

January 29, 2008

## Rabobank Australia Ltd.

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# Rabobank Australia Ltd.

## Major Rating Factors

### Strengths:

- Unconditional guarantee from its ultimate parent Rabobank Nederland
- Strong market position and franchise
- Sound credit policies and procedures
- Resilient earnings profile
- Good growth in core business

### Counterparty Credit Rating

AAA/Stable/A-1+

### Weaknesses:

- Focused on higher-risk rural sector
- Increasingly competitive market segment
- Relatively illiquid balance sheet and moderating liquidity
- Increased bad debts expenses and nonperforming assets

## Rationale

The counterparty credit ratings on Rabobank Australia Ltd. (Rabobank Australia) reflect those on its ultimate parent Rabobank Nederland (Rabobank; AAA/Stable/A-1+), as a result of an unconditional guarantee provided by the parent that covers all of Rabobank Australia'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 Rabobank terminating the guarantee is remote.

The stand-alone credit profile is supported by Rabobank Australia's strong market position and franchise in the Australian rural lending sector, sound credit policies and methodology, resilient earnings, and good growth in its core businesses. Moderating factors include its higher-risk rural market specialization, which is susceptible to changing weather conditions, national and international commodity prices, and exchange rate fluctuations. The bank may also experience some pressures on its interest margins and credit standards due to increasing competition from other major and regional Australian banks in the target market.

Rabobank Australia focuses on primary producers and agriculture-related businesses, and is ranked as the second-largest lender to rural Australia with about 20.5% of the total rural market share. The core businesses are rural financial services and lending. Corporate financial services provided include banking, structured trade, commodity finance, leveraged finance, and M&A advisory services. The bank typically caters to the top 20% of entities (ranked by revenues) within their business segments. The company operations encompass a food and agribusiness research, financial planning, and life insurance services targeted mainly at its existing rural customer base. Its online saving and investment service for the retail market, RaboPlus, has had some success.

The solid business profile and franchise span across Australia, with the bank maintaining the highest growth rate in rural lending among its competitors for the past decade. In the year ended December 2006, Rabobank Australia had total assets of A\$9.3 billion and core earnings (excluding one-off extraordinary items) of A\$38 million. Standard &

Poor's believes that Rabobank Australia will remain focused on the targeted food and agribusiness rural-market segments, which would support good earnings given the bank's competitive advantage in rural financing.

The asset quality has moderated with the continued exposure to the drought. In fiscal 2006, the ratio of NPAs to customer loans increased to 2.75% from 2.42% in the prior year. Loan losses are historically low, but could be volatile because the business is highly dependent on weather conditions and commodity prices. The bad debts expense increased about 15 times to A\$79 million in fiscal 2006 compared with fiscal 2005's due to the worsening drought. Nevertheless, Standard & Poor's still considers Rabobank Australia's underwriting standards as relatively conservative and well-developed, benefiting from the group's expertise in rural lending. Despite the narrow business profile, its loan portfolio is reasonably diversified by rural industry, geography, and product type.

### Short-term credit factors

The short-term rating on Rabobank Australia is 'A-1+', reflecting the parent guarantee, which minimizes any potential for financial stress in the near term. Rabobank Australia's stand-alone balance sheet is relatively illiquid, with less than 2% of total assets in a readily liquefiable form in fiscal 2006. The liquidity ratio deteriorated marginally to 0.12% of total assets in fiscal 2006 from 0.57% a year earlier. However, the liquidity concerns are moderated by the strong parent support. Rabobank provides a liquidity facility and closely integrates its high-quality liquidity policies and processes with the Australian branch. This provides comfort in the current environment of increased market volatility.

## Outlook

The stable outlook reflects that on the parent and guarantor Rabobank Nederland. The Rabobank Australia rating is likely to remain equated with the rating on the parent, unless there is a significant dilution in the parent's guarantee or equity stake in Rabobank Australia.

The stand-alone credit profile is likely to improve if Rabobank Australia continues to achieve strong asset growth, broaden its distribution network and products/services range, and strengthen its earnings profile without an increase in operational and credit risks. Key challenges for the bank will be competition from larger market participants and prolonged unfavorable weather conditions.

## Profile: Specialist Lender To Rural And Agricultural Businesses

The core business is lending to leading primary food producers and agriculture-related businesses, including rural banking, corporate lending, and business banking. From 2004-2006, net interest income formed 98.14% of the bank's operating revenues, excluding one-off, extraordinary items. Rabobank Australia is the second-largest lender to rural Australia, with about 20.5% of the country's total rural bank debt. Lending products include long-term mortgage-based loans (typically for refinancing and property improvements); and seasonal corporate, commodity, equipment, and trade finance. The lending exposures are predominantly in the dairy, beef, wool/sheep, grain, sugar, cotton, horticulture, and wine-related industries.

Other financial services provided include M&A advisory services, savings and transactional banking, financial planning, risk management, and life insurance. The risk-management services cover agricultural commodity prices, foreign exchange, and interest rate risks. The bank also has a food and agribusiness research division, providing analytical services to the bank and its client.

Established in 1978, Rabobank Australia is headquartered in Sydney with a regional network of 48 branches across Australia. About 430 relationship managers are located in those rural branches, enabling easy access to the bank's target market. Rabobank Australia's operations remain highly integrated with those of the group's related entities in Australia and New Zealand; as such, the business is operated on a consolidated basis.

## Support And Ownership: Parent Ownership And Guarantee Support Credit Quality

Rabobank Australia is wholly owned by Rabobank International Holding B.V., which is also a subsidiary of Rabobank. Rabobank Australia is licensed as an Australian bank under the Banking Act 1959 of the Commonwealth of Australia and operates under the supervision of the Australian Prudential Regulation Authority (APRA). The bank was previously owned by the Bank of Western Australia Ltd. (AA-/Stable/A-1+), and was acquired by Rabobank International in 1994. Rabobank Australia was known as Primary Industry Bank of Australia Ltd. until 2003.

The ultimate parent is a major Netherlands-based clearing bank operating in 37 countries and is owned by 188 member banks in the Netherlands. Rabobank holds a strong market share in the Netherlands in retail deposits, retail, and commercial lending, and also provides insurance and investment services. As a central clearinghouse for the Dutch cooperative banking system, Rabobank is bound by a cross-guarantee scheme that pledges each of its members to support one another's obligation. For this reason, Rabobank and the other members of the cooperative banking system are viewed by Standard & Poor's as a single entity for assessing credit risk.

The parent has guaranteed Rabobank Australia's obligations since Oct. 5, 1994. The guarantee is broadly based, unconditional, unlimited in amount, and covers all unsecured liability obligations. It terminates after 20 years, but is extendible at the option of the guarantor. Rabobank can also revoke the guarantee with a minimum of three months' notice. However, obligations incurred before the termination date will continue to be covered by the guarantee until maturity.

Rabobank Australia's global financial market operations, human resources, and risk management functions are very closely integrated with those of its parent group. Internal auditors and senior executives, including the bank's current chief executive, often come from the group's pool of international resources. Rabobank Australia's local services and products can also leverage off the global group's strengths in overseas markets. Such products include interest rate hedging, foreign exchange facilities, and commodity futures and options. Rabobank Australia is also increasingly coordinating with the group's overseas offices for placement of securitization and structured products out of Australia.

## Strategy: Continued Expansion Through Organic Growth And Acquisitions

Rabobank Australia aims to retain its focus on food and agribusiness lending in Australia, and to become the leading player in this segment by implementing various strategies including:

- Steadily expanding its branch network in rural Australia to deliver a personalized service to clients and to develop an in-depth understanding of local rural areas;
- Reaping economies of scale by targeting the top-quartile players (by revenues) in each of the bank's chosen agribusiness industry sectors, as a small number of farmers produce a large percentage of sector output;

- Increasing cross-selling opportunities. Rabobank Australia has become a full-service specialist bank in the rural sector, while building its advisory and client risk-management business capabilities to complement its existing financing activities. This should help the bank in better retaining its customers as well;
- Maintaining high integration with the Rabobank group and leverage off the group's strong market position and reputation;
- Retaining the group's 'cooperative' character, which builds long-term relationships with its customers based on formal or informal partnerships. To support its customers, Rabobank operates a food and agribusiness research unit in Australia and New Zealand, focused on producing educational material and quality research for clients. Rabobank Australia also leverages off the group's expertise and knowledge base;
- Focusing on new and refined products for farming businesses, such as transactional banking and risk management; and
- Acquiring existing lenders' portfolios or existing businesses, if they meet the bank's parameters.

## Risk Management: Practices Being Developed Based On The Group's Experience And Expertise

The bank has a comprehensive risk management framework that is closely aligned with that of the parent. The strong framework is underpinned by conservative policies and continued strengthening of the processes.

### Credit risk

Rabobank Australia has relatively conservative lending standards and good credit-security-appraisal methodologies. The loan portfolio is also reasonably diversified by rural industry, geography, and product type, which partly offsets the risk of large losses within a single region or industry. Beef-cattle farming accounts for about 25% of the loan book, and represents the greatest industry concentration within the loan book. Rabobank Australia has the largest proportion of its business in Queensland followed closely by New South Wales. Loan exposures by single issuers are acceptable, with exposure per client group being no more than 10% of capital. The bank rigorously monitors its portfolio by industry, geographic location, and large single-client exposures. It also assesses its lending risk using a 25-grade risk-rating system, and its loan portfolio distribution by client number and exposure.

The off-balance-sheet commitments are limited, consisting mainly of derivative financial instrument agreements that Rabobank Australia has entered into in the normal course of business, and which are not used for trading purposes. Derivative financial instruments are used to hedge against the interest rate and foreign exchange risks inherent in Rabobank Australia's balance sheet, or are transacted in response to client demand. All off-balance-sheet activities are covered by the parent guarantee.

The asset quality deteriorated in 2007, mainly due to protracted drought conditions in most of Australia's rural areas. However, it remains reasonably good given the underlying risk profile in rural lending. NPAs to gross customer loans increased marginally to 2.75% in fiscal 2006 from 2.42% in fiscal 2005, and loan loss reserves to gross total customer loans also increased to 0.97% in fiscal 2006 from 0.05% in fiscal 2005. The bank has conducted a stress test detailing the possible losses for different weather conditions. Under the continued drought assumption, the two-year accumulated possible loss consists of only about 22% of fiscal 2006's total equity, which indicates a reasonable buffer for Rabobank to absorb possible future losses while maintaining its business and financial profile.

Additional volatility from commodity prices and weather conditions has been managed through its conservative

lending policy of a maximum 50% loan-to-valuation ratio for all rural lending, leaving adequate cushion for large falls in security value. The net charge-offs to average customer loans has remained very low for 2006-2002, being 0.06% on average. Furthermore, its customers are more likely to be able to withstand industrywide difficulties due to their strong revenue positions in the respective segments. The bank also benefits from a sound understanding of rural and agricultural businesses built through the experience of the Rabobank group worldwide. These factors help Rabobank Australia to moderate risk sensitivities to its concentration in the rural sector.

### Funding, liquidity, and interest rate risks

The liquidity and funding risk-management capabilities are sound. Funding and liquidity are managed within the group and targeted to meet local regulatory requirements. This leverages off the strength of the highly rated group's funding capabilities. The bank has limited exposure to the subprime issues that have increased volatility and affected liquidity in the market.

The Australian and New Zealand operations are closely integrated, with funding managed on a group basis. Rabobank Australia has increased its sourcing of wholesale funds through Rabobank since 2005 (see table 1), indicating closer integration between Rabobank Australia and the group. Compared with the other Australian banks, Rabobank Australia has very limited dependency on the more-traditional retail deposits.

**Table 1**

Funding source	Year ended Dec. 31					
	2006		2005		2004	
	(Mil. A\$)	(% of total)	(Mil. A\$)	(% of total)	(Mil. A\$)	(% of total)
Certificates of deposits	3.0	0.0	182.0	2.7	2,074.0	31.5
At-call retail deposits	236.0	2.8	381.0	5.7	224.0	3.4
Retail term deposits	433.0	5.1	433.0	6.5	573.0	8.7
Debt from group entities	7,854.0	92.1	5,696.0	85.1	3,712.0	56.4
Total borrowings	8,526.0	100.0	6,692.0	100.0	6,583.0	100.0

The stand-alone balance sheet is relatively illiquid, with less than 2% of total assets in a readily liquefiable form in 2002-2006. However, there is a line-of-credit facility provided by the parent that underpins Rabobank Australia's funding and liquidity capability. Furthermore, the liquidity concerns are moderated by the high-quality liquidity policies and processes due to close operational integration with Rabobank Australia's local branch.

Interest rate and exchange rate risks are managed through various derivatives, such as forward exchange, futures, forward-rate agreements, and swaps. These products are used mostly for hedging, and managing the bank's nontrading balance-sheet risks as a part of the asset and liability management process. Exposure limits are set on a geographic basis, and managed by the bank. Risk management is supported by comprehensive guidelines and parameters issued by the parent bank.

### Accounting: A-IFRS Adoption Has No Significant Impact On Credit Quality

Rabobank Australia has adopted the Australian equivalent of International Financial Reporting Standards (A-IFRS) for its financial statements since fiscal 2005. None of the reporting changes have affected Rabobank Australia's credit fundamentals. However, Standard & Poor's will continue to monitor the application of new accounting

standards to assess any changes in the bank's regulatory capital requirements or behavior.

## Profitability: Deteriorated Marginally Due To Unfavorable Weather Conditions

The earnings profile is relatively good and considered to be of low volatility given the higher-risk target market that Rabobank Australia operates in. However, the earnings profile has deteriorated marginally due to the drought, with return on assets after tax (ROA) decreasing to 0.46% in fiscal 2006 compared with 1.01% in fiscal 2004. However, Standard & Poor's believes that Rabobank will maintain a good earnings profile given its market position, parent support, and ability to leverage off group expertise.

Rabobank Australia has retained good interest margins. In fiscal 2006, the interest margin (net interest income over average earnings assets) increased slightly to 2.49% from 2.45% in fiscal 2005, reflecting the bank's ability to borrow cheaply and sustain its interest income in a very competitive environment. However, the earnings remain heavily reliant on interest income, with less than 1% of Rabobank Australia's total revenue derived from non-interest sources in fiscal 2006. Since the level of non-interest income has been similarly low for 2002-2006, Rabobank Australia's financial performance depends greatly on its ability to maintain good interest margins. The bank's average cost of funds increased marginally to 5.75% in fiscal 2006 from 5.71% in fiscal 2005, as represented by the ratio of interest expense to average interest-bearing liabilities.

Loan portfolio assets continued to grow strongly, with total customer loans growing by 28.5% to A\$9.1 million in fiscal 2006 from A\$7.1 million in fiscal 2005, a growth trend that has been consistent for 2002-2006. The bank has achieved this growth despite strong competition, reflecting its brand strength and increasing maturity in the Australian market.

Prospectively, some pressure on Rabobank Australia's interest margins and credit standards could emerge with increasing competition from the larger banks for rural lending. The combined effect of a cautious expansion of its loan portfolio and a slightly broadened distribution network is expected to support near-term earnings growth.

Apart from potentially affecting income, changing weather conditions and commodity prices can hamper the bank's ability to foreclose on rural real estate, as collateral values typically weaken during periods of stress in the rural sector. Nevertheless, to offset cyclical factors affecting the loan portfolio, Rabobank Australia has diversified its exposure across a broad range of primary producers and geographic locations, which has resulted in a relatively stable level of earnings, excluding one-off sales/purchases.

## Sound Capital Base

The capital adequacy is considered sound domestically and internationally, with the ratio of adjusted total equity to adjusted assets at 7.5% on Dec. 31, 2006, reducing from 8.8% in fiscal 2005. The ratio has been consistently within the range of 7% to 9% from 2002-2006. The slight decrease in the ratio largely reflects the growth in customer loans in fiscal 2006 compared to a one-off asset sale of Rabobank Australia's A\$1.6 billion loan book in fiscal 2005. Capital requirements are unlikely to constrain asset growth, as the parent is not expected to seek dividend payouts in the medium term.

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recipient should assess the appropriateness of such information to it before making an investment decision based on this information.

Table 2

Rabobank Australia Ltd. Balance Sheet Statistics											
(Mil. A\$.)	--Year ended Dec. 31--					Breakdown as a % of assets (adj.)					
	2006*	2005	2004	2003	2002	-	2006*	2005	2004	2003	2002
<b>Assets</b>											
Cash and money market instruments	11.59	41.58	91.06	21.51	26.51		0.12	0.57	1.26	0.37	0.57
Securities	0.07	49.75	54.23	99.82	124.15		0.00	0.68	0.75	1.73	2.65
Nontrading securities	0.07	49.75	54.23	99.82	124.15		0.00	0.68	0.75	1.73	2.65
Customer loans (gross)	9142.88	7117.37	6995.60	5609.00	4508.39		98.46	96.74	97.02	97.25	96.22
Residential real estate loans	N.A.	N.A.	N.A.	241.20	260.61		N.A.	N.A.	N.A.	4.18	5.56
All other loans	9142.88	7117.37	6995.60	5367.80	4247.78		98.46	96.74	97.02	93.07	90.66
Loan loss reserves	88.29	3.39	14.00	14.34	16.46		0.95	0.05	0.19	0.25	0.35
Customer loans (net)	9054.59	7113.98	6981.60	5594.67	4491.93		97.51	96.70	96.82	97.00	95.87
Earning assets	9142.95	7167.12	7049.83	5708.82	4632.54		98.47	97.42	97.77	98.98	98.87
Derivatives credit amount	13.79	11.59	21.04	N.A.	N.A.		0.15	0.16	0.29	N.A.	N.A.
Accrued receivables	166.03	133.18	58.29	47.34	37.01		1.79	1.81	0.81	0.82	0.79
All other assets	28.84	6.93	4.44	4.19	5.81		0.31	0.09	0.06	0.07	0.12
Total reported assets	9285.45	7357.00	7210.65	5767.53	4685.41		100.00	100.00	100.00	100.00	100.00
Adjusted assets	9285.45	7357.00	7210.65	5767.53	4685.41		100.00	100.00	100.00	100.00	100.00
<b>Breakdown as a % of liabilities + equity</b>											
	2006*	2005	2004	2003	2002		2006*	2005	2004	2003	2002
<b>Liabilities</b>											
Total deposits	679.06	930.77	2894.41	4486.49	3901.45		7.31	12.65	40.14	77.79	83.27
Noncore deposits	10.57	206.94	2097.58	3804.53	3153.12		0.11	2.81	29.09	65.96	67.30
Core/customer deposits	668.49	723.83	796.82	681.96	748.32		7.20	9.84	11.05	11.82	15.97
Other borrowings	7854.11	5696.50	3722.00	785.08	317.63		84.59	77.43	51.62	13.61	6.78
Other liabilities	68.03	84.46	47.18	13.61	25.90		0.73	1.15	0.65	0.24	0.55
Total liabilities	8601.20	6711.72	6663.59	5285.18	4244.98		92.63	91.23	92.41	91.64	90.60
Total shareholders' equity	684.24	645.28	547.06	482.35	440.43		7.37	8.77	7.59	8.36	9.40
Common shareholders' equity (reported)	684.24	645.28	547.06	482.35	440.43		7.37	8.77	7.59	8.36	9.40
Share capital and surplus	125.73	125.73	125.73	125.73	125.73		1.35	1.71	1.74	2.18	2.68
Revaluation reserve	0.05	(0.01)	N.A.	N.A.	N.A.		0.00	0.00	N.A.	N.A.	N.A.
General banking risk reserves	13.67	13.67	N.A.	N.A.	N.A.		0.15	0.19	N.A.	N.A.	N.A.
Retained profits	544.80	505.90	421.34	356.62	314.71		5.87	6.88	5.84	6.18	6.72
Total liabilities and equity	9285.44	7357.00	7210.65	5767.54	4685.41		100.00	100.00	100.00	100.00	100.00
<b>Equity Reconciliation Table</b>											
Common shareholders' equity (reported)	684.24	645.28	547.06	482.35	440.43						
- Revaluation reserves	(0.05)	0.01	0.00	0.00	0.00						
Adjusted common equity	684.20	645.29	547.06	482.35	440.43						
+ General Reserves	10.54	0.00	13.67	13.67	13.67						

Table 2

Rabobank Australia Ltd. Balance Sheet Statistics (cont.)					
Adjusted total equity	694.74	645.29	560.74	496.03	454.11

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

Table 3

Rabobank Australia Ltd. Profit and Loss Statement Statistics										
(Mil. A\$.)	--Year ended Dec. 31--					Adj. avg. assets (%)				
	2006*	2005	2004	2003	2002	- 2006*	2005	2004	2003	2002
<b>Profitability</b>										
Interest income	659.96	609.84	510.30	356.10	315.54	7.93	8.37	7.86	6.81	6.70
Interest expense	448.79	417.20	345.44	224.81	205.00	5.39	5.73	5.32	4.30	4.35
Net interest income	211.17	192.64	164.86	131.29	110.55	2.54	2.64	2.54	2.51	2.35
Operating noninterest income	1.41	(0.19)	9.55	3.36	20.48	0.02	0.00	0.15	0.06	0.43
Fees and commissions	0.62	0.35	3.53	3.22	3.30	0.01	0.00	0.05	0.06	0.07
Trading gains	0.77	(0.55)	6.02	(0.05)	7.88	0.01	(0.01)	0.09	0.00	0.17
Other noninterest income	0.02	0.00	0.00	0.18	9.30	0.00	0.00	0.00	0.00	0.20
Operating revenues	212.57	192.45	174.41	134.65	131.03	2.55	2.64	2.69	2.58	2.78
Noninterest expenses	78.51	89.77	76.38	74.51	74.39	0.94	1.23	1.18	1.43	1.58
Other general and administrative expense	78.51	89.77	76.38	74.51	69.12	0.94	1.23	1.18	1.43	1.47
Depreciation	0.00	0.00	0.00	0.00	5.27	0.00	0.00	0.00	0.00	0.11
Net operating income before loss provisions	134.06	102.68	98.03	60.14	56.63	1.61	1.41	1.51	1.15	1.20
Credit loss provisions (net new)	79.33	5.05	3.55	0.35	4.17	0.95	0.07	0.05	0.01	0.09
Net operating income after loss provisions	54.73	97.62	94.48	59.79	52.47	0.66	1.34	1.46	1.14	1.11
Nonrecurring/special income	1.00	66.26	0.00	0.00	5.76	0.01	0.91	0.00	0.00	0.12
Pretax profit	55.73	163.88	94.48	59.79	58.22	0.67	2.25	1.46	1.14	1.24
Tax expense/credit	16.82	76.62	28.83	17.87	15.79	0.20	1.05	0.44	0.34	0.34
Net income before minority interest	38.91	87.26	65.65	41.92	42.43	0.47	1.20	1.01	0.80	0.90
Net income before extraordinaries	38.91	87.26	65.64	41.92	42.43	0.47	1.20	1.01	0.80	0.90
Net income after extraordinaries	38.91	87.26	65.64	41.92	42.43	0.47	1.20	1.01	0.80	0.90
<b>Core Earnings Reconciliation</b>										
Net Income (before Minority Interest)	38.91	87.26	65.65	41.92	42.43					
- Nonrecurring/Special Income	(1.00)	(66.26)	0.00	0.00	(5.76)					
+/- Tax Impact of Adjustments	0.30	30.98	0.00	0.00	1.56					
Core earnings	38.21	51.98	65.65	41.92	38.24	0.46	0.71	1.01	0.80	0.81
	<b>2006*</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>					
<b>Asset Quality</b>										
Nonperforming assets	251.12	172.53	160.93	30.94	21.46					
Nonaccrual loans	179.65	123.84	113.04	18.07	14.08					
Restructured loans	0.00	0.00	3.00	0.00	0.00					
Repossessed/other real estate owned	0.00	1.36	1.10	1.22	5.20					
Loans in arrears but accruing	71.47	47.32	43.80	11.66	2.18					
Net charge-offs	(0.02)	3.99	3.88	2.48	1.73					

Table 3

Rabobank Australia Ltd. Profit and Loss Statement Statistics (cont.)					
<b>Average balance sheet</b>					
Average customer loans	8084.29	7047.79	6288.13	5043.30	4486.74
Average earning assets	8489.32	7868.98	6518.73	5229.21	4792.42
Average assets	8321.23	7283.83	6489.09	5226.47	4710.06
Average total deposits	804.91	1912.59	3690.45	4193.97	3058.97
Average interest-bearing liabilities	7798.50	7312.80	6098.54	4797.04	4344.44
Average common equity	664.76	596.17	514.71	461.39	419.21
Average adjusted assets	8321.23	7283.83	6489.09	5226.47	4710.06
<b>Other data</b>					
Commitments and contingencies	1197.24	1044.27	1005.50	857.91	1068.04
Off-balance-sheet credit equivalents	126.17	119.12	346.38	81.45	394.83

\*Data as of fiscal year end.

Table 4

	--Year ended Dec. 31--				
	2006*	2005	2004	2003	2002
<b>ANNUAL GROWTH (%)</b>					
Customer loans (gross)	28.46	1.74	24.72	24.41	0.19
Loss reserves	2504.42	(75.79)	(2.32)	(12.90)	(10.95)
Adjusted assets	26.21	2.03	25.02	23.10	(1.04)
Customer deposits	(7.65)	(9.16)	16.84	(8.87)	14.13
Total equity	6.04	17.95	13.42	9.52	10.66
Operating revenues	10.46	10.34	29.53	2.77	(10.15)
Noninterest expense	(12.54)	17.53	2.51	0.16	(1.51)
Net operating income before provisions	30.56	4.74	63.00	6.19	(19.43)
Loan loss provisions	1470.06	42.42	907.95	(91.55)	249.29
Net operating income after provisions	(43.94)	3.33	58.03	13.95	(24.07)
Pretax profit	(66.00)	73.46	58.03	2.68	(15.74)
Net income	(55.41)	32.92	56.61	(1.22)	(23.39)
	<b>2006*</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
<b>PROFITABILITY (%)</b>					
Interest Margin Analysis					
Net interest income (taxable equiv.)/avg. earning assets	2.49	2.45	2.53	2.51	2.31
Net interest spread	2.02	2.04	2.16	2.12	1.87
Interest income (taxable equiv.)/avg. earning assets	7.77	7.75	7.83	6.81	6.58
Interest income on loans/avg. total loans	8.09	8.58	8.07	6.89	6.72
Interest expense/avg. interest-bearing liabilities	5.75	5.71	5.66	4.69	4.72
Interest expense on deposits/avg. deposits	5.45	3.74	1.18	0.81	1.13
<b>Revenue Analysis</b>					
Net interest income/revenues	99.34	100.10	94.53	97.50	84.37

Table 4

<b>Rabobank Australia Ltd. Ratio Analysis (cont.)</b>					
	2006*	2005	2004	2003	2002
Fee income/revenues	0.29	0.18	2.02	2.39	2.52
Market-sensitive income/revenues	0.36	(0.28)	3.45	(0.03)	6.01
Noninterest income/revenues	0.66	(0.10)	5.47	2.50	15.63
Noninterest expense/revenues	36.93	46.65	43.79	55.34	56.78
Noninterest expense/revenues less investment gains	36.93	46.65	43.79	55.34	56.78
Net operating income before provision/revenues	63.07	53.35	56.21	44.66	43.22
Net operating income after provisions/revenues	25.74	50.73	54.17	44.40	40.04
New loan loss provisions/revenues	37.32	2.63	2.03	0.26	3.18
Net nonrecurring/abnormal income/revenues	0.47	34.43	0.00	0.00	4.39
Pretax profit/revenues	26.21	85.16	54.17	44.40	44.44
Tax/pretax profit	30.18	46.75	30.52	29.89	27.12
Core Earnings/Revenues	17.97	27.01	37.64	31.13	29.18
	<b>2006*</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
<b>Other Returns</b>					
Pretax profit/avg. risk assets (%)	0.80	2.46	1.51	1.23	1.39
Revenues/avg. risk assets (%)	3.05	2.88	2.79	2.78	3.13
Net operating income before LLP/LLP	168.98	2032.00	2762.88	17084.66	1359.08
Net operating income before loss provisions/avg. risk assets (%)	1.92	1.54	1.57	1.24	1.35
Net operating income after loss provisions/avg. risk assets (%)	0.78	1.46	1.51	1.23	1.25
Net income before minority interest/avg. adjusted assets	0.47	1.20	1.01	0.80	0.90
Non-interest expenses/average adjusted assets	0.94	1.23	1.18	1.43	1.58
Cash earnings/avg. tang. common equity (ROE) (%)	5.85	14.64	12.75	9.09	11.38
Core earnings/average risk-weighted assets	0.55	0.78	1.05	0.86	0.91
Core earnings/average adjusted assets	0.46	0.71	1.01	0.80	0.81
Core earnings/ Average ACE (ROE)	5.75	8.72	12.75	9.09	9.12
	<b>2006*</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
<b>FUNDING AND LIQUIDITY (%)</b>					
Customer deposits/funding base	7.83	10.92	12.04	12.94	17.74
Total loans/customer deposits	1367.70	983.29	877.94	822.48	602.47
Total loans/customer deposits + long-term funds	638.14	491.15	487.88	447.18	352.56
Customer loans (net)/assets (adj.)	97.51	96.70	96.82	97.00	95.87
<b>Parent Only Analysis</b>					
Total equity double leverage	0.33	0.36	0.42	0.48	0.52
Common equity double leverage	0.33	0.36	0.42	0.48	0.52
	<b>2006*</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
<b>CAPITALIZATION (%)</b>					
Adjusted common equity/risk assets	9.13	9.99	7.94	8.62	10.75
Internal capital generation/prior year's equity	6.03	15.95	13.61	9.52	10.66
Tier 1 capital ratio	8.61	9.77	7.96	8.62	10.73
Regulatory total capital ratio	9.86	11.22	9.35	10.36	13.16
Adjusted total equity/adjusted assets	7.48	8.77	7.78	8.60	9.69

Table 4

Rabobank Australia Ltd. Ratio Analysis (cont.)					
	2006*	2005	2004	2003	2002
Adjusted total equity/adjusted assets + securitizations	7.48	8.77	7.78	8.60	9.69
Adjusted total equity/risk assets	9.27	9.99	8.14	8.86	11.08
Adjusted total equity plus LLR (specific)/customer loans (gross)	8.45	9.11	8.02	8.86	10.13
	<b>2006*</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
<b>ASSET QUALITY (%)</b>					
New loan loss provisions/avg. customer loans (net)	0.98	0.07	0.06	0.01	0.09
Net charge-offs/avg. customer loans (net)	(0.00)	0.06	0.06	0.05	0.04
Loan loss reserves/customer loans (gross)	0.97	0.05	0.20	0.26	0.37
Gen. loan loss reserves/customer loans (net of specifics)	0.12	0.00	0.20	0.24	0.30
Credit-loss reserves/risk assets	1.18	0.05	0.20	0.26	0.40
Nonperforming assets (NPA)/customer loans + ORE	2.75	2.42	2.30	0.55	0.48
NPA (excl. delinquencies)/customer loans + ORE	1.96	1.76	1.67	0.34	0.43
Net NPA/customer loans (net) + ORE	1.80	2.38	2.10	0.30	0.11
NPA (net specifics)/customer loans (net specifics)	1.91	2.38	2.30	0.54	0.41
Loan loss reserves/NPA (gross)	35.16	1.96	8.70	46.34	76.69

\*Data as of fiscal year end.

**Ratings Detail** (As Of January 29, 2008)\***Rabobank Australia Ltd.**

Counterparty Credit Rating	AAA/Stable/A-1+
Certificate Of Deposit	
<i>Foreign Currency</i>	AAA/NR
<i>Local Currency</i>	AAA/A-1+
Senior Unsecured	
<i>Foreign Currency</i>	AAA

**Counterparty Credit Ratings History**

16-Feb-2003	<i>Foreign Currency</i>	AAA/Stable/A-1+
18-May-1999		AA+/Stable/A-1+
21-Aug-1996		AA/Positive/A-1+
25-Aug-1998	<i>Local Currency</i>	AAA/Stable/A-1+
03-Dec-1996		AA+/Stable/A-1+
04-Nov-1996		AAA/Stable/A-1+

**Sovereign Rating**

Australia (Commonwealth of)	AAA/Stable/A-1+
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**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+
Junior Subordinated	AA

**Ratings Detail** (As Of January 29, 2008)\***(cont.)**

Preferred Stock	
<i>Local Currency</i>	AA
Senior Unsecured	AAA
Short-Term Debt	A-1+
Subordinated	AA+
<b>Rabobank New Zealand Ltd.</b>	
Issuer Credit Rating	
<i>Foreign Currency</i>	AA+/Stable/A-1+
<i>Local Currency</i>	AAA/Stable/A-1+
<b>Rabobank USA Financial Corp.</b>	
Issuer Credit Rating	--/--/A-1+
<b>Rabohypotheekbank N.V.</b>	
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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