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Summary:

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

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Credit Rating: AAA/Stable/A-1+

Rationale

The ratings on Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.--commonly known as Rabobank Nederland--reflect its sound financial profile, strong market position in the Netherlands, and controlled risk profile.

Net earnings increased by 2% to €2.8 billion in 2008, but fell by 8% if a disposal gain is excluded. This represents a relatively resilient performance in our opinion given current market conditions. The Dutch retail banking business performed strongly, with 13% net profit growth, on the back of higher lending and deposit balances. Rabobank is the leading retail bank in the Netherlands and has further increased its market shares during the current market turbulence due to its stable performance relative to its leading competitors. These gains mostly compensated for €1.2 billion (after tax) of write-downs and value adjustments on the wholesale banking division's structured credit and monoline exposures. Rabobank's exposure to structured credit stood at €9.4 billion at year-end 2008, of which 90% was 'AAA' rated. Following reclassifications during 2008, €8.5 billion of the structured credit assets was classified as loans and receivables at year-end. Rabobank held €7.7 billion of credit protection from monolines, with counterparty risk after value adjustments of €1.7 billion.

We consider Rabobank's asset quality to be robust, although impairment losses are rising due to weak economic conditions. Private sector customer lending is focused on the Dutch market, which represented 73% of the portfolio at year-end 2008, with Dutch residential mortgages accounting for 45% of the portfolio. Bad debt expenses on Dutch mortgages were just 1.5 basis points (bps) in 2008 and are likely to rise as unemployment increases, but we do not anticipate a severe deterioration. Total bad debt expenses were 29 bps, above the 21 bp average for 1998-2007, principally due to material impairment losses in Ireland and in wholesale banking.

As a mutual with no equity market access, Rabobank has consistently maintained a strong, high quality capital base, particularly on a risk-adjusted basis. It targets a Basel II Tier 1 ratio above 12.5% and the actual level at year-end 2008 was 12.7%. Its funding and liquidity positions are strong and anchored by its market-leading domestic retail deposit base, which 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 relatively robust earnings performance, with manageable risk charges. The ratings could come under pressure if earnings quality, capitalization, or risk profile are threatened, perhaps by an acceleration in risk charges in wholesale and international banking activities or a sharp decline in the Dutch economy. Rabobank's relatively stable earnings

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record and cautious risk management approach are key supports for the rating, and a material change in these attributes could lead to a downgrade. In addition, a significant merger or acquisition would likely dilute Rabobank's creditworthiness.

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