

July 19, 2009

Rabobank New Zealand Ltd.

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Table Of Contents

Major Rating Factors

Rationale

Outlook

Rabobank New Zealand Ltd.

Major Rating Factors

Strengths:

- Unconditional guarantee from its ultimate parent Rabobank Nederland
- Strong position and franchise in a competitive target market
- Excellent customer relationship management

Weaknesses:

- Deteriorating asset quality
- Focused on volatile rural sector

Counterparty Credit Rating

AAA/Stable/A-1+

Rationale

The counterparty credit ratings on Rabobank New Zealand Ltd. (Rabobank NZ) reflect those on its ultimate parent Rabobank Nederland (Rabobank; AAA/Stable/A-1+), which provide an unconditional guarantee that covers all of the New Zealand bank's obligations. Although Rabobank has the ability to revoke the guarantee with a minimum of three months' notice, obligations incurred before the termination date will continue to be covered until those obligations mature. Standard & Poor's Ratings Services believes that the likelihood of the parent terminating the guarantee is remote. Rabobank NZ provides mainly rural and corporate financial services to large corporations, and middle-market operations within the food and agribusiness sector.

Rabobank NZ's stand-alone credit profile is supported by its steady growth and strong position in its target market. Rabobank NZ's interest margins and profitability have remained relatively strong despite the weakened New Zealand economy and increasing competition from the larger banks for rural lending. The bank's loan growth in 2008 of 22.3% was the strongest since 2003. While this contributed to improved profitability, there is a risk that it could lead to increased credit losses. The boom in agricultural prices that peaked in recent years contributed to a large increase in lending to the rural sector as well as material land-price increases. Recent commodity-price weakness and a strong New Zealand dollar increase the risk of losses materializing from this sector.

The bank's credit profile has weakened in the last financial year with a significant decline in asset quality. Nonperforming assets increased to NZ\$257.2 million (4.1% of customer loans) at March 31, 2009, from 2.64% in 2008 and only 0.19% in 2007 due to the bank's high exposure to New Zealand's weak agriculture sector. Standard & Poor's will continue to monitor asset quality to determine whether increased losses are likely to materialize and its likely impact on profitability.

The bank continues to rate highly in customer satisfaction metrics, which should assist it in retaining its market position. The long-term outlook for the New Zealand rural sector is negative; recovery is expected to be slow and highly dependent on external demand. The recent strength of the New Zealand dollar has added further pressure to the rural sector. Its high-interest online savings and investment service, RaboPlus, has also generated a good response in the New Zealand retail market and is becoming a meaningful contributor to the bank's funding requirements.

Short-term credit factors

The short-term rating is 'A-1+', reflecting Rabobank's guarantee, which minimizes any potential for financial stress in the near term. Rabobank NZ's stand-alone balance sheet is relatively illiquid, with only 0.2% of total assets in a readily liquefiable form at December 2008 (0.3% at December 2007). The high level of integration with Rabobank's Australian branch operations moderates concerns in this area, where liquidity policies and processes are of high quality.

Outlook

The stable outlook reflects that on the ultimate parent and guarantor Rabobank Nederland. The Rabobank NZ rating is likely to remain equated with that of Rabobank, unless there is a significant dilution in the guarantee provided by Rabobank or in its equity stake in Rabobank NZ.

The stand-alone credit profile could weaken if New Zealand's rural sector continues to contract due to a strong currency and decreased global demand, in turn leading to a continuation of current asset quality trends and losses materializing that exceed our current expectations for the rating.

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Table 1

Balance Sheet Statistics										
(Mil. NZ\$)	--Year ended Dec. 31--					Breakdown as a % of assets (adj.)				
	2008*	2007	2006	2005	2004	2008*	2007	2006	2005	2004
Assets										
Cash and money market instruments	14.30	17.15	8.47	13.60	7.47	0.24	0.35	0.18	0.33	0.20
Customer loans (gross)	5978.43	4888.20	4750.46	4078.53	3701.71	99.38	98.85	98.84	98.49	99.49
Commercial/corporate loans	5745.73	4626.45	4038.59	3549.51	3297.34	95.52	93.55	84.03	85.72	88.62
All other loans	232.70	261.75	711.87	529.02	404.37	3.87	5.29	14.81	12.78	10.87
Loan loss reserves	26.72	3.62	1.60	1.46	1.07	0.44	0.07	0.03	0.04	0.03
Customer loans (net)	5951.70	4884.59	4748.86	4077.06	3700.63	98.94	98.77	98.81	98.46	99.46
Earning assets	5978.43	4888.20	4750.46	4078.53	3701.71	99.38	98.85	98.84	98.49	99.49
Intangibles (nonservicing)	0.01	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fixed assets	3.50	4.01	4.46	4.26	4.92	0.06	0.08	0.09	0.10	0.13
Derivatives credit amount	8.21	5.14	6.18	15.39	N.A.	0.14	0.10	0.13	0.37	N.A.
Accrued receivables	23.63	28.12	12.10	27.06	5.43	0.39	0.57	0.25	0.65	0.15
All other assets	14.15	6.17	26.05	3.67	2.22	0.24	0.12	0.54	0.09	0.06
Total reported assets	6015.50	4945.19	4806.11	4141.03	3720.66	100.00	100.00	100.00	100.00	100.00
Less nonservicing intangibles+ I/O strips	(0.01)	(0.01)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Adjusted assets	6015.49	4945.18	4806.11	4141.03	3720.66	100.00	100.00	100.00	100.00	100.00

Table 1

Balance Sheet Statistics (cont.)										
	2008*	2007	2006	2005	2004	Breakdown as a % of liabilities + equity				
						2008*	2007	2006	2005	2004
Liabilities										
Total deposits	2553.50	2004.63	1158.91	839.64	1067.56	42.45	40.54	24.11	20.28	28.69
Noncore deposits	0.33	0.38	0.19	0.73	4.15	0.01	0.01	0.00	0.02	0.11
Core/customer deposits	2553.17	2004.26	1158.72	838.91	1063.41	42.44	40.53	24.11	20.26	28.58
Other borrowings	3165.27	2670.62	3417.94	2862.77	2466.52	52.62	54.00	71.12	69.13	66.29
Other liabilities	38.76	39.31	21.55	245.91	11.70	0.64	0.79	0.45	5.94	0.31
Total liabilities	5757.53	4714.56	4598.40	3948.33	3545.78	95.71	95.34	95.68	95.35	95.30
Total shareholders' equity	257.96	229.32	207.71	192.70	174.87	4.29	4.64	4.32	4.65	4.70
Common shareholders' equity (reported)	257.96	229.32	207.71	192.70	174.87	4.29	4.64	4.32	4.65	4.70
Share capital and surplus	41.20	41.20	41.20	41.20	41.20	0.68	0.83	0.86	0.99	1.11
Reserves (incl. inflation revaluations)	N.A.	N.A.	N.A.	0.00	0.26	N.A.	N.A.	N.A.	0.00	0.01
Retained profits	216.76	188.12	166.51	151.50	133.41	3.60	3.80	3.46	3.66	3.59
Total liabilities and equity	6015.50	4943.89	4806.11	4141.03	3720.66	100.00	99.97	100.00	100.00	100.00
Equity Reconciliation Table										
Common shareholders' equity (reported)	257.96	229.32	207.71	192.70	174.87					
- Nonservicing Intangibles	(0.01)	(0.01)	0.00	0.00	0.00					
Adjusted common equity	257.96	229.32	207.71	192.70	174.87					
Adjusted total equity	257.96	229.32	207.71	192.70	174.87					

*Data as of fiscal year end. N.A.--Not available.

Table 2

Profit and Loss Statement Statistics										
(Mil. NZ\$)	--Year ended Dec. 31--					Adj. avg. assets (%)				
	2008*	2007	2006	2005	2004	- 2008*	2007	2006	2005	2004
Profitability										
Interest income	495.00	431.86	372.90	306.19	303.68	9.03	8.86	8.34	7.79	8.92
Interest expense	367.38	332.45	271.61	201.73	234.10	6.70	6.82	6.07	5.13	6.88
Net interest income	127.61	99.41	101.29	104.46	69.58	2.33	2.04	2.26	2.66	2.04
Operating noninterest income	1.77	0.34	(17.38)	(23.14)	2.52	0.03	0.01	(0.39)	(0.59)	0.07
Fees and commissions	1.41	0.73	0.70	0.87	1.46	0.03	0.01	0.02	0.02	0.04
Trading gains	(0.08)	(1.10)	(19.09)	(25.57)	0.00	0.00	(0.02)	(0.43)	(0.65)	0.00
Other market-sensitive income	N.A.	N.A.	0.60	0.04	N.A.	N.A.	N.A.	0.01	0.00	N.A.
Other noninterest income	0.45	0.72	0.41	1.52	1.05	0.01	0.01	0.01	0.04	0.03
Operating revenues	129.38	99.75	83.91	81.32	72.09	2.36	2.05	1.88	2.07	2.12
Noninterest expenses	64.74	62.07	58.37	51.55	44.02	1.18	1.27	1.30	1.31	1.29
Personnel expenses	22.24	18.96	18.76	17.22	15.23	0.41	0.39	0.42	0.44	0.45
Other general and administrative expense	41.43	42.02	38.34	33.07	27.85	0.76	0.86	0.86	0.84	0.82
Depreciation	1.07	1.08	1.26	1.26	0.95	0.02	0.02	0.03	0.03	0.03
Net operating income before loss provisions	64.64	37.68	25.54	29.77	28.07	1.18	0.77	0.57	0.76	0.82

Table 2

Profit and Loss Statement Statistics (cont.)										
Credit loss provisions (net new)	23.09	4.34	3.12	1.70	0.81	0.42	0.09	0.07	0.04	0.02
Net operating income after loss provisions	41.55	33.34	22.42	28.07	27.26	0.76	0.68	0.50	0.71	0.80
Pretax profit	41.55	33.34	22.42	28.07	27.26	0.76	0.68	0.50	0.71	0.80
Tax expense/credit	12.91	11.73	7.42	8.76	8.53	0.24	0.24	0.17	0.22	0.25
Net income before minority interest	28.64	21.61	15.01	19.31	18.73	0.52	0.44	0.34	0.49	0.55
Net income before extraordinary	28.64	21.61	15.01	19.33	18.72	0.52	0.44	0.34	0.49	0.55
Net income after extraordinary	28.64	21.61	15.01	19.33	18.72	0.52	0.44	0.34	0.49	0.55
Core Earnings Reconciliation										
Net Income (before Minority Interest)	28.64	21.61	15.01	19.31	18.73					
Core earnings	28.64	21.61	15.01	19.31	18.73	0.52	0.44	0.34	0.49	0.55
	2008*	2007	2006	2005	2004					
Asset Quality										
Nonperforming assets	157.77	9.48	11.25	5.17	4.74					
Nonaccrual loans	138.12	3.18	6.17	0.64	4.74					
Loans in arrears but accruing	19.65	6.30	5.09	4.53	0.00					
Classified loans (substandard, doubtful, loss)	0.00	N.A.	0.03	N.A.	N.A.		N.A.		N.A.	N.A.
Net charge-offs	N.A.	0.42	(0.16)	1.34	0.41		N.A.			
Average balance sheet										
Average customer loans	5418.14	4816.72	4412.96	3888.85	3385.29					
Average earning assets	5433.31	4819.33	4414.49	3890.12	3386.16					
Average assets	5480.34	4875.65	4473.57	3930.84	3403.64					
Average total deposits	2279.07	1581.77	999.28	953.60	1003.82					
Average interest-bearing liabilities	5197.01	4626.06	4139.64	3618.25	3226.53					
Average common equity	243.64	218.52	200.21	183.79	165.51					
Average adjusted assets	5480.34	4875.65	4473.57	3930.84	3403.64					
Other data										
Commitments and contingencies	471.78	387.20	328.27	892.04	646.50					
Off-balance-sheet credit equivalents	0.00	0.00	45.57	649.19	820.53					

*Data as of fiscal year end. N.A.--Not available.

Table 3

	Ratio Analysis				
	--Year ended June 30--				
	2009*	2008	2007	2006	2005
ANNUAL GROWTH (%)					
Customer loans (gross)	(7.14)	8.43	13.47	(10.58)	4.71
Loss reserves	0.00	69.88	0.00	0.00	0.00
Adjusted assets	10.95	11.33	3.81	2.46	17.54
Customer deposits	11.60	10.60	2.70	1.30	20.99
Total equity	9.64	13.98	13.48	12.52	10.97
Operating revenues	5.00	1.73	9.39	3.79	1.27

Table 3

Ratio Analysis (cont.)					
Noninterest expense	22.00	(8.29)	4.21	(3.66)	(5.02)
Net operating income before provisions	(20.84)	22.00	21.63	26.98	27.59
Loan loss provisions	(5.02)	140.48	23.10	63.78	25.85
Net operating income after provisions	(22.12)	17.31	21.57	25.88	27.65
Pretax profit	(22.12)	17.31	21.57	25.88	27.65
Net income	(22.12)	17.31	21.57	25.88	27.65
	2009*	2008	2007	2006	2005
PROFITABILITY (%)					
Interest Margin Analysis					
Net interest income (taxable equiv.)/avg. earning assets	4.55	4.52	4.63	4.54	4.96
Net interest spread	4.00	3.92	4.15	4.17	4.84
Interest income (taxable equiv.)/avg. earning assets	10.33	9.79	9.20	9.21	9.52
Interest income on loans/avg. total loans	10.24	10.18	9.43	9.49	9.45
Interest expense/avg. interest-bearing liabilities	6.33	5.87	5.05	5.04	4.69
Interest expense on deposits/avg. deposits	6.36	5.90	5.08	5.09	4.77
Revenue Analysis					
Net interest income/revenues	88.95	87.29	84.81	87.11	86.05
Fee income/revenues	10.53	7.47	9.03	12.83	13.74
Noninterest income/revenues	11.05	12.71	15.19	12.89	13.95
Personnel expense/revenues	27.35	24.83	23.84	25.30	25.29
Noninterest expense/revenues	70.09	60.32	66.91	70.24	75.68
Noninterest expense/revenues less investment gains	70.09	60.32	66.91	70.24	75.68
Net operating income before provision/revenues	29.91	39.68	33.09	29.76	24.32
Net operating income after provisions/revenues	27.22	36.70	31.83	28.64	23.62
New loan loss provisions/revenues	2.69	2.98	1.26	1.12	0.71
Pretax profit/revenues	27.22	36.70	31.83	28.64	23.62
Core Earnings/Revenues	27.22	36.70	31.83	28.64	23.62
	2009*	2008	2007	2006	2005
Other Returns					
Net operating income before LLP/LLP	1111.50	1333.67	2628.95	2660.73	3431.89
Net income before minority interest/avg. adjusted assets	1.29	1.80	1.65	1.40	1.21
Non-interest expenses/average adjusted assets	3.33	2.95	3.46	3.43	3.89
Core earnings/average adjusted assets	1.29	1.80	1.65	1.40	1.21
Core earnings/ Average ACE (ROE)	9.33	13.08	12.68	11.79	10.47
	2009*	2008	2007	2006	2005
FUNDING AND LIQUIDITY (%)					
Customer deposits/funding base	99.59	99.55	99.49	99.19	99.07
Total loans/customer deposits	70.28	77.11	78.66	71.19	80.65
Total loans/customer deposits + long-term funds	60.19	65.93	67.50	61.74	70.75
Customer loans (net)/assets (adj.)	59.24	64.80	66.55	60.88	69.77

Table 3

Ratio Analysis (cont.)					
Parent Only Analysis					
	2009*	2008	2007	2006	2005
CAPITALIZATION (%)					
Internal capital generation/prior year's equity	9.65	13.97	13.46	12.52	10.92
Adjusted total equity/adjusted assets	13.80	13.88	13.56	12.40	11.29
Adjusted total equity/adjusted assets + securitizations	13.80	13.88	13.56	12.40	11.29
Adjusted total equity plus LLR (specific)/customer loans (gross)	23.37	21.51	20.43	20.43	16.24
	2009*	2008	2007	2006	2005
ASSET QUALITY (%)					
New loan loss provisions/avg. customer loans (net)	0.21	0.22	0.10	0.08	0.05
Net charge-offs/avg. customer loans (net)	0.19	0.17	0.10	0.08	0.05
Loan loss reserves/customer loans (gross)	0.11	0.10	0.07	0.08	0.07
Nonperforming assets (NPA)/customer loans + ORE	0.03	0.04	0.01	0.00	0.05
NPA (excl. delinquencies)/customer loans + ORE	0.02	0.02	0.00	0.00	0.00
Net NPA/customer loans (net) + ORE	(0.07)	(0.07)	(0.05)	(0.08)	(0.01)
NPA (net specifics)/customer loans (net specifics)	(0.07)	(0.07)	(0.05)	(0.08)	(0.01)
Loan loss reserves/NPA (gross)	321.17	275.00	446.55	N.M.	127.59

*Data as of Dec. 31, 2008. Ratios annualized where appropriate. N.M.--Not meaningful.

Ratings Detail (As Of July 19, 2009)*

Rabobank New Zealand Ltd.

Counterparty Credit Rating AAA/Stable/A-1+

Counterparty Credit Ratings History

15-Feb-2008	<i>Foreign Currency</i>	AAA/Stable/A-1+
18-Oct-2001		AA+/Stable/A-1+
18-Oct-2001	<i>Local Currency</i>	AAA/Stable/A-1+

Sovereign Rating

New Zealand	
<i>Foreign Currency</i>	AA+/Stable/A-1+
<i>Local Currency</i>	AAA/Stable/A-1+

Related Entities

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

Issuer 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 (10 Issues)	AA-
Preferred Stock (5 Issues)	AA-
Senior Unsecured (755 Issues)	AAA
Senior Unsecured (1 Issue)	AAA/A-1+
Short-Term Debt (4 Issues)	A-1+

Ratings Detail (As Of July 19, 2009)* (cont.)	
Subordinated (3 Issues)	AA+
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 USA Financial Corp.	
Issuer Credit Rating	--/--/A-1+
Rabohypotheekbank N.V.	
Issuer Credit Rating	AAA/Stable/--

*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.

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