IFRS) since the 2005 financial year. It historically reported remarkably stable earnings growth under Dutch generally accepted accounting principles (GAAP), but has encountered a little more volatility under IFRS. In particular, there is less scope to smooth impairment charges over an economic cycle.

Rabobank had €17.3 billion of ABCP outstanding at June 2008 from five conduit programs. These conduits have been fully consolidated since the introduction of IFRS. The underlying assets are primarily loans originated by Rabobank and customer receivables. Its former SIV, called Tango, was closed in early 2008 and the remaining assets became fully consolidated from that point. These assets amounted to €4.1 billion at June 2008 and mostly comprise debt issued by major financial institutions.

The revaluation reserve on Rabobank's €47 billion available-for-sale securities portfolio was negative €1.2 billion at June 2008 and is added back to both regulatory and Standard & Poor's capital measures. Fair-value changes on such securities in the first half of 2008 amounted to €788 million after tax, or 1.7% of the portfolio. Rabobank has not to date revalued any of its own debt.

### Risk Profile And Management: Cautious Approach

Rabobank typically has a cautious risk appetite and management philosophy, and is not driven by short-term performance indicators. Its relatively low risk profile is a key ratings strength. Its economic capital model illustrates that credit and transfer risk is the primary source of risk (see table 1).

**Table 1**

#### Economic Capital Allocation At June 30, 2008 (%)

By division:		By risk type:	
Domestic retail banking	42	Credit and transfer risk	53
Wholesale banking and international retail banking	24	Interest rate and market risk	20
Real estate	7	Operational and business risk	17
Leasing	5	Other risks	10
Asset management and investment	4	Total	100
Other (including Eureko stake)	18		
Total	100		

### Enterprise risk management

Rabobank has a strong enterprise risk management framework, given its cautious nature and mix of businesses. Although some individual procedures and models are not as sophisticated as often found at other 'A-1+' rated banks, this is offset by typically conservative policies, and by continued strengthening of the existing frameworks.

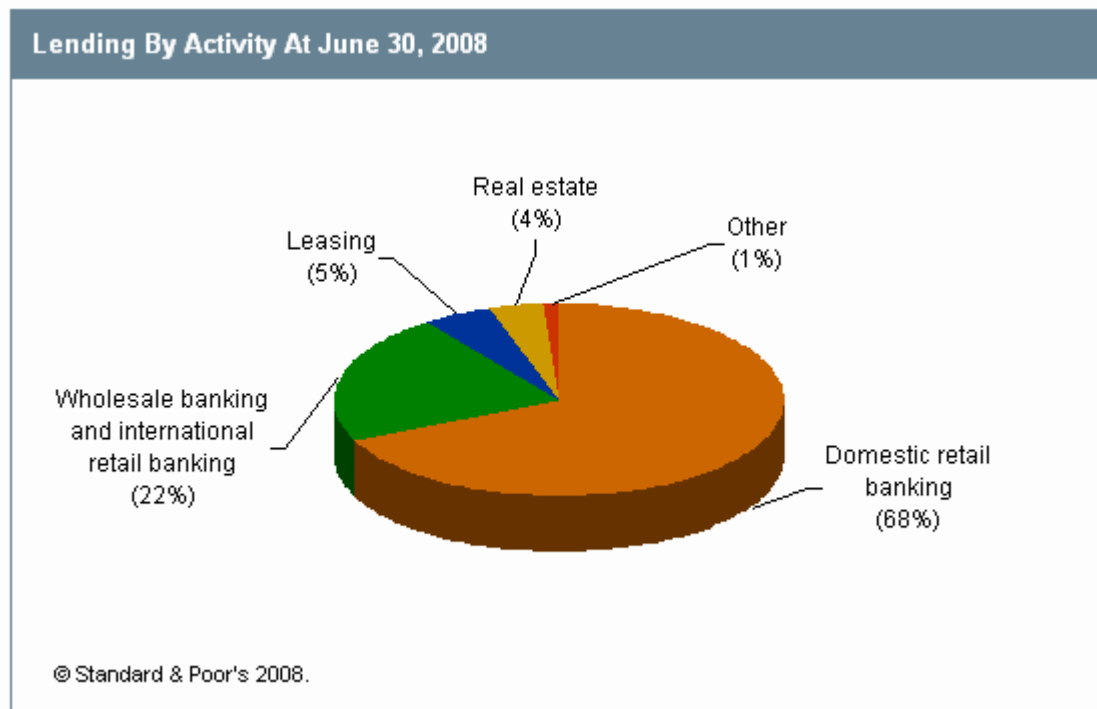
Rabobank continues to strengthen its risk governance structures and the committees that implement risk policies across the

group. The Balance Sheet and Risk Management Committee advises the Executive Board on risk strategy, policy, and limits.

### Credit risk

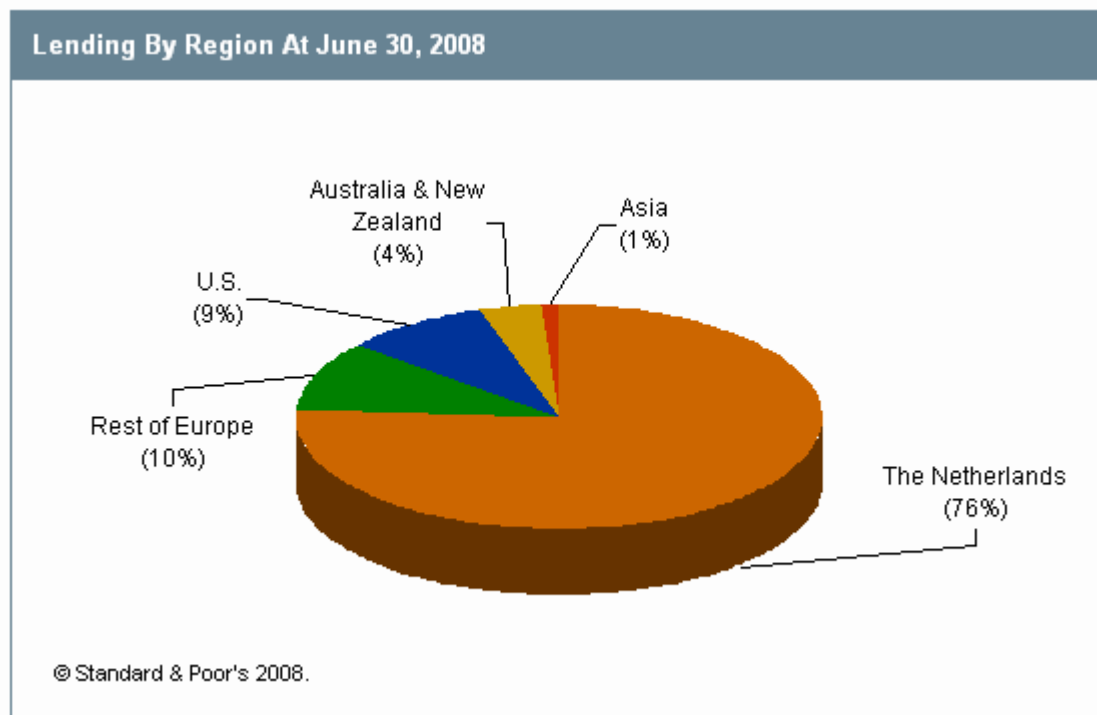
Rabobank has traditionally been a conservative lender, and asset quality is expected to remain relatively robust in the near future, even in weaker economic conditions. Nonperforming loans (NPLs), impairment losses, and charge-offs have consistently outperformed those of most other highly rated banks.

Chart 1



Customer lending represented 68% of the consolidated balance sheet at June 2008, and grew by 4% in the first half of the year. Of private sector lending, 49% was to private individuals, 17% to the food and agriculture sector, and the remaining 34% to the trade, industry, and services sector. Domestic retail banking represents the majority of lending activity (see charts 1 and 2), and this position is unlikely to change. There was a €3.5 billion leveraged finance portfolio, which comprised a large number of relatively small hold positions.

Chart 2



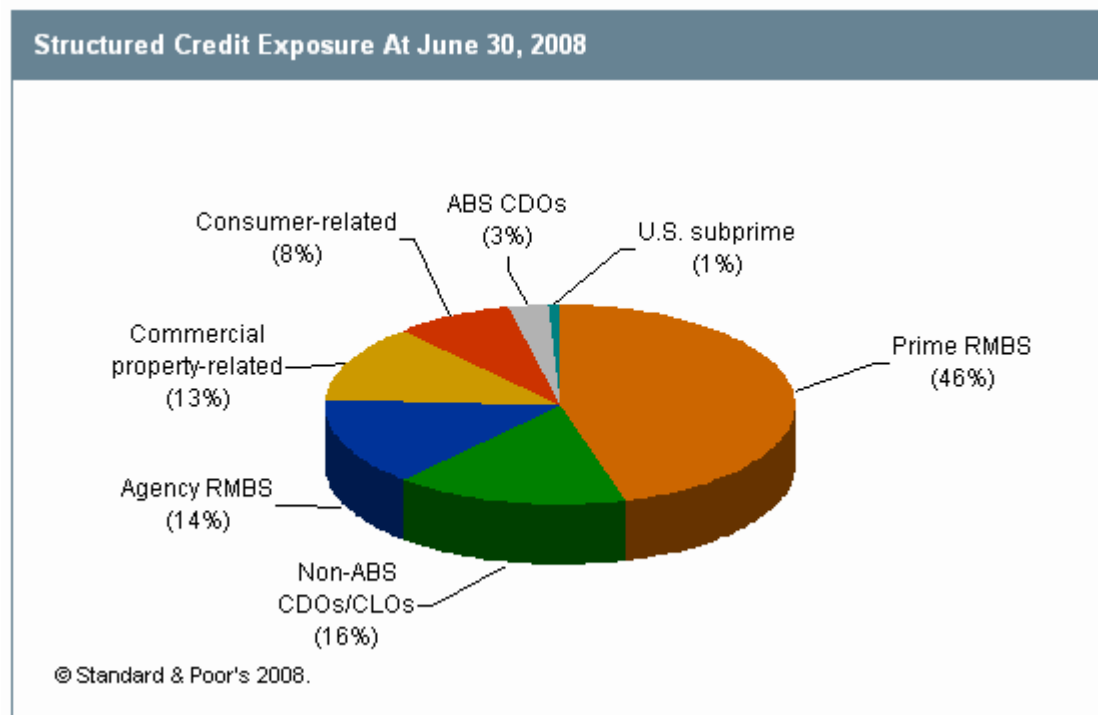
Asset quality is underpinned by the high proportion of domestic mortgage loans, at 47% of total private sector lending. Losses on Dutch mortgage lending have remained low over a sustained period. Despite moderate house price appreciation since 2001, housing affordability in the Netherlands is under pressure and prices for the most expensive properties are now starting to fall as a result of fiscal changes. A significant supply shortage mitigates the risk of significant price falls for the overall market. The Netherlands has a very high level of mortgage indebtedness, and average loan-to-value (LTV) ratios are also typically higher than those found in other European countries. However, debt statistics do not take into account funds held in savings and insurance products that will be used to repay the loan principal at maturity, and the LTV profile reflects a tax system that encourages interest-only loans. Furthermore, high LTV mortgages are typically guaranteed either by a government-backed scheme or, for example, family members. Nevertheless, recent mortgage vintages could be vulnerable to the slowing Dutch economy. The nearprime and subprime mortgage markets are very small in The Netherlands and the major banks are not active in these segments.

Under Dutch GAAP, Rabobank determined the level of provisions using a dynamic method based on a long-term weighted average. This smoothed the impairment charge around the long-run average of 24bps of average loans. The provisioning policy has changed under IFRS to take account of a point-in-time estimate of incurred losses, leading to potentially greater volatility in the charges, but Rabobank's cost of risk should remain moderate and below those of its main competitors. In the first half of 2008, provisioning on available-for-sale securities and international lending caused the impairment charge to rise to 27bps of average loans. The charge on loans was 9bps, but would have been higher were it not for a release of provisions within the domestic retail banking division. This release reflected both lower bad debt costs and a reassessment of the recovery assumptions used in the collective provisioning methodology. We expect that Rabobank's impairment charge on loans will rise as the global economy slows, but will remain manageable. Impaired loans represented 1.3% of private sector lending at June 2008 and outstanding provisions covered 52% of provisioned loans.

### Market risk

In common with peers, Rabobank has significantly reduced non-customer-related financial markets activity in the past year as marketwide volatility and liquidity have deteriorated. Its smaller trading and repo books are reflected in lower interbank exposures and securities on the balance sheet. Total balance sheet assets consequently declined in the first half of 2008 despite good growth in customer lending and the consolidation of both BGZ and the Tango assets. Rabobank's value at risk (VaR) is relatively low, averaging €26 million at a 97.5% confidence interval in 2007, with a maximum of €32 million during the year. It did not report VaR data for the first half of 2008, when market volatility is likely to have offset the reduction in positions.

### Chart 3



Rabobank holds securities for trading, investment, and liquidity purposes. Trading assets and other assets fair valued through earnings represented 6% of total assets at June 2008, and available-for-sale assets were a further 8%. Rabobank held just over €11 billion of structured credit assets at June 2008, of which 97.5% was 'AAA' rated and only 0.4% was rated below 'A'. This portfolio was well diversified by product (see chart 3) and the net carrying value of U.S. subprime and Alt-A mortgage exposures was relatively low at €108 million. Rabobank has bought credit protection from monolines on certain investments and the net counterparty risk was €0.6 billion at June 2008 (see table 2).

**Table 2**

**Monoline Exposures At June 30, 2008 (mil. €.)**

Asset class	Monoline rating	Nominal value of credit protection	Counterparty risk before H1 2008 valuation adjustments	H1 2008 valuation adjustments	Counterparty risk after H1 2008 valuation adjustments
U.S. RMBS-related	AAA/AA	200	130	13	117
	A and below	1,078	391	223	168
Other	AAA/AA	2,913	287	6	281
	A and below	2,141	178	135	43
<b>Total</b>		<b>6,332</b>	<b>986</b>	<b>377</b>	<b>609</b>

The credit crunch caused an aggregate €529 million net charge to earnings in the first half of 2008. This consisted of a €245 million post-tax valuation adjustment on the monoline exposure, a €240 million post-tax revaluation of the exposure to U.S. subprime and Alt-A mortgages, and a €44 million provision on a liquidity facility partly backed by subprime-assets. We expect the charge for the second half of 2008 to be lower.

Structural interest-rate risk is measured and managed using equity-at-risk (long-term risks) and income-at-risk (short-term risks) concepts. The latter is the maximum amount of net interest income put at risk with a confidence level of 97.5%. In 2007, this figure did not exceed €150 million.

**Funding and liquidity risk**

Rabobank is coping well with significantly reduced liquidity in international funding markets. This is due to the management of its balance sheet, which has customer lending broadly matched by deposits and long-term funding (see table 3). Deposits have traditionally comprised a higher proportion of total funding, but strong competition in the mature Dutch market has required greater diversification.

**Table 3**

**Balance Sheet At June 30, 2008 (Excluding Derivatives And Other Items)**

Assets (%)		Liabilities (%)	
Loans	77	Due to private customers	24
Banks	7	Due to corporate customers	28
Trading securities and liquid asset portfolio	16	Long-term funding	24
Total	100	Short-term funding	17
		Capital	7
		Total	100

Rabobank's deposit base has benefited from a "flight to quality" effect during the current market turbulence. Generally speaking, this has been achieved without matching market-leading rates. Dutch retail deposits increased by €9.9 billion to €160.8 billion in the first half of 2008, and we expect further strong growth in the second half. Together with its balance sheet de-leveraging, this deposit growth has reduced Rabobank's usage of short-term wholesale funding. It has not been immune from the significantly reduced capacity in wholesale funding markets since mid-2007, but it retains comparatively good access relative to many other banks.

Liquidity is strong in our view. Rabobank maintains a high level of liquid assets on its balance sheet, including ample eligible collateral that could be used, if necessary, to raise repo funding from the European Central Bank. The new liquidity facility recently announced by the Dutch central bank provides further flexibility, if required. The remaining ABCP conduits have generally been able to refinance without support from Rabobank, reflecting the quality of the underlying assets, but they continue to be taken into account in Rabobank's internal liquidity modeling.

### Profitability: Long-Term Financial Targets Continue To Be Achieved

Reflecting its cooperative status, Rabobank's profitability is not as high as at many publicly listed peers during favorable economic and market conditions. However, earnings have seen steady growth over a sustained period and should remain resilient during the current slowdown. This is primarily due to the strong domestic focus, which has traditionally shielded it from negative international developments, even if Rabobank is sensitive to downturns in the Dutch economy. The sustained achievement of its 10% ROE and 12% net earnings growth targets may prove challenging in the current environment, but the avoidance of material volatility is more significant from a rating perspective in the near term.

Chart 4



Net earnings grew by 14% in 2007 and by 12% in the first half of 2008. In both periods, good volume growth in the domestic retail banking business helped to offset losses in wholesale banking caused by the credit crunch (see chart 4). The result for the first half of 2008 was boosted by a €276 million net gain booked in the asset management and investment division from the sale of Alex Beleggersbank, an online brokerage. Without this gain, net earnings would have been 8% lower. The domestic retail banking result for the first half of 2008 was additionally flattered by its €99 million net provision

release. The consolidation of BGZ added €6 million to Rabobank's first half, which is not material in group terms.

Revenues grew by 7% in the first half of 2008, or 2% excluding the disposal gain. Margins in the Dutch savings and mortgage markets have suffered for a number of years from strong competition, which continued in the first half. It has been able to offset this pressure through volume growth and increased fee income such as from asset management. Interest income growth in the first half was exceptionally strong at 19% due to increased volumes, significantly wider asset spreads in wholesale and international banking, and stable funding costs. The reported interest margin increased to 1.38% in the first half of 2008 from 1.20% in the 2007 full year. Fees and commissions increased by 5%, but other income fell by 30% due to significantly lower trading income and reduced earnings from the stake in Eureko.

Operating expenses fell by 1% in the first half of 2008. Staff costs increased by 6% due to salary increases and the consolidation of BGZ, but this was offset by a decline in administrative expenses as a result of the rationalization of some financial markets activities. Overheads have been relatively high traditionally, reflecting the group's cooperative structure, extensive branch network, its role as a payment agent for corporations, and its international expansion. The ongoing rationalization of the Dutch operations has helped the cost-to-income ratio to improve steadily, but it remains high compared with some international peers, at 63.1% in the first half of 2008 (66.1% excluding the disposal gain). Continuing management of the cost base, with reductions in some areas to finance expansion elsewhere, will be an important driver of performance. Effective integration of past acquisitions is also key.

### Capital: Strong, High Quality Capital Base

Group capitalization is strong in the context of Rabobank's risk profile, and better than most other large European banks. The regulatory Tier 1 ratio remains above its long-term target of 10.0% on a Basel I basis, and should continue to do so. Solid earnings generation and the absence of dividend requirements have enabled Rabobank to build strong capital reserves and to fund its growth strategy, which has involved a number of relatively small-scale acquisitions in recent years. We will continue to monitor the effect of international and business diversification on the risk profile of the group, and hence on appropriate capitalization, but expect Rabobank to take a cautious approach.

At June 2008, the Tier 1 ratio was 11.2% on a Basel II basis and 10.2% under Basel I. These ratios fell during the first half of 2008 due to loan growth and the consolidation of Tango. The difference between the Basel I and Basel II Tier 1 ratios is principally due to the lower risk-weight applied to Dutch mortgages under Basel II, reflecting their low risk characteristics. The Basel II Tier 1 ratio would have been 13.8% without the regulatory floors imposed during the transition process. According to its internal models, Rabobank's economic capital requirement was €22.3 billion at June 2008, materially lower than its €29.8 billion Tier 1 capital base. We do not expect it to manage down balance sheet capital toward the economic capital figure.

The regulatory Tier 1 ratio would look slightly less favorable if the capital invested in insurance activities were fully deducted. At present, there is a deduction against Tier 1 capital for Eureko's small banking activities, but its insurance activities are reflected in an amount included in risk-weighted assets.

The quality of Tier 1 capital has declined in recent years as Rabobank placed more reliance on various types of hybrid instruments, but it still compares well with peers. At year-end 2007, membership certificates represented 22% of Basel I Tier 1 capital (after deductions) and trust preferred and capital securities were a further 14%. We consider the membership certificates to be very high quality hybrid instruments, and represent a pragmatic response to the limits that the cooperative organization structure places on financial flexibility (Rabobank cannot raise equity through public offerings). Given their strong equity-like nature, we classify the membership certificates as a "high" equity content hybrid instrument. At June 2008, adjusted total equity-to-Basel I risk-weighted assets was 9.1%, which still compares well with peers although is no longer as stellar as historically.

We will monitor Rabobank's recourse to various categories of hybrid capital, particularly in the context of the group's business expansion, as further erosion in the quality of capital would be likely to put pressure on the long-term ratings.

**Table 4 | View Expanded Table**

#### Balance Sheet Statistics

(Mil. €)	--Year ended Dec. 31--					Breakdown as a % of assets (adj.)				
	2008*	2007	2006	2005	2004	2008*	2007	2006	2005	2004
<b>Assets</b>										
Cash and money market instruments	34,996	45,347	50,716	55,988	68,765	6.20	7.99	9.14	11.07	14.47
Securities	82,327	98,526	108,707	107,011	111,189	14.60	17.37	19.60	21.15	23.40
Trading securities (marked to market)	21,048	29,179	36,789	39,011	50,413	3.73	5.14	6.63	7.71	10.61
Nontrading securities	61,279	69,347	71,918	68,000	60,776	10.86	12.22	12.97	13.44	12.79
Customer loans (gross)	389,317	375,323	357,257	306,889	257,197	69.02	66.16	64.42	60.65	54.14

Public sector/government	N.A.	N.A.	N.A.	N.A.	2,201	N.A.	N.A.	N.A.	N.A.	0.46
Residential real estate loans	N.A.	N.A.	N.A.	N.A.	130,375	N.A.	N.A.	N.A.	N.A.	27.44
Other consumer loans	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Total real estate loans	N.A.	243,636	N.A.	N.A.	N.A.	N.A.	42.95	N.A.	N.A.	N.A.
Commercial/corporate loans	N.A.	N.A.	N.A.	N.A.	83,100	N.A.	N.A.	N.A.	N.A.	17.49
All other loans	389,317	131,687	357,257	306,889	41,521	69.02	23.21	64.42	60.65	8.74
Loan loss reserves	2,581	2,355	2,333	2,438	2,000	0.46	0.42	0.42	0.48	0.42
Customer loans (net)	386,736	372,968	354,924	304,451	255,197	68.56	65.74	64.00	60.17	53.72
Earning assets	504,720	517,067	515,050	466,965	429,947	89.48	91.14	92.87	92.29	90.50
Equity interests/participations (nonfinancial)	4,191	4,558	3,250	2,971	380	0.74	0.80	0.59	0.59	0.08
Inv. in unconsolidated subsidiaries (financial co.)	N.A.	N.A.	N.A.	N.A.	130	N.A.	N.A.	N.A.	N.A.	0.03
Intangibles (nonservicing)	3,625	3,183	1,844	252	0	0.64	0.56	0.33	0.05	0.00
Fixed assets	6,776	6,677	6,360	3,115	3,927	1.20	1.18	1.15	0.62	0.83
Derivatives credit amount	34,283	26,089	18,992	24,135	N.A.	6.08	4.60	3.42	4.77	N.A.
Accrued receivables	0	4,455	0	0	30,033	0.00	0.79	0.00	0.00	6.32
All other assets	14,735	8,700	11,662	8,311	5,468	2.61	1.53	2.10	1.64	1.15
Total reported assets	567,669	570,503	556,455	506,234	475,089	100.64	100.56	100.33	100.05	100.00
Less nonservicing intangibles+ I/O strips	(3,625)	(3,183)	(1,844)	(252)	0	(0.64)	(0.56)	(0.33)	(0.05)	0.00
Adjusted assets	564,044	567,320	554,611	505,982	475,089	100.00	100.00	100.00	100.00	100.00

**Breakdown as a % of liabilities + equity**

	2008*	2007	2006	2005	2004	2008*	2007	2006	2005	2004
<b>Liabilities</b>										
Total deposits	314,787	334,152	329,543	296,447	261,372	55.45	58.57	59.22	58.56	55.02
Noncore deposits	55,263	88,331	113,644	109,988	73,368	9.74	15.48	20.42	21.73	15.44
Core/customer deposits	259,524	245,821	215,899	186,459	188,004	45.72	43.09	38.80	36.83	39.57
Repurchase agreements	N.A.	11,110	N.A.	N.A.	27,017	N.A.	1.95	N.A.	N.A.	5.69
Other borrowings	142,605	120,598	129,187	136,487	92,737	25.12	21.14	23.22	26.96	19.52
Other liabilities	78,805	73,089	69,492	47,715	71,192	13.88	12.81	12.49	9.43	14.98
Total liabilities	536,197	538,949	528,222	480,649	452,318	94.46	94.47	94.93	94.95	95.21
Total shareholders' equity	31,472	31,554	28,233	25,585	22,771	5.54	5.53	5.07	5.05	4.79
Preferred stock and other capital	4,483	3,968	3,288	3,575	3,811	0.79	0.70	0.59	0.71	0.80
Mandatorily convertible securities	6,208	6,233	5,808	5,811	3,841	1.09	1.09	1.04	1.15	0.81
Minority interest-equity	1,703	1,703	1,711	749	940	0.30	0.30	0.31	0.15	0.20
Common shareholders' equity (reported)	19,078	19,650	17,426	15,450	14,179	3.36	3.44	3.13	3.05	2.98
Revaluation reserve	(936)	654	293	185	136	(0.16)	0.11	0.05	0.04	0.03
General banking risk reserves	N.A.	N.A.	N.A.	N.A.	1,756	N.A.	N.A.	N.A.	N.A.	0.37
Reserves (incl. inflation revaluations)	(183)	(127)	78	93	10,988	(0.03)	(0.02)	0.01	0.02	2.31
Retained profits	20,197	19,123	17,055	15,172	1,299	3.56	3.35	3.06	3.00	0.27
Total liabilities and equity	567,669	570,503	556,455	506,234	475,089	100.00	100.00	100.00	100.00	100.00
<b>Equity Reconciliation Table</b>										
Common shareholders' equity (reported)	19,078	19,650	17,426	15,450	14,179					
+ Minority Interest (equity)	1,703	1,703	1,711	749	940					
- Revaluation reserves	936	(654)	(293)	(185)	(136)					
- Nonservicing Intangibles	(3,625)	(3,183)	(1,844)	(252)	0					
Adjusted common equity	18,092	17,516	17,000	15,762	14,983					
+ Admissible Prefs and hybrids	9,046	8,758	8,500	7,881	7,492					
- Equity in Unconsolidated Subsidiaries	N.A.	N.A.	N.A.	N.A.	(130)					
Adjusted total equity	27,138	26,274	25,500	23,643	22,345					

\*Data as of June 30, 2008. Data for 2005 onwards are prepared according to IFRS. Prior years are based on Dutch GAAP, and are

therefore not fully comparable. Ratios annualized where appropriate. N.A.--Not available.

**Table 5 | View Expanded Table**

**Profit And Loss Statement Statistics**

(Mil. €)	--Year ended Dec. 31--						Adj. avg. assets (%)				
	2008*	2007	2006	2005	2004	2003	2008*	2007	2006	2005	2004
<b>Profitability</b>											
Interest income	3,919	29,356	25,059	22,101	18,773	17,794	1.39	5.23	4.73	4.51	4.27
Interest expense	0	22,585	18,587	15,694	12,524	11,784	0.00	4.03	3.51	3.20	2.85
Net interest income	3,919	6,771	6,472	6,407	6,249	6,010	1.39	1.21	1.22	1.31	1.42
Operating noninterest income	1,886	4,728	3,577	2,898	3,817	3,228	0.67	0.84	0.67	0.59	0.87
Fees and commissions	1,473	2,857	2,296	2,217	2,112	1,852	0.52	0.51	0.43	0.45	0.48
Equity in earnings of unconsolidated subsidiaries	0	753	556	0	0	0	0.00	0.13	0.10	0.00	0.00
Trading gains	0	(38)	246	373	312	170	0.00	(0.01)	0.05	0.08	0.07
Other market-sensitive income	N.A.	64	7	0	0	N.A.	N.A.	0.01	0.00	0.00	0.00
Other noninterest income	413	1,092	472	308	1,393	1,206	0.15	0.19	0.09	0.06	0.32
Operating revenues	5,805	11,499	10,049	9,305	10,066	9,238	2.05	2.05	1.89	1.90	2.29
Noninterest expenses	3,836	7,709	6,887	6,164	6,732	6,243	1.36	1.37	1.30	1.26	1.53
Personnel expenses	2,303	4,445	4,117	3,880	4,029	3,770	0.81	0.79	0.78	0.79	0.92
Other general and administrative expense	1,281	2,846	2,429	1,953	2,335	2,101	0.45	0.51	0.46	0.40	0.53
Depreciation	252	418	341	331	368	372	0.09	0.07	0.06	0.07	0.08
Net operating income before loss provisions	1,969	3,790	3,162	3,141	3,334	2,995	0.70	0.68	0.60	0.64	0.76
Credit loss provisions (net new)	486	742	450	517	525	575	0.17	0.13	0.08	0.11	0.12
Net operating income after loss provisions	1,483	3,048	2,712	2,624	2,809	2,420	0.52	0.54	0.51	0.53	0.64
Nonrecurring/special income	276	0	0	0	0	0	0.10	0.00	0.00	0.00	0.00
Nonrecurring/special expense	0	0	0	0	0	18	0.00	0.00	0.00	0.00	0.00
Pretax profit	1,759	3,048	2,712	2,624	2,809	2,402	0.62	0.54	0.51	0.53	0.64
Tax expense/credit	234	386	367	599	957	733	0.08	0.07	0.07	0.12	0.22
Net income before minority interest	1,525	2,662	2,345	2,025	1,852	1,669	0.54	0.47	0.44	0.41	0.42
Minority interest in consolidated subsidiaries	116	725	588	506	316	266	0.04	0.13	0.11	0.10	0.07
Net income before extraordinary	1,409	1,937	1,757	1,577	1,536	1,403	0.50	0.35	0.33	0.32	0.35
Net income after extraordinary	1,409	1,937	1,757	1,577	1,536	1,403	0.50	0.35	0.33	0.32	0.35
<b>Core Earnings Reconciliation</b>											
Net Income (before Minority Interest)	1,525	2,662	2,345	2,025	1,852	1,669					
- Nonrecurring/Special Income	(276)	0	0	0	0	0					
+ Nonrecurring/Special Expense	0	0	0	0	0	18					
+/- Tax Impact of Adjustments	37	0	0	0	0	(5)					
Core earnings	1,286	2,662	2,345	2,025	1,852	1,682	0.45	0.47	0.44	0.41	0.42
	<b>2008*</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>					
<b>Asset Quality</b>											
Nonperforming assets	5,012	4,198	4,355	4,814	4,069	4,317					
Nonaccrual loans	5,012	4,198	4,355	4,814	4,069	4,317					
Classified loans (substandard, doubtful, loss)	N.A.	N.A.	N.A.	4,814	4,069	4,317					
Net charge-offs	N.A.	305	N.A.	N.A.	420	424					

**Average balance sheet**

Average customer loans	379,852	363,946	329,688	279,824	246,392	225,353
Average earning assets	510,894	516,059	491,008	448,456	404,478	368,705
Average assets	569,086	563,479	531,345	490,662	439,197	389,013
Average total deposits	324,470	331,848	312,995	278,910	246,655	230,809
Average interest-bearing liabilities	461,626	462,295	445,832	407,030	358,711	327,832
Average common equity	19,364	18,538	16,438	14,815	13,619	12,574
Average adjusted assets	565,682	560,966	530,297	490,536	439,197	389,013

**Other data**

Number of employees (end of period, actual)	60,247	54,737	50,573	45,580	56,324	57,055
Number of branches	1,130	1,159	1,214	N.A.	1,299	1,378
Total assets under management	210,000	232,000	214,000	156,000	140,000	132,000
Off-balance-sheet credit equivalents	0	47,738	47,369	40,544	37,726	32,552

\*Data as of June 30, 2008. Data for 2005 onwards are prepared according to IFRS. Prior years are based on Dutch GAAP, and are therefore not fully comparable. Ratios annualized where appropriate. N.A.--Not available.

**Table 6 | View Expanded Table**

**Ratio Analysis**

	--Year ended Dec. 31--				
	2008*	2007	2006	2005	2004
<b>ANNUAL GROWTH (%)</b>					
Customer loans (gross)	7.46	5.06	16.41	19.32	7.42
Loss reserves	19.19	0.94	(4.31)	21.90	8.23
Adjusted assets	(1.15)	2.29	9.61	6.50	17.80
Customer deposits	11.15	13.86	15.79	(0.82)	11.07
Total equity	(0.52)	11.76	10.35	12.36	14.53
Operating revenues	0.97	14.43	8.00	(7.56)	8.96
Noninterest expense	(0.48)	11.94	11.73	(8.44)	7.83
Net operating income before provisions	3.91	19.86	0.67	(5.79)	11.32
Loan loss provisions	31.00	64.89	(12.96)	(1.52)	(8.70)
Net operating income after provisions	(2.69)	12.39	3.35	(6.59)	16.07
Pretax profit	15.42	12.39	3.35	(6.59)	16.94
Net income	14.58	13.52	15.80	9.34	10.96
	<b>2008*</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
<b>PROFITABILITY (%)</b>					
<b>Interest Margin Analysis</b>					
Net interest income (taxable equiv.)/avg. earning assets	1.53	1.31	1.32	1.43	1.55
Net interest spread	1.53	0.80	0.93	1.07	1.15
Interest income (taxable equiv.)/avg. earning assets	1.53	5.69	5.10	4.93	4.64
Interest expense/avg. interest-bearing liabilities	0.00	4.89	4.17	3.86	3.49
<b>Revenue Analysis</b>					
Net interest income/revenues	67.51	58.88	64.40	68.86	62.08
Fee income/revenues	25.37	24.85	22.85	23.83	20.98
Market-sensitive income/revenues	0.00	0.23	2.52	4.01	3.10
Noninterest income/revenues	32.49	41.12	35.60	31.14	37.92
Personnel expense/revenues	39.67	38.66	40.97	41.70	40.03
Noninterest expense/revenues	66.08	67.04	68.53	66.24	66.88
Noninterest expense/revenues less investment gains	66.08	67.42	68.58	66.24	66.88
Net operating income before provision/revenues	33.92	32.96	31.47	33.76	33.12
Net operating income after provisions/revenues	25.55	26.51	26.99	28.20	27.91
New loan loss provisions/revenues	8.37	6.45	4.48	5.56	5.22

Net nonrecurring/abnormal income/revenues	4.75	0.00	0.00	0.00	0.00
Pretax profit/revenues	30.30	26.51	26.99	28.20	27.91
Tax/pretax profit	13.30	12.66	13.53	22.83	34.07
Core Earnings/Revenues	22.15	23.15	23.34	21.76	18.40
	<b>2008*</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
<b>Other Returns</b>					
Pretax profit/avg. risk assets (%)	1.25	1.19	1.18	1.27	1.47
Revenues/avg. risk assets (%)	4.12	4.47	4.36	4.51	5.28
Net operating income before LLP/LLP	405.14	510.78	702.67	607.54	635.05
Net operating income before loss provisions/avg. risk assets (%)	1.40	1.47	1.37	1.52	1.75
Net operating income after loss provisions/avg. risk assets (%)	1.05	1.19	1.18	1.27	1.47
Net income before minority interest/avg. adjusted assets	0.54	0.47	0.44	0.41	0.42
Net income/employee (currency unit)	53,051	50,556	48,776	39,743	32,669
Non-interest expenses/average adjusted assets	1.36	1.37	1.30	1.26	1.53
Personnel expense/employee (currency unit)	80,115	84,417	85,634	76,150	71,071
Core earnings/average risk-weighted assets	0.91	1.04	1.02	0.98	0.97
Core earnings/average adjusted assets	0.45	0.47	0.44	0.41	0.42
Core earnings/ Average ACE (ROE)	14.44	15.42	14.32	13.17	12.88
	<b>2008*</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
<b>FUNDING AND LIQUIDITY (%)</b>					
Customer deposits/funding base	56.74	52.77	47.06	43.07	49.33
Total loans/customer deposits	150.01	152.68	165.47	164.59	136.80
Total loans/customer deposits + long-term funds	133.41	134.78	145.67	143.94	121.93
Customer loans (net)/assets (adj.)	68.56	65.74	64.00	60.17	53.72
	<b>2008*</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
<b>Parent Only Analysis</b>					
	<b>2008*</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
<b>CAPITALIZATION (%)</b>					
Adjusted common equity/risk assets	6.10	6.57	6.87	7.37	7.55
Internal capital generation/prior year's equity	14.34	11.12	11.37	11.12	11.76
Tier 1 capital ratio	11.20	10.70	10.70	11.60	11.40
Regulatory total capital ratio	11.60	10.90	11.00	11.80	11.40
Adjusted total equity/adjusted assets	4.81	4.63	4.60	4.67	4.70
Adjusted total equity/adjusted assets + securitizations	4.81	4.63	4.60	4.67	4.70
Adjusted total equity/risk assets	9.14	9.86	10.30	11.05	11.25
Adjusted total equity plus LLR (specific)/customer loans (gross)	7.63	7.63	7.79	8.50	9.47
	<b>2008*</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
<b>ASSET QUALITY (%)</b>					
New loan loss provisions/avg. customer loans (net)	0.26	0.20	0.14	0.18	0.21
Net charge-offs/avg. customer loans (net)	N.A.	0.08	N.A.	N.A.	0.17
Loan loss reserves/customer loans (gross)	0.66	0.63	0.65	0.79	0.78
Credit-loss reserves/risk assets	0.87	0.88	0.94	1.14	1.01
Nonperforming assets (NPA)/customer loans + ORE	1.29	1.12	1.22	1.57	1.58
NPA (excl. delinquencies)/customer loans + ORE	1.29	1.12	1.22	1.57	1.58
Net NPA/customer loans (net) + ORE	0.63	0.49	0.57	0.78	0.81
NPA (net specifics)/customer loans (net specifics)	0.63	0.49	0.57	0.78	0.81
Loan loss reserves/NPA (gross)	51.50	56.10	53.57	50.64	49.15

\*Data as of June 30, 2008. Data for 2005 onwards are prepared according to IFRS. Prior years are based on Dutch GAAP, and are therefore not fully comparable. Ratios annualized where appropriate. N.A.--Not available.

#### Ratings Detail (As Of 28-Oct-2008) \*

##### Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland)

Counterparty Credit Rating	AAA/Stable/A-1+
Certificate Of Deposit	AAA/A-1+
Commercial Paper	

<i>Foreign Currency</i>	A-1+
<i>Local Currency</i>	AAA/A-1+
Junior Subordinated (8 Issues)	AA
Preferred Stock (5 Issues)	AA
Senior Unsecured (649 Issues)	AAA
Senior Unsecured (1 Issue)	AAA/A-1+
Short-Term Debt (4 Issues)	A-1+
Subordinated (2 Issues)	AA+

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**Counterparty Credit Ratings History**

04-Nov-1996	<i>Foreign Currency</i>	AAA/Stable/A-1+
31-Jul-1990		AAA/Negative/A-1+
30-Dec-1985		AAA/--/A-1+
04-Nov-1996	<i>Local Currency</i>	AAA/Stable/A-1+
15-Nov-1994		AAA/Negative/A-1+
31-Jul-1990		AAA/Negative/--

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**Sovereign Rating**

Netherlands (State of The)	AAA/Stable/A-1+
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**Related Entities**
**Rabobank Australia Ltd.**

Issuer Credit Rating	AAA/Stable/A-1+
Certificate Of Deposit	AAA

**Rabobank Nederland (Australia Branch)**

Commercial Paper	
<i>Foreign Currency</i>	A-1+

**Rabobank New Zealand Ltd.**

Issuer Credit Rating	AAA/Stable/A-1+
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**Rabobank USA Financial Corp.**

Issuer Credit Rating	--/--/A-1+
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**Rabohypotheekbank N.V.**

Issuer Credit Rating	AAA/Stable/--
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\*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

**Additional Contact:** Financial Institutions Ratings Europe;  
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